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September 19, 2012

**Delivered by RESS and Courier**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
26th Floor, Box 2319  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: E.L.K. Energy Inc. – 2012 Cost of Service Distribution Rate Application  
Board File No. EB-2011-0099**

We are counsel to E.L.K. Energy Inc. ("E.L.K."), the Applicant in the above-captioned electricity distribution rate proceeding.

On July 18, 2011, the Board issued a Notice of Proceeding and Order respecting Interim Rates, in which it advised that it had commenced a proceeding on its own motion to make an order fixing just and reasonable rates for E.L.K., and that it was declaring E.L.K.'s rates as interim, effective July 18, 2011, pending the hearing of the application to be filed by E.L.K. On May 29, 2012, the Board issued Procedural Order No.2 in this matter, in which it determined that E.L.K.'s existing rates declared interim effective July 18, 2011 would remain in place pending the hearing of the Cost of Service application for 2012 rates, and directed E.L.K. to file its Cost of Service application for 2012 rates with the Board by September 14, 2012.

By our letter of September 12, 2012, E.L.K. advised the Board that while it is working diligently to complete the preparation of its Application, it would not be in a position to file it by September 14<sup>th</sup>, but that it anticipated filing the Application in the later part of this week, and in any event no later than September 28, 2012.

Please find accompanying this letter two copies of E.L.K.'s Application for its Electricity Distribution Rates and Charges effective October 1, 2012. Electronic versions of the Application and associated live Excel models are being uploaded to the Board through the RESS portal.



We ask that copies of all correspondence and orders pertaining to this proceeding be delivered to the following:

Mark Danelon, CA  
Manager of Finance & Regulatory Affairs  
E.L.K. Energy Inc.  
172 Forest Ave  
Essex, ON N8M 3E4  
Tel.: (519) 776-5291 ext 204  
Fax: (519) 776-5640  
Email: mdanelon@elkenenergy.com

and to:

James C. Sidlofsky  
Partner  
Borden Ladner Gervais LLP  
Scotia Plaza, 40 King Street West  
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Tel: 416-367-6277  
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E-mail: jsidlofsky@blg.com

Should you have any questions or require further information in respect of this matter, please do not hesitate to contact me.

Yours very truly,

**BORDEN LADNER GERVAIS LLP**

Per:

*Original signed by James C. Sidlofsky*

James C. Sidlofsky

TOR01: 5010912: v1



**E.L.K. ENERGY INC.**

**APPLICATION FOR APPROVAL OF ELECTRICITY DISTRIBUTION RATES  
EFFECTIVE OCTOBER 1, 2012**

**INDEX**

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Exhibit	Tab	Schedule	Appendix	Contents
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ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, being  
Schedule B to the *Energy Competition Act, 1998*, S.O. 1998, c.15,  
as amended

AND IN THE MATTER OF an Application by E.L.K. Energy Inc. to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity commencing October 1, 2012.

## APPLICATION

## Introduction

The Applicant is E.L.K. Energy Inc. (referred to in this Application as the “Applicant” or “E.L.K.”). The Applicant is a corporation incorporated pursuant to the Ontario Business Corporations Act with its head office in the Town of Essex.

The Applicant hereby applies to the Ontario Energy Board (the “OEB”) pursuant to section 78 of the Ontario Energy Board Act, 1998 as amended (the “OEB Act”) for approval of its proposed distribution rates and other charges, effective October 1, 2012.

In the preparation of the Application, the Applicant followed Chapter 2 of the Filing Requirements for Transmission and Distribution Applications dated June 22, 2011 (the “Filing Requirements”).

### **Proposed Distribution Rates and Other Charges**

The detailed Tariff of Rates and Charges proposed in this Application is identified in Exhibit 8 Tab 1, Schedule 6. A summary of the proposed Tariff of Rates and Charges is provided in Appendix 1-A of this Tab. The material being filed in support of this Application sets out E.L.K.'s approach to its 2012 distribution rates and charges.



**Proposed Effective Date of Rate Order**

The Applicant requests that the OEB make its Rate Order effective October 1, 2012.

**The Proposed Distribution Rates and Other Charges are Just and Reasonable**

The Applicant submits the proposed distribution rates contained in this Application are just and reasonable, on the following grounds:

- The proposed rates for the distribution of electricity have been prepared in accordance with the Filing Requirements and reflect traditional rate making and cost of service principles;
- The proposed and adjusted rates are necessary to ensure E.L.K. Energy has sufficient funds to meet its capital expenditure obligations, fund OM&A expenses, provide for a reasonable Market Based Rate of Return ("MBRR") and Payments in Lieu of Taxes ("PILS");
- The other specific service charges proposed by the Applicant are the same as those previously approved by the OEB; and
- Such other grounds as may be set out in the material accompanying this Application Summary.

**Relief Sought**

The Applicant applies for an Order or Orders approving the proposed distribution rates and other charges set out in this Application as just and reasonable rates and charges pursuant to section 78 of the OEB Act, to be effective October 1, 2012, or as soon as possible thereafter. E.L.K.'s current rates were declared interim by the Board's Notice of Proceeding and Order respecting Interim Rates dated July 18, 2011.

The Applicant seeks approval of its Basic Green Energy Plan as part of this Application in accordance with the Deemed Conditions of Licence as reported by the OEB in its Distribution System Planning Guidelines G-2009-0087, issued June 16, 2009. The Applicant's Basic Green



1 Energy Plan has been prepared in accordance with the OEB's Filing Requirements as reported  
2 in EB-2009-0397 – Distribution System Plans under the Green Energy Act issued on December  
3 18, 2009.

4 **Form of Hearing Requested**

5 The Applicant requests that this Application be disposed of by way of a written hearing.

6 DATED at Essex, Ontario, this 19<sup>th</sup> day of September, 2012.

7  
8  
9 E.L.K. Energy Inc.  
10 172 Forest Ave  
11 Essex ON, N8M 3E4  
12



**APPENDIX 1-A**  
**SCHEDULE OF PROPOSED RATES AND CHARGES**



## **Residential Service Classification**

### **MONTHLY RATES AND CHARGES – Delivery Component**

Service Charge	\$	13.61
Smart Meter Cost Recovery Rider – effective until September 30, 2013	\$	(0.94)
Stranded Meter Rate Rider - effective until September 30, 2013	\$	2.22
Distribution Volumetric Rate	\$/kWh	0.0097
Low Voltage Service Rate	\$/kWh	0.0014
Rate Rider for Global Adjustment Sub-Account Disposition		
Applicable only for Non-RPP Customers – effective until September 30, 2013	\$/kWh	0.0269
Rate Rider for Deferral/Variance Account Disposition – effective until September 30, 2013	\$/kWh	(0.0148)
Rate Rider for LRAM Recovery – effective until September 30, 2013	\$/kWh	0.0007
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0058
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0046

### **MONTHLY RATES AND CHARGES – Regulatory Component**

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

## **General Service Less Than 50 kW Service Classification**

### **MONTHLY RATES AND CHARGES – Delivery Component**

Service Charge	\$	23.08
Smart Meter Cost Recovery Rider – effective until September 30, 2013	\$	0.95
Stranded Meter Rate Rider - effective until September 30, 2013	\$	2.22
Distribution Volumetric Rate	\$/kWh	0.0035
Low Voltage Service Rate	\$/kWh	0.0013
Rate Rider for Global Adjustment Sub-Account Disposition		
Applicable only for Non-RPP Customers – effective until September 30, 2013	\$/kWh	0.0269
Rate Rider for Deferral/Variance Account Disposition – effective until September 30, 2013	\$/kWh	(0.0164)
Rate Rider for LRAM Recovery – effective until September 30, 2013	\$/kWh	0.0002
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0052
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0042

### **MONTHLY RATES AND CHARGES – Regulatory Component**

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25



## **General Service 50 to 4,999 kW Service Classification**

### **MONTHLY RATES AND CHARGES – Delivery Component**

Service Charge	\$	315.94
Distribution Volumetric Rate	\$/kW	1.5759
Low Voltage Service Rate	\$/kW	0.4988
Rate Rider for Global Adjustment Sub-Account Disposition		
Applicable only for Non-RPP Customers – effective until September 30, 2013	\$/kW	9.8148
Rate Rider for Deferral/Variance Account Disposition – effective until September 30, 2013	\$/kW	(6.0623)
Rate Rider for LRAM Recovery – effective until September 30, 2013	\$/kW	0.0833
Retail Transmission Rate – Network Service Rate	\$/kW	2.1567
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.6581

### **MONTHLY RATES AND CHARGES – Regulatory Component**

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

## **Street Lighting Service Classification**

### **MONTHLY RATES AND CHARGES – Delivery Component**

Service Charge (per connection)	\$	1.51
Distribution Volumetric Rate	\$/kW	14.6984
Low Voltage Service Rate	\$/kW	0.3858
Rate Rider for Global Adjustment Sub-Account Disposition		
Applicable only for Non-RPP Customers – effective until September 30, 2013	\$/kW	9.6377
Rate Rider for Deferral/Variance Account Disposition – effective until September 30, 2013	\$/kW	(6.1389)
Retail Transmission Rate – Network Service Rate	\$/kW	1.6266
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.2827

### **MONTHLY RATES AND CHARGES – Regulatory Component**

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

## **Sentinel Light Service Classification**

### **MONTHLY RATES AND CHARGES – Delivery Component**

Service Charge	\$	3.94
Distribution Volumetric Rate	\$/kW	7.3885
Low Voltage Service Rate	\$/kW	0.3939
Rate Rider for Global Adjustment Sub-Account Disposition		
Applicable only for Non-RPP Customers – effective until September 30, 2013	\$/kW	9.6377
Rate Rider for Deferral/Variance Account Disposition – effective until September 30, 2013	\$/kW	(3.9368)
Retail Transmission Rate – Network Service Rate	\$/kW	1.6349
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3096



**MONTHLY RATES AND CHARGES – Regulatory Component**

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**Unmetered Scattered Load Service Classification**

**MONTHLY RATES AND CHARGES – Delivery Component**

Service Charge	\$	7.26
Distribution Volumetric Rate	\$/kWh	0.0022
Low Voltage Service Rate	\$/kWh	0.0013
Rate Rider for Global Adjustment Sub-Account Disposition		
Applicable only for Non-RPP Customers – effective until September 30, 2013	\$/kWh	0.0269
Rate Rider for Deferral/Variance Account Disposition – effective until September 30, 2013	\$/kWh	(0.0146)
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0052
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0042

**MONTHLY RATES AND CHARGES – Regulatory Component**

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**Embedded Distributor**

**MONTHLY RATES AND CHARGES – Delivery Component**

Service Charge	\$	2,583.22
Distribution Volumetric Rate	\$/kW	0.3842
Low Voltage Service Rate	\$/kW	0.4988
Rate Rider for Global Adjustment Sub-Account Disposition		
Applicable only for Non-RPP Customers – effective until September 30, 2013	\$/kW	12.0229
Rate Rider for Deferral/Variance Account Disposition – effective until September 30, 2013	\$/kW	(7.6567)

**MONTHLY RATES AND CHARGES – Regulatory Component**

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25

**microFIT Generator Service Classification**

**MONTHLY RATES AND CHARGES – Delivery Component**

Service Charge	\$	5.25
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## ALLOWANCES

Transformer Allowance for Ownership – per kW of billing demand/month		(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)

## Specific Service Charges

Customer Administration		
Arrears certificate		\$ 15.00
Statement of account		\$ 15.00
Pulling post dated cheques		\$ 15.00
Duplicate invoices for previous billing		\$ 15.00
Request for other billing information		\$ 15.00
Easement letter		\$ 15.00
Income tax letter		\$ 15.00
Notification charge		\$ 15.00
Account history		\$ 15.00
Credit reference/credit check (plus credit agency costs)		\$ 15.00
Returned Cheque charge (plus bank charges)		\$ 15.00
Charge to certify cheque		\$ 15.00
Legal letter charge		\$ 15.00
Account set up charge / change of occupancy charge (plus credit agency costs if applicable)		\$ 30.00
Special Meter reads		\$ 30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)		\$ 30.00
Non-Payment of Account		
Late Payment - per month	% 1.50	
Late Payment - per annum	% 19.56	
Collection of account charge - no disconnection		\$ 30.00
Collection of account charge - no disconnection – after regular hours		\$ 165.00
Disconnect/Reconnect at Meter - during regular hours		\$ 65.00
Disconnect/Reconnect at Meter - after regular hours		\$ 185.00
Disconnect/Reconnect at Pole – during regular hours		\$ 185.00
Disconnect/Reconnect at Pole – after regular hours		\$ 415.00
Install/Remove load control device – during regular hours		\$ 65.00
Install/remove load control device – after regular hours		\$ 185.00
Service call – customer owned equipment		\$ 30.00
Service call – after regular hours		\$ 165.00
Temporary Service – Install & remove – overhead- no transformer		\$ 500.00
Temporary Service – Install & remove – underground- no transformer		\$ 300.00
Temporary Service – Install & remove – overhead- with transformer		\$ 1000.00
Specific Charge for Access to the Power Poles – per pole/year		\$ 22.35

## Retail Service Charges

Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	\$	100.00
Monthly Fixed Charge, per retailer	\$	20.00
Monthly Variable Charge, per customer, per retailer	\$/cust.	0.50
Distributor-consolidated billing charge, per customer, per retailer	\$/cust.	0.30
Retailer-consolidated billing credit, per customer, per retailer	\$/cust.	(0.30)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	\$	0.25



Processing fee, per request, applied to the requesting party	\$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year		no charge
More than twice a year, per request (plus incremental delivery costs)	\$	2.00

## LOSS FACTORS

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0800
Total Loss Factor – Secondary Metered Customer > 5,000 kW	N/A
Total Loss Factor – Primary Metered Customers <5,000 kW	1.0690
Total Loss Factor – Primary Metered Customers <5,000 kW	N/A



**CONTACT INFORMATION:**

E.L.K. Energy Inc.  
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**APPLICANT'S COUNSEL:**

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Fax: (416) 361-2751  
Email: jsidlofsky@blg.com

**PUBLICATION OF NOTICES**

E.L.K. intends to publish all required notices in The Windsor Star, an English language daily newspaper having the highest paid circulation in our service area. with approximately 7,000 distributed within E.L.K.'s service area



**SPECIFIC APPROVALS REQUESTED:**

In this proceeding, E.L.K. is requesting the following approvals:

- Approval to charge rates effective October 1, 2012 to recover a revenue requirement of \$4,539,680 which includes a revenue deficiency of \$703,483 as set out in Exhibit 6, Tab 1, Schedule 1, Tab 1; the schedule of proposed rates is set out in Exhibit 8 Tab 1 Schedule 6;
- Approval of the proposed loss factor as set out in Exhibit 8, Tab 1, Schedule 3;
- Approval of revised low voltage rates as proposed and described in Exhibit 8, Tab 1, Schedule 1;
- Approval to charge a Retail Transmission Network Service rate and a Retail Transmission Connection Rate as proposed and described in Exhibit 8, Tab 1, Schedule 2;
- Approval to continue to charge Wholesale Market and Rural Rate Protection Charges approved in the OEB Decision and Order in the matter of E.L.K.'s 2011 Distribution Rates (EB-2010-0126) and the Board's Order with respect to EB-2011-0405 addressing the reduction of the Rural Rate Protection Charges. Approval to continue the Specific Service Charges and Transformer Allowance approved in the OEB Decision and Order in the matter of E.L.K.'s 2011 Distribution Rates (EB-2010-0126);
- Approval for a Smart Meter Disposition Rate Rider (per metered customer per month) of (\$0.94) for one year (October 1, 2012 to September 30, 2013) for Residential customers and a Smart Meter Disposition Rate Rider (per metered customer per month) of \$0.95 for one year (October 1, 2012 to September 30, 2013) for General Service <50kW customers.
- Approval to include smart meter capital deployed from 2009 to 2011 in the 2012 rate base that supports the 2012 revenue requirement and distribution rates which is the subject of this rate application.



- 1 ➤ Approval to include smart meter operation and maintenance expenses in the 2012  
2 revenue requirement associated with smart meters deployed.
- 3 ➤ Approval to charge \$2.22 per month per Residential and GS < 50 kW customers to  
4 recover \$ 299,445 for stranded meters as at December 31, 2011 over a one year  
5 period beginning October 1, 2013.
- 6 ➤ Approval to recover amounts related to LRAM/SSM amounts related to OPA Provincial  
7 Programs activities in 2006 through 2010 over a one year period, using the method of  
8 recovery described in Exhibit 8, Tab 1, Schedule 4;
- 9 ➤ Approval to establish a new Embedded Distributor rate class consistent with the  
10 approach approved by the Board in EB-2010-0063. In that Decision the Board approved  
11 Brant County Power's request as an embedded distributor within Brantford Power Inc. to  
12 be separated as a customer from the General Service > 50 kW rate class and be  
13 classified as a member of a new Embedded Distributor rate class.
- 14 ➤ Approval to harmonize one customer in the legacy General Service 50 to 4,999 kW Time  
15 of Use class with the projected 92 customers for 2012 in the standard General Service  
16 50 to 4,999 kW class.
- 17 ➤ Approval to dispose of the Deferral and Variance Account balances as at December 31  
18 2011 over a one year period using the method of recovery described in Exhibit 9.
- 19 ➤ Approval of the Basic Green Energy Plan as set out in Exhibit 2.



**PROPOSED ISSUES LIST:**

The Applicant would expect, based on previous regulatory experience and other hearings, that the following matters pertaining to the 2012 Test Year may constitute issues in this Application

**GENERAL (Exhibit 1)**

➤ Are the Applicant's overall economic and business planning assumptions for the Test Year appropriate?

➤ Is service quality, based on the Board specified performance indicators, acceptable?

➤ Is the proposed revenue requirement appropriate?

**2. RATE BASE (Exhibit 2)**

➤ Are the Applicant's asset planning assumptions (e.g. asset condition, economic conditions, etc.) appropriate?

➤ Is the Applicant's capitalization and depreciation policy appropriate?

➤ Are the capital expenditures appropriate?

➤ Are the in-service dates accurate for projects closed prior to the Test Year and are they appropriate for proposed projects?

➤ Is the working capital allowance for the test year appropriate?

➤ Is the proposed rate base for the test year appropriate?

➤ Is the accounting for smart meters in rate base appropriate?

➤ Is the accounting for stranded meters appropriate?

➤ Is the basic Green Energy Plan appropriate?

**3. LOADS, CUSTOMERS - THROUGHPUT REVENUE (Exhibit 3)**

➤ Is the load forecast methodology including weather normalization appropriate?



1 ➤ Are the proposed customers/connections and load forecasts (both kWh and kW) for the test  
2 year appropriate?

3 ➤ Is CDM appropriately reflected in the load forecast?

4 ➤ Are the proposed revenue offsets appropriate?

5 4. OPERATING COSTS (Exhibit 4)

6 ➤ Is the overall OM&A forecast for the test year appropriate?

7 ➤ Are the methodologies used to allocate shared services and other costs appropriate?

8 ➤ Is the proposed level of depreciation/amortization expense for the test year appropriate?

9 ➤ Are the 2012 compensation costs and employee levels appropriate?

10 ➤ Is the test year forecast of PILs appropriate?

11 5. COST OF CAPITAL AND RATE OF RETURN (Exhibit 5)

12 ➤ Is the proposed capital structure appropriate?

13 ➤ Is the cost of debt appropriate?

14 ➤ Is the proposed return on equity appropriate?

15 6. CALCULATION OF REVENUE DEFICIENCY OR SURPLUS (Exhibit 6)

16 ➤ Is the calculation of Revenue Deficiency accurate?

17 7. COST ALLOCATION (Exhibit 7)

18 ➤ Is the Applicant's cost allocation appropriate?

19 ➤ Are the proposed revenue-to-cost ratios appropriate?

20 8. RATE DESIGN (Exhibit 8)



- 1 ➤ Are the customer charges and the fixed-variable splits for each class appropriate?
- 2 ➤ Are the proposed low voltage rates appropriate
- 3 ➤ Are the proposed Retail Transmission Service Rates appropriate?
- 4 ➤ Is the proposed method of LRAM and resulting rate rider appropriate?
- 5 ➤ Are the proposed loss factors appropriate?
- 6 ➤ Is the Applicant's proposed Tariff of Rates and Charges appropriate?
- 7 9. DEFERRAL AND VARIANCE ACCOUNTS (Exhibit 9)
- 8 ➤ Are the account balances, cost allocation methodology and disposition plan appropriate?
- 9 ➤ Is the determination of the balance for account 1562 appropriate?
- 10 ➤ Is the calculation of the smart meter disposition rate rider by rate class appropriate?
- 11 ➤ Is the determination of the stranded meter rate rider appropriate?



**PROCEDURAL ORDERS/MOTIONS/NOTICES:**

On March 1, 2011, the Ontario Energy Board (the "Board") issued a letter identifying a list of distributors that were expected to file a cost of service application in respect of their 2012 rates. E.L.K. was one of the distributors identified on the list.

On March 30, 2011, E.L.K. delivered a letter to the Board in which it requested that it be permitted to defer the rebasing of its rates beyond the 2012 rate year. The Board issued a response letter on June 17, 2011 requesting that E.L.K. provide certain information related to the amount by which E.L.K.'s return has exceeded the level of return that underpins E.L.K.'s rates, for 2009 and 2010. The letter also requested that, if the return levels for these two years were confirmed to be materially above the level that underpins E.L.K.'s rates, E.L.K. explain why it believed it was nonetheless appropriate for the Board to defer rebasing of E.L.K.'s rates.

On June 28, 2011, E.L.K. filed a letter indicating that its return on equity for 2009 and 2010 was approximately 16%. This would place E.L.K.'s returns outside of the Board's 300 basis point dead band. E.L.K. also reiterated its request to defer its rebasing to beyond 2012, and provided reasons in that regard.

On July 18, 2011, the Board issued a letter responding to E.L.K.'s letter of June 28, 2011. The Board denied E.L.K.'s request for a deferral and advised that the Board would commence a proceeding to review E.L.K.'s rates on a cost of service basis in light of the information provided by E.L.K. with respect to its earnings. The Board also noted that it intended to declare E.L.K.'s rates as interim pending the hearing of the application to be filed by E.L.K.

Also on July 18, 2011, the Board issued a Notice of Proceeding and Order respecting Interim Rates, in which it advised that it had commenced a proceeding on its own motion to make an order fixing just and reasonable rates for E.L.K., and that it was declaring E.L.K.'s rates as interim, effective July 18, 2011, pending the hearing of the application to be filed by E.L.K.

On April 25, 2012, the Board issued Procedural Order No.1 ("PO#1") in this matter. In PO#1, the Board noted that E.L.K. had not yet filed its 2012 cost of service distribution rate application and that the interim rates made effective July 18, 2011 continue to apply. At pages 2 and 3 of PO#1, the Board wrote:



1 "In order to mitigate the risk that customers are paying distribution rates that result in  
2 earnings that exceed the deemed allowed rate of return set by the Board, the Board is  
3 considering the merit of adjusting E.L.K.'s existing interim rates downward effective  
4 June 1, 2012. The adjustment would also mitigate concerns of intergenerational inequity.  
5 While the appropriate date for such an adjustment should likely be May 1, 2012, the  
6 effective date for new rates based on a cost of service application, the Board will afford  
7 E.L.K. an opportunity to file submissions on its proposal. The analysis provided in  
8 Appendix A indicates that a 14.2 % decrease, (referred to as the "over earnings  
9 adjustment factor") to the existing base monthly service charge and base distribution  
10 volumetric rate for all customer classes would result in revenues that would permit E.L.K.  
11 to earn the deemed rate of return on equity. The proposed adjusted rates are shown in  
12 Appendix B.

13 Subject to its consideration of any submissions from E.L.K. as described below, the  
14 Board intends to issue a new interim rate order for rates effective June 1, 2012 which will  
15 reflect the adjustments shown in Appendix B. These rates would be declared interim  
16 pending the Board's determination of a complete cost of service application filed by  
17 E.L.K. for 2012 rates. Since interim rates are and will be in place, the Board would have  
18 the ability to retrospectively alter this adjustment (either higher or lower) as the evidence  
19 ultimately warrants.

20 The Board will consider any submissions filed by E.L.K on (i) the appropriateness of and  
21 the degree to which the Board intends to adjust E.L.K.'s rates, (ii) the manner in which  
22 the over earnings have been calculated in the Revenue Requirement Work Form and  
23 the calculation of the over earnings adjustment factor as shown in Appendix A and (iii)  
24 the manner in which the rates are proposed to be adjusted as shown in Appendix B."

25 The Board allowed E.L.K. until May 9, 2012 to file any submissions on the matters identified in PO#1.  
26 E.L.K. filed its submissions in this regard. On May 29, 2012, the Board issued Procedural Order No.2  
27 ("PO#2") in this matter in which it determined, in light of the submissions and information filed by  
28 E.L.K., that it would not adjust E.L.K.'s rates and that E.L.K.'s existing rates declared interim effective  
29 July 18, 2011 would remain in place pending the hearing of the Cost of Service application for 2012  
30 rates. The Board determined that E.L.K. shall file its Cost of Service application for 2012 rates with  
31 the Board by September 14, 2012.

32 By letter dated September 12, 2012, E.L.K. advised the Board that while it was working diligently to  
33 finalize its Application, it would require a brief amount of additional time, and that it anticipated filing  
34 the Application by the later part of the week of September 17, 2012, but in no event beyond  
35 September 28, 2012.



- 1 **ACCOUNTING ORDERS REQUESTED:**
- 2 E.L.K. is not requesting Accounting Orders in this proceeding.



1    **COMPLIANCE WITH UNIFORM SYSTEM OF ACCOUNTS:**

- 2    E.L.K. has followed the accounting principles and main categories of accounts as stated in the  
3    OEB's Accounting Procedures Handbook (the "APH") and the Uniform System of Accounts  
4    ("USoA") in the preparation of this Application.



## **DISTRIBUTION SERVICE TERRITORY AND DISTRIBUTION SYSTEM:**

### **Description of Distributor:**

#### **COMMUNITY SERVED:**

E.L.K. Energy Inc is a local distribution company serving more than 11,300 customers in the Towns of Essex, Lakeshore and Kingsville. Within these towns, which cover a large geographic area in Southwestern Ontario, E.L.K. has six non-contiguous service areas, serving the communities of Belle River, Comber, Cottam, Essex, Harrow and Kingsville.

#### **URBAN AREAS:**

TOTAL SERVICE AREA:	22.01 sq km
RURAL SERVICE AREA:	0.00 sq km
DISTRIBUTION TYPE:	Electricity distribution
MUNICIPAL POPULATION:	74,185
POPULATION OF URBAN AREAS SERVED:	21,874

A map of E.L.K.'s Distribution Service Territory accompanies this Schedule as Appendix 1-B.

A schematic diagram of E.L.K.'s distribution system is attached in Appendix 1-C.

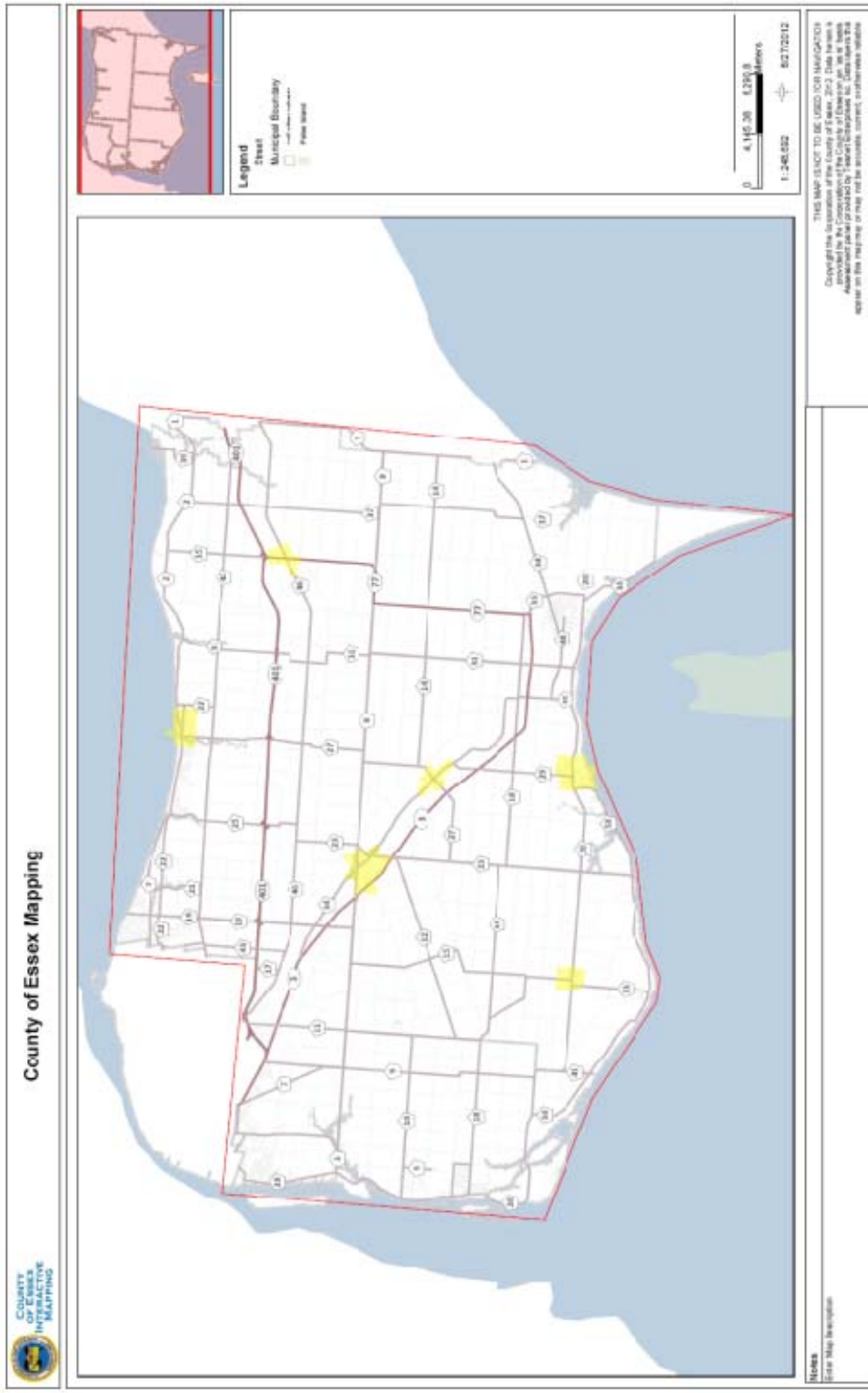


## **APPENDIX 1-B**

### **MAP OF DISTRIBUTION SERVICE TERRITORY**

The outlined area represents the County of Essex. The area highlighted in Yellow represents E.L.K.'s Distribution Service Territory.





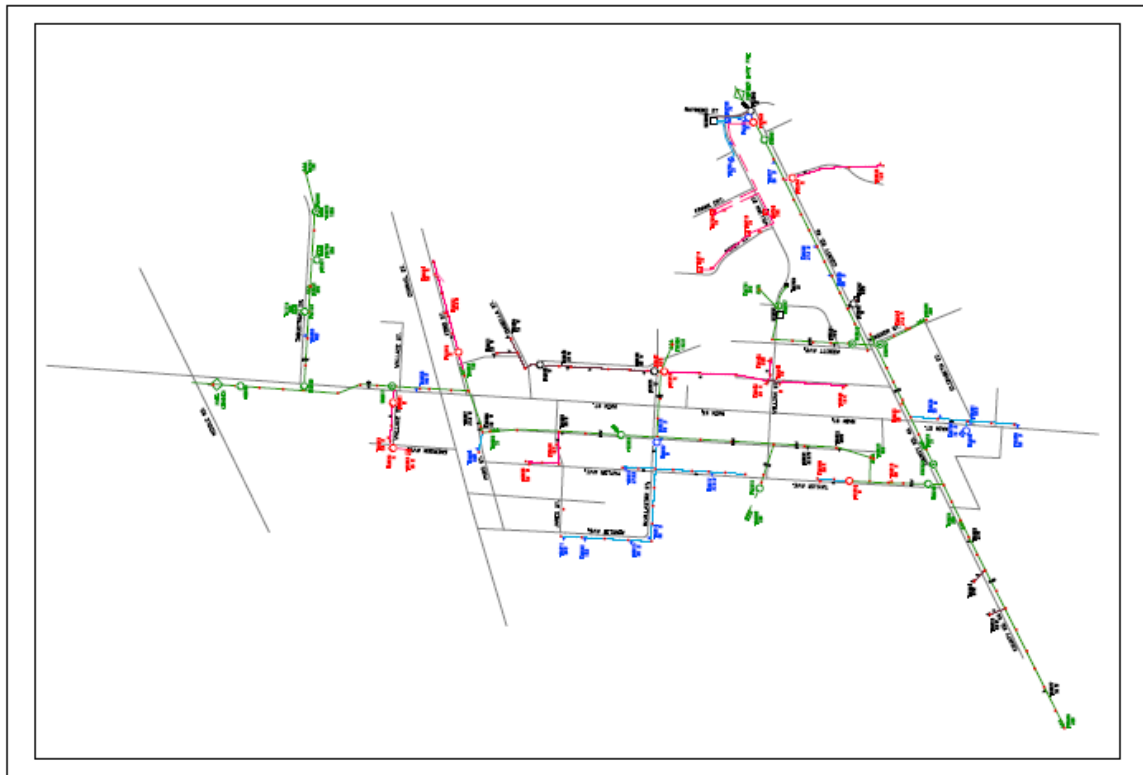


**APPENDIX 1-C**  
**MAP OF DISTRIBUTION SYSTEM**





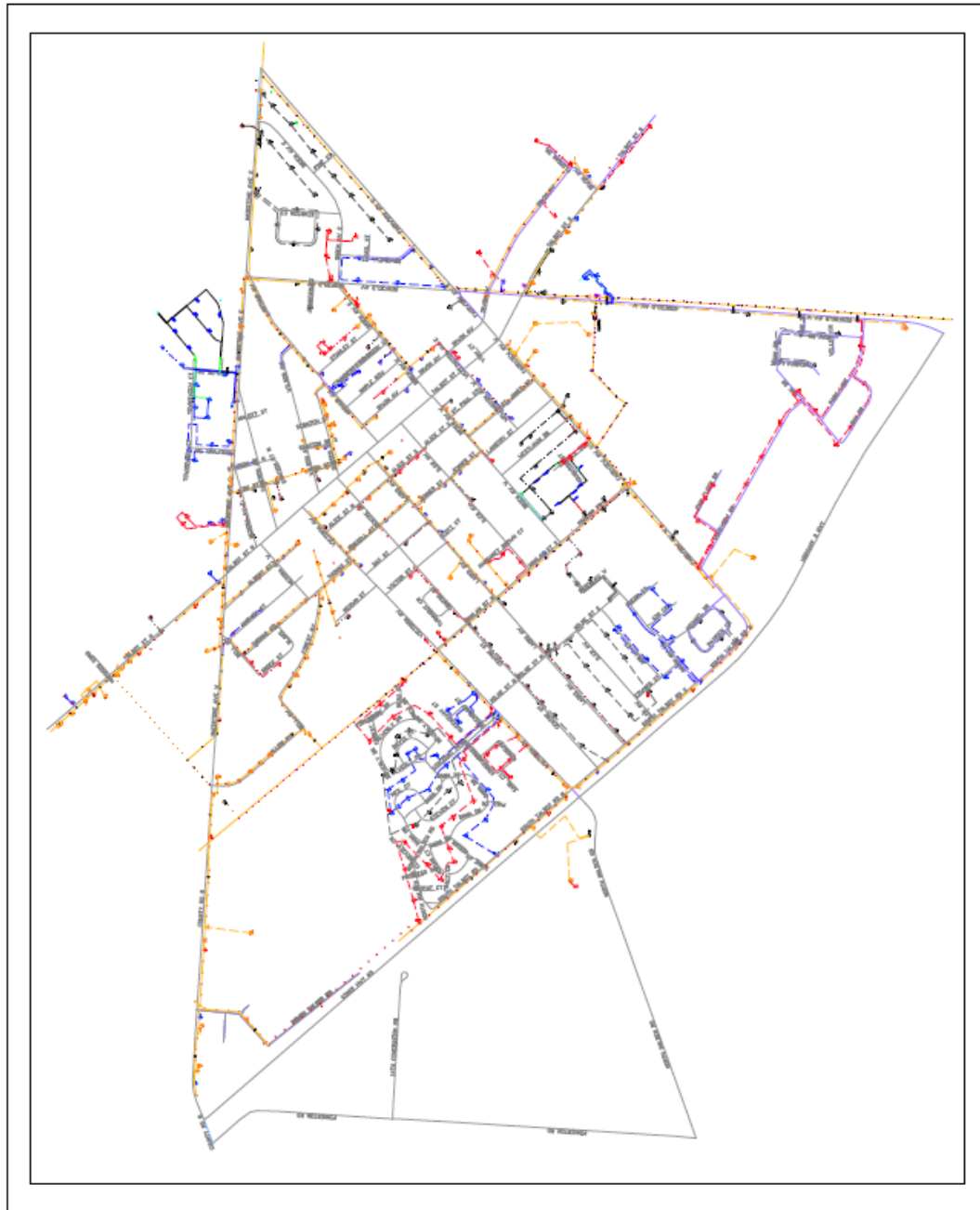








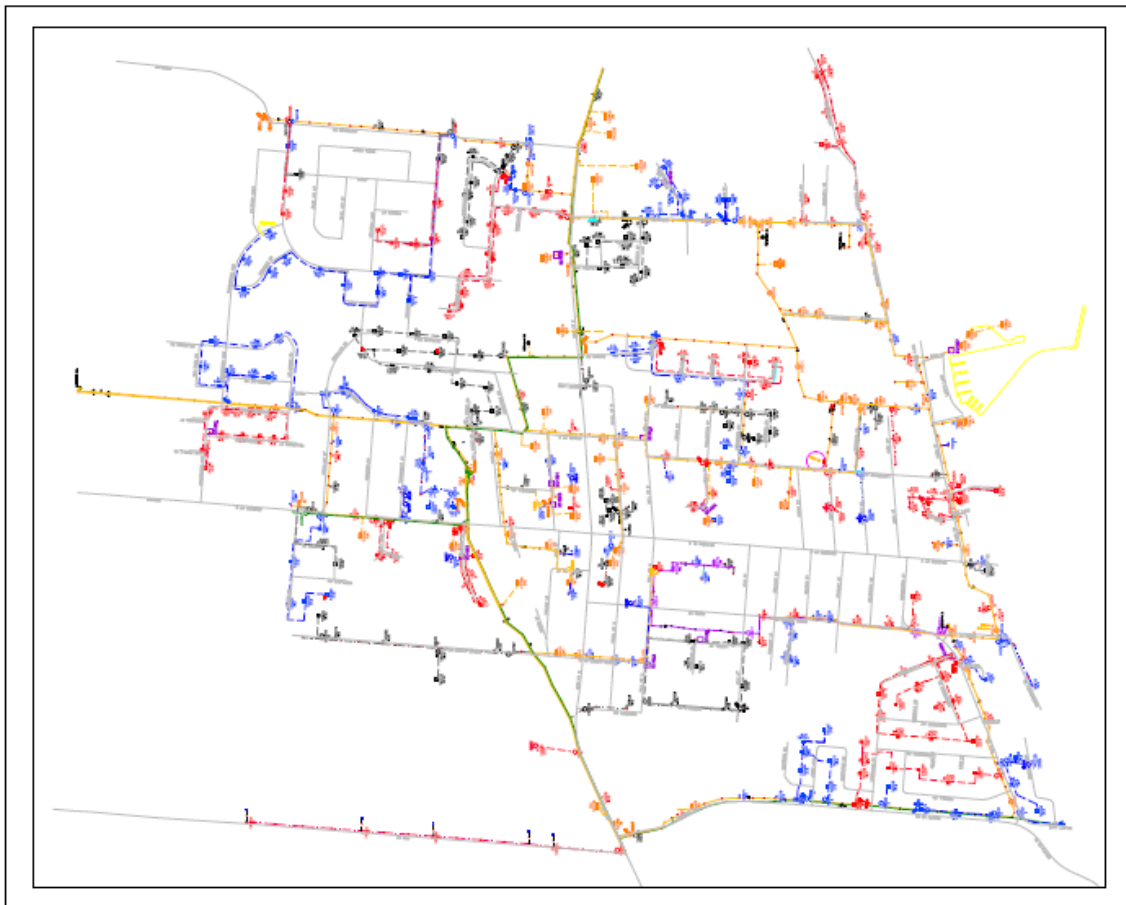














**LIST OF NEIGHBOURING UTILITIES:**

E.L.K. is bounded by Hydro One.



1 **EXPLANATION OF HOST AND EMBEDDED UTILITIES:**

2 E.L.K. is embedded to Hydro One. Hydro One is also embedded to E.L.K.



**UTILITY ORGANIZATIONAL STRUCTURE:**

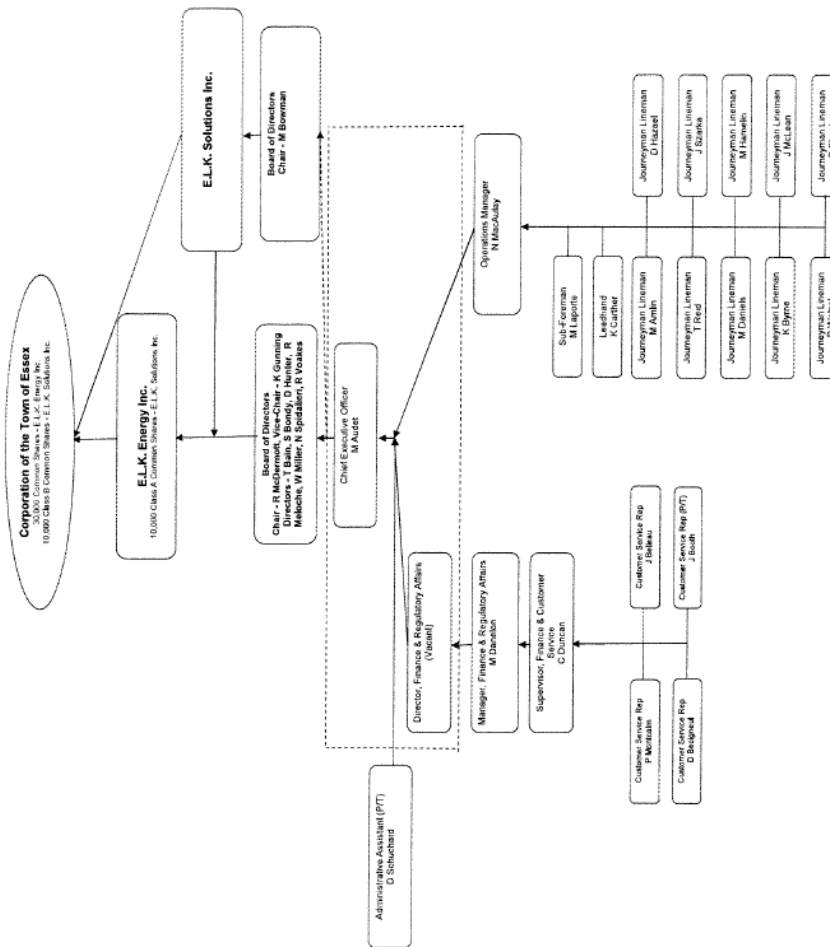
On January 6, 2000, E.L.K. Energy Inc. was incorporated pursuant to the *Energy Competition Act, 1998*, and is the successor corporation to the Hydro-Electric Commission for the Town of Essex, the Corporation of the Town of Lakeshore Hydro-Electric Commission, and the Kingsville Hydro Electric Commission. Initially, the three municipalities were shareholders of the corporation. In 2008, E.L.K.'s shareholders entered into a share purchase agreement whereby the Town of Essex agreed to purchase the common shares of the Town of Lakeshore and Town of Kingsville. The transaction was approved by the Board in January 2009, and the Town of Essex became the Company's sole shareholder. E.L.K. is therefore 100% owned by The Corporation of the Town of Essex.

A chart illustrating E.L.K.'s corporate family is provided at Exhibit 1, Tab 1, Schedule 13.



1 CORPORATE ENTITIES RELATIONSHIPS CHART:

Corporate Organization Chart - E.L.K. Energy Inc.





**1 PLANNED CHANGES IN STRUCTURE:**

- 2 No changes to E.L.K.'s corporate and operational structures are planned at the present time.



1    **STATUS OF BOARD DIRECTIVES FROM PREVIOUS BOARD DECISIONS:**

2    There are no directives from previous Board Decisions. As noted previously, this proceeding  
3    was initiated on the Board's own motion as set out in the Board's July 18, 2011 correspondence  
4    and Notice of Proceeding and Order respecting Interim Rates, in which it advised that it had  
5    commenced a proceeding on its own motion to make an order fixing just and reasonable rates for  
6    E.L.K., and that it was declaring E.L.K.'s rates as interim, effective July 18, 2011, pending the hearing  
7    of the application to be filed by E.L.K.

8



1    **PRELIMINARY LIST OF WITNESSES:**

2    While E.L.K. requests that this Application be disposed of by way of a written hearing, should a  
3    technical conference or an oral hearing be necessary E.L.K. will provide a list of potential  
4    witnesses as required.



**SUMMARY OF THE APPLICATION:**

**Preamble**

This Application is consistent with its Corporate Mission and Corporate Goals as outlined below. Current rates will result in actual Return on Equity in 2012 below levels currently approved by the Board. The increased rates are required to:

- 1) Maintain current capital investment levels in infrastructure to ensure a safe, reliable distribution system.
- 2) Continue with operating expenses necessary to maintain and operate the distribution system, meet customer service expectations and ensure regulatory compliance.
- 3) Maintain current staffing requirements, including training and preparing for succession planning.
- 4) To provide a reasonable rate of return to the Shareholder.

**E.L.K.'s Mission Statement is:**

*To provide the highest quality service to our customers by ensuring that the electrical system is designed, constructed and maintained to ensure its reliability, safety and affordability while increasing shareholder value.*

**E.L.K.'s priorities are defined in its Corporate Goals:**

*Provide a safe and reliable electricity distribution system with capacity to meet the expectations of our customers and support local economic growth.*

*Promote and practice excellence in safety.*

*Establish the lowest retail rates possible without compromising the financial integrity of the Corporation in compliance to our Shareholder's direction and Corporate Strategic Plan.*



## **Purpose and Need**

E.L.K.'s requested revenue requirement for 2012 in the amount of \$4,539,680 includes the recovery of its costs to provide distribution services, its permitted Return on Equity ["ROE"] and the funds necessary to service its debt.

When forecasted energy and demand levels for 2012 are considered, E.L.K. estimates that its present rates will produce a deficiency in gross distribution revenue of \$703,483 for the 2012 Test Year.

Therefore, E.L.K. seeks the OEB's approval to revise its electricity distribution rates. The rates proposed to recover its projected revenue requirement and other relief sought are set out in Exhibit 1, Appendix 1-A and Exhibit 8, Tab 1, Schedule 6 to this Application.

The information presented in this Application represents E.L.K.'s forecasted results for its 2012 Test Year. E.L.K. is also presenting the audited financial information for fiscal years 2006, 2007, 2008, 2009, 2010 and 2011. All information has been presented on a CGAAP basis, consistent with the Board's determination that cost of service applications for 2012 distribution rates will not be required to be made in modified IFRS where the applicant has not yet converted its accounting practices to IFRS. E.L.K. confirms that it has not yet converted to IFRS and continues to use the historical depreciation rates that have been used for a number of years based on advice from its auditor.

## **Timing**

The financial information supporting the Test Year for this Application will be E.L.K.'s fiscal year ending December 31, 2012 (the "2012 Test Year"). However, E.L.K. is requesting rates effective October 1, 2012, continuing through September 30, 2013.

## **Customer Impact**

Customer impacts including the percentage average Total Bill Impact and Average Dollar Impact, which include revised distribution rates [monthly service charge and volumetric rates], revised low voltage rates, revised retail transmission rates, revised loss factors, LRAM and SSM rate riders, and regulatory asset rate riders to dispose of the balances in the Deferral and



1 Variance Accounts requested in this Application are set out in Table 1.1 below, for typical  
2 Residential (800 kWh per month) and Commercial (2000 kWh per month) customers. A  
3 complete listing of bill impacts for all customer classes at various levels of consumption is  
4 provided in Exhibit 8, Tab 1, Schedule 8.

**Table 1.1: Bill Impact: Residential and Commercial**

RESIDENTIAL										
Consumption		2011 BILL			2012 BILL			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
800 kWh	Monthly Service Charge			11.13			13.61	2.48	22.28%	11.96%
	Distribution (kWh)	800	0.0079	6.32	800	0.0097	7.76	1.44	22.78%	6.82%
	Low Voltage Rider (kWh)	800	0.0016	1.28	800	0.0014	1.12	(0.16)	(12.50%)	0.98%
	Smart Meter Adder/Rider (per month)			1.45			(0.94)	(2.39)	(165.10%)	(0.83%)
	LRAM & SSM Rider (kWh)	800	0.0000	0.00	800	0.0007	0.56	0.56	#DIV/0!	0.49%
	Stranded Meter Rider (\$/Month)			0.00			2.22	2.22	#DIV/0!	1.95%
	Late Payment (per month)			0.13	0	0.0000	0.00	(0.13)	(100.00%)	0.00%
	Deferral & Variance Acct (kWh)	800	0.0086	6.88	800	(0.0148)	(11.87)	(18.75)	(272.53%)	(10.43%)
	<b>Distribution Sub-Total</b>			<b>27.19</b>			<b>12.46</b>	<b>(14.73)</b>	<b>(54.19%)</b>	<b>10.95%</b>
	Retail Transmission (kWh)	863	0.0102	8.81	864	0.0104	8.97	0.16	1.87%	7.88%
	<b>Delivery Sub-Total</b>			<b>36.00</b>			<b>21.43</b>	<b>-14.57</b>	<b>(40.47%)</b>	<b>18.83%</b>
	Other Charges (kWh)	863	0.0130	11.21	864	0.0128	11.04	(0.17)	(1.50%)	9.70%
	Cost of Power Commodity (kWh)	600	0.0750	45.00	600	0.0750	45.00	0.00	0.00%	39.55%
	Cost of Power Commodity (kWh)	263	0.0880	23.17	264	0.0880	23.23	0.06	0.27%	20.42%
	SPC (kWh)	863	0.0000	0.00	863	0.0000	0.00	0.00	#DIV/0!	0.00%
	<b>Total Bill Before Taxes</b>			<b>115.38</b>			<b>100.70</b>	<b>-14.67</b>	<b>(12.72%)</b>	<b>88.50%</b>
	GST		13.00%	15.00		13.00%	13.09	(1.91)	(12.72%)	11.50%
	<b>Total Bill</b>			<b>130.37</b>			<b>113.79</b>	<b>-16.58</b>	<b>(12.72%)</b>	<b>100.00%</b>

GENERAL SERVICE < 50 kW										
Consumption		2011 BILL			2012 BILL			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%	% of Total Bill
2,000 kWh	Monthly Service Charge			11.06			23.08	12.02	108.68%	8.74%
	Distribution (kWh)	2,000	0.0017	3.40	2,000	0.0035	7.00	3.60	105.88%	2.65%
	Low Voltage Rider (kWh)	2,000	0.0014	2.80	2,000	0.0013	2.60	(0.20)	(7.14%)	0.99%
	Smart Meter Adder/Rider (per month)			1.45			0.95	(0.50)	(34.53%)	0.36%
	LRAM & SSM Rider (kWh)	2,000		0.00	2,000	0.0002	0.40	0.40	#DIV/0!	0.15%
	Stranded Meter Rider (\$/Month)			0.00			2.22	2.22	#DIV/0!	0.84%
	Late Payment (per month)			0.12	0	0.0000	0.00	(0.12)	(100.00%)	0.00%
	Deferral & Variance Acct (kWh)	2,000	0.0067	13.40	2,000	(0.0164)	(32.79)	(46.19)	(344.67%)	(12.42%)
	<b>Distribution Sub-Total</b>			<b>32.23</b>			<b>3.46</b>	<b>(28.77)</b>	<b>(89.25%)</b>	<b>1.31%</b>
	Retail Transmission (kWh)	2,158	0.0092	19.86	2,160	0.0094	20.23	0.37	1.87%	7.66%
	<b>Delivery Sub-Total</b>			<b>52.09</b>			<b>23.69</b>	<b>-28.39</b>	<b>(54.52%)</b>	<b>8.98%</b>
	Other Charges (kWh)	2,158	0.0130	28.03	2,160	0.0128	27.61	(0.42)	(1.50%)	10.46%
	Cost of Power Commodity (kWh)	600	0.0750	45.00	600	0.0750	45.00	0.00	0.00%	17.05%
	Cost of Power Commodity (kWh)	1,558	0.0880	137.12	1,560	0.0880	137.28	0.16	0.12%	52.01%
	SPC (kWh)	2,158	0.0000	0.00	2,158	0.0000	0.00	0.00	#DIV/0!	0.00%
	<b>Total Bill Before Taxes</b>			<b>262.24</b>			<b>233.58</b>	<b>(28.66)</b>	<b>(10.93%)</b>	<b>88.50%</b>
	GST		13.00%	34.09		13.00%	30.37	(3.73)	(10.93%)	11.50%
	<b>Total Bill</b>			<b>296.33</b>			<b>263.94</b>	<b>(32.38)</b>	<b>(10.93%)</b>	<b>100.00%</b>



**Smart Meters:**

E.L.K. is requesting disposition of its December 31, 2011 smart meter account balances as outlined in Exhibit 9 of this Application.

**Capital Structure**

E.L.K. is requesting the continuation of its current deemed capital structure of 40% Equity, 4% Short Term Debt, 56% Long Term Debt.

**Return on Equity**

E.L.K. has assumed a return on equity of 9.12% consistent with the Cost of Capital Parameter Updates for 2011 Cost of Service Applications issued by the OEB on March 8, 2011. E.L.K. understands the Board will be finalizing the cost of capital parameters for 2012 rates based on January 2012 market interest rate information, and that adjustments to the Application may be required as a result.

**Capital Expenditures**

E.L.K. continues to expand and reinforce its distribution system in order to meet the demand of new and existing customers in its service territory. Expenditures are also being made to meet regulations set out by both the OEB and IESO including load transfers and primary metering points.

**Operating and Maintenance Costs**

For comparison purposes E.L.K. has provided Table 1.2 which compares the cost per customer of E.L.K. to the LDCs in its cohort as those cohorts were established in the 2008 PEG report. The expenses and customer numbers are as reported in the 2010 OEB Yearbook. The data presented shows that E.L.K. compares very favorably to the other members of the cohort.



## Chapter 2 Table 1.2 – Cost per Customer Comparison/Cohort comparison

Mid-Size Southern Medium-High Undergrounding	E.L.K.	LDC A	LDC B	LDC C	LDC D	LDC E	LDC F	LDC G	LDC H	LDC I	LDC J	LDC K	LDC L	LDC M	LDC N
Residential Customers	9899	11238	28512	31037	17373	19543	23336	19301	13727	14538	25915	13701	6537	31750	12847
General Service <50 kW Customers	1187	777	3118	3588	1985	1692	3264	2429	1687	1687	2046	1170	1224	3511	1378
General Service >50 kW Customers	119	31	403	387	221	176	344	277	119	194	222	203	121	427	148
<b>Total Customers</b>	<b>11205</b>	<b>12046</b>	<b>32033</b>	<b>35012</b>	<b>19579</b>	<b>21411</b>	<b>26944</b>	<b>22007</b>	<b>15533</b>	<b>16419</b>	<b>28183</b>	<b>15074</b>	<b>7882</b>	<b>35688</b>	<b>14373</b>
Expenses															
Operating	\$ 236,550	\$ 23,217	\$ 960,958	\$1,688,112	\$ 574,450	\$1,297,663	\$2,404,496	\$ 213,163	\$ 303,575	\$ 677,862	\$ 740,910	\$ 763,741	\$ 350,388	\$ 3,135,697	\$ 209,691
Maintenance	\$ 310,300	\$ 487,145	\$1,036,846	\$1,211,448	\$ 872,068	\$ 932,588	\$ 940,362	\$1,236,423	\$1,580,092	\$ 408,347	\$1,444,596	\$ 602,881	\$ 394,912	\$ 175,850	\$ 675,782
Administrative	\$1,536,447	\$1,667,677	\$4,471,544	\$3,466,199	\$2,543,298	\$2,503,075	\$2,657,828	\$2,844,734	\$2,110,582	\$2,250,550	\$3,294,849	\$2,170,969	\$1,024,249	\$ 6,943,273	\$3,551,535
Other	\$ 31,759	\$ 25,004	\$ 200,000	\$ 954,940	\$ 50,045	\$ 65,416	\$ 155,272	\$ 115,227	\$ 288,051	\$ 114,870	\$ 68,136	\$ 132,225	\$ 31,673	\$ 235,388	\$ 32,041
Total OM & A Expenses	\$2,115,056	\$2,203,043	\$6,669,348	\$7,320,699	\$4,039,861	\$4,798,742	\$6,157,958	\$4,409,547	\$4,282,300	\$3,451,629	\$5,548,491	\$3,669,816	\$1,801,222	\$10,490,208	\$4,469,049
<b>OM &amp; A Per Customer</b>	<b>\$ 188.76</b>	<b>\$ 182.89</b>	<b>\$ 208.20</b>	<b>\$ 209.09</b>	<b>\$ 206.34</b>	<b>\$ 224.13</b>	<b>\$ 228.55</b>	<b>\$ 200.37</b>	<b>\$ 275.69</b>	<b>\$ 210.22</b>	<b>\$ 196.87</b>	<b>\$ 243.45</b>	<b>\$ 228.52</b>	<b>\$ 293.94</b>	<b>\$ 310.93</b>

E.L.K. also provides for reference purposes some statistics reported from the PSE report on Third Generation Incentive Regulation Stretch Factor for 2012. With respect to the econometric benchmarking, which indicates a company's actual costs compared to the predicted costs for a company with similar characteristics, E.L.K.'s rank is 22 out of 77. Another measure, the unit Cost indexing reports the ratio of the average actual OM & A unit cost index of each company in the last three years to the peer group's average OM & A unit cost index over the same years. A lower ratio of actual unit cost to peer group unit cost implies better performance. Table 4.9 below displays the unit costing index results which shows E.L.K. in comparison to other comparable utilities. The results show that E.L.K. compares favorably to the other utilities in its cohort.



**BUDGET OVERVIEW:**

E.L.K. compiles budget information for the three major components of the budgeting process: revenue forecasts, operating and maintenance expense forecast and capital budget forecast. This budget information is compiled for the 2012 Test Year.

**Revenue Forecast**

E.L.K.'s energy sales and revenue forecast model were updated to reflect more recent information. This model was then used to prepare the revenues sales and throughput volume and revenue forecast at existing rates for 2012. The forecast is weather normalized as outlined in Exhibit 3, Tab 2, Schedule 1 and considers such factors as average weather conditions and economic conditions in the area serviced by E.L.K..

**Operating Maintenance and Administration ("OM&A") Expense Forecast**

The OM&A expenses for the 2012 Test Year have been based on an in-depth review of operating priorities and requirements and is strongly influenced by prior year experience, year-to-date results and expected changes for the forecast periods. Each item is reviewed account by account with indirect costs allocated to direct costs for budget presentation.

**Capital Budget**

The capital budget forecast 2012 is influenced by, among other factors, the highest priority capital requirements and E.L.K.'s capacity to finance capital projects. Indirect costs are allocated to direct costs in the capital budget. All proposed capital projects are assessed within the framework of their capital budget priority.



1    **CHANGES IN METHODOLOGY:**

2    E.L.K. is not requesting any changes in methodology in the current proceeding. As noted  
3    previously, E.L.K. has not converted to IFRS, and this Application is presented on a CGAAP  
4    basis in its entirety and continues to use the historical depreciation rates that have been place  
5    for a number of years.



1    **REVENUE DEFICIENCY:**

2    E.L.K. has provided detailed calculations supporting its 2012 revenue deficiency. E.L.K.'s net  
3    revenue deficiency is \$547,231 and when grossed up for PILs E.L.K.'s revenue deficiency is  
4    \$703,483. Table 1.3 on the following page provides the revenue deficiency calculations for the  
5    2012 Test Year at Existing 2011 Board-approved rates and the 2012 Test Year Revenue  
6    Requirement.



**Table 1.3: Calculation of Revenue Deficiency**

E.L.K. Energy Inc.		
Revenue Deficiency Determination		
Description	2012 Test Existing Rates	2012 Test - Required Revenue
<b>Revenue</b>		
Revenue Deficiency		703,483
Distribution Revenue	3,156,142	3,156,142
Other Operating Revenue (Net)	680,055	680,055
<b>Total Revenue</b>	<b>3,836,197</b>	<b>4,539,680</b>
<b>Costs and Expenses</b>		
Administrative & General, Billing & Collecting	1,860,472	1,860,472
Operation & Maintenance	746,000	746,000
Depreciation & Amortization	975,107	975,107
Property Taxes	23,000	23,000
Other - LEAP program	38	38
Deemed Interest	212,518	212,518
<b>Total Costs and Expenses</b>	<b>3,817,135</b>	<b>3,817,135</b>
<b>Utility Income Before Income Taxes</b>	<b>19,062</b>	<b>722,545</b>
<b>Income Taxes:</b>		
Corporate Income Taxes	82,346	238,598
<b>Total Income Taxes</b>	<b>82,346</b>	<b>238,598</b>
<b>Utility Net Income</b>	<b>-63,284</b>	<b>483,947</b>
<b>Capital Tax Expense Calculation:</b>		
Total Rate Base	13,266,094	13,266,094
Exemption	0	0
Deemed Taxable Capital	13,266,094	13,266,094
Ontario Capital Tax	0	0
<b>Income Tax Expense Calculation:</b>		
Accounting Income	19,062	722,545
Tax Adjustments to Accounting Income	351,682	351,682
<b>Taxable Income</b>	<b>370,744</b>	<b>1,074,227</b>
<b>Income Tax Expense</b>	<b>82,346</b>	<b>238,598</b>
<b>Tax Rate Reflecting Tax Credits</b>	<b>22.21%</b>	<b>22.21%</b>
<b>Actual Return on Rate Base:</b>		
Rate Base	13,266,094	13,266,094
Interest Expense	212,518	212,518
Net Income	-63,284	483,947
<b>Total Actual Return on Rate Base</b>	<b>149,234</b>	<b>696,465</b>
<b>Actual Return on Rate Base</b>	<b>1.12%</b>	<b>5.25%</b>
<b>Required Return on Rate Base:</b>		
Rate Base	13,266,094	13,266,094
<b>Return Rates:</b>		
Return on Debt (Weighted)	2.67%	2.67%
Return on Equity	9.12%	9.12%
Deemed Interest Expense	212,518	212,518
Return On Equity	483,947	483,947
<b>Total Return</b>	<b>696,465</b>	<b>696,465</b>
<b>Expected Return on Rate Base</b>	<b>5.25%</b>	<b>5.25%</b>
<b>Revenue Deficiency After Tax</b>	<b>547,231</b>	<b>0</b>
<b>Revenue Deficiency Before Tax</b>	<b>703,483</b>	<b>0</b>



## Causes of Revenue Deficiency

E.L.K.'s net revenue deficiency is calculated as \$547,231 and when grossed up for PILs, the revenue deficiency is \$703,483. E.L.K.'s calculation of its 2012 revenue deficiency is provided in Exhibit 1, Tab 2, Schedule 4 and Exhibit 6, Tab 1, Schedule 1.

E.L.K. Energy notes that there are four main contributors to the revenue deficiency of \$703,483 for the 2012 Test Year:

- The first results from increases in the 2012 revenue requirement from the inclusion of costs associated with smart meters in the 2012 rate base and OM&A expenses.
- The second relates to costs in 2012 related to the replacement of the former Director of Finance and one new staff position, a financial analyst, created to assist with increased work load due to Green Energy initiatives and the MDM/R process. The role of the new position is discussed in greater detail at Exhibit 4, Tab 2, Schedule 6.
- The third reflects cost increases from 2010 in order to maintain the overhead and underground system.
- The fourth contributor is costs incurred by E.L.K. Energy for assistance in the preparation and support of this application.

The following table outlines the costs associated with the four contributors. In total, they exceed the revenue deficiency.

Impact of smart meters on 2012 revenue requirement (2012 revenue requirement from smart meter model)	\$268,416
2012 Increase in payroll and benefits (Exhibit 4, Table 4.15 Cost Driver Table)	\$213,039
Change in overhead and underground maintenance expenses from 2011 to 2012 (Exhibit 4.15 Cost Driver Table)	\$177,296
¼ of the costs to prepare and support this application (Exhibit 4, Table 4.17 Regulatory Costs)	<u>\$73,175</u>
Total	\$731,926



**FINANCIAL STATEMENTS – 2010 and 2011:**





Non-Consolidated Financial Statements of

**E.L.K. ENERGY INC.**

Year ended December 31, 2010





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## INDEPENDENT AUDITORS' REPORT

To the Directors

We have audited the accompanying non-consolidated financial statements of E.L.K. Energy Inc. ("the Company"), which comprise the non-consolidated balance sheet as at December 31, 2010 and the non-consolidated statement of earnings, retained earnings and the statement cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The non-consolidated financial statements have been prepared by management using the basis of accounting in Note 1 to the non-consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with the basis of accounting in Note 1 to the non-consolidated financial statements; this includes determining that the basis of accounting is an acceptable basis for the preparation of the non-consolidated financial statements in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.





*Opinion*

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of E.L.K. Energy Inc. as at December 31, 2010, and its non-consolidated results of its operations and its non-consolidated cash flows for the year then ended in accordance with the basis of accounting in Note 1 to the non-consolidated financial statements.

*Basis of Accounting and Restriction of Use*

Without modifying our opinion, we draw attention to Note 1 to the non-consolidated financial statements, which describes the basis of accounting. The non-consolidated financial statements are prepared to assist E.L.K. Energy Inc. to prepare its corporate income tax returns. As a result, the non-consolidated financial statements may not be suitable for another purpose. Our report is intended solely for E.L.K. Energy Inc. and for the federal and provincial income tax authorities and should not be used by parties other than E.L.K Energy Inc. or the federal and provincial tax authorities.

*Other Matters*

E.L.K. Energy Inc. has prepared a separate set of consolidated financial statements for the year ended December 31, 2010 in accordance with Canadian generally accepted accounting principles on which we issued a separate auditors' report to the shareholders of E.L.K. Energy Inc. dated April 28, 2011.

*KPMG LLP*

Chartered Accountants, Licensed Public Accountants

April 28, 2011

Windsor, Canada



## E.L.K. ENERGY INC.

### Non-consolidated Balance Sheet

December 31, 2010, with comparative figures for 2009

	2010	2009
<b>Assets</b>		
Current assets:		
Cash:		
Unrestricted	\$ 3,301,234	\$ 2,014,573
Restricted (note 2)	1,596,417	3,024,082
Accounts receivable (note 12)	1,699,416	1,650,566
Prepaid expenses	107,502	88,793
Unbilled revenue	3,152,464	3,266,567
Inventories	313,849	342,091
Payment in lieu of income taxes receivable	252,829	147,009
	<u>10,423,711</u>	<u>10,533,681</u>
Property, plant and equipment, at cost (note 3)	22,148,676	22,432,097
Less accumulated amortization	<u>14,031,987</u>	<u>13,904,674</u>
	8,116,689	8,527,423
Regulatory assets (note 4)	2,758,991	293,424
Future payments in lieu of income taxes (note 13)	1,412,000	1,483,000
Investments (note 5)	46,956	47,162
	<u>\$ 22,758,347</u>	<u>\$ 20,884,690</u>



	2010	2009
<b>Liabilities and Shareholder's Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 12)	\$ 4,728,580	\$ 3,100,852
Current portion of customer deposits	193,019	683,242
Current portion of obligation under capital lease	6,541	-
Shareholder promissory notes (note 6)	1,900,000	1,900,000
	<u>6,828,140</u>	<u>5,684,094</u>
Long-term liabilities:		
Customer deposits	646,148	306,426
Obligation under capital lease	11,447	-
Long-term debt (note 7)	7,200,000	8,000,000
Employee future benefits (note 8)	686,906	686,513
	<u>8,544,501</u>	<u>8,992,939</u>
Shareholder's equity:		
Share capital (note 9)	2,000,100	2,000,100
Retained earnings (deficit)	983,231	(194,818)
Contributed surplus	4,402,375	4,402,375
	<u>7,385,706</u>	<u>6,207,657</u>
Contingencies (note 17)		
	<u>\$ 22,758,347</u>	<u>\$ 20,884,690</u>

See accompanying notes to non-consolidated financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director



## E.L.K. ENERGY INC.

### Non-consolidated Statement of Earnings

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Service revenue	\$ 19,969,248	\$ 19,012,054
Service revenue adjustment	(114,103)	(210,145)
	19,855,145	18,801,909
Cost of electricity	15,739,947	14,418,495
Gross margin on service revenue	4,115,198	4,383,414
Other operating revenue:		
Interest and other	739,507	587,143
Late payment charges	99,989	146,753
Unrealized gain (loss) on investments	(206)	2,672
	839,290	736,568
	4,954,488	5,119,982
Expenditures:		
Administration	808,563	822,342
Billing and collecting	726,496	860,852
Amortization	824,357	852,414
Interest	289,953	232,970
Operations and maintenance	546,850	805,899
	3,196,219	3,574,477
Earnings before payments in lieu of income taxes	1,758,269	1,545,505
Payments in lieu of income taxes	580,220	562,106
Net earnings for the year	\$ 1,178,049	\$ 983,399

See accompanying notes to non-consolidated financial statements.



## E.L.K. ENERGY INC.

### Non-consolidated Statement of Retained Earnings (Deficit)

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Balance, beginning of year	\$ (194,818)	\$ 9,421,683
Net earnings for the year	1,178,049	983,399
Dividends paid	-	(10,599,900)
Balance, end of year	\$ 983,231	\$ (194,818)

See accompanying notes to non-consolidated financial statements.



## E.L.K. ENERGY INC.

### Non-consolidated Statement of Cash Flows

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operations:		
Net earnings for the year	\$ 1,178,049	\$ 983,399
Items not involving cash:		
Amortization of property, plant and equipment	824,357	852,414
Future payments in lieu of income taxes	71,000	(491,000)
Increase in employee future benefits	393	333
Gain on sale of property, plant and equipment	(58,654)	-
Unrealized loss (gain) on investments	206	(2,672)
Changes in non-cash operating working capital	1,106,471	445,704
	3,121,822	1,788,178
Financing:		
Increase (decrease) in long-term customer deposits	339,722	(15,968)
Increase in capital lease obligation	17,988	-
Decrease in shareholders' promissory notes	-	(2,000,000)
Increase (decrease) in long-term debt	(800,000)	8,000,000
Share capital issued	-	2,000,000
Dividends paid	-	(10,599,900)
	(442,290)	(2,615,868)
Investing:		
Property, plant and equipment additions	(810,311)	(569,360)
Proceeds on sale of property and equipment	183,566	-
Decrease (increase) in regulatory assets	(2,193,791)	747,428
	(2,820,536)	178,068
Decrease in cash	(141,004)	(649,622)
Change in accounting policy for the recognition of future tax assets and liabilities	-	(992,000)
Cash, beginning of year	5,038,655	6,680,277
Cash, end of year	\$ 4,897,651	\$ 5,038,655
Cash consists of:		
Unrestricted	\$ 3,301,234	\$ 2,014,573
Restricted	1,596,417	3,024,082
	\$ 4,897,651	\$ 5,038,655

See accompanying notes to non-consolidated financial statements.



## **E.L.K. ENERGY INC.**

Notes to Non-Consolidated Financial Statements

Year ended December 31, 2010

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E.L.K. Energy Inc. supplies and distributes electric power and maintains electrical distribution systems in the following communities: Essex, Harrow, Belle River, Comber, Kingsville, and Cottam.

E.L.K. Energy Inc. also performs the billing function for the Municipality of the Town of Essex Water Department.

### **1. Basis of presentation:**

The non-consolidated financial statements have been prepared in accordance with the significant accounting policies set out below. These non-consolidated financial statements materially differ from Canadian generally accepted accounting principles because they are non-consolidated. The Company's investment in its wholly-owned subsidiary, E.L.K. Solutions Inc., is accounted for using the cost method. Earnings from this investment are recognized only to the extent dividends are received or receivable. Consolidated financial statements are available for distribution.

### **2. Significant accounting policies:**

#### **(a) Restricted cash:**

Restricted cash of \$nil (2009 - \$732,850) consists of an irrevocable standby letter of credit issued in favour of the Independent Electricity System Operator ("IESO") as collateral in support of the Company's purchase of electricity. Restricted cash of \$1,596,417 (2009 - \$2,291,232) relates to contractor security deposits.

#### **(b) Inventories:**

Inventories are valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

#### **(c) Property, plant and equipment:**

Property, plant and equipment are stated at cost. Buildings, plant and equipment and the transmission and distribution system are amortized on the straight-line basis at rates suggested by the Ontario Energy Board. These rates of amortization range from 2% to 25%.

#### **(d) Revenue recognition:**

Revenue from the sale of electrical energy is recognized when power is delivered to customers. Billings from the last meter reading date prior to December 31 are adjusted based on a number of factors to reflect estimated usage to the year end date. These estimates are reflected on the balance sheet as unbilled revenue. Unbilled revenue is the amount of electricity that has been shipped to customers but not billed by the end of the year.



## **E.L.K. ENERGY INC.**

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2010

---

### **2. Significant accounting policies (continued):**

#### **(e) Investments:**

The Company has designated its investment in the common shares of Sun Life Financial and its investment in the preferred shares of Utilismart Corporation as held for trading investments and these instruments are recorded at market value as determined by quoted market prices. Realized and unrealized gains and losses as a result of disposition of shares and changes in fair value are recorded in the statement of earnings as an unrealized gain on investments.

The investment in ELK Solutions Inc. and Gosfield North Communications are measured at cost.

#### **(f) Employee future benefits:**

The Company provides post retirement benefits for employees who retire from active employment. The Company measures the costs of its obligation based on its best estimate.

The Company accrues its obligations under employee benefit plans as the employees render the services necessary to earn employee future benefits.

The cost of retirement benefits earned by employees is actuarially determined using the projected cost method pro rated on service and the actuary's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. The excess of the net actuarial gain or loss over 10% of the benefit obligation is amortized over the average remaining service period of active employees of the plan, which is 12.3 years at December 31, 2010.

Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

#### **(g) Payments in lieu of taxes ("PILs"):**

The Company is currently exempt from taxes under the Income Tax Act (Canada) ("ITA") and the Ontario Corporations Tax Act ("OCTA").

Pursuant to the Electricity Act, the Company is required to compute taxes under the ITA and OCTA and remit such amounts thereunder computed to the Ministry of Finance (Ontario). These amounts, referred to as PILs under the Electricity Act, are applied to reduce certain debt obligations of the former Ontario Hydro continuing as Ontario Electricity Financial Corporation.



## **E.L.K. ENERGY INC.**

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2010

---

### **2. Significant accounting policies (continued):**

#### **(g) Payments in lieu of taxes ("PILs") (continued):**

The Company provides for amounts in lieu of corporate income taxes using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. When unrecorded future income taxes become payable, it is expected that they will be included in the rates approved by the Ontario Energy Board ("OEB") and recovered from the customers of the Company at the time.

#### **(h) Pension plan:**

The Company provides a pension plan for its employees through the Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund"), and provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The Fund is a contributory defined benefit pension plan.

#### **(i) Customer deposits:**

Customer deposits comprise cash collections from electricity customers which are applied against any unpaid portion of individual customer accounts. Customer deposits in excess of unpaid account balances are refundable to individuals upon termination of their electricity service.

#### **(j) Use of estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities at the date of the financial statements. Significant items subject to such estimates and assumptions include valuation allowances for accounts receivable, regulatory assets, future payments in lieu of income taxes and employee future benefits, and the carrying value of property, plant and equipment. Actual results could differ from those estimates.



## **E.L.K. ENERGY INC.**

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2010

---

### **2. Significant accounting policies (continued):**

#### **(k) Rate regulation:**

##### **Smart Meter Initiative:**

The Province of Ontario has committed to have "Smart Meter" electricity meters installed in all homes and small businesses throughout Ontario by the end of 2010. Smart Meters permit consumption to be recorded within specific time intervals and specific tariffs to be levied within such intervals.

On October 21, 2010, the Company submitted an application to the OEB for the consideration and approval of a Utility-Specific Smart Meter Funding Adder in accordance with the Smart Meter Funding and Cost Recovery Guideline of the OEB. The application was approved March 28, 2011. The Application provided for a new rate adder of \$1.45 per metered customer per month, representing an increase of \$0.45 per customer per month. Such new rate adder contributes approximately \$193,523 annually towards the Company's investment in Smart Meters and operating costs.

##### **Green Energy and Green Economy Act:**

In early 2009, the government tabled the Green Energy and Green Economy Act ("GEGEA"). This new legislation makes fundamental changes to the roles and responsibilities of LDCs in the areas of renewable power generation, conservation and demand management delivery, and the development of smart distribution grids.

The Green Energy and Green Economy Act provides LDCs with the freedom to own and operate a portfolio of renewable power generation and will permit them to provide district heating services in their communities through co-generation. LDCs will also bear added responsibilities to assist and enable consumers to reduce their peak demand and conserve energy in an effort to meet provincial conservation targets. LDCs will also gain new responsibilities in transforming their local distribution networks into smart grids harnessing advanced technologies to facilitate the connection of small-scale generators and the two-way flow of information.

**New LDC License requirements – Conservation and Demand Management Targets ("CDM Targets"):**



## E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2010

---

### 2. Significant accounting policies (continued):

On November 12, 2010, the OEB amended LDC requirements for achieving certain CDM targets over a four year period commencing January 1, 2011. The Company's CDM targets include a demand reduction target of 2.960 MW and a consumption reduction target of 8.260 GWh. LDCs must also comply with a new CDM Code of the OEB, which provides LDC requirements for the development and delivery of CDM strategy to the OEB for the achievement of LDC-specific CDM targets, annual accounting and reporting to the OEB, and eligibility criteria for performance and incentive payments. The Company has filed its CDM strategy with the OEB on October 28, 2010.

#### (l) Long-lived assets:

The Company periodically reviews the useful lives and the carrying values of its long-lived assets for continued appropriateness. The Company reviews for impairment long-lived assets (or asset groups) to be held and used whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows expected to result from the use and eventual disposition of an asset is less than its carrying amount, it is considered to be impaired. An impairment loss is measured at the amount by which the carrying amount of the asset exceeds its fair value. When quoted market prices are not available, the Company uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

#### (m) Financial Instruments:

All financial instruments are carried on the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other liabilities, which are measured at amortized cost.

The Company has classified its financial instruments as follows:

Cash and cash equivalents	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accruals	Other liabilities
Shareholder promissory notes	Other liabilities
Long-term debt	Other liabilities



## E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2010

### 3. Property, plant and equipment:

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 173,887	\$ -	\$ 173,887	\$ 173,877
Buildings, plant and equipment	3,739,733	2,779,561	960,172	1,220,998
Transmission and distribution system	18,235,056	11,252,426	6,982,640	7,132,548
	<u>\$ 22,148,676</u>	<u>\$ 14,031,987</u>	<u>\$ 8,116,689</u>	<u>\$ 8,527,423</u>

### 4. Regulatory assets (liabilities):

Regulatory assets and liabilities arise as a result of the rate regulating process. The Company has recorded the following regulatory assets and liabilities:

	2010	2009
Regulatory assets (liabilities):		
Future payments in lieu of income taxes	\$ (977,111)	\$ (955,111)
Other regulatory assets	2,327,611	113,018
Miscellaneous deferred debits	3,240	3,240
Amount approved for recovery of regulatory assets	(269,413)	614,401
Retail settlement variances	292,158	634,691
Smart meter capital and recovery	1,382,506	(116,815)
	<u>\$ 2,758,991</u>	<u>\$ 293,424</u>

#### (a) Future payments in lieu of income taxes:

Future payments in lieu of income taxes represent the OEB approved PILs methodology for determining the deferral account allowance.



## **E.L.K. ENERGY INC.**

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2010

---

### **4. Regulatory assets (continued):**

#### **(b) Retail settlement variances:**

E.L.K. has deferred certain retail settlement variances amounts under the provisions of Article 490 of the OEB's Accounting Procedures Handbook.

These variances represent amounts that have accumulated since Market Opening and comprise:

- (i) variances between amounts charged by the Independent Electricity System Operator ("IESO") for the operation of the wholesale electricity market and grid, various wholesale market settlement charges, amounts charged to allow for the purchase of imported electricity and transmission charges, and the amounts billed to customers by the Company based on the OEB approved market service rate; and
- (ii) amounts allocated to the Company and approved by the OEB for the recovery of regulatory assets incurred by Hydro One including low voltage tariffs. The Hydro One recovery of these charges commenced on April 1, 2005 and these costs will be passed through to customers during the rate making process.

#### **(c) Other regulatory assets:**

On December 20, 2004, the OEB issued a letter on the accounting treatment of OEB assessments. The OEB clearly identifies that it is their intent to allow electricity LDC's to record their OEB cost assessments for the Board's fiscal year 2005 and subsequent years in order that these costs may be given consideration for rate recovery in the future.

On February 15, 2005, the OEB issued a letter instructing the deferral of cash pension contributions made to the Ontario Municipal Employees Retirement System ("OMERS") for 2005 and subsequent years. As of May 1, 2006, the deferral of OMERS contributions has been discontinued and OMERS has been included in the rates.

#### **(d) Miscellaneous deferred debits:**

On December 13, 2005, the OEB issued a letter on the accounting treatment of costs related to Ontario Price Credit ("OPC"). Costs related to the payment of OPC are being deferred. No additional amounts will be approved by the OEB until the next cost of services application.



## **E.L.K. ENERGY INC.**

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2010

---

### **4. Regulatory assets (continued):**

(e) Amounts approved for recovery of regulatory assets:

The Ontario Energy Board Act, 1998 (Ontario) ("OEBA"), approved, as part of the 2006 rates application process, a reallocation for each regulatory asset or liability to a separate account, amounts approved for recovery of regulatory assets. The associated recoveries collected through rates over May 1, 2006 to April 30, 2008 are to be recorded as a reduction of amounts approved for recovery of regulatory assets. Any residual balance at the end of the collection period will be reviewed in future proceedings of the OEB.

(f) Smart Meter deferral account:

Represents the deferral of operating expenditures, capital expenditures and revenues related to Smart Meters in accordance with the direction set out by the OEB. In 2010, 11,099 meters were replaced by smart meters. The book value of \$271,776 (2009 - \$nil) for the replaced meters was transferred to regulatory assets.

(g) Electricity industry in Ontario:

The Ontario Energy Board Act, 1998 (Ontario) ("OEBA"), conferred on the OEB increased powers and responsibilities to regulate the electricity industry. These powers and responsibilities include the power to approve or fix rates for the transmission and distribution of electricity, the power to provide continued rate protection for rural and remote electricity consumers, and the responsibility for ensuring the distribution companies fulfill obligations to connect and service customers. The

OEB may also prescribe license requirements and records, regulatory accounting principles, separation of accounts for distinct business and filing and processing requirements for rate setting purposes. In its capacity to approve or set rates, the OEB has the authority to specify regulatory treatments that may result in accounting treatments that differ from Canadian generally accepted accounting principles for enterprises operating in a non-rate regulated environment.



## E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2010

### 5. Investments:

	2010	2009
Investment in the Class A common shares of E.L.K. Solutions Inc., at cost	\$ 100	\$ 100
Investment in Gosfield North Communications at cost	1	—
Investment in the preferred shares of Utilismart Corporation, at market	2,413	2,413
Investment in the common shares of Sun Life Financial, at market	44,442	44,649
	<u>\$ 46,956</u>	<u>\$ 47,162</u>

### 6. Shareholder promissory notes:

The shareholder promissory notes are payable on demand, accrue interest at 7.25% payable annually, and are secured by a general security agreement. These notes are subordinate to the bank term loan.

### 7. Long-term debt:

	2010	2009
Three year term loan with interest rate of 1.343%, repayable in full on or before maturity of June 2012, secured by a general security agreement	\$ 7,200,000	\$ 8,000,000

During the year, the Company paid \$147,028 of interest on long-term debt (2009 – \$56,516).



## E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2010

### 8. Employee future benefits:

E.L.K. Energy Inc. pays certain benefits on behalf of its retired employees.

The Company measures its accrued benefit obligation for accounting purposes as at December 31 each year. A valuation date of December 31, 2010 has been used.

Information about E.L.K. Energy Inc.'s defined benefit plans, which are unfunded, is as follows:

	2010	2009
Accrued benefit obligation, beginning of year	\$ 686,513	\$ 686,180
Service cost	7,867	5,655
Interest cost	28,353	35,247
Amortization of actuarial gain	(8,858)	(8,408)
Benefits paid	(26,969)	(32,161)

Projected accrued benefit obligation, end of year, as determined by actuarial valuation	\$ 686,906	\$ 686,513
--	------------	------------

	2010	2009
Funded status:		
Funded status, deficit	\$ (524,597)	\$ (525,052)
Unamortized net actuarial gain	(162,309)	(161,461)
	\$ (686,906)	\$ (686,513)

The main actuarial assumptions employed for the valuations are as follows:

	2010	2009
Discount rate	5.00%	5.50%
Rate of compensation increase	3%	3%
Medical trend rate:		
Initial	10%	10%
Ultimate	4%	4%

The approximate impact of a 1% change in health insurance trend rates is as follows:

	2010	2009
Change in obligation for 1% increase in trend rates	\$ 48,000	\$ 33,000
Change in obligation for 1% decrease in trend rates	(42,000)	(29,000)



## E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2010

### 9. Share capital:

The authorized and issued share capital is as follows:

	2010	2009
Authorized:		
Unlimited common shares		
Issued:		
30,000 common shares (2009 – 30,000)	\$ 2,000,100	\$ 2,000,100

### 10. Pension costs:

The Company makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS") which is a multi-employer plan, on behalf of 21 members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The OMERS plan is in a deficit position.

The amount contributed to OMERS for 2010 was \$95,857 (2009 – \$97,894) for current service and is included as an expenditure on the statement of earnings.

In 2010 the contribution rates were 6.4% for employees earnings below the year's maximum pensionable earnings and 9.7% thereafter.

### 11. Supplemental cash flow information:

	2010	2009
Cash paid during the year for:		
Interest	\$ 478,970	\$ 70,611
Payments in lieu of income taxes	836,872	713,599
Cash received during the year for:		
Interest	55,154	47,400



## E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2010

### 12. Related party transactions:

The amounts due to/from shareholder and subsidiary are as follows:

	2010	2009
Due to shareholder, included in accounts payable	\$ 464,808	\$ 463,394
Due from shareholder, included in accounts receivable	23,061	24,286
Due from subsidiary, included in accounts receivable	185,602	133,763

Transactions with shareholder are as follows:

	2010	2009
Provision of services to shareholder	\$ 442,958	\$ 463,394
Interest incurred on shareholder promissory notes	142,925	176,454

These amounts are measured at the exchange amount, which is the amount of consideration paid or received as established and agreed to by the related parties.

### 13. Future payments in lieu of income taxes:

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future tax liabilities and assets are as follows:

	2010	2009
Future tax liabilities:		
Investments	\$ 8,750	\$ 10,000
Total future tax liabilities	\$ 8,750	\$ 10,000
Future tax assets:		
Property, plant and equipment	\$ 964,800	\$ 972,000
Employee future benefits	232,150	280,000
Intangible assets	148,750	184,000
Smart meter revenue	71,350	51,000
Financing fees	3,700	6,000
Total future tax assets	1,420,750	1,493,000
Net future tax assets	\$ 1,412,000	\$ 1,483,000



## E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2010

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### 14. Fair value of financial assets and liabilities:

The fair value of the Company's cash, accounts receivable, accounts payable and accrued liabilities, customer deposits and shareholder promissory notes approximate their carrying values due to the relative short-term maturity of these financial instruments.

It is not practical to determine the fair value of the investment in subsidiary as it is not publicly traded.

The fair value of the Company's long-term debt approximates its carrying value as the terms and conditions of the borrowing agreement is similar to current market terms and conditions.

#### Risk Factors:

The Company's activities provide for a variety of financial risks, particularly credit risk, market risk and liquidity risk.

#### i) Credit risk:

Financial assets carry credit risk that a counter-party will fail to discharge and obligation which would result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company earns its revenue from a broad base of customers located in the towns of Essex, Lakeshore, and Kingsville. No single customer in either year would account for revenue in excess of 1% of the respective reported balances.

The carrying amount of accounts receivable is reduced through the use of an allowance for doubtful accounts and the amount of the related impairment loss is recognized in the statement of earnings. Subsequent recoveries of receivables previously provisioned are credited to the statements of earnings. The balance of the allowance for doubtful accounts at December 31, 2010 is \$370,780 (2009 - \$504,864). No single customer accounts for more than 1% of accounts receivable at year-end.

The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. The Company has approximately 11,120 customers, the majority of which are residential. At December 31, 2010, approximately \$926,623 is considered 60 days past due. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2010, the Company holds security deposits in the amount of \$839,167 (2009 - \$989,688).



## **E.L.K. ENERGY INC.**

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2010

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### **14. Fair value of financial assets and liabilities (continued):**

#### **ii) Market risk:**

Market risks primarily refer to the risk of loss that results from changes in commodity prices, foreign exchange rates, and interest rates. The Company currently does not have commodity or foreign exchange risk. E.L.K. Energy Inc. is exposed to fluctuations in interest rates as the regulated rate of return for the Company's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

#### **iii) Liquidity risk:**

The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest expense. The Company has access to a line of credit and monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

### **15. Directors' remuneration:**

The remuneration of directors amounted to \$22,291 (2009 – \$17,261).

### **16. Capital management:**

In managing capital, the Company focuses on liquid resources available for operations. The organization's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the monitoring of cashflows and actual operating results. As at December 31, 2010, the Company has met its objective of having sufficient liquid resources to meet its current obligations.



## **E.L.K. ENERGY INC.**

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2010

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### **17. Contingencies:**

Late payment charges class action:

Pursuant to its order dated July 22, 2010 (the "Order"), the Ontario Superior Court of Justice approved the settlement of a class action lawsuit, which was served on the former Toronto Hydro-Electric Commission, continuing as Toronto Hydro Corporation, on November 18, 1998. The original class action was for the amount of \$500,000 and was initiated against the former Toronto Hydro-Electric Commission as the representative of the Defendant Class consisting of all municipal electric utilities ("MEU") in Ontario, of which the Company is a successor MEU, which have charged late payment charges on overdue utility bills at any time after April 1, 1981.

The order formalized a settlement pursuant to which the defendant MEUs will pay the amount of \$17,000,000 plus costs and taxes in settlement of all claims. The amount allocated for payment by each MEU is its proportionate share of the settlement amount based on its percentage of distribution service revenue over the period for which it has exposure for repayment of late payment penalties exceeding the interest rate limit in the Criminal Code. The Company's share of the settlement amount is \$28,388 payable on June 30, 2011. Under the settlement, all the MEUs involved in the settlement, including the Company, will request an order from the OEB allowing for the future recovery from customers of all costs related to the settlement. The Company has accrued a liability in the amount of \$28,388 and the request for recovery has been filed with the OEB.

On October 29, 2010, the OEB issued a notice of proceeding involving all of the defendant MEUs including the Company, to determine whether the costs and damages incurred by MEUs are recoverable from electricity ratepayers, and if so, the form and timing of such recovery. On February 22, 2011, the OEB issued its decision on this matter and indicated their intent to allow the recovery of all costs and damages arising from the settlement of the class action over a one year period commencing May 1, 2011, through a fixed rate rider. On March 28, 2011, the recovery was approved.

### **18. Future accounting changes:**

#### **International Financial Reporting Standards ["IFRS"]**

The Canadian Accounting Standards Board ("AcSB") has adopted a strategic plan that will have Canadian GAAP converge with IFRS, effective January 1, 2011 which will require entities to restate, for comparative purposes, their interim and annual financial statements and their opening financial position.



## **E.L.K. ENERGY INC.**

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2010

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### **18. Future accounting changes (continued):**

In October 2010, the AcSB approved the incorporation of IFRS 1 into Part 1 of the Canadian Institute of Chartered Accountants ("CICA") Handbook for qualifying entities with activities subject to rate regulation. Part 1 of the CICA Handbook specifies that first-time adoption is mandatory for interim and annual financial statements relating to annual periods beginning on or after January 1, 2012.

The amendment also requires entities that do not prepare its interim and annual financial statements in accordance with Part 1 of the Handbook during the annual period beginning on or after January 1, 2011 to disclose that fact.

The Company has decided to implement IFRS commencing on January 1, 2012.



Non-Consolidated Financial Statements of

**E.L.K. ENERGY INC.**

Year ended December 31, 2011





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## INDEPENDENT AUDITORS' REPORT

To the Directors of E.L.K. Energy Inc.

We have audited the accompanying non-consolidated financial statements of E.L.K. Energy Inc., which comprise the non-consolidated balance sheet as at December 31, 2011, the non-consolidated statement of earnings, retained earnings and the cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The non-consolidated financial statements have been prepared by management in accordance with the basis of accounting in Note 1 to the non-consolidated financial statements.

### *Management's Responsibility for the Non-consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with the basis of accounting in Note 1 to the non-consolidated financial statements; this includes determining that the basis of accounting is an acceptable basis for the preparation of the non-consolidated financial statements in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.





### *Opinion*

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of E.L.K. Energy Inc. as at December 31, 2011, and its non-consolidated results of operations and its non-consolidated cash flows for the year then ended in accordance with the basis of accounting in Note 1 to the non-consolidated financial statements.

### *Basis of Accounting and Restriction of Use*

Without modifying our opinion, we draw attention to Note 1 to the non-consolidated financial statements, which describes the basis of accounting. The non-consolidated financial statements are prepared to assist E.L.K. Energy Inc. to prepare its corporate income tax returns. As a result, the non-consolidated financial statements may not be suitable for another purpose. Our report is intended solely for E.L.K. Energy Inc. and for the federal and provincial income tax authorities and should not be used by parties other than E.L.K. Energy Inc. or the federal and provincial tax authorities.

### *Other Matters*

E.L.K. Energy Inc. has prepared a separate set of consolidated financial statements for the year ended December 31, 2011 in accordance with Canadian generally accepted accounting principles on which we issued a separate auditors' report.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Accountants, Licensed Public Accountants

April 26, 2012

Windsor, Canada



## E.L.K. ENERGY INC.

### Non-consolidated Balance Sheet

December 31, 2011, with comparative figures for 2010

	2011	2010
		(restated - see note 18)
<b>Assets</b>		
Current assets:		
Cash:		
Unrestricted	\$ 3,547,395	\$ 3,301,234
Restricted (note 2)	1,019,175	1,596,417
Accounts receivable (note 12)	1,716,945	1,699,416
Prepaid expenses	124,924	107,502
Unbilled revenue	3,266,194	3,152,464
Inventories	287,076	313,849
Payment in lieu of income taxes receivable	632,483	537,555
	<u>10,594,192</u>	<u>10,708,437</u>
Property, plant and equipment, at cost (note 3)	22,628,508	22,148,676
Less accumulated amortization	<u>14,871,786</u>	<u>14,031,987</u>
	7,756,722	8,116,689
Regulatory assets (note 4)	707,022	1,832,297
Future payments in lieu of income taxes (note 13)	1,448,000	1,412,000
Investments (note 5)	36,042	46,956
	<u>\$ 20,541,978</u>	<u>\$ 22,116,379</u>



	2011	2010
		(restated - see note 18)

## Liabilities and Shareholder's Equity

### Current liabilities:

Accounts payable and accrued liabilities (note 12)	\$ 3,792,580	\$ 4,728,580
Current portion of customer deposits	193,019	193,019
Current portion of obligation under capital lease	6,541	6,541
Current year portion of long-term debt (note 7)	6,400,000	-
Shareholder promissory notes (note 6)	1,900,000	1,900,000
	<u>12,292,140</u>	<u>6,828,140</u>

### Long-term liabilities:

Customer deposits	763,601	646,148
Obligation under capital lease	3,271	11,447
Long-term debt (note 7)	-	7,200,000
Employee future benefits (note 8)	688,187	686,906
	<u>1,455,059</u>	<u>8,544,501</u>

### Shareholder's equity:

Share capital (note 9)	2,000,100	2,000,100
Retained earnings	392,304	341,263
Contributed surplus	4,402,375	4,402,375
	<u>6,794,779</u>	<u>6,743,738</u>

### Contingencies (note 17)

	<u>\$ 20,541,978</u>	<u>\$ 22,116,379</u>
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See accompanying notes to non-consolidated financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director



## E.L.K. ENERGY INC.

### Non-consolidated Statement of Earnings

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010 (restated see note 18)
Service revenue	\$ 22,758,157	\$ 23,254,511
Service revenue adjustment	289,273	(114,103)
	23,047,430	23,140,408
Cost of electricity	20,088,089	19,951,904
Gross margin on service revenue	2,959,341	3,188,504
Other operating revenue:		
Interest and other	1,010,474	739,507
Late payment charges	127,881	99,989
Unrealized loss on investments	(10,914)	(206)
	1,127,441	839,290
	4,086,782	4,027,794
Expenditures:		
Administration	835,771	808,563
Billing and collecting	799,175	726,496
Amortization	839,799	824,357
Interest	307,318	289,953
Operations and maintenance	771,091	546,850
	3,553,154	3,196,219
Earnings before payments in lieu of income taxes	533,628	831,575
Payments in lieu of income taxes	216,787	295,494
Net earnings	\$ 316,841	\$ 536,081

See accompanying notes to non-consolidated financial statements.



## E.L.K. ENERGY INC.

### Non-consolidated Statement of Retained Earnings

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
		(restated see note 18)
Balance, beginning of year	\$ 341,263	\$ (194,818)
Net earnings	316,841	536,081
Dividends paid	(265,800)	-
Balance, end of year	\$ 392,304	\$ 341,263

See accompanying notes to non-consolidated financial statements.



## E.L.K. ENERGY INC.

### Non-consolidated Statement of Cash Flows

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
		(restated see note 18)
Cash provided by (used in):		
Operations:		
Net earnings	\$ 316,841	\$ 536,081
Items not involving cash:		
Amortization of property, plant and equipment	839,799	824,357
Future payments in lieu of income taxes	(36,000)	71,000
Increase in employee future benefits	1,281	393
Gain on sale of property, plant and equipment	-	(58,654)
Unrealized loss on investments	10,914	206
Changes in non-cash operating working capital	(1,152,836)	821,745
	(20,001)	2,195,128
Financing:		
Increase in long-term customer deposits	117,453	339,722
Increase (decrease) in capital lease obligation	(8,176)	17,988
Decrease in long-term debt	(800,000)	(800,000)
Dividends paid	(265,800)	-
	(956,523)	(442,290)
Investing:		
Property, plant and equipment additions	(480,332)	(810,311)
Proceeds on sale of property and equipment	500	183,566
Decrease (increase) in regulatory assets	1,125,275	(1,267,097)
	645,443	(1,893,842)
Decrease in cash	(331,081)	(141,004)
Cash, beginning of year	4,897,651	5,038,655
Cash, end of year	\$ 4,566,570	\$ 4,897,651
Cash consists of:		
Unrestricted	\$ 3,547,395	\$ 3,301,234
Restricted	1,019,175	1,596,417
	\$ 4,566,570	\$ 4,897,651

See accompanying notes to non-consolidated financial statements.



## **E.L.K. ENERGY INC.**

Notes to Non-Consolidated Financial Statements

Year ended December 31, 2011

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E.L.K. Energy Inc. supplies and distributes electric power and maintains electrical distribution systems in the following communities: Essex, Harrow, Belle River, Comber, Kingsville, and Cottam.

E.L.K. Energy Inc. also performs the billing function for the Municipality of the Town of Essex Water Department.

### **1. Basis of accounting:**

These non-consolidated financial statements have been prepared in accordance with Part V of the CICA Handbook – Accounting except for E.L.K. Energy Inc.'s investment in its wholly-owned subsidiary, E.L.K. Solutions Inc., which is accounted for using the cost method. These non-consolidated financial statements have been prepared in accordance with the significant accounting policies set out below.

### **2. Significant accounting policies:**

#### **(a) Restricted cash:**

Restricted cash of \$1,019,175 (2010 - \$1,596,417) relates to contractor security deposits.

#### **(b) Inventories:**

Inventories are valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

#### **(c) Property, plant and equipment:**

Property, plant and equipment are stated at cost. Buildings, plant and equipment and the transmission and distribution system are amortized on the straight-line basis at rates suggested by the Ontario Energy Board. These rates of amortization range from 2% to 25%.

#### **(d) Revenue recognition:**

Electricity distribution service charges comprises customer billings for electricity and distribution service charges less the cost of electricity purchases by the Corporation. Customer billings for electricity and distribution service charges are recorded on the basis of time of use customer usage from the last billing until the end of the fiscal year. The latter component is recorded as unbilled revenue.



## **E.L.K. ENERGY INC.**

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2011

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### **2. Significant accounting policies (continued):**

(e) Investments:

The Company has designated its investment in the common shares of Sun Life Financial and its investment in the preferred shares of Utilismart Corporation as held for trading investments and these instruments are recorded at market value as determined by quoted market prices. Realized and unrealized gains and losses as a result of disposition of shares and changes in fair value are recorded in the statement of earnings as an unrealized gain or loss on investments.

The investment in ELK Solutions Inc. and Gosfield North Communications are measured at cost.

(f) Employee future benefits:

The Company provides post retirement benefits for employees who retire from active employment. The Company measures the costs of its obligation based on its best estimate.

The Company accrues its obligations under employee benefit plans as the employees render the services necessary to earn employee future benefits.

The cost of retirement benefits earned by employees is actuarially determined using the projected cost method pro rated on service and the actuary's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. The excess of the net actuarial gain or loss over 10% of the benefit obligation is amortized over the average remaining service period of active employees of the plan, which is 11.3 years at December 31, 2011.

Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

(g) Payments in lieu of taxes ("PILs"):

The Company is currently exempt from taxes under the Income Tax Act (Canada) ("ITA") and the Ontario Corporations Tax Act ("OCTA").

Pursuant to the Electricity Act, the Company is required to compute taxes under the ITA and OCTA and remit such amounts thereunder computed to the Ministry of Finance (Ontario). These amounts, referred to as PILs under the Electricity Act, are applied to reduce certain debt obligations of the former Ontario Hydro continuing as Ontario Electricity Financial Corporation.



## **E.L.K. ENERGY INC.**

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2011

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### **2. Significant accounting policies (continued):**

#### **(g) Payments in lieu of taxes ("PILs") (continued):**

The Company provides for amounts in lieu of corporate income taxes using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. When unrecorded future income taxes become payable, it is expected that they will be included in the rates approved by the Ontario Energy Board ("OEB") and recovered from the customers of the Company at the time.

#### **(h) Pension plan:**

The Company provides a pension plan for its employees through the Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund"), and provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The Fund is a contributory defined benefit pension plan.

#### **(i) Customer deposits:**

Customer deposits comprise cash collections from electricity customers which are applied against any unpaid portion of individual customer accounts. Customer deposits in excess of unpaid account balances are refundable to individuals upon termination of their electricity service.

#### **(j) Use of estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities at the date of the financial statements. Significant items subject to such estimates and assumptions include valuation allowances for accounts receivable, regulatory assets, future payments in lieu of income taxes and employee future



## **E.L.K. ENERGY INC.**

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2011

---

### **2. Significant accounting policies (continued):**

(j) Use of estimates (continued):

benefits, and the carrying value of property, plant and equipment. Actual results could differ from those estimates.

(k) Rate regulation:

Smart Meter Initiative:

The Province of Ontario has committed to have "Smart Meter" electricity meters installed in all homes and small businesses throughout Ontario by the end of 2010. Smart Meters permit consumption to be recorded within specific time intervals and specific tariffs to be levied within such intervals.

In support of this initiative, the Company completed its deployment of Smart Meters throughout 2010 and early 2011, with approximately 10,859 Smart Meters deployed. Time of use billing for customers began with the September 2011 billing period.

In accordance with the Smart Meter Funding and Cost Recovery – Final Disposition, December 15, 2011 the Smart Meter funding adder of \$1.45 per metered customer per month will cease April 30, 2012. The Corporation will be filing its smart meter rate application in 2012 along with its cost of service application.

(l) Long-lived assets:

The Company periodically reviews the useful lives and the carrying values of its long-lived assets for continued appropriateness. The Company reviews for impairment long-lived assets (or asset groups) to be held and used whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows expected to result from the use and eventual disposition of an asset is less than its carrying amount, it is considered to be impaired. An impairment loss is measured at the amount by which the carrying amount of the asset exceeds its fair value. When quoted market prices are not available, the Company uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.



## E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2011

### 2. Significant accounting policies (continued):

#### (m) Financial Instruments:

All financial instruments are carried on the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other liabilities, which are measured at amortized cost.

The Company has classified its financial instruments as follows:

Cash and cash equivalents	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accruals	Other liabilities
Shareholder promissory notes	Other liabilities
Long-term debt	Other liabilities

#### (n) Related party transactions:

Transactions with related parties represent the culmination of the earnings process and are measured at the exchange amount.

### 3. Property, plant and equipment:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 173,877	\$ -	\$ 173,877	\$ 173,877
Buildings, plant and equipment	3,760,272	1,885,577	1,874,695	960,172
Transmission and distribution system	18,694,359	12,986,209	5,708,150	6,982,640
	\$ 22,628,508	\$ 14,871,786	\$ 7,756,722	\$ 8,116,689



## E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2011

### 4. Regulatory assets (liabilities):

Regulatory assets and liabilities arise as a result of the rate regulating process. The Company has recorded the following regulatory assets and liabilities:

	2011	2010
		(restated – See note 18)
Regulatory assets (liabilities):		
Future payments in lieu of income taxes	\$ (920,111)	\$ (884,111)
Other regulatory assets	3,718,330	3,051,199
Miscellaneous deferred debits	3,240	3,240
Amount approved for recovery of regulatory assets	495,437	(448,663)
Retail settlement variances	(3,974,796)	(1,271,874)
Smart meter capital and recovery	1,384,922	1,382,506
	<u>\$ 707,022</u>	<u>\$ 1,832,297</u>

(a) Future payments in lieu of income taxes:

Future payments in lieu of income taxes represent the OEB approved PILs methodology for determining the deferral account allowance.

(b) Retail settlement variances:

E.L.K. has deferred certain retail settlement variances amounts under the provisions of Article 490 of the OEB's Accounting Procedures Handbook.

These variances represent amounts that have accumulated since Market Opening and comprise:

- (i) variances between amounts charged by the Independent Electricity System Operator ("IESO") for the operation of the wholesale electricity market and grid, various wholesale market settlement charges, amounts charged to allow for the purchase of imported electricity and transmission charges, and the amounts billed to customers by the Company based on the OEB approved market service rate; and



## **E.L.K. ENERGY INC.**

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2011

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### **4. Regulatory assets (continued):**

#### **(b) Retail settlement variances (continued):**

- (ii) amounts allocated to the Company and approved by the OEB for the recovery of regulatory assets incurred by Hydro One including low voltage tariffs. The Hydro One recovery of these charges commenced on April 1, 2005 and these costs will be passed through to customers during the rate making process.

#### **(c) Other regulatory assets:**

On December 20, 2004, the OEB issued a letter on the accounting treatment of OEB assessments. The OEB clearly identifies that it is their intent to allow electricity LDC's to record their OEB cost assessments for the Board's fiscal year 2005 and subsequent years in order that these costs may be given consideration for rate recovery in the future.

#### **(d) Miscellaneous deferred debits:**

On December 13, 2005, the OEB issued a letter on the accounting treatment of costs related to Ontario Price Credit ("OPC"). Costs related to the payment of OPC are being deferred. No additional amounts will be approved by the OEB until the next cost of services application.

#### **(e) Amounts approved for recovery of regulatory assets:**

The Ontario Energy Board Act, 1998 (Ontario) ("OEBA"), approved, as part of the 2006 rates application process, a reallocation for each regulatory asset or liability to a separate account, amounts approved for recovery of regulatory assets. The associated recoveries collected through rates over May 1, 2006 to April 30, 2008 are to be recorded as a reduction of amounts approved for recovery of regulatory assets. Any residual balance at the end of the collection period will be reviewed in future proceedings of the OEB.

#### **(f) Smart Meter deferral account:**

This account represents the deferral of operating expenditures, capital expenditures and revenues related to Smart Meters in accordance with the direction set out by the OEB. In total, 11,099 meters were "stranded" and transferred to the regulatory account. The book value of \$271,776 for the replaced meters was transferred to regulatory assets in 2010.



## E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2011

### 4. Regulatory assets (continued):

(g) Electricity industry in Ontario:

The Ontario Energy Board Act, 1998 (Ontario) ("OEBA"), conferred on the OEB increased powers and responsibilities to regulate the electricity industry. These powers and responsibilities include the power to approve or fix rates for the transmission and distribution of electricity, the power to provide continued rate protection for rural and remote electricity consumers, and the responsibility for ensuring the distribution companies fulfill obligations to connect and service customers.

The OEB may also prescribe license requirements and records, regulatory accounting principles, separation of accounts for distinct business and filing and processing requirements for rate setting purposes. In its capacity to approve or set rates, the OEB has the authority to specify regulatory treatments that may result in accounting treatments that differ from Canadian generally accepted accounting principles for enterprises operating in a non-rate regulated environment.

### 5. Investments:

	2011	2010
Investment in the Class A common shares of E.L.K. Solutions Inc., at cost	\$ 100	\$ 100
Investment in Gosfield North Communications, at cost	1	1
Investment in the preferred shares of Utilismart Corporation, at market	8,045	2,413
Investment in the common shares of Sun Life Financial, at market	27,896	44,442
	<u>\$ 36,042</u>	<u>\$ 46,956</u>

### 6. Shareholder promissory notes:

The shareholder promissory notes are payable on demand, accrue interest at 7.25% payable annually, and are secured by a general security agreement. These notes are subordinate to the bank term loan. In 2011, the Company paid \$154,045 (2010 - \$142,925) of interest on these notes.



## E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2011

### 7. Long-term debt:

	2011	2010
Three year term loan with interest rate of 2.35% 2010 - 1.343%) repayable in full on or before maturity of June 2012, secured by a general security agreement	\$ 6,400,000	\$ 7,200,000
Less: current portion	6,400,000	-
	\$ -	\$ 7,200,000

During the year, the Company paid \$153,273 of interest on long-term debt (2010 – \$147,028).

### 8. Employee future benefits:

E.L.K. Energy Inc. pays certain benefits on behalf of its retired employees.

The Company measures its accrued benefit obligation for accounting purposes as at December 31 each year. A valuation date of December 31, 2010 was used, with results extrapolated to December 31, 2011.

Information about E.L.K. Energy Inc.'s defined benefit plans, which are unfunded, is as follows:

	2011	2010
Accrued benefit obligation, beginning of year	\$ 686,906	\$ 686,513
Service cost	11,420	7,867
Interest cost	25,858	28,353
Amortization of actuarial gain	(9,721)	(8,858)
Benefits paid	(26,276)	(26,969)
Projected accrued benefit obligation, end of year, as determined by actuarial valuation	\$ 688,187	\$ 686,906
	2011	2010
Funded status:		
Funded status, deficit	\$ (546,879)	\$ (524,597)
Unamortized net actuarial gain	(141,308)	(162,309)
	\$ (688,187)	\$ (686,906)



## E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2011

### 8. Employee future benefits (continued):

The main actuarial assumptions employed for the valuations are as follows:

	2011	2010
Discount rate	4.25%	5.00%
Rate of compensation increase	3%	3%
Medical trend rate:		
Initial	8.2%	10%
Ultimate	4%	4%

The approximate impact of a 1% change in health insurance trend rates is as follows:

	2011	2010
Change in obligation for 1% increase in trend rates	\$ 50,000	\$ 48,000
Change in obligation for 1% decrease in trend rates	(44,000)	(42,000)

### 9. Share capital:

The authorized and issued share capital is as follows:

	2011	2010
Authorized:		
Unlimited common shares		
Issued:		
30,000 common shares	\$ 2,000,100	\$ 2,000,100



## E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2011

### 10. Pension costs:

The Company makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS") which is a multi-employer plan, on behalf of 21 members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The OMERS plan is in a deficit position.

The amount contributed to OMERS for 2011 was \$124,860 (2010 – \$95,857) for current service and is included as an expenditure on the statement of earnings.

In 2011 the contribution rates were 7.4% (2010 - 6.4%) for employees earnings below the year's maximum pensionable earnings and 10.7% (2010 - 9.7%) thereafter.

### 11. Supplemental cash flow information:

	2011	2010
Cash paid during the year for:		
Interest	\$ 307,659	\$ 478,970
Payments in lieu of income taxes	564,544	836,872
Cash received during the year for:		
Interest	77,844	55,154

### 12. Related party transactions:

The amounts due to/from shareholder and subsidiary are as follows:

	2011	2010
Due to shareholder, included in accounts payable	\$ 472,170	\$ 464,808
Due from shareholder, included in accounts receivable	22,169	23,061
Due from subsidiary, included in accounts receivable	93,006	185,602



## E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2011

### 12. Related party transactions:

Transactions with shareholder are as follows:

	2011	2010
Provision of services to shareholder	\$ 464,738	\$ 442,958
Interest incurred on shareholder promissory notes	154,045	142,925

These amounts are measured at the exchange amount, which is the amount of consideration paid or received as established and agreed to by the related parties.

### 13. Future payments in lieu of income taxes:

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future tax liabilities and assets are as follows:

	2011	2010
Future tax liabilities:		
Investments	\$ 6,000	\$ 8,750
Total future tax liabilities	\$ 6,000	\$ 8,750
Future tax assets:		
Property, plant and equipment	\$ 967,000	\$ 964,800
Employee future benefits	229,000	232,150
Intangible assets	130,000	148,750
Smart meter revenue	126,000	71,350
Financing fees	2,000	3,700
Total future tax assets	1,454,000	1,420,750
Net future tax assets	\$ 1,448,000	\$ 1,412,000



## **E.L.K. ENERGY INC.**

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2011

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### **14. Fair value of financial assets and liabilities:**

The fair value of the Company's cash, accounts receivable, accounts payable and accrued liabilities, customer deposits and shareholder promissory notes approximate their carrying values due to the relative short-term maturity of these financial instruments.

It is not practical to determine the fair value of the investment in subsidiary as it is not publicly traded.

The fair value of the Company's long-term debt approximates its carrying value as the terms and conditions of the borrowing agreement is similar to current market terms and conditions.

#### **Risk Factors:**

The Company's activities provide for a variety of financial risks, particularly credit risk, market risk and liquidity risk.

#### **i) Credit risk:**

Financial assets carry credit risk that a counter-party will fail to discharge and obligation which would result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company earns its revenue from a broad base of customers located in the towns of Essex, Lakeshore, and Kingsville. No single customer in either year would account for revenue in excess of 1% of the respective reported balances.

The carrying amount of accounts receivable is reduced through the use of an allowance for doubtful accounts and the amount of the related impairment loss is recognized in the statement of earnings. Subsequent recoveries of receivables previously provisioned are credited to the statements of earnings. The balance of the allowance for doubtful accounts at December 31, 2011 is \$639,297 (2010 - \$359,988). No single customer accounts for more than 1% of accounts receivable at year-end.

The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. The Company has approximately 11,120 customers, the majority of which are residential. At December 31, 2011, approximately \$1,090,135 (2010 - \$926,623) is considered 60 days past due. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2011, the Company holds security deposits in the amount of \$956,619 (2010 - \$839,167).



## **E.L.K. ENERGY INC.**

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2011

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### **14. Fair value of financial assets and liabilities (continued):**

#### **ii) Market risk:**

Market risks primarily refer to the risk of loss that results from changes in commodity prices, foreign exchange rates, and interest rates. The Company currently does not have material commodity or foreign exchange risk. E.L.K. Energy Inc. is exposed to fluctuations in interest rates as the regulated rate of return for the Company's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

#### **iii) Liquidity risk:**

The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest expense. The Company has access to a line of credit and monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

### **15. Directors' remuneration:**

The remuneration of directors amounted to \$21,709 (2010 – \$22,291).

### **16. Capital management:**

In managing capital, the Company focuses on liquid resources available for operations. The organization's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the monitoring of cashflows and actual operating results. As at December 31, 2011, the Company has met its objective of having sufficient liquid resources to meet its current obligations.



## E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2011

### 17. Contingencies:

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. The Company has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Company's financial position, results of operations or its ability to carry on any of its business activities.

### 18. Prior period adjustment:

During the year ended December 31, 2011, the Company became aware that the 2010 retail settlement variance component of regulatory assets was overstated as a result of an error in the calculation.

The Company has corrected this error retroactively and accordingly the 2010 comparative figures have been restated as follows:

	2010
	Increase (decrease)
Balance sheet:	
Payment in lieu of income taxes receivable	\$ 284,726
Regulatory assets	(926,694)
Retained earnings	(641,968)
Statement of earnings:	
Service revenue	3,285,266
Cost of electricity	4,211,956
Payments in lieu of income taxes	(284,726)
Net earnings	(641,968)

### 19. Future accounting changes:

#### International Financial Reporting Standards ["IFRS"]

The Canadian Accounting Standards Board ("AcSB") has adopted a strategic plan that will have Canadian GAAP converge with IFRS, effective January 1, 2011 which will require entities to restate, for comparative purposes, their interim and annual financial statements and their opening financial position.



## **E.L.K. ENERGY INC.**

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2011

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### **19. Future accounting changes (continued):**

In October 2010, the AcSB approved the incorporation of IFRS 1 into Part 1 of the Canadian Institute of Chartered Accountants ("CICA") Handbook for qualifying entities with activities subject to rate regulation. Part 1 of the CICA Handbook specifies that first-time adoption is mandatory for interim and annual financial statements relating to annual periods beginning on or after January 1, 2012.

The amendment also requires entities that do not prepare its interim and annual financial statements in accordance with Part 1 of the Handbook during the annual period beginning on or after January 1, 2011 to disclose that fact.

In March 2012, the AcSB extended the deferral of adoption of Part 1 of the CICA Handbook for qualifying entities with activities subject to rate regulation for an additional year to January 1, 2013. The Company had decided to implement IFRS commencing January 1, 2012 and is now assessing whether the extended deferral option will be taken.



**RECONCILIATION BETWEEN FINANCIAL STATEMENTS AND REGULATORY  
ACCOUNTING:**

There are no items to reconcile between the financial statements and regulatory accounting.



**PRO FORMA FINANCIAL STATEMENTS - 2012:**

The Pro Forma Statements for the 2012 Test Year accompany are provided on the following page



**E.L.K. Energy Inc.**  
**2012 BALANCE SHEET**

<b>Account Description</b>	<b>Total</b>
<b>1050-Current Assets</b>	
1005-Cash	3,800,000.00
1010-Cash Advances and Working Funds	0.00
1020-Interest Special Deposits	0.00
1030-Dividend Special Deposits	0.00
1040-Other Special Deposits	0.00
1060-Term Deposits	0.00
1070-Current Investments	0.00
1100-Customer Accounts Receivable	1,602,900.93
1102-Accounts Receivable - Services	0.00
1104-Accounts Receivable - Recoverable Work	304,557.67
1105-Accounts Receivable - Merchandise, Jobbing, etc.	0.00
1110-Other Accounts Receivable	0.00
1120-Accrued Utility Revenues	2,200,000.00
1130-Accumulated Provision for Uncollectable Accounts -- Credit	(499,642.85)
1140-Interest and Dividends Receivable	(9,307.93)
1150-Rents Receivable	0.00
1170-Notes Receivable	0.00
1180-Prepayments	116,213.01
1190-Miscellaneous Current and Accrued Assets	0.00
1200-Accounts Receivable from Associated Companies	0.00
1210-Notes Receivable from Associated Companies	0.00
<b>1050-Current Assets Total</b>	<b>7,514,720.84</b>
<b>1100-Inventory</b>	
1305-Fuel Stock	0.00
1330-Plant Materials and Operating Supplies	300,462.58
1340-Merchandise	0.00
1350-Other Material and Supplies	0.00
<b>1100-Inventory Total</b>	<b>300,462.58</b>



<b>1150-Non-Current Assets</b>	
1405-Long Term Investments in Non-Associated Companies	41,399.28
1408-Long Term Receivable - Street Lighting Transfer	0.00
1410-Other Special or Collateral Funds	0.00
1415-Sinking Funds	0.00
1425-Unamortized Debt Expense	0.00
1445-Unamortized Discount on Long-Term Debt--Debit	0.00
1455-Unamortized Deferred Foreign Currency Translation Gains and Losses	0.00
1460-Other Non-Current Assets	0.00
1465-O.M.E.R.S. Past Service Costs	0.00
1470-Past Service Costs - Employee Future Benefits	0.00
1475-Past Service Costs -Other Pension Plans	0.00
1480-Portfolio Investments - Associated Companies	0.00
1485-Investment In Subsidiary Companies - Significant Influence	0.00
1490-Investment in Subsidiary Companies	100.00
<b>1150-Non-Current Assets Total</b>	<b>41,499.28</b>



<b>1200-Other Assets and Deferred Charges</b>	
1505-Unrecovered Plant and Regulatory Study Costs	0.00
1508-Other Regulatory Assets	134,969.12
1510-Preliminary Survey and Investigation Charges	0.00
1515-Emission Allowance Inventory	0.00
1516-Emission Allowance Withheld	0.00
1518-RCVA Retail	0.00
1525-Miscellaneous Deferred Debits	0.00
1530-Deferred Losses from Disposition of Utility Plant	3,240.15
1540-Deferred Losses from Disposition of Utility Plant	0.00
1545-Development Charge Deposits/ Receivables	0.00
1548-RCVA - Service Transaction Request (STR)	0.00
1550-LV Charges - Variance	0.00
1555-Smart Meters Recovery	0.00
1556-Smart Meters OM & A	(7,272.53)
1562-Deferred PILs	15,500.00
1563-Deferred PILs - Contra	55,000.00
1565-C & DM Costs	1,798,389.00
1566-C & DM Costs Contra	0.00
1570-Qualifying Transition Costs	0.00
1571-Pre Market CofP Variance	0.00
1572-Extraordinary Event Losses	0.00
1574-Deferred Rate Impact Amounts	0.00
1580-RSVA - Wholesale Market Services	(526,104.28)
1582-RSVA - One-Time	0.00
1584-RSVA - Network Charges	(72,340.12)
1586-RSVA - Connection Charges	(154,282.45)
1588-RSVA - Commodity (Power)	246,394.13
1590-Recovery of Regulatory Assets (25% of 2002 bal.)	0.00
1592-PILs and Tax Variance for 2006 & Subsequent Years	(6,381.08)
1595-Disposition and Recovery of Regulatory Balances	495,436.94
<b>1200-Other Assets and Deferred Charges Total</b>	<b>1,982,548.89</b>



<b>1450-Distribution Plant</b>	
1805-Land	2,112.00
1806-Land Rights	0.00
1808-Buildings and Fixtures	0.00
1810-Leasehold Improvements	0.00
1815-Transformer Station Equipment - Normally Primary above 50 kV	0.00
1820-Distribution Station Equipment - Normally Primary below 50 kV	142,098.48
1825-Storage Battery Equipment	0.00
1830-Poles, Towers and Fixtures	909,855.67
1835-Overhead Conductors and Devices	6,322,032.40
1840-Underground Conduit	1,451,640.96
1845-Underground Conductors and Devices	7,764,092.58
1850-Line Transformers	5,910,914.05
1855-Services	788,027.56
1860-Meters	2,109,724.75
1865-Other Installations on Customer's Premises	0.00
<b>1450-Distribution Plant Total</b>	<b>25,400,498.45</b>

<b>1500-General Plant</b>	
1905-Land	171,765.02
1906-Land Rights	2,944.73
1908-Buildings and Fixtures	676,339.77
1910-Leasehold Improvements	0.00
1915-Office Furniture and Equipment	245,409.09
1920-Computer Equipment - Hardware	365,968.31
1925-Computer Software	284,645.87
1930-Transportation Equipment	1,975,815.45
1935-Stores Equipment	0.00
1940-Tools, Shop and Garage Equipment	390,316.94
1945-Measurement and Testing Equipment	0.00
1950-Power Operated Equipment	0.00
1955-Communication Equipment	35,830.60
1960-Miscellaneous Equipment	0.00
1970-Load Management Controls - Customer Premises	0.00
1975-Load Management Controls - Utility Premises	0.00
1980-System Supervisory Equipment	0.00
1985-Sentinel Lighting Rentals	0.00
1990-Other Tangible Property	0.00
1995-Contributions and Grants	(4,574,671.12)
<b>1500-General Plant Total</b>	<b>(425,635.34)</b>



<b>1550-Other Capital Assets</b>	
2005-Property Under Capital Leases	0.00
2010-Electric Plant Purchased or Sold	0.00
2020-Experimental Electric Plant Unclassified	0.00
2030-Electric Plant and Equipment Leased to Others	0.00
2040-Electric Plant Held for Future Use	0.00
2050-Completed Construction Not Classified--Electric	0.00
2055-Construction Work in Progress--Electric	0.00
2060-Electric Plant Acquisition Adjustment	0.00
2065-Other Electric Plant Adjustment	0.00
2070-Other Utility Plant	0.00
2075-Non-Utility Property Owned or Under Capital Lease	0.00
<b>1550-Other Capital Assets Total</b>	<b>0.00</b>

<b>1600-Accumulated Amortization</b>	
2105-Accumulated Amortization of Electric Utility Plant - Property, Plant and Equipment	(15,992,544.13)
2120-Accumulated Amortization of Electric Utility Plant - Intangibles	0.00
2140-Accumulated Amortization of Electric Plant Acquisition Adjustment	0.00
2160-Accumulated Amortization of Other Utility Plant	0.00
2180-Accumulated Amortization of Non-Utility Property	0.00
<b>1600-Accumulated Amortization Total</b>	<b>(15,992,544.13)</b>

<b>Total Assets</b>	<b>18,821,550.56</b>
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<b>1650-Current Liabilities</b>	
2205-Accounts Payable	2,713,778.82
2208-Customer Credit Balances	410,516.54
2210-Current Portion of Customer Deposits	108,576.50
2215-Dividends Declared	0.00
2220-Miscellaneous Current and Accrued Liabilities	82,903.07
2225-Notes and Loans Payable	0.00
2240-Accounts Payable to Associated Companies	325,469.30
2242-Notes Payable to Associated Companies	0.00
2250-Debt Retirement Charges (DRC) Payable	92,937.95
2252-Transmission Charges Payable	0.00
2254-Electric Safety Authority Fees Payable	0.00
2256-Independent Market Operator Fees and Penalties Payable	(170,368.51)
2260-Current Portion of Long Term Debt	0.00
2262-Ontario Hydro Debt - Current Portion	0.00
2264-Pensions and Employee Benefits - Current Portion	0.00
2268-Accrued Interest on Long Term Debt	0.00
2270-Matured Long Term Debt	0.00
2272-Matured Interest on Long Term Debt	0.00
2285-Obligations Under Capital Leases--Current	6,541.20
2290-Commodity Taxes	(469,147.02)
2292-Payroll Deductions / Expenses Payable	46,326.03
2294-Accrual for Taxes, "Payments in Lieu" of Taxes, Etc.	(584,968.80)
2296-Future Income Taxes - Current	0.00
<b>1650-Current Liabilities Total</b>	<b>2,562,565.07</b>



<b>1700-Non-Current Liabilities</b>	
2305-Accumulated Provision for Injuries and Damages	0.00
2306-Employee Future Benefits	687,546.50
2308-Other Pensions - Past Service Liability	0.00
2310-Vested Sick Leave Liability	0.00
2315-Accumulated Provision for Rate Refunds	0.00
2320-Other Miscellaneous Non-Current Liabilities	0.00
2325-Obligations Under Capital Lease--Non-Current	7,358.85
2330-Devolpment Charge Fund	0.00
2335-Long Term Customer Deposits	897,893.07
2340-Collateral Funds Liability	0.00
2345-Unamortized Premium on Long Term Debt	0.00
2348-O.M.E.R.S. - Past Service Liability - Long Term Portion	0.00
2350-Future Income Tax - Non-Current	0.00
2405-Other Regulatory Liabilities	1,430,000.00
2410-Deferred Gains From Disposition of Utility Plant	0.00
2415-Unamortized Gain on Reacquired Debt	0.00
2425-Other Deferred Credits	0.00
2435-Accrued Rate-Payer Benefit	0.00
<b>1700-Non-Current Liabilities Total</b>	<b>3,022,798.42</b>

<b>1800-Long-Term Debt</b>	
2505-Debentures Outstanding - Long Term Portion	0.00
2510-Debenture Advances	0.00
2515-Required Bonds	0.00
2520-Other Long Term Debt	7,500,000.00
2525-Term Bank Loans - Long Term Portion	0.00
2530-Ontario Hydro Debt Outstanding - Long Term Portion	0.00
2550-Advances from Associated Companies	0.00
<b>1800-Long-Term Debt Total</b>	<b>7,500,000.00</b>



<b>1850-Shareholders' Equity</b>	
3005-Common Shares Issued	2,000,100.00
3008-Preference Shares Issued	0.00
3010-Contributed Surplus	0.00
3020-Donations Received	0.00
3022-Devolpment Charges Transferred to Equity	0.00
3026-Capital Stock Held in Treasury	0.00
3030-Miscellaneous Paid-In Capital	4,402,375.00
3035-Installments Received on Capital Stock	0.00
3040-Appropriated Retained Earnings	0.00
3045-Unappropriated Retained Earnings	(594,068.26)
3046-Balance Transferred From Income	(72,219.68)
3047-Appropriations of Retained Earnings - Current Period	0.00
3048-Dividends Payable-Preference Shares	0.00
3049-Dividends Payable-Common Shares	0.00
3055-Adjustment to Retained Earnings	0.00
3065-Unappropriated Undistributed Subsidiary Earnings	0.00
<b>1850-Shareholders' Equity Total</b>	<b>5,736,187.06</b>
<b>Total Liabilities &amp; Shareholder's Equity</b>	
	<b>18,821,550.55</b>



E.L.K. Energy Inc.	
2012 STATEMENT OF INCOME AND RETAINED EARNINGS	
Account Description	Total
<b>3000-Sales of Electricity</b>	
4006-Residential Energy Sales	(11,049,758)
4010-Commercial Energy Sales	(4,912,448)
4015-Industrial Energy Sales	0
4020-Energy Sales to Large Users	0
4025-Street Lighting Energy Sales	(1,140)
4030-Sentinel Energy Sales	0
4035-General Energy Sales	0
4040-Other Energy Sales to Public Authorities	0
4045-Energy Sales to Railroads and Railways	0
4050-Revenue Adjustment	(6,772,143)
4055-Energy Sales for Resale	0
4060-Interdepartmental Energy Sales	(177)
4062-WMS	(1,962,694)
4064-Billed WMS-One Time	0
4066-NS	559,499
4068-CN	(1,177,269)
4075-LV Charges	0
<b>3000-Sales of Electricity Total</b>	<b>(25,316,131)</b>
<b>3050-Revenues From Services - Distirbution</b>	
4080-Distribution Services Revenue	(3,156,142)
4082-RS Rev	(21,718)
4084-Serv Tx Requests	(587)
4090-Electric Services Incidental to Energy Sales	0
<b>3050-Revenues From Services - Distirbution Total</b>	<b>(3,178,447)</b>



<b>3100-Other Operating Revenues</b>	
4205-Interdepartmental Rents	0
4210-Rent from Electric Property	(50,000)
4215-Other Utility Operating Income	0
4220-Other Electric Revenues	0
4225-Late Payment Charges	(130,000)
4230-Sales of Water and Water Power	0
4235-Miscellaneous Service Revenues	(66,000)
4240-Provision for Rate Refunds	0
4245-Government Assistance Directly Credited to Income	0
<b>3100-Other Operating Revenues Total</b>	<b>(246,000)</b>
<b>3150-Other Income &amp; Deductions</b>	
4305-Regulatory Debits	0
4310-Regulatory Credits	0
4315-Revenues from Electric Plant Leased to Others	0
4320-Expenses of Electric Plant Leased to Others	0
4325-Revenues from Merchandise, Jobbing, Etc.	0
4330-Costs and Expenses of Merchandising, Jobbing, Etc	6,500
4335-Profits and Losses from Financial Instrument Hedges	0
4340-Profits and Losses from Financial Instrument Investments	0
4345-Gains from Disposition of Future Use Utility Plant	0
4350-Losses from Disposition of Future Use Utility Plant	0
4355-Gain on Disposition of Utility and Other Property	(21,000)
4360-Loss on Disposition of Utility and Other Property	0
4365-Gains from Disposition of Allowances for Emission	0
4370-Losses from Disposition of Allowances for Emission	0
4375-Revenues from Non-Utility Operations	(413,000)
4380-Expenses of Non-Utility Operations	92,750
4385-Expenses of Non-Utility Operations	0
4390-Miscellaneous Non-Operating Income	0
4395-Rate-Payer Benefit Including Interest	0
4398-Foreign Exchange Gains and Losses, Including Amortization	0
<b>3150-Other Income &amp; Deductions Total</b>	<b>(334,750)</b>
<b>3200-Investment Income</b>	
4405-Interest and Dividend Income	(77,000)
4415-Equity in Earnings of Subsidiary Companies	0
<b>3200-Investment Income Total</b>	<b>(77,000)</b>



<b>3350-Power Supply Expenses</b>	
4705-Power Purchased	20,722,704
4708-WMS	1,639,085
4710-Cost of Power Adjustments	0
4712-Charges One Time	1,295
4714-NW	1,395,696
4715-System Control and Load Dispatching	0
4716-CN	1,094,642
4720-Other Expenses	25,304
4725-Competition Transition Expense	0
4730-Rural Rate Assistance Expense	0
4750-LV Charges	287,404
<b>3350-Power Supply Expenses Total</b>	<b>25,166,131</b>

<b>3500-Distribution Expenses - Operation</b>	
5005-Operation Supervision and Engineering	81,000
5010-Load Dispatching	1,000
5012-Station Buildings and Fixtures Expense	0
5014-Transformer Station Equipment - Operation Labour	0
5015-Transformer Station Equipment - Operation Supplies and Expenses	0
5016-Distribution Station Equipment - Operation Labour	2,000
5017-Distribution Station Equipment - Operation Supplies and Expenses	0
5020-Overhead Distribution Lines and Feeders - Operation Labour	54,000
5025-Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	0
5030-Overhead Subtransmission Feeders - Operation	0
5035-Overhead Distribution Transformers - Operation	4,000
5040-Underground Distribution Lines and Feeders - Operation Labour	100,000
5045-Underground Distribution Lines and Feeders - Operation Supplies and Expenses	0
5050-Underground Subtransmission Feeders - Operation	0
5055-Underground Distribution Transformers - Operation	1,000
5060-Street Lighting and Signal System Expense	0
5065-Meter Expense	22,000
5070-Customer Premises - Operation Labour	0
5075-Customer Premises - Materials and Expenses	0
5085-Miscellaneous Distribution Expense	0
5090-Underground Distribution Lines and Feeders - Rental Paid	0
5095-Overhead Distribution Lines and Feeders - Rental Paid	26,000
5096-Other Rent	0
<b>3500-Distribution Expenses - Operation Total</b>	<b>291,000</b>



<b>3550-Distribution Expenses - Maintenance</b>	
5105-Maintenance Supervision and Engineering	0
5110-Maintenance of Structures	0
5112-Maintenance of Transformer Station Equipment	0
5114-Maint Dist Stn Equip	0
5120-Maintenance of Poles, Towers and Fixtures	29,000
5125-Maintenance of Overhead Conductors and Devices	90,000
5130-Maintenance of Overhead Services	35,000
5135-Overhead Distribution Lines and Feeders - Right of Way	81,000
5145-Maintenance of Underground Conduit	0
5150-Maintenance of Underground Conductors and Devices	76,000
5155-Maintenance of Underground Services	94,000
5160-Maintenance of Line Transformers	32,000
5165-Maintenance of Street Lighting and Signal Systems	0
5170-Sentinel Lights - Labour	0
5172-Sentinel Lights - Materials and Expenses	0
5175-Maintenance of Meters	18,000
5178-Customer Installations Expenses - Leased Property	0
5195-Maintenance of Other Installations on Customer Premises	0
<b>3550-Distribution Expenses - Maintenance Total</b>	<b>455,000</b>

<b>3650-Billing and Collecting</b>	
5305-Supervision	90,000
5310-Meter Reading Expense	110,064
5315-Customer Billing	241,000
5320-Collecting	80,000
5325-Collecting - Cash Over and Short	1,000
5330-Collection Charges	0
5335-Bad Debt Expense	253,000
5340-Miscellaneous Customer Accounts Expenses	0
<b>3650-Billing and Collecting Total</b>	<b>775,064</b>

<b>3700-Community Relations</b>	
5405-Supervision	0
5410-Community Relations - Sundry	3,000
5415-Energy Conservation	0
5420-Community Safety Program	0
5425-Miscellaneous Customer Service and Informational Expenses	0
5515-Advertising Expense	7,000
<b>3700-Community Relations Total</b>	<b>10,000</b>



<b>3800-Administrative and General Expenses</b>	
5605-Executive Salaries and Expenses	20,000
5610-Management Salaries and Expenses	505,000
5615-General Administrative Salaries and Expenses	65,000
5620-Office Supplies and Expenses	87,000
5625-Administrative Expense Transferred-Credit	0
5630-Outside Services Employed	122,000
5635-Property Insurance	28,000
5640-Injuries and Damages	58,000
5645-Employee Pensions and Benefits	1,000
5650-Franchise Requirements	0
5655-Regulatory Expenses	109,408
5660-General Advertising Expenses	0
5665-Miscellaneous Expenses	10,000
5670-Rent	0
5675-Maintenance of General Plant	64,000
5680-Electrical Safety Authority Fees	6,000
5685-Independent Market Operator Fees and Penalties	0
5695-OM&A Contra Account	0
<b>3800-Administrative and General Expenses Total</b>	<b>1,075,408</b>
<b>3850-Amortization Expense</b>	
5705-Amortization Expense - Property, Plant and Equipment	975,107
5710-Amortization of Limited Term Electric Plant	0
5715-Amortization of Intangibles and Other Electric Plant	0
5720-Amortization of Electric Plant Acquisition Adjustments	0
5725-Miscellaneous Amortization	0
5730-Amortization of Unrecovered Plant and Regulatory Study Costs	0
5735-Amortization of Deferred Development Costs	0
5740-Amortization of Deferred Charges	0
<b>3850-Amortization Expense Total</b>	<b>975,107</b>



<b>3900-Interest Expense</b>	
6005-Interest on Long Term Debt	0
6010-Amortization of Debt Discount and Expense	0
6015-Amortization of Premium on Debt-Credit	0
6020-Amortization of Loss on Reacquired Debt	0
6025-Amortization of Gain on Reacquired Debt-Credit	0
6030-Interest on Debt to Associated Companies	0
6035-Other Interest Expense	155,000
6040-Allowance for Borrowed Funds Used During Construction-Credit	141,000
6042-Allowance for Other Funds Used During Construction	0
6045-Interest Expense on Capital Lease Obligations	0
<b>3900-Interest Expense Total</b>	<b>296,000</b>

<b>3950-Taxes Other Than Income Taxes</b>	
6105-Taxes Other Than Income Taxes	23,000
<b>3950-Taxes Other Than Income Taxes Total</b>	<b>23,000</b>

<b>4000-Income Taxes</b>	
6110-Income Taxes	157,800
6115-Provision for Future Income Taxes	0
<b>4000-Income Taxes Total</b>	<b>157,800</b>

<b>4100-Extraordinary &amp; Other Items</b>	
6205-Donations	38
6210-Life Insurance	0
6215-Penalties	0
6225-Other Deductions	0
<b>4100-Extraordinary &amp; Other Items Total</b>	<b>38</b>

<b>Net Income - (Gain)/Loss</b>	<b>72,220</b>
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**INFORMATION ON AFFILIATES:**

E.L.K. provides services for an affiliate company, E.L.K. Solutions Inc. (E.L.K. Solutions). E.L.K. also performs services for its shareholder the Town of Essex.

**SERVICES PROVIDED BY E.L.K. TO E.L.K. SOLUTIONS**

**Water Heater Services**

E.L.K. provides E.L.K. Solutions with billing, collecting and other customer service services for Water Heater rentals for approximately 151 customers. This included issuing approximately 1,812 bills for water heater rental units on a yearly basis. Customers are charged a flat rate each month, the amount of which depends on the size of the tank.

**Street Light and Sentinel Light Services**

E.L.K. provides maintenance services for street lights and sentinel lights to E.L.K. Solutions.

**SERVICES PROVIDED BY E.L.K. TO TOWN OF ESSEX**

**Water & Sewer Billing Services**

E.L.K. provides the Town of Essex water and sewer billing services. These services include meter reading, service orders, billing, bill collection and payment, answering all customer water and sewage related inquiries and other customer services as required. By providing this service, E.L.K. has been able to combine meter reading, billing, collections and customer service functions. Approximately 35% of the bills issued each month are shared electricity/water and sewer bills and approximately 27% are water only accounts.



1    **MATERIALITY THRESHOLDS:**

2    Chapter 2 of the Filing Requirements for Transmission and Distribution Applications, issued by the Board  
3    June 22, 2011 states the relevant default materiality threshold as:

4    “50,000 for a distributor with a distribution revenue requirement less than or equal to \$10 million or

5    “0.5% of distribution revenue requirement for distributors with a revenue requirement greater than \$10  
6    million and less than or equal to \$200 million.” or

7    “\$1 million for a distributor with a distribution revenue requirement of more than \$200 million

8    With a net distribution revenue less than \$10 million, E.L.K. has calculated the materiality threshold as  
9    \$50,000.



Exhibit	Tab	Schedule	Appendix	Contents
2 – Rate Base	1			<b>Overview</b>
		1		Rate Base Overview
		2		Service Quality and Reliability
		3		Rate Base Variance Analysis and Capital Additions
		4		Working Capital Calculation
		5		Summary
			2-A	Asset Management Plan
			2-B	Green Energy Plan



## RATE BASE OVERVIEW

The rate base used for the purpose of calculating the revenue requirement used in this Application follows the definition used in the 2006 EDR Handbook as an average of the balances at the beginning and the end of the 2012 Test Year, plus a working capital allowance, which is 15% of the sum of the cost of power and controllable expenses.

The net fixed assets include those distribution assets that are associated with activities that enable the conveyance of electricity for distribution purposes. E.L.K. does not have any non-distribution assets. Controllable expenses include operations and maintenance, billing and collecting and administration expenses. E.L.K. has calculated its 2012 Test Year Rate Base as \$13,266,094.

E.L.K. has provided a summary of its rate base calculations for the years 2006 Board Approved 2007 Actual, 2008 to 2011 Actual, and 2012 Test Year in Table 2-1 below.

**Table 2-1**  
**Summary of Rate Base**

Description	2006 OEB Approved	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Test
Gross Fixed Assets	18,077,469	19,230,886	20,664,914	21,862,682	22,432,081	22,148,659	22,628,490	24,974,863
Accumulated Depreciation	10,084,909	11,679,852	12,240,266	13,052,384	13,904,673	14,031,987	14,871,786	15,992,544
Net Book Value	7,992,560	7,551,034	8,424,648	8,810,298	8,527,408	8,116,672	7,756,704	8,982,319
Average Net Book Value	7,992,560	7,721,072	7,987,841	8,617,473	8,668,853	8,322,040	7,936,689	9,096,748
Working Capital	15,034,290	16,695,166	20,481,884	18,642,710	16,935,670	22,065,516	22,527,725	27,795,640
Working Capital Allowance	2,255,143	2,504,275	3,072,283	2,796,407	2,540,351	3,309,827	3,379,159	4,169,346
Rate Base	10,247,703	10,225,347	11,060,124	11,413,880	11,209,204	11,631,868	11,315,847	13,266,094

E.L.K.'s capital investment in distribution plant has averaged \$600K to \$1.3 million per year (2006-2011) which accounts for the year over year variance in Average Net Book Value. As discussed throughout Exhibit 1 and E.L.K.'s Asset Management Plan, filed as Appendix 2-A to this Exhibit. E.L.K. had approximately 10,700 metered customers in 2006 which has increased to approximately 11,300 metered customers by the end of 2011 and forecasted to reach near 11,500 by the end of the 2012 Test Year.

E.L.K. has provided a summary of its cost of power and controllable expenses used in calculating working capital for the period 2006 Board Approved, 2006 Actual to 2011 Actual, and 2012 Test Year in Table 2-2, below.



**Table 2-2**  
**Summary of Working Capital Calculation**

Description	2006 OEB Approved	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Test
Cost of Power	13,034,003	14,871,803	18,516,760	16,432,333	14,418,495	19,951,904	20,088,089	25,166,131
Operations	219,009	230,558	215,650	211,133	298,927	236,550	246,823	291,000
Maintenance	226,715	244,876	390,707	408,784	506,972	308,857	522,563	455,000
Billing & Collecting	503,735	513,809	538,534	800,194	846,728	710,772	795,381	775,064
Community Relations	6,479	13,421	20,335	16,882	14,124	15,930	3,795	10,000
Administration & General	1,044,349	795,730	762,787	735,060	831,441	809,795	849,160	1,075,446
Taxes Other than Income T	-	24,970	37,112	38,324	18,984	31,709	21,914	23,000
<b>Working Capital</b>	<b>15,034,290</b>	<b>16,695,166</b>	<b>20,481,884</b>	<b>18,642,710</b>	<b>16,935,670</b>	<b>22,065,516</b>	<b>22,527,725</b>	<b>27,795,640</b>
<b>Working Capital Allowance</b>	<b>2,255,144</b>	<b>2,504,275</b>	<b>3,072,283</b>	<b>2,796,407</b>	<b>2,540,351</b>	<b>3,309,827</b>	<b>3,379,159</b>	<b>4,169,346</b>

The changes in working capital are primarily attributed to the annual changes in Cost of Power resulting from growth, weather and changes in the market price of electricity and increases in OM&A expenditures to service the growth such as staffing requirements, locate costs, meter reading, postage, etc. E.L.K. has not completed a lead-lag study. The working capital allowance is based on 15% of cost of power and controllable expenses in accordance with the Filing Requirements and consistent with OEB Decisions on other distribution rate applications where a utility specific lead-lag study had not been completed.

In support of its rate base calculation, E.L.K. has included details of its Gross Assets, Accumulated Depreciation, Working Capital and Fixed Asset Continuity Schedules for 2006 Actual to 2012 Test Year as required in the Filing Requirements.

#### **Budget Process:**

In managing its distribution system assets, E.L.K.'s main objective is to optimize performance of the assets at a reasonable cost with due regard for system reliability, safety, and customer service expectations. E.L.K. is committed to providing its customers with an economical, safe, reliable supply of electricity and helping the Towns of Essex, Kingsville and Lakeshore become the most energy efficient community in Ontario. E.L.K.'s Asset Management Plan, which sets out E.L.K.'s processes for determining the necessary distribution system investments to ensure safe, reliable delivery of electricity to its customers, accompanies this Exhibit as Appendix 2-A.

The Capital Budget process at E.L.K. Energy is an integral planning tool and ensures that appropriate resources are available to maintain and grow its capital infrastructure. It is the responsibility of each department to contribute to the preparation of the Capital and Operating



1 budget with the assistance of the Finance department. The responsibility of the Finance  
2 department is to coordinate the capital budget and forecast process and present a preliminary  
3 Capital budget to the CEO for approval. Once the preliminary Capital budget and long range  
4 forecast have been approved by the CEO, it is presented to the Board of Directors for approval.

5 Once the Board of Directors approves the annual budget the budget amounts do not change but  
6 rather provide a plan against which actual results may be evaluated.

7 The following are some of the tasks undertaken during the capital budgeting process.

- 8 • Outside expenses for capital budgets are built using previous year actual and current  
9 year forecast as the base;
- 10 • Significant variances from prior years are explained; and
- 11 • Accounting prepares a total labor budget using projected wage and benefit cost.  
12 Overtime and account distribution are based on previous years' actual costs plus any  
13 identified or potential changes for the future year.

14 **Capital Budget:**

15 E.L.K. Energy's capital budget is segregated into the following categories:

- 16 • Asset Management Capital Expenditures
- 17 • Developer-Driven (Growth related) Capital Expenditures
- 18 • Municipal/Regional-Driven Capital Expenditures
- 19 • Other Capital Expenditures

20 Asset management capital expenditures are capital projects relating to E.L.K.'s existing and  
21 new capital infrastructure and/or projects identified through regulatory and legislative  
22 requirements. Developer-driven capital expenditures are directly related to growth and are  
23 partially funded through Capital Contributions. Municipal/Regional-driven capital expenditures  
24 are also related to growth, which drives road, water and sewer requirements and are partially  
25 funded through Capital Contributions (50% of labour and vehicle), in accordance with the *Public*  
26 *Service Works on Highways Act*. Other Capital Expenditures are general assets relating to



Leasehold Improvements, Office Furniture and Equipment, Communications Equipment, Computer Hardware and Software, System Supervisory Equipment, Vehicles and Miscellaneous Tools and Equipment.

E.L.K.'s Capital Budget process is based on:

- **Customer Demand:**

These are projects that E.L.K. undertakes to meet customer obligations in accordance with the OEB's *Distribution System Code* (the "DSC") and E.L.K.'s Conditions of Service. Activities include connecting new residential and general service customers, constructing distribution plant to connect new subdivisions and relocating system plant equipment for roadway reconstruction work. E.L.K. bears a portion of the cost of these projects and uses the economic evaluation methodology for system expansions in accordance with the DSC and the provisions of its Conditions of Service to determine the level of capital contribution, if any, from the customer.

- **Replacement:**

Replacement projects are completed when it has been determined through condition assessment that assets have reached their end of useful life. E.L.K. completes visual inspections of its plant and replaces assets based on inspection and testing results as warranted. In some cases the projects involve spot replacement of assets; in other cases, the projects involve complete asset replacement within a geographic area. When a geographic area is being replaced, consideration is given to converting the distribution voltage from 4.16 kV or 8.32kV to 27.6kV. Converting voltage levels while replacing the assets delivers added benefits including reductions in capital expenditures, and reduced system losses. New assets require less maintenance, deliver better reliability and reduce safety risks to the general public.

- **Capacity:**

Load growth caused by new customer connections and increased demand of existing customers over time can result in a need for capacity improvements on the system. Projects



can take the form of new or upgraded feeders and transformers or voltage conversion projects. These projects are not customer-specific, but rather, they benefit many customers.

• **Regulatory Requirements:**

These projects are capital investments which are being driven by regulatory requirements. These requirements may include, among others, directions from the OEB, the IESO, the Ministry of Energy & Infrastructure or the Ministry of Environment. In 2006, The Government of Ontario established targets for the installation of 800,000 smart electricity meters by December 31, 2008 and installation of smart meters for all Ontario customers by December 31, 2011.

• **Customer Connections and Metering:**

Capital expenditures include meter installations, meter upgrades, and the capital components of wholesale and retail meter verification activities. E.L.K. has completed the deployment of Smart Meters as approved by Ontario Regulation 427/06. Smart Meter capital is currently recorded in the smart meter variance account 1555. E.L.K. is proposing the disposition of its smart meter variance accounts in this Application.

**General Plant Capital Projects:**

General plant capital projects have also been categorized into project pools. Each pool generally corresponds to one or more OEB USoA categories. Those pools include:

- Land, Buildings and Leasehold Improvements (USoA 1905, 1908, 1910)
- Office Furniture & Equipment (USoA 1915)
- Computer Hardware & Software (USoA 1920, 1925)
- Transportation/Vehicles Equipment (USoA 1930)
- Stores Equipment, Tools and Measuring Equipment (USoA 1935, 1940, 1945)
- Communication Equipment (USoA 1955)
- System Supervisory Equipment (USoA 1980)
- Other Tangible Property (USoA 1990)



**Capitalization Policy:**

E.L.K. does not have a formal written capitalization policy. E.L.K. follows Generally Accepted Accounting Principles, in particular the CICA Handbook Section 3060, Capital Assets as well as the guidelines as set out in the OEB Accounting Procedures Handbook.

E.L.K. does not capitalize interest on funds used during construction as capital projects are budgeted for and completed in the fiscal year. In addition, E.L.K. does not capitalize, through internal cost allocations, any indirect administrative support costs such as Finance or Facilities.

**E.L.K.'s Distribution System:**

E.L.K. owns and operates the electricity distribution system in the Towns of Essex, Kingsville and Lakeshore serving more than 11,300 residential and business customers. E.L.K. is supplied power from five transformer stations at 8.32kV and 27.6kV, all owned and operated by Hydro One Networks Inc. E.L.K. distributes electricity to the Towns of Essex, Kingsville and Lakeshore at primary voltages of 4.16kV, 8.32kV and 27.6kV.

E.L.K.'s licensed service area is 22.01 square kilometres of urban service area. E.L.K.'s distribution system is made up of 89.52 kilometres of overhead lines, 61.53 kilometres of underground lines, 3,024 poles, 1,563 distribution transformers and approximately 11,500 meters of which approximately 10,886 are Smart Meters installed on Residential and General Service <50 kW customers.

**Asset Management Plan:**

E.L.K. Energy has developed an Asset Management Plan which outlines the capital and operating expenditures necessary to ensure that E.L.K. continues to provide highest standards for the safe, reliable supply of electricity at the lowest cost. A copy of the Asset Management Plan is attached to this Exhibit as Appendix 2-A.

The Asset Management Plan provides for:

- Replacement and voltage conversion of 30 and 40 year old plant



- 1 • Construction of new plant required to service the Towns of Essex, Kingsville and
- 2 Lakeshore's rapid growth
- 3 • Towns of Essex, Kingsville and Lakeshore and County of Essex road work
- 4 • Inspection and testing of existing plant
- 5 • Maintenance of the highest standard of service to the Towns of Essex, Kingsville and
- 6 Lakeshore residents and businesses

7 E.L.K.'s Asset Management Plan has been developed with due regard to the different Acts,  
8 Regulations, Codes and Guidelines and the continual updating of good utility practice to ensure  
9 the needs of the Towns of Essex, Kingsville and Lakeshore and E.L.K. Energy customers are  
10 met.

#### 11 **Green Energy Basic Plan Summary**

12 E.L.K. has created and submitted a "Basic Green Energy Act plan" (the plan) to the OPA in  
13 accordance with Board Decision 2009-0397. A copy of the plan is included as Appendix 2-B as  
14 well as the May 11, 2012 letter from the OPA confirming OPA acceptance of the Basic Green  
15 Energy Act plan.

16 E.L.K. remains committed to actively assisting the province in developing Green Energy in  
17 accordance with the Green Energy and Green Economy Act, 2009. E.L.K. will not be seeking  
18 any cost recovery related to the plan.



## SERVICE QUALITY AND RELIABILITY

E.L.K. monitors and relies on its service quality and reliability indices (SQIs) monthly as a means of measuring system performance. E.L.K.'s commitment to stakeholders is to ensure "highest standards of performance and business excellence for the safe, reliable provision of service". An SQI report, comparing the annual results of SAIDI, SAIFI and CAIDI with and without loss of supply is provided below in Tables 2-3 and 2-4.

### Service Reliability Indices

Table2-3

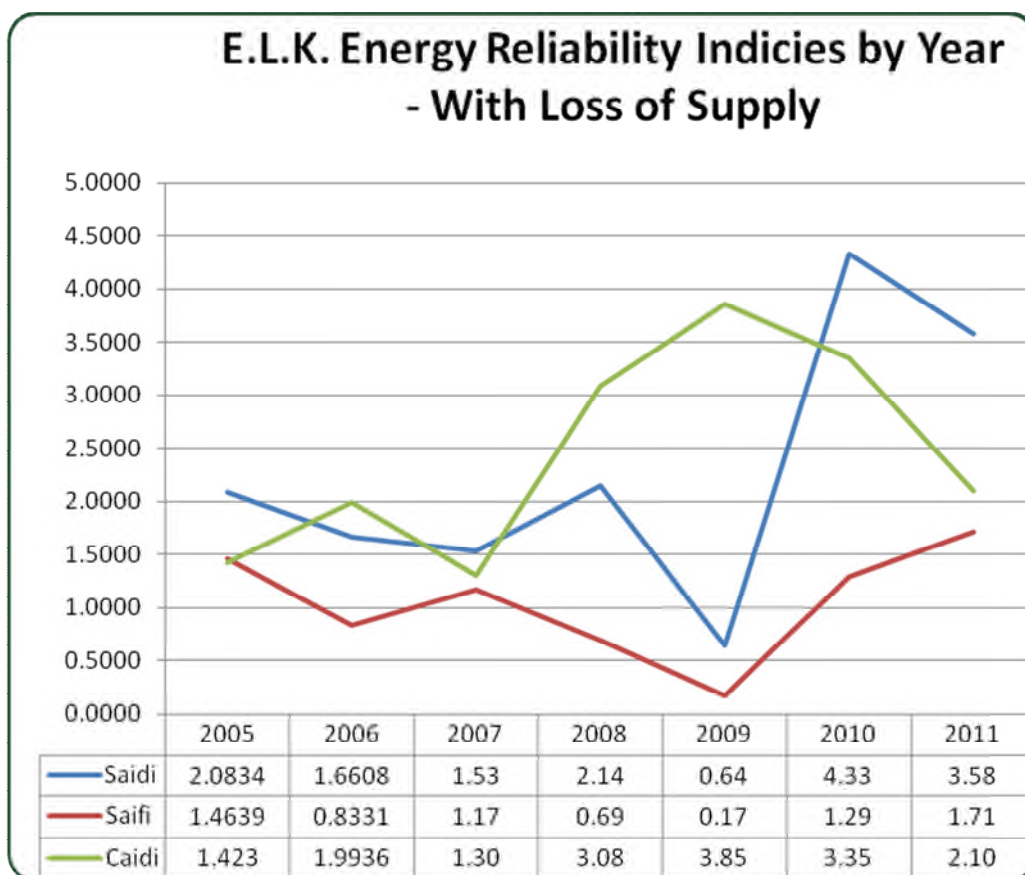
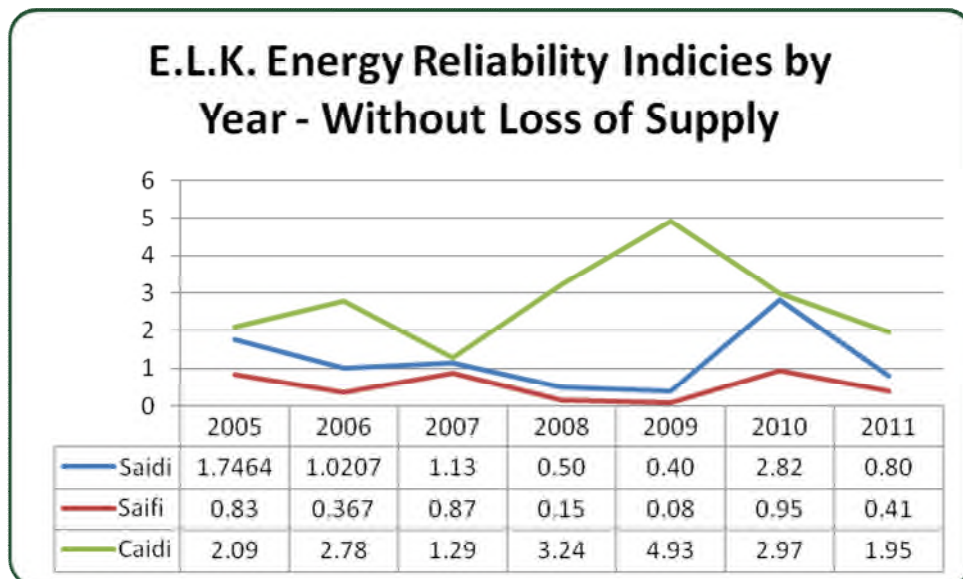




Table 2-4



The tables above provide E.L.K.'s reliability performance for each of the measures over the period 2005-2010. Year over year fluctuations may result from variations in weather such as extreme lightning, excessive snowfalls, ice storms, foreign interference such as animal contacts and motor vehicle accidents. E.L.K.'s system performance indices are trending positively except for the "outage frequency" in 2010 where E.L.K. experienced severe thunderstorms and a tornado in 2010. This being said the "duration" and "restoration time" continued to improve.

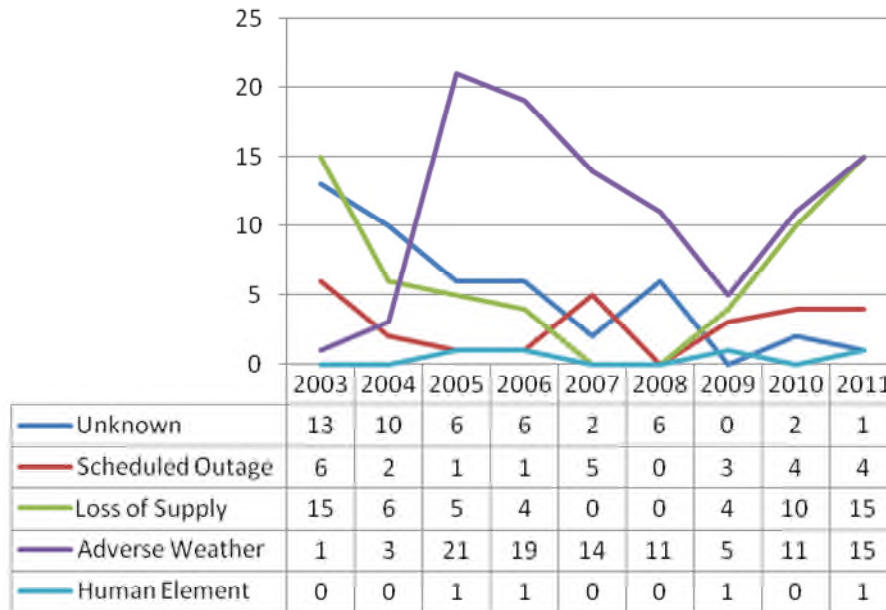
E.L.K. also tracks the cause of outages (Service Interruptions by Code), from which E.L.K. is able to determine whether corrective action is required to prevent or reduce similar occurrences. This information is provided in tables 2-5 and 2-6 below. The causes have been split into two charts for clarity. The two most significant factors are defective equipment and adverse weather.



1

Table 2-5

### E.L.K. Energy Outage Causes by Year

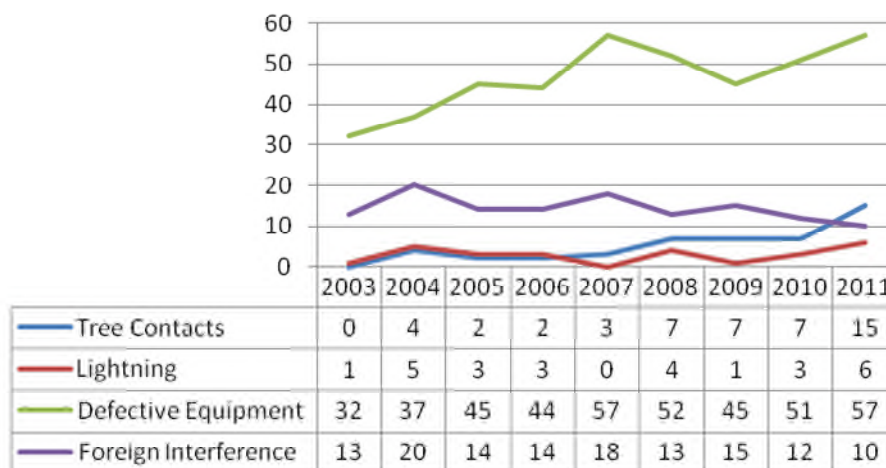


2

3

Table 2-6

### E.L.K. Energy Outage Causes by Year



4



## RATE BASE VARIANCE ANALYSIS AND CAPITAL ADDITIONS

The following Table 2-7 sets out E.L.K.'s year over year rate base variances for the 2006 OEB Approved, the six years 2006 to 2011 Actuals, and 2012 Test Year. E.L.K. notes that the 2006 OEB Approved rate base was determined through the 2006 EDR process and is based on the 2004 year end rate base adjusted for Tier 1 Adjustments. Accordingly, the variance between 2006 Actual and 2006 OEB Approved spans a two-year period.

**Table 2-7**  
**Rate Base Variances**

Description	2006 Actual Variance from 2006 OEB Approved	2007 Actual Variance from 2006 Actual	2008 Actual Variance from 2007 Actual	2009 Actual Variance from 2008 Actual	2010 Actual Variance from 2009 Actual	2011 Actual Variance from 2010 Actual	2012 Test Variance from 2011 Actual
Gross Fixed Assets	1,153,417	1,434,028	1,197,768	569,399	(283,422)	479,831	2,346,373
Accumulated Depreciation	1,594,943	560,414	812,118	852,289	127,314	839,799	1,120,758
Net Book Value	(441,526)	873,614	385,650	(282,890)	(410,736)	(359,968)	1,225,615
Average Net Book Value	(271,488)	266,769	629,632	51,380	(346,813)	(385,352)	1,160,059
Working Capital	1,660,876	3,786,717	(1,839,173)	(1,707,040)	5,129,846	462,209	5,267,915
Working Capital Allowance	249,132	568,008	(275,876)	(256,056)	769,477	69,331	790,187
Rate Base	(22,356)	834,777	353,756	(204,676)	422,664	(316,020)	1,950,246

## Capital Additions:

For the purposes of this Application E.L.K. has provided information for the period 2006 and forward. E.L.K.'s capital additions by USoA for the years 2006 to the 2012 Test Year, is provided in Table 2-7B. The increase in 2007 capital spending is the result of significant transformer purchases for the Cottam and Kingsville conversion as well as significant subdivision work and the purchase of two bucket trucks. Subsequent to 2007, there was a downturn in the economy and as a result capital purchases decreased and stabilized over the following years as illustrated in Table 2-7B below.



**Table 2-7B**  
**Capital Additions 2006 Actual to 2012 Test Year**

USoA	Description	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Test
1830	Poles, Towers & Fixtures	27,726	97,064	100,434	62,309	105,762	51,131	21,000
1835	Overhead Conductors & Devices	72,103	109,425	202,574	106,483	159,165	186,167	47,000
1840	Underground Conduit	131,980	76,104	217,031	132,682	123,094	82,633	200,100
1845	Underground Conductors & Devices	207,935	228,187	126,543	140,966	216,251	170,663	517,100
1850	Line Transformers	56,485	487,211	231,528	131,201	107,790	85,816	399,590
1855	Services (Overhead & Underground)	88,092	88,113	99,753	50,765	67,317	70,051	88,200
1860	Meters	52,061	276,450	131,151	35,988	26,120	4,459	21,260
<b>Total Additions to Plant</b>		<b>636,381</b>	<b>1,362,553</b>	<b>1,109,014</b>	<b>660,394</b>	<b>805,499</b>	<b>650,922</b>	<b>1,294,250</b>
1905	Land	17,500	-	-	-	-	-	-
1906	Land Rights	-	-	400	-	-	-	-
1908	Buildings & Fixtures	-	57,481	11,500	-	319	2,880	14,500
1910	Leasehold Improvements	-	-	-	-	-	-	-
1915	Office Furniture & Equipment	9,954	5,514	2,025	5,323	20,593	-	2,500
1920	Computer Equip.-Hardware	3,980	47,141	17,819	8,228	3,385	2,992	5,000
1925	Computer Software	-	85,691	90,054	5,387	895	-	19,000
1930	Transportation Equipment	16,096	483,870	63,307	73,521	-	14,618	89,250
1935	Stores Equipment	-	-	-	-	-	-	-
1940	Tools, Shop & Garage Equipment	8,255	12,035	39,335	6,257	2,828	564	25,000
1945	Measurement & Testing Equipment	-	-	-	-	-	-	-
1955	Communications Equipment	2,595	-	-	-	11,227	-	-
1960	Miscellaneous Equipment	-	-	-	-	-	-	-
1975	Load Management Controls Utility Premises	-	-	-	-	-	-	-
1980	System Supervisor Equipment	-	-	-	-	-	-	-
1985	Miscellaneous Fixed Assets	-	-	-	-	-	-	-
<b>Total Additions to Other Assets</b>		<b>58,379</b>	<b>691,732</b>	<b>224,440</b>	<b>98,716</b>	<b>39,247</b>	<b>21,054</b>	<b>155,250</b>
<b>Total Capital Additions Before Capital Contributions</b>		<b>694,761</b>	<b>2,054,286</b>	<b>1,333,454</b>	<b>759,110</b>	<b>844,745</b>	<b>671,975</b>	<b>1,449,500</b>
1995	Contributions & Grants	(391,998)	(454,086)	(135,687)	(189,711)	(34,435)	(191,644)	(703,250)
<b>Net Capital Additions</b>		<b>302,763</b>	<b>1,600,199</b>	<b>1,197,767</b>	<b>569,399</b>	<b>810,311</b>	<b>480,331</b>	<b>746,250</b>

E.L.K. has three key drivers of its capital investment as discussed below:

The first driver of E.L.K.'s capital investment is its obligation to connect a customer in accordance with Section 28 of the *Electricity Act, 1998*, Section 7 of E.L.K.'s Electricity Distribution Licence and the DSC. In most development areas E.L.K. does not have existing distribution plant capable of supplying the new developments and as such, E.L.K. is required to expand its overhead/underground distribution plant. E.L.K. determines the customer's contribution to the expansion based on an economic evaluation in accordance with the DSC. The developer is allowed to build the subdivision based on E.L.K.'s subdivision agreement outlining specifications and the infrastructure is conveyed to E.L.K. for a transfer price



1 determined in accordance with the provisions of the DSC. The second driver is also a result of  
2 the growth in the Towns of Essex, Kingsville and Lakeshore whereby the three Towns and the  
3 County of Essex are investing in the widening of roads, installation of sewers and water which in  
4 some cases results in E.L.K. being required to relocate existing distribution lines. E.L.K. collects  
5 a partial recovery of these costs in accordance with the *Public Service Works on Highways Act*.

6 The third driver is E.L.K.'s own capital investment required to meet its commitment to provide a  
7 safe and reliable supply of electricity to its customers. Details are provided in E.L.K.'s Asset  
8 Management Plan attached as Appendix A to this Exhibit, but in summary, these projects  
9 include the rebuilding and conversion of deteriorating 4.16kV and 8.32kV distribution plant, pole  
10 replacement and other capital works required as a result of inspection and testing of existing  
11 distribution plant. Other Asset investments include building/facilities, computer hardware,  
12 software, vehicles and communication equipment.

### 13 **Capital Projects Exceeding Materiality Threshold:**

14 The following section sets out the year over year variances in E.L.K. capital expenditures by the  
15 OEB's USoA classification. Also provided are the annual fixed asset continuity schedules,  
16 capital projects by USoA and explanations for the capital projects exceeding the materiality  
17 threshold of \$50,000. This information has been presented for the years 2006 to 2011 Actuals,  
18 and the 2012 Test Year.

19 E.L.K. has prepared and presented the year over year analysis for each year in a consistent  
20 format for comparison purposes.

### 21 **2006 Actual Capital Additions:**

22 The 2006 Fixed Asset Continuity Schedule, Table 2-8 provides a summary of the additions and  
23 disposals based on the Board's USoA classifications. This schedule may also be found in  
24 E.L.K.'s Revenue Requirement Model.



**Table 2-8**  
**2006 Fixed Asset Continuity Schedule**

		Gross Costs				Accumulated Depreciation						
CCA Class	OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value	
N/A	1805	Land	2,112			2,112	0			0	2,112	
CEC	1806	Land Rights				0				0	0	
1	1808	Buildings and Fixtures				0				0	0	
	1810	Leasehold Improvements				0				0	0	
	1815	Transformer Station Equipment - Normally Primary above 50 kV				0				0	0	
1	1820	Distribution Station Equipment -	142,098			142,098	142,098	62		142,160	(62)	
	1825	Storage Battery Equipment				0				0	0	
1	1830	Poles, Towers and Fixtures	444,430	27,726		472,155	39,681	18,332		58,012	414,143	
1	1835	Overhead Conductors and Devices	5,439,115	72,103		5,511,219	2,943,963	213,859		3,157,822	2,353,397	
1	1840	Underground Conduit	488,017	131,980		619,997	31,362	22,160		53,523	566,474	
1	1845	Underground Conductors and Devices	6,156,447	207,935		6,364,382	3,028,251	233,221		3,261,472	3,102,909	
1	1850	Line Transformers	4,411,294	56,485		4,467,779	2,291,210	148,840		2,440,050	2,027,729	
1	1855	Services	235,737	88,092		323,829	21,571	11,191		32,762	291,067	
1	1860	Meters	679,822	52,061		731,884	526,115	1,041		527,156	404,728	
	1865	Other Installations on Customer's Premises				0				0	0	
N/A	1905	Land	154,265	17,500		171,765				0	171,765	
CEC	1906	Land Rights	2,725		180	2,545	2,725			2,725	(180)	
1	1908	Buildings and Fixtures	791,547			791,547	329,872	17,023		346,895	444,652	
	1910	Leasehold Improvements				0				0	0	
8	1915	Office Furniture and Equipment	199,499	9,954		209,453	158,148	6,396		164,543	44,910	
45	1920	Computer Equipment - Hardware	277,478	3,980		281,457	206,400	22,231		228,631	52,826	
12	1925	Computer Software	57,700			57,700	37,739	8,645		46,384	11,316	
10	1930	Transportation Equipment	1,393,825	16,096		1,409,920	1,259,934	40,043		1,299,977	109,943	
10	1935	Stores Equipment				0				0	0	
8	1940	Tools, Shop and Garage Equipment	304,044	8,255		312,299	252,992	6,418		259,410	52,889	
	1945	Measurement and Testing Equipment				0				0	0	
	1950	Power Operated Equipment				0				0	0	
10	1955	Communication Equipment	22,009	2,595		24,604	14,411	1,517		15,928	8,676	
	1960	Miscellaneous Equipment				0				0	0	
	1970	Load Management Controls - Customer Premises				0				0	0	
	1975	Load Management Controls - Utility Premises				0				0	0	
	1980	System Supervisory Equipment				0				0	0	
	1985	Sentinel Lighting Rentals				0				0	0	
	1990	Other Tangible Property				0				0	0	
1	1995	Contributions and Grants	(2,473,860)	(391,998)		(2,865,858)	(249,279)	(108,320)		(357,599)	(2,508,259)	
	2005	Property under Capital Lease				0				0	0	
		<b>Total before Work in Process</b>	<b>18,928,303</b>	<b>302,763</b>	<b>180</b>	<b>19,230,886</b>	<b>11,037,194</b>	<b>642,658</b>	<b>0</b>	<b>11,679,852</b>	<b>7,551,034</b>	
WIP		Work in Process				0	0	0		0	0	
		<b>Total after Work in Process</b>	<b>18,928,303</b>	<b>302,763</b>	<b>180</b>	<b>19,230,886</b>	<b>11,037,194</b>	<b>642,658</b>	<b>0</b>	<b>11,679,852</b>	<b>7,551,034</b>	
							Less: Fully Allocated Depreciation					
10	1935	Transportation					Transportation	40,043				
10	1955	Communication Equipment					Communication	7,935				
							Net Depreciation	594,681				

## 2006 Actual Capital Projects (exceeding threshold):

The following Table 2-9 provides E.L.K. capital additions, exceeding the materiality threshold of \$50,000, by project, project type and USoA as well as the total projects, by USoA that fall under the materiality threshold. Included in the projects under materiality are approximately 147 work orders for Residential, General Service and upgrades for services and metering.



**Table 2-9**  
**2006 Actual Capital Projects**

USoA #	Description	CCA Class	Bacon Ph 4B	Forest Hill Pumping Station	Galos Ph 1B	Mettawas	Royal Oak Phase 4	Tiny Bubbles	Woodview Phase 1A	Cottam Conversion	Kingsville Conversion	Other Misc	Labour	Total
1830	Poles, Towers and Fixtures			\$ 970						\$ 15,765	\$ 436		\$ 10,555	\$ 27,726
1835	Overhead Conductors & Devices			\$ 1,918						\$ 1,131	\$ 3,747		\$ 65,307	\$ 72,103
1840	Underground Conduit		\$ 5,518	\$ 30,434	\$ 11,149	\$ 16,641	\$ 15,659	\$ 5,739	\$ 13,319	\$ 12,373			\$ 21,147	\$ 131,980
1845	Underground Conductors & Devices		\$ 20,319	\$ 39,113	\$ 28,777	\$ 31,319	\$ 42,830		\$ 22,314	\$ 12,373			\$ 10,889	\$ 207,935
1850	Line Transformers		\$ 5,975	\$ 15,978	\$ 9,324	\$ 16,240	\$ 27,509	\$ 4,020	\$ 15,262			\$ 37,823		\$ 56,485
1855	Services				\$ 243		\$ 38,674		\$ 20,790			\$ 28,385		\$ 88,092
1860	Meters				\$ 635							\$ 51,426		\$ 52,061
1905	Land											\$ 17,500		\$ 17,500
1908	Buildings & Fixtures													\$ -
1915	Office Furniture & Equipment											\$ 9,954		\$ 9,954
1920	Computer Hardware											\$ 3,980		\$ 3,980
1925	Computer Software													\$ -
1930	Transportation Equipment											\$ 16,096		\$ 16,096
1940	Tools Shop & Garage Equipment											\$ 8,255		\$ 8,255
1955	Communication Equipment											\$ 2,595		\$ 2,595
1995	Contributions and Grants - Credit		\$ 51,004	\$ 82,658	\$ 76,816	\$ 83,592	\$ -	\$ -	\$ -			\$ 97,928		\$ 391,998
Total			\$ 19,191	\$ 5,755	\$ 26,689	\$ 19,392	\$ 124,672	\$ 9,759	\$ 71,685	\$ 41,642	\$ 4,183	\$ 2,440	\$ 107,898	\$ 302,763

**Project 2006: Developer Driven Projects – Subdivisions: Total Cost: \$301,684.36**

The following projects are directly related to the growth experienced in the Towns of Essex, Kingsville and Lakeshore. The capital costs are directly related to the underground system expansion and are required to accommodate the installation of these new residential/commercial subdivisions. E.L.K. determines the customer's contribution to the expansion based on an economic evaluation in accordance with the DSC. The developer is allowed to build the subdivision based on E.L.K.'s subdivision agreement outlining specifications and the infrastructure is conveyed to E.L.K. for a transfer price determined in accordance with the provisions of the DSC. Subdivisions energized in 2006 are:

1. Mettawas Condo Complex – \$64,200
2. Royal Oak Phase 4A – \$124,672
3. Woodview Phase 1A – \$71,685
4. Galos Phase 1B - \$50,127.36

Applicable contributions are shown in Table 2-9.

**Project 2006: General Service Customer #1: Total cost \$88,414**

E.L.K. installed 27.6kV cables and pad mounted transformer to connect a new General Service customer. The applicable contribution and net cost are set out in Table 2-9.



## 2007 Actual Capital Additions:

The 2007 Fixed Asset Continuity Schedule, Table 2-10 provides a summary of the additions and disposals based on the Board's USoA classification. This schedule may also be found in E.L.K.'s Revenue Requirement Model.

**Table 2-10**  
**2007 Fixed Asset Continuity Schedule**

		Cost					Accumulated Depreciation					
CCA Class	OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value	
N/A	1805	Land	2,112			2,112	0			0	2,112	
CEC	1806	Land Rights	0			0	0			0	0	
1	1808	Buildings and Fixtures	0			0	0			0	0	
0	1810	Leasehold Improvements	0			0	0			0	0	
0	1815	Transformer Station Equipment	0			0	0			0	0	
1	1820	Distribution Station Equipment	142,098			142,098	142,160	62		142,222	(124)	
0	1825	Storage Battery Equipment	0			0	0			0	0	
1	1830	Poles, Towers and Fixtures	472,155	97,064		569,220	58,012	20,827		78,840	490,380	
1	1835	Overhead Conductors and Dev	5,511,219	109,425		5,620,644	3,157,822	217,489		3,375,312	2,245,332	
1	1840	Underground Conduit	619,997	76,104		696,101	53,523	26,322		79,845	616,256	
1	1845	Underground Conductors and	6,364,382	228,187		6,592,568	3,261,472	241,944		3,503,416	3,089,152	
1	1850	Line Transformers	4,467,779	487,211		4,954,989	2,440,050	159,714		2,599,763	2,355,226	
1	1855	Services	323,829	88,113		411,941	32,762	14,715		47,478	364,464	
1	1860	Meters	931,884	276,450		1,208,334	527,156	33,994		561,150	647,184	
0	1865	Other Installations on Custom	0			0	0			0	0	
N/A	1905	Land	171,765			171,765	0			0	171,765	
CEC	1906	Land Rights	2,545			2,545	2,725	0		2,725	(180)	
1	1908	Buildings and Fixtures	791,547	57,481		849,028	346,895	17,598		364,493	484,535	
0	1910	Leasehold Improvements	0			0	0			0	0	
8	1915	Office Furniture and Equipment	209,453	5,514		214,967	164,543	7,169		171,712	43,255	
45	1920	Computer Equipment - Hardwa	281,457	47,141		328,598	228,631	25,802		254,433	74,165	
12	1925	Computer Software	57,700	85,691		143,391	46,384	7,481		53,865	89,526	
10	1930	Transportation Equipment	1,409,920	483,870	158,171	1,735,619	1,299,977	71,291	158,171	1,213,097	522,523	
10	1935	Stores Equipment	0			0	0			0	0	
8	1940	Tools, Shop and Garage Equip	312,299	12,035	8,000	316,333	259,410	7,432	8,000	258,842	57,491	
0	1945	Measurement and Testing Equi	0			0	0			0	0	
0	1950	Power Operated Equipment	0			0	0			0	0	
10	1955	Communication Equipment	24,604	0		24,604	15,928			15,928	8,676	
0	1960	Miscellaneous Equipment	0			0	0			0	0	
0	1970	Load Management Controls - C	0			0	0			0	0	
0	1975	Load Management Controls - C	0			0	0			0	0	
0	1980	System Supervisory Equipment	0			0	0			0	0	
0	1985	Sentinel Lighting Rentals	0			0	0			0	0	
0	1990	Other Tangible Property	0			0	0			0	0	
1	1995	Contributions and Grants	(2,865,858)	(454,086)		(3,319,944)	(357,599)	(125,255)		(482,854)	(2,837,091)	
0	2005	Property under Capital Lease	0			0	0			0	0	
		Total before Work in Process	19,230,886	1,600,199	166,171	20,664,914	11,679,852	726,586	166,171	12,240,266	8,424,648	
WIP	0	Work in Process	0			0	0	0	0	0	0	
		Total after Work in Process	19,230,886	1,600,199	166,171	20,664,914	11,679,852	726,586	166,171	12,240,266	8,424,648	
							Less: Fully Allocated Depreciation					
	1935	Transportation						71,291				
	1940	Stores Equipment						7,432				
							Net Depreciation					
								647,863				

## 2007 Actual Capital Projects (exceeding threshold):

The following Table 2-11 provides E.L.K.'s capital additions, exceeding the materiality threshold of \$50,000, by project, project type and USoA as well as the total projects, by USoA that fall under the materiality threshold. Included in the projects under materiality are approximately 128 work orders for Residential, General Service and upgrades for services, metering and transformers.



**Table 2-11**  
**2007 Actual Capital Projects**

USoA #	Description	CCA Class	Harris Northstar CIS	Trucks	Dunn Paving	United Comm Credit Union	Bacon Ph 4 B	Galos 1B	Royal Oak Phase 4	Tiny Bubbles	Woodview Phase 1A	Meters	Transformers for Cottam & Kingsville Conversion	Other Misc	Labour	Total
1830	Poles, Towers and Fixtures					\$ 4,061		\$ 2,210							\$ 90,792	\$ 97,064
1835	Overhead Conductors & Devices					\$ 85		\$ 1,467							\$ 107,873	\$ 109,425
1840	Underground Conduit					\$ 7,660		\$ 684	\$ 2,479	\$ 2,158					\$ 63,123	\$ 76,104
1845	Underground Conductors & Devices					\$ 6,883	\$ 179	\$ 16,819		\$ 3,683					\$ 200,624	\$ 228,187
1850	Line Transformers					\$ 15,565	\$ 8,517	\$ 22,774		\$ 20,472	\$ 1,391		\$ 192,272	\$ 226,219		\$ 487,211
1855	Services									\$ 685					\$ 87,428	\$ 88,113
1860	Meters					\$ 2,004						\$ 274,446				\$ 276,450
1908	Buildings & Fixtures				\$ 57,481.00											\$ 57,481
1915	Office Furniture & Equipment													\$ 5,514		\$ 5,514
1920	Computer Hardware													\$ 47,141		\$ 47,141
1925	Computer Software		\$ 85,691													\$ 85,691
1930	Transportation Equipment			\$ 483,870												\$ 483,870
1940	Tools Shop & Garage Equipment													\$ 12,035		\$ 12,035
1995	Contributions and Grants - Credit								\$ 130,958	\$ 37,623	\$ 71,688			\$ 213,817		\$ 454,086
Total			\$ 85,691	\$ 483,870	\$ 57,481	\$ 36,259	\$ 8,696	\$ 43,955	\$ 128,478	\$ 10,625	\$ 70,297	\$ 274,446	\$ 192,272	\$ 77,092	\$ 549,840	\$ 1,600,199

**Project 2007: Purchase of Two Bucket Trucks and Pickup: Total Cost: \$483,870**

E.L.K. manages the replacement of vehicles by monitoring the vehicle utilization, future and past maintenance costs.

E.L.K. purchased a new 42 foot Single Bucket truck to replace a 36 foot Single Bucket originally purchased in 1988. E.L.K. also purchased a new 46 foot Single Bucket truck to replace a 1988, 50 foot Double Bucket originally purchased in 1996.

**Project 2007: Metering, Smart Meter Pilot and Primary Metering Upgrade: Total cost \$274,446**

This project involved the upgrade of old mechanical meters to new smart meters for commercial and residential customers in order to meet requirements with respect to Measurement Canada; and Upgrade wholesale meter points to be IESO compliant.

**Project 2007: Purchase of Land and Paving of Parking Lot: Total cost – \$57,481**

E.L.K. entered into an Agreement of Purchase and Sale with the Town of Essex to purchase 0.2 acres of unserviced land adjacent to E.L.K.'s service centre in the Town of Essex for additional parking and storage. Once acquired the property was excavated, curbed and paved.



1    ***Project 2007: Conversion Upgrade/Rebuild to 27.6kV: Total cost \$192,272***

2    This project involved the purchase of transformers for the conversion/upgrade of E.L.K.'s Cottam  
3    Service Area from 8.32kV to 27.6kV and Kingsville Service area from 4.16kV to 27.6kV.  
4    Cottam's conversion was due to a station loading and service quality issue. Kingsville's  
5    conversion was for the purpose of eliminating E.L.K.'s last remaining substation that is nearing  
6    end of life.

7    ***Project 2007: Harris Northstar CIS – Total cost \$85,691***

8    This project involved the implementation and installation of E.L.K.'s new Harris Northstar CIS.  
9    This cost represents approximately 50% of the total cost that was due upon signing of the  
10   agreement.



## 2008 Actual Capital Additions:

The 2008 Fixed Asset Continuity Schedule, Table 2-12 provides a summary of the additions and disposals based on the OEB USoA classification. This schedule may also be found in E.L.K. Revenue Requirement Model.

**Table 2-12**  
**2008 Fixed Asset Continuity Schedule**

		Cost				Accumulated Depreciation					
CCA Class	OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
N/A	1805	Land	2,112			2,112	0			0	2,112
CEC	1806	Land Rights	0			0	0			0	0
1	1808	Buildings and Fixtures	0			0	0			0	0
0	1810	Leasehold Improvements	0			0	0			0	0
0	1815	Transformer Station Equipment	0			0	0			0	0
1	1820	Distribution Station Equipment	142,098			142,098	142,222	(1,332)		140,890	1,208
0	1825	Storage Battery Equipment	0			0	0			0	0
1	1830	Poles, Towers and Fixtures	569,220	100,434		669,654	78,840	24,782		103,622	566,032
1	1835	Overhead Conductors and Devices	5,620,644	202,574		5,823,218	3,375,312	223,745		3,599,057	2,224,161
1	1840	Underground Conduit	696,101	217,031		913,132	79,845	32,187		112,032	801,100
1	1845	Underground Conductors and Cables	6,592,568	126,543		6,719,112	3,503,416	249,042		3,752,458	2,966,653
1	1850	Line Transformers	4,954,989	231,528		5,186,517	2,599,763	174,090		2,773,853	2,412,665
1	1855	Services	411,941	99,753		511,694	47,478	18,477		65,955	445,740
1	1860	Meters	1,208,334	131,151		1,339,485	561,150	42,147		603,297	736,188
0	1865	Other Installations on Customer Premises	0			0	0			0	0
N/A	1905	Land	171,765			171,765	0	0		0	171,765
CEC	1906	Land Rights	2,545	400		2,945	2,725	0		2,725	220
1	1908	Buildings and Fixtures	849,028	11,500		860,528	364,493	18,288		382,781	477,747
0	1910	Leasehold Improvements	0			0	0			0	0
8	1915	Office Furniture and Equipment	214,967	2,025		216,992	171,712	7,546		179,258	37,734
45	1920	Computer Equipment - Hardware	328,598	17,819		346,418	254,433	31,342		285,775	60,643
12	1925	Computer Software	143,391	90,054		233,445	53,865	24,997		78,863	154,583
10	1930	Transportation Equipment	1,735,619	63,307		1,798,926	1,213,097	92,314		1,305,410	493,516
10	1935	Stores Equipment	0			0	0			0	0
8	1940	Tools, Shop and Garage Equipment	316,333	39,335		355,668	258,842	10,001		268,842	86,826
0	1945	Measurement and Testing Equipment	0			0	0			0	0
0	1950	Power Operated Equipment	0			0	0			0	0
10	1955	Communication Equipment	24,604			24,604	15,928	1,646		17,574	7,030
0	1960	Miscellaneous Equipment	0			0	0			0	0
0	1970	Load Management Controls	0			0	0			0	0
0	1975	Load Management Controls	0			0	0			0	0
0	1980	System Supervisory Equipment	0			0	0			0	0
0	1985	Sentinel Lighting Rentals	0			0	0			0	0
0	1990	Other Tangible Property	0			0	0			0	0
1	1995	Contributions and Grants	(3,319,944)	(135,687)		(3,455,631)	(482,854)	(137,154)		(620,007)	(2,835,624)
0	2005	Property under Capital Lease	0			0	0			0	0
		<b>Total before Work in Process</b>	<b>20,664,914</b>	<b>1,197,767</b>	<b>0</b>	<b>21,862,682</b>	<b>12,240,266</b>	<b>812,117</b>	<b>0</b>	<b>13,052,384</b>	<b>8,810,298</b>
WIP		Work in Process	0			0	0			0	0
		<b>Total after Work in Process</b>	<b>20,664,914</b>	<b>1,197,767</b>	<b>0</b>	<b>21,862,682</b>	<b>12,240,266</b>	<b>812,117</b>	<b>0</b>	<b>13,052,384</b>	<b>8,810,298</b>
							Less: Fully Allocated Depreciation				
	1935	Transportation					Transportation	92,314			
	1940	Stores Equipment					Communication				
							Net Depreciation	719,804			

## 2008 Actual Capital Projects (exceeding threshold):

The following Table 2-13 provides E.L.K. capital additions, exceeding the materiality threshold of \$50,000, by project, project type and USoA as well as the total projects, by USoA that fall under the materiality threshold. Included in the projects under materiality are approximately 125



work orders for Residential, General Service and upgrades for services, metering and transformers.

**Table 2-13**  
**2008 Actual Capital Projects**

USoA #	Description	CCA Class	Harris Northstar CIS	Trucks	General Service Customer #1	General Service Customer #2	Bacon Ph 4C	Cottam Conversion	Kingsville Conversion	Other Misc	Labour	Total
1830	Poles, Towers and Fixtures				\$ 3,444			\$ 6,262			\$ 90,728	\$ 100,434
1835	Overhead Conductors & Devices				\$ 4,285	\$ 429		\$ 5,537	\$ 3,162		\$ 189,160	\$ 202,574
1840	Underground Conduit				\$ 130,055	\$ 3,569	\$ 1,160	\$ 6,221	\$ 27,745		\$ 48,281	\$ 217,031
1845	Underground Conductors & Devices				\$ 30,297	\$ 13,346	\$ 10,199	\$ 12,265	\$ 26,345		\$ 34,092	\$ 126,543
1850	Line Transformers				\$ 36,019	\$ 10,410	\$ 7,534	\$ 18,968		\$ 158,598		\$ 231,528
1855	Services				\$ 2,946	\$ 4,519	\$ 12,343				\$ 79,946	\$ 99,753
1860	Meters				\$ 3,847		\$ 1,363				\$ 125,941	\$ 131,151
1906	Land Rights										\$ 400	\$ 400
1908	Buildings & Fixtures										\$ 11,500	\$ 11,500
1915	Office Furniture & Equipment										\$ 2,025	\$ 2,025
1920	Computer Hardware										\$ 17,819	\$ 17,819
1925	Computer Software		\$ 90,054									\$ 90,054
1930	Transportation Equipment			\$ 63,307								\$ 63,307
1940	Tools Shop & Garage Equipment										\$ 39,335	\$ 39,335
1985	Sentinel Light Rentals											\$ -
1995	Contributions and Grants - Credit				\$ 156,392						\$ 20,705	\$ 135,687
Total			\$ 90,054	\$ 63,307	\$ 18,482	\$ 57,881	\$ 35,474	\$ 37,819	\$ 76,220	\$ 376,323	\$ 442,207	\$ 1,197,767

**Project 2008: Customer Driven Projects: New Connections - Total Cost \$232,755**

The capital costs are directly related to the underground/overhead system expansion of transformers, underground cable, pole line and metering equipment. E.L.K. determines the customer's contribution to the expansion based on an economic evaluation in accordance with the DSC. The developer is allowed to build the subdivision based on E.L.K.'s subdivision agreement outlining specifications and the infrastructure is conveyed to E.L.K. for a transfer price determined in accordance with the provisions of the DSC. New Services in 2008 included:

1. General Service Customer #1 – \$174,874
2. General Service Customer #2 – \$57,881

Applicable contributions are shown in Table 2-13.

**Project 2008: Conversion Upgrade/Rebuild to 27.6kV, Phase 2: Total cost \$76,220**

Portions of E.L.K.'s Kingsville Service Area are supplied from the Kingsville DS owned by E.L.K. Energy. The Kingsville DS is nearing end of life so as part of an ongoing initiative by E.L.K. to



1 provide future capacity and higher efficiency an overhead/underground upgrade/rebuild from  
2 4.16kV to 27.6kV was performed replacing poles, transformers and overhead conductor where  
3 required.

4 ***Project 2008: Purchase of Dump Truck - Total Cost \$63,307***

5 E.L.K. manages the replacement of vehicles by monitoring the vehicle utilization, future and  
6 past maintenance costs.

7 E.L.K. purchased a new 3 Ton Dump Truck to replace a 1 Ton Dump Truck originally purchased  
8 in 1991.

9 ***Project 2008: Harris Northstar CIS – Total cost \$90,054***

10 Continued support and installation of E.L.K.'s new Harris Northstar CIS. This cost represents  
11 the remaining 50% of the total cost.



## 2009 Actual Capital Additions:

The 2009 Fixed Asset Continuity Schedule, Table 2-14 provides a summary of the additions and disposals based on the OEB USoA classification. This schedule may also be found in E.L.K.'s Revenue Requirement Model.

**Table 2-14**  
**2009 Fixed Asset Continuity Schedule**

		Cost				Accumulated Depreciation					
CCA Class	OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
N/A	1805	Land	2,112			2,112	-			-	2,112
CEC	1806	Land Rights	-			-	-			-	-
47	1808	Buildings and Fixtures	-			-	-			-	-
13	1810	Leasehold Improvements	-			-	-			-	-
47	1815	Transformer Station Equipment	-			-	-			-	-
47	1820	Distribution Station Equipment	142,098			142,098	140,766	62		140,828	1,270
47	1825	Storage Battery Equipment	-			-	-			-	-
47	1830	Poles, Towers and Fixtures	669,654	62,309		731,962	103,622	28,042		131,664	600,298
47	1835	Overhead Conductors and Devices	5,823,218	106,483		5,929,700	3,599,057	229,942		3,828,999	2,100,701
47	1840	Underground Conduit	913,132	132,682		1,045,814	112,032	39,184		151,216	894,598
47	1845	Underground Conductors and Devices	6,719,112	140,966		6,860,078	3,752,458	254,396		4,006,854	2,853,224
47	1850	Line Transformers	5,186,517	131,201		5,317,718	2,773,853	181,345		2,955,198	2,362,520
47	1855	Services	511,694	50,765		562,460	65,955	21,492		87,447	475,013
47	1860	Meters	1,339,485	35,988		1,375,473	603,297	45,490		648,787	726,686
N/A	1865	Other Installations on Customer Property	-			-	-			-	-
N/A	1905	Land	171,765	-		171,765	-			-	171,765
CEC	1906	Land Rights	2,945			2,945	2,725			2,725	220
47	1908	Buildings and Fixtures	860,528			860,528	382,781	18,403		401,183	459,345
13	1910	Leasehold Improvements	-			-	-			-	-
8	1915	Office Furniture and Equipment	216,992	5,323		222,316	179,258	7,913		187,171	35,144
10	1920	Computer Equipment - Hardware	346,418	8,228		354,646	285,775	27,010		312,785	41,861
12	1925	Computer Software	233,445	5,387		238,832	78,863	41,088		119,951	118,881
10	1930	Transportation Equipment	1,798,926	73,521		1,872,447	1,305,410	87,689		1,393,100	479,348
8	1935	Stores Equipment	-			-	-			-	-
8	1940	Tools, Shop and Garage Equipment	355,668	6,257		361,925	268,842	12,280		281,123	80,803
8	1945	Measurement and Testing Equipment	-			-	-			-	-
8	1950	Power Operated Equipment	-			-	-			-	-
8	1955	Communication Equipment	24,604			24,604	17,574	1,647		19,221	5,383
8	1960	Miscellaneous Equipment	-			-	-			-	-
47	1970	Load Management Controls - Customer	-			-	-			-	-
47	1975	Load Management Controls - Utility	-			-	-			-	-
47	1980	System Supervisory Equipment	-			-	-			-	-
47	1985	Sentinel Lighting Rentals	-			-	-			-	-
47	1990	Other Tangible Property	-			-	-			-	-
47	1995	Contributions and Grants	(3,455,631)	(189,711)		(3,645,343)	(620,007)	(143,572)		(763,579)	(2,881,763)
0	2005	Property under Capital Lease	-			-	-			-	-
		<b>Total before Work in Process</b>	<b>21,862,682</b>	<b>569,399</b>	<b>-</b>	<b>22,432,081</b>	<b>13,052,260</b>	<b>852,414</b>	<b>-</b>	<b>13,904,673</b>	<b>8,527,408</b>
WIP		Work in Process	-			-	-			-	-
		<b>Total after Work in Process</b>	<b>21,862,682</b>	<b>569,399</b>	<b>-</b>	<b>22,432,081</b>	<b>13,052,260</b>	<b>852,414</b>	<b>-</b>	<b>13,904,673</b>	<b>8,527,408</b>
							Less: Fully Allocated Depreciation				
	1925	Transportation					Transportation				
	1930	Stores Equipment					Communication				
							Net Depreciation	852,414			

## 2009 Actual Capital Projects (exceeding threshold):

The following Table 2-15 provides E.L.K.'s capital additions, exceeding the materiality threshold of \$50,000, by project, project type and USoA as well as the total projects, by USoA that fall under the materiality threshold. Included in the projects under materiality are approximately 97 work orders for Residential, General Service and upgrades for services, metering and transformers.



**Table 2-15**

**2009 Actual Capital Projects**

USoA #	Description	CCA Class	Trucks	General Service Customer #1	General Service Customer #2	Cooper Ph 3A	General Service Customer #2	Cottam Conversion	Other Misc	Labour	Total
1830	Poles, Towers and Fixtures									\$ 62,309	\$ 62,309
1835	Overhead Conductors & Devices							\$ 12,275		\$ 94,208	\$ 106,483
1840	Underground Conduit			\$ 18,339	\$ 19,448	\$ 19,250	\$ 14,535	\$ 463		\$ 60,646	\$ 132,682
1845	Underground Conductors & Devices			\$ 18,339	\$ 19,448	\$ 19,250	\$ 14,535	\$ 20,724		\$ 48,669	\$ 140,966
1850	Line Transformers			\$ 9,956	\$ 10,558	\$ 10,450	\$ 7,890	\$ 27,834	\$ 64,513		\$ 131,201
1855	Services			\$ 3,668	\$ 3,890	\$ 3,850	\$ 2,907			\$ 36,450	\$ 50,765
1860	Meters			\$ 2,096	\$ 2,223	\$ 2,200	\$ 1,661		\$ 27,808		\$ 35,988
1908	Buildings & Fixtures										\$ -
1915	Office Furniture & Equipment								\$ 5,323		\$ 5,323
1920	Computer Hardware								\$ 8,228		\$ 8,228
1925	Computer Software								\$ 5,387		\$ 5,387
1930	Transportation Equipment		\$ 73,521								\$ 73,521
1940	Tools Shop & Garage Equipment								\$ 6,257		\$ 6,257
1995	Contributions and Grants - Credit					-\$ 47,565	-\$ 8,639		-\$ 133,507		-\$ 189,711
											\$ -
<b>Total</b>			<b>\$ 73,521</b>	<b>\$ 52,398</b>	<b>\$ 55,567</b>	<b>\$ 7,435</b>	<b>\$ 32,889</b>	<b>\$ 61,296</b>	<b>-\$ 15,991</b>	<b>\$ 302,282</b>	<b>\$ 569,397</b>

***Project 2009: Developer Driven Projects – Subdivisions: Total Cost \$55,000***

The following projects are directly related to the growth experienced in the Towns of Essex, Kingsville and Lakeshore. The capital costs are directly related to the underground system expansion and are required to accommodate the installation of these new residential/commercial subdivisions. E.L.K. determines the customer's contribution to the expansion based on an economic evaluation in accordance with the DSC. The developer is allowed to build the subdivision based on E.L.K.'s subdivision agreement outlining specifications and the infrastructure is conveyed to E.L.K. for a transfer price determined in accordance with the provisions of the DSC. Subdivisions energized in 2009 are:

1. *Cooper Estates Phase 3A – \$55,000*

Applicable contributions are shown in Table 2-15.

***Project 2009: Customer Driven Projects – New Connections –Total Cost \$107,965***

The capital costs are directly related to the underground/overhead system expansion of transformers, underground cable, pole line and metering equipment. E.L.K. determines the customer's contribution to the expansion based on an economic evaluation in accordance with the DSC. The developer is allowed to build the subdivision based on E.L.K.'s subdivision



1 agreement outlining specifications and the infrastructure is conveyed to E.L.K. for a transfer  
2 price determined in accordance with the provisions of the DSC. New Services in 2009 included:

- 3 1. General Service Customer #1 – \$52,398
- 4 2. General Service Customer #2 – \$55,567

5 Applicable contributions are shown in Table 2-15.

6 ***Project 2009: Conversion Upgrade/Rebuild to 27.6kV, Phase3: Total cost \$61,296***

7 E.L.K.'s Cottam Service Area is supplied from the Cottam DS owned by Hydro One. Hydro One  
8 identified the station as being overloaded which was impacting the service quality of E.L.K.'s  
9 customers. The options presented were a second feed at 8.32kV or a new feed at 27.6kV. As  
10 part of an ongoing initiative by E.L.K. to provide future capacity and higher efficiency an  
11 overhead/underground upgrade/rebuild from 8.32kV to 27.6kV was performed replacing poles,  
12 transformers and overhead conductor where required.

13 ***Project 2009: Purchase of Two Hybrid SUV's - Total Cost \$63,307***

14 E.L.K. manages the replacement of vehicles by monitoring the vehicle utilization, future and  
15 past maintenance costs

16 E.L.K. purchased two new Hybrid SUV's to replace 2 Pickup Trucks originally purchased in  
17 1995 and 1996.

18



## 2010 Actual Capital Additions:

The 2010 Fixed Asset Continuity Schedule, Table 2-16 provides a summary of the additions and disposals based on the OEB USoA classification. This schedule may also be found in E.L.K.'s Revenue Requirement Model.

**Table 2-16**  
**2010 Fixed Asset Continuity Schedule**

		Cost				Accumulated Depreciation					
CCA Class	OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
N/A	1805	Land	2,112			2,112	-			-	2,112
CEC	1806	Land Rights	-			-	-			-	-
47	1808	Buildings and Fixtures	-			-	-			-	-
13	1810	Leasehold Improvements	-			-	-			-	-
47	1815	Transformer Station Equipment - Normal	-			-	-			-	-
47	1820	Distribution Station Equipment - Normal	142,098			142,098	140,828	62		140,890	1,208
47	1825	Storage Battery Equipment	-			-	-			-	-
47	1830	Poles, Towers and Fixtures	731,962	105,762		837,724	131,664	31,404		163,068	674,656
47	1835	Overhead Conductors and Devices	5,929,700	159,165		6,088,865	3,828,999	235,255		4,064,254	2,024,611
47	1840	Underground Conduit	1,045,814	123,094		1,168,908	151,216	44,300		195,515	973,392
47	1845	Underground Conductors and Devices	6,860,078	216,251		7,076,329	4,006,854	261,540		4,268,394	2,807,935
47	1850	Line Transformers	5,317,718	107,790		5,425,508	2,955,198	186,125		3,141,323	2,284,185
47	1855	Services	562,460	67,317		629,777	87,447	23,854		111,301	518,476
47	1860	Meters	1,375,473	26,120	891,791	509,802	648,787	8,509	599,210	58,086	451,716
N/A	1865	Other Installations on Customer's Premises	-			-	-			-	-
N/A	1905	Land	171,765			171,765	-			-	171,765
CEC	1906	Land Rights	2,945			2,945	2,725			2,725	220
47	1908	Buildings and Fixtures	860,528	319	201,887	658,960	401,183	14,368	97,833	317,718	341,242
13	1910	Leasehold Improvements	-			-	-			-	-
8	1915	Office Furniture and Equipment	222,316	20,593		242,909	187,171	8,954		196,125	46,784
10	1920	Computer Equipment - Hardware	354,646	3,385	54	357,976	312,785	18,536		331,321	26,656
12	1925	Computer Software	238,832	895		239,727	119,951	38,005		157,956	81,771
10	1930	Transportation Equipment	1,872,447			1,872,447	1,393,100	86,859		1,479,959	392,489
8	1935	Stores Equipment	-			-	-			-	-
8	1940	Tools, Shop and Garage Equipment	361,925	2,828		364,753	281,123	12,635		293,758	70,996
8	1945	Measurement and Testing Equipment	-			-	-			-	-
8	1950	Power Operated Equipment	-			-	-			-	-
8	1955	Communication Equipment	24,604	11,227		35,831	19,221	2,006		21,226	14,604
8	1960	Miscellaneous Equipment	-			-	-			-	-
47	1970	Load Management Controls - Customer	-			-	-			-	-
47	1975	Load Management Controls - Utility Premises	-			-	-			-	-
47	1980	System Supervisory Equipment	-			-	-			-	-
47	1985	Sentinel Lighting Rentals	-			-	-			-	-
47	1990	Other Tangible Property	-			-	-			-	-
47	1995	Contributions and Grants	(3,645,343)	(34,435)		(3,679,777)	(763,579)	(148,055)		(911,634)	(2,768,143)
	2005	Property under Capital Lease	-			-	-			-	-
		<b>Total before Work in Process</b>	<b>22,432,081</b>	<b>810,311</b>	<b>1,093,732</b>	<b>22,148,659</b>	<b>13,904,673</b>	<b>824,357</b>	<b>697,043</b>	<b>14,031,987</b>	<b>8,116,673</b>
		Less: <b>Sale of Harrow</b>									
WIP			-			-	-			-	-
		<b>Total after Work in Process</b>	<b>22,432,081</b>	<b>810,311</b>	<b>1,093,732</b>	<b>22,148,659</b>	<b>13,904,673</b>	<b>824,357</b>	<b>697,043</b>	<b>14,031,987</b>	<b>8,116,673</b>
							Less: Fully Allocated Depreciation				
	1925	Transportation					Transportation				
	1930	Stores Equipment					Communication				
							Net Depreciation	<b>824,357</b>			

## 2010 Actual Capital Projects (exceeding threshold):

The following Table 2-17 provides E.L.K.'s capital additions, exceeding the materiality threshold of \$50,000, by project, project type and USoA as well as the total projects, by USoA that fall under the materiality threshold. E.L.K. had approximately 117 new Residential and General



Service services and individual upgrades that are included in the projects under the materiality threshold.

**Table 2-17**  
**2010 Actual Capital Projects**

USoA #	Description	General Service Customer CCA #1	Bruner/ Angel Court	General Service Customer #2	Royal Oak Ph 6A	Coopers Ph 3B	General Service Customer #3	General Service Customer #4	Cottam Conversion	Kingsville Conversion	General Service Customer #5	Other Misc	Labour	Total
1830	Poles, Towers and Fixtures								\$ 32,352				\$ 73,410	\$ 105,762
1835	Overhead Conductors & Devices								\$ 40,275	\$ 14,592			\$ 104,298	\$ 159,165
1840	Underground Conduit	\$ 13,205	\$ 8,224	\$ 21,723	\$ 41,835	\$ 10,432	\$ 10,304	\$ 16,252		\$ 36,156	\$ 6,897		\$ 5,777	\$ 159,250
1845	Underground Conductors & Devices	\$ 17,606	\$ 10,965	\$ 28,963	\$ 55,780	\$ 13,909	\$ 13,739	\$ 21,669	\$ 6,303	\$ 20,870	\$ 9,196		\$ 1,964	\$ 200,965
1850	Line Transformers	\$ 8,363	\$ 5,208	\$ 13,758	\$ 26,495	\$ 6,607	\$ 6,526	\$ 10,293	\$ 5,302		\$ 4,368			\$ 86,920
1855	Services	\$ 3,081	\$ 1,919	\$ 5,069	\$ 9,761	\$ 2,434	\$ 2,404	\$ 3,792			\$ 1,609		\$ 37,247	\$ 67,317
1860	Meters	\$ 1,761	\$ 1,096	\$ 2,896	\$ 5,578	\$ 1,391	\$ 1,374	\$ 2,167			\$ 920	\$ 8,937		\$ 26,120
1908	Buildings & Fixtures											\$ 319		\$ 319
1915	Office Furniture & Equipment											\$ 20,593		\$ 20,593
1920	Computer Hardware											\$ 3,385		\$ 3,385
1925	Computer Software											\$ 895		\$ 895
1930	Transportation Equipment													\$ -
1940	Tools Shop & Garage Equipment											\$ 2,828		\$ 2,828
1955	Communication Equipment											\$ 11,227		\$ 11,227
1995	Contributions and Grants - Credit	\$ - 8,096	\$ - 21,895	\$ - 30,183	\$ - 71,887	\$ - 28,502	\$ - 39,822	\$ -			\$ - 21,870	\$ 187,820		\$ - 34,435
Total		\$ 35,920	\$ 5,517	\$ 42,225	\$ 67,562	\$ 6,271	\$ - 5,475	\$ 54,173	\$ 84,232	\$ 71,618	\$ 1,121	\$ 236,004	\$ 211,142	\$ 810,311

**Project 2010: Developer Driven Projects – Subdivisions: Total Cost \$139,449**

The following projects are directly related to the growth experienced in the Towns of Essex, Kingsville and Lakeshore. The capital costs are directly related to the underground system expansion and are required to accommodate the installation of these new residential/commercial subdivisions. E.L.K. determines the customer's contribution to the expansion based on an economic evaluation in accordance with the DSC. The developer is allowed to build the subdivision based on E.L.K.'s subdivision agreement outlining specifications and the infrastructure is conveyed to E.L.K. for a transfer price determined in accordance with the provisions of the DSC. Subdivisions energized in 2010 are:

1. Royal Oak Phase 6A – \$139,449

Applicable contributions are shown in Table 2-17.



***Project 2010: Customer Driven Projects – New Connections – Total Cost \$126,581***

The capital costs are directly related to the underground/overhead system expansion of transformers, underground cable, pole line and metering equipment. E.L.K. determines the customer's contribution to the expansion based on an economic evaluation in accordance with the DSC. The developer is allowed to build the subdivision based on E.L.K.'s subdivision agreement outlining specifications and the infrastructure is conveyed to E.L.K. for a transfer price determined in accordance with the provisions of the DSC. New Services in 2010:

1. *General Service Customer #2 – \$72,408*

2. *General Service Customer #4 – \$54,173*

Applicable contributions are shown in Table 2-17.

***Project 2010: Conversion Upgrade/Rebuild to 27.6Kv, Phase 4: Total cost \$84,232***

E.L.K.'s Cottam Service Area is supplied from the Cottam DS owned by Hydro One. Hydro One identified the station as being overloaded which was impacting the service quality of E.L.K.'s customers. The options presented were a second feed at 8.32kV or a new feed at 27.6kV. As part of an ongoing initiative by E.L.K. to provide future capacity and higher efficiency an overhead/underground upgrade/rebuild from 8.32kV to 27.6kV was performed replacing poles, transformers and overhead conductor where required.

***Project 2010: Conversion Upgrade/Rebuild to 27.6kV, Phase 3: Total cost \$71,618***

Portions of E.L.K.'s Kingsville Service Area is supplied from the Kingsville DS owned by E.L.K. The Kingsville DS is nearing end of life so as part of an ongoing initiative by E.L.K. to provide future capacity and higher efficiency an overhead/underground upgrade/rebuild from 4.16kV to 27.6kV was performed replacing poles, transformers and overhead conductor where required.



**2011 Actual Capital Additions:**

The 2011 Fixed Asset Continuity Schedule, Table 2-18 provides a summary of the additions and disposals based on the OEB USoA classification. This schedule may also be found in E.L.K.'s Revenue Requirement Model attached as.

**Table 2-18**  
**2011 Fixed Asset Continuity Schedule**

			Cost				Accumulated Depreciation				
CCA Class	OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
N/A	1805	Land	2,112			2,112	-			-	2,112
CEC	1806	Land Rights	-			-	-			-	-
47	1808	Buildings and Fixtures	-			-	-			-	-
13	1810	Leasehold Improvements	-			-	-			-	-
47	1815	Transformer Station Equipment - Normally Primary	-			-	-			-	-
47	1820	Distribution Station Equipment - Normally Primary	142,098			142,098	140,890	62		140,952	1,146
47	1825	Storage Battery Equipment	-			-	-			-	-
47	1830	Poles, Towers and Fixtures	837,724	51,131		888,856	163,068	34,542		197,610	691,246
47	1835	Overhead Conductors and Devices	6,088,865	186,167		6,275,032	4,064,254	242,162		4,306,416	1,968,617
47	1840	Underground Conduit	1,168,908	82,633		1,251,541	195,515	48,414		243,930	1,007,611
47	1845	Underground Conductors and Devices	7,076,329	170,663		7,246,993	4,268,394	269,279		4,537,673	2,709,320
47	1850	Line Transformers	5,425,508	85,816		5,511,324	3,141,323	189,997		3,331,320	2,180,004
47	1855	Services	629,777	70,051		699,828	111,301	26,601		137,902	561,925
47	1860	Meters	509,802	4,459		514,261	58,086	9,120		67,207	447,054
47	1860	Meters (Smart Meters)	-			-	-			-	-
N/A	1865	Other Installations on Customer's Premises	-			-	-			-	-
N/A	1905	Land	171,765			171,765	-			-	171,765
CEC	1906	Land Rights	2,945			2,945	2,725			2,725	220
47	1908	Buildings and Fixtures	658,960	2,880		661,840	317,718	14,399		332,118	329,722
13	1910	Leasehold Improvements	-			-	-			-	-
8	1915	Office Furniture and Equipment	242,909			242,909	196,125	8,450		204,575	38,334
10	1920	Computer Equipment - Hardware	357,976	2,992		360,968	331,321	16,001		347,322	13,647
12	1925	Computer Software	239,727			239,727	157,956	36,405		194,362	45,365
10	1930	Transportation Equipment	1,872,447	14,618	500	1,886,565	1,479,959	82,285		1,562,244	324,322
8	1935	Stores Equipment	-			-	-			-	-
8	1940	Tools, Shop and Garage Equipment	364,753	564		365,317	293,758	12,685		306,443	58,874
8	1945	Measurement and Testing Equipment	-			-	-			-	-
8	1950	Power Operated Equipment	-			-	-			-	-
8	1955	Communication Equipment	35,831			35,831	21,226	1,972		23,199	12,632
8	1955	Communication Equipment (Smart Meters)	-			-	-			-	-
8	1960	Miscellaneous Equipment	-			-	-			-	-
47	1970	Load Management Controls - Customer Premises	-			-	-			-	-
47	1975	Load Management Controls - Utility Premises	-			-	-			-	-
47	1980	System Supervisory Equipment	-			-	-			-	-
47	1985	Sentinel Lighting Rentals	-			-	-			-	-
47	1990	Other Tangible Property	-			-	-			-	-
47	1995	Contributions and Grants	(3,679,777)	(191,644)		(3,871,421)	(911,634)	(152,576)		(1,064,210)	(2,807,211)
	2005	Property under Capital Lease	-			-	-			-	-
		Total before Work in Process	22,148,659	480,331	500	22,628,490	14,031,987	839,799	-	14,871,786	7,756,705
		Work in Process	-			-	-			-	-
		Total after Work in Process	22,148,659	480,331	500	22,628,490	14,031,987	839,799	-	14,871,786	7,756,705

**2011 Actual Capital Projects (exceeding threshold):**

The following Table 2-19 provides E.L.K.'s capital additions, exceeding the materiality threshold of \$50,000, by project, project type and USoA as well as the total projects, by USoA that fall



under the materiality threshold. E.L.K. had approximately 138 new Residential and General Service services and individual upgrades that are included in the projects under the materiality threshold.

**Table 2-19**  
**2011 Actual Capital Projects**

USoA #	Description	CCA Class	General Service Customer #1	General Service Customer #2	Cooper Ph 4A	Cooper Ph 3B	Cottam Conversion	Kingsville Conversion	Other Misc	Labour	Total
1830	Poles, Towers and Fixtures						\$ 2,132			\$ 48,999	\$ 51,131
1835	Overhead Conductors & Devices						\$ 29,346	\$ 13,181		\$ 143,640	\$ 186,167
1840	Underground Conduit		\$ 15,532	\$ 47,699	\$ 14,002	\$ 4,426				\$ 974	\$ 82,633
1845	Underground Conductors & Devices		\$ 20,709	\$ 63,599	\$ 18,670	\$ 5,901		\$ 9,848		\$ 51,936	\$ 170,663
1850	Line Transformers		\$ 9,837	\$ 30,209	\$ 8,868	\$ 2,803	\$ 18,400	\$ 15,699			\$ 85,816
1855	Services		\$ 3,624	\$ 11,130	\$ 3,267	\$ 1,033				\$ 50,997	\$ 70,051
1860	Meters		\$ 2,071	\$ 6,360	\$ 1,867	\$ 590					\$ 4,459
1908	Buildings & Fixtures									\$ 2,880	\$ 2,880
1915	Office Furniture & Equipment										\$ -
1920	Computer Hardware								\$ 2,992		\$ 2,992
1925	Computer Software										\$ -
1930	Transportation Equipment								\$ 14,618		\$ 14,618
1940	Tools Shop & Garage Equipment								\$ 564		\$ 564
1995	Contributions and Grants - Credit		-\$ 16,613	-\$ 91,333	-\$ 44,720				-\$ 38,978		-\$ 191,644
Total			\$ 35,160	\$ 67,664	\$ 1,955	\$ 14,752	\$ 49,878	\$ 38,728	\$ 24,353	\$ 296,546	\$ 480,331

**Project 2011: Customer Driven Projects – New Connections –Total Cost \$210,771**

The capital costs are directly related to the underground/overhead system expansion of transformers, underground cable, pole line and metering equipment. E.L.K. determines the customer's contribution to the expansion based on an economic evaluation in accordance with the DSC. The developer is allowed to build the subdivision based on E.L.K.'s subdivision agreement outlining specifications and the infrastructure is conveyed to E.L.K. for a transfer price determined in accordance with the provisions of the DSC. New Services in 2011 include:

1. General Service Customer #1 – \$51,774
2. General Service Customer #2 – \$158,997

Applicable contributions are shown in Table 2-19.



## 2012 Test Year Capital Additions:

The 2012 Test Year Fixed Asset Continuity Schedule, Table 2-20 provides a summary of the additions and disposals based on the OEB USoA classification. This schedule may also be found in E.L.K.'s Revenue Requirement Model.

**Table 2-20**  
**2012 Test Year Fixed Asset Continuity Schedule**

			Cost				Accumulated Depreciation				
CCA Class	OEB	Description	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Net Book Value
N/A	1805	Land	2,112			2,112	0			0	2,112
CEC	1806	Land Rights	0			0	0			0	0
47	1808	Buildings and Fixtures	0			0	0			0	0
13	1810	Leasehold Improvements	0			0	0			0	0
47	1815	Transformer Station Equipment - Normally Prima	0			0	0			0	0
47	1820	Distribution Station Equipment - Normally Prima	142,098			142,098	140,952	62		141,014	1,084
47	1825	Storage Battery Equipment	0			0	0			0	0
47	1830	Poles, Towers and Fixtures	888,856	21,000		909,856	197,610	35,984		233,594	676,262
47	1835	Overhead Conductors and Devices	6,275,032	47,000		6,322,032	4,306,416	246,825		4,553,241	1,768,792
47	1840	Underground Conduit	1,251,541	200,100		1,451,641	243,930	54,069		297,998	1,153,643
47	1845	Underground Conductors and Devices	7,246,993	517,100		7,764,093	4,537,673	283,034		4,820,707	2,943,386
47	1850	Line Transformers	5,511,324	399,590		5,910,914	3,331,320	199,705		3,531,026	2,379,888
47	1855	Services	699,828	88,200		788,028	137,902	29,766		167,669	620,359
47	1860	Meters	514,261	21,260		535,521	67,207	9,635		76,841	458,680
47	1860	Meters (Smart Meters)	1,574,204			1,574,204	137,875	105,478		243,354	1,330,850
N/A	1865	Other Installations on Customer's Premises	0			0	0			0	0
N/A	1905	Land	171,765			171,765	0			0	171,765
CEC	1906	Land Rights	2,945			2,945	2,725			2,725	220
47	1908	Buildings and Fixtures	661,840	14,500		676,340	332,118	14,574		346,691	329,648
13	1910	Leasehold Improvements	0			0	0			0	0
8	1915	Office Furniture and Equipment	242,909	2,500		245,409	204,575	7,102		211,677	33,733
10	1920	Computer Equipment - Hardware	360,968	5,000		365,968	347,322	11,688		359,010	6,959
12	1925	Computer Software	265,646	19,000		284,646	202,137	43,489		245,627	39,019
10	1930	Transportation Equipment	1,886,565	89,250		1,975,815	1,562,244	88,715		1,650,959	324,856
8	1935	Stores Equipment	0			0	0			0	0
8	1940	Tools, Shop and Garage Equipment	365,317	25,000		390,317	306,443	13,909		320,352	69,965
8	1945	Measurement and Testing Equipment	0			0	0			0	0
8	1950	Power Operated Equipment	0			0	0			0	0
8	1955	Communication Equipment	35,831			35,831	23,199	1,545		24,744	11,087
8	1955	Communication Equipment (Smart Meters)	0			0	0			0	0
8	1960	Miscellaneous Equipment	0			0	0			0	0
47	1970	Load Management Controls - Customer Premise	0			0	0			0	0
47	1975	Load Management Controls - Utility Premises	0			0	0			0	0
47	1980	System Supervisory Equipment	0			0	0			0	0
47	1985	Sentinel Lighting Rentals	0			0	0			0	0
47	1990	Other Tangible Property	0			0	0			0	0
47	1995	Contributions and Grants	(3,871,421)	(703,250)		(4,574,671)	(1,064,210)	(170,474)		(1,234,684)	(3,339,987)
2005		Property under Capital Lease	0			0	0			0	0
		<b>Total before Work in Process</b>	<b>24,228,613</b>	<b>746,250</b>	<b>0</b>	<b>24,974,863</b>	<b>15,017,437</b>	<b>975,107</b>	<b>0</b>	<b>15,992,544</b>	<b>8,982,319</b>
WIP		Work in Process	0			0	0			0	0
		<b>Total after Work in Process</b>	<b>24,228,613</b>	<b>746,250</b>	<b>0</b>	<b>24,974,863</b>	<b>15,017,437</b>	<b>975,107</b>	<b>0</b>	<b>15,992,544</b>	<b>8,982,319</b>
						24,601,738	Less: Fully Allocated Depreciation				
	1925	Transportation					Transportation				
	1930	Stores Equipment					Communication				
							Net Depreciation	975,107			

## 2012 Test Year Proposed Capital Projects:

The following Table 2-21 provides E.L.K.'s capital additions by project, project type and USoA for the 2012 Test Year.



Table 2-21

2012 Test Year Proposed Capital Projects

USoA #	Description	CCA C	Cottam Conversion	Kingsville Conversion	Viscount Estates	Replace Trans in Inventory	Truck	General Service Customer #1	Galos Ph 3 OTC	Coopers 4B OTC	General Service Customer #2	Jakana OTC	General Service Customer #3	Comber Microfit OTC	Belle River Relocation	Other Misc	General Labour	Total
1830	Poles, Towers and Fixtures																\$ 21,000	\$ 21,000
1835	Overhead Conductors & Devices		\$ 14,587	\$ 8,367													\$ 24,046	\$ 47,000
1840	Underground Conduit							\$ 30,100	\$ 18,655	\$ 21,000		\$ 19,425		\$ 10,920	\$ 100,000			\$ 200,100
1845	Underground Conductors & Devices			\$ 30,000	\$ 135,817			\$ 39,243	\$ 26,884	\$ 31,000	\$ 571	\$ 37,711	\$ 571	\$ 14,120	\$ 150,000		\$ 51,183	\$ 517,100
1850	Line Transformers			\$ 14,050	\$ 84,886	\$ 36,500		\$ 22,283	\$ 15,476	\$ 17,900	\$ 8,621	\$ 22,401	\$ 9,371	\$ 8,008	\$ 125,000		\$ 35,094	\$ 399,590
1855	Services							\$ 6,934	\$ 4,554	\$ 5,200	\$ 57	\$ 5,714	\$ 57	\$ 2,504	\$ 25,000		\$ 38,180	\$ 88,200
1860	Meters							\$ 3,440	\$ 2,132	\$ 2,400		\$ 2,220		\$ 1,248			\$ 7,703	\$ 21,260
1908	Buildings & Fixtures																\$ 14,500	\$ 14,500
1915	Office Furniture & Equipment																\$ 2,500	\$ 2,500
1920	Computer Hardware																\$ 5,000	\$ 5,000
1925	Computer Software																\$ 19,000	\$ 19,000
1930	Transportation Equipment						\$ 89,250											\$ 89,250
1940	Tools Shop & Garage Equipment																\$ 25,000	\$ 25,000
1995	Contributions and Grants - Credit							\$ -86,000	\$ -53,300	\$ -60,000	\$ -8,250	\$ -55,500	\$ -9,000	\$ -31,200	\$ -400,000			\$ 703,250
Total			\$ 14,587	\$ 52,417	\$ 220,703	\$ 36,500	\$ 89,250	\$ 16,000	\$ 14,400	\$ 17,500	\$ 1,000	\$ 31,970	\$ 1,000	\$ 5,600	\$ -	\$ 73,703	\$ 171,620	\$ 746,250

**Project 2012: Developer Driven Projects – Subdivisions: Total Cost \$232,670**

The following projects are directly related to the growth experienced in the Towns of Essex, Kingsville and Lakeshore. The capital costs are directly related to the underground system expansion and are required to accommodate the installation of these new residential/commercial subdivisions. E.L.K. determines the customer's contribution to the expansion based on an economic evaluation in accordance with the DSC. The developer is allowed to build the subdivision based on E.L.K.'s subdivision agreement outlining specifications and the infrastructure is conveyed to E.L.K. for a transfer price determined in accordance with the provisions of the DSC. Subdivisions energized in 2012 are:

1. Galos Phase 3 (Placed in service Q3, 2012) – \$67,700
2. Cooper Estates Phase 4B (Placed in service Q2, 2012) - \$77,500
3. Jakana Phase 3, (To be placed in service Q4, 2012) – 87,470

Applicable contributions are shown in Table 2-21.

**Project 2012: Customer Driven Projects – New Connections –Total Cost \$102,000**

The capital costs are directly related to the underground/overhead system expansion of transformers, underground cable, pole line and metering equipment. E.L.K. determines the customer's contribution to the expansion based on an economic evaluation in accordance with the DSC. The developer is allowed to build the subdivision based on E.L.K.'s subdivision



1 agreement outlining specifications and the infrastructure is conveyed to E.L.K. for a transfer  
2 price determined in accordance with the provisions of the DSC. New Services in 2012 include:

- 3           1. *General Service Customer #1 (Placed in service Q3, 2012) – \$102,000*

4 Applicable contributions are shown in Table 2-21.

5 ***Project 2012: Conversion Upgrade/Rebuild to 27.6kV, Final Phase: Total cost \$52,417***

6 Portions of E.L.K.'s Kingsville Service Area is supplied from the Kingsville DS owned by E.L.K.  
7 The Kingsville DS is nearing end of life so as part of an ongoing initiative by E.L.K. to provide  
8 future capacity and higher efficiency an overhead/underground upgrade/rebuild from 4.16kV to  
9 27.6kV was performed replacing poles, transformers and overhead conductor where required.  
10 This project was completed Q3, 2012.

11 ***Project 2012: Town of Lakeshore Initiatives –Total Cost \$400,000***

12 Due to initiatives set by the Town of Lakeshore for streetscape beautifications E.L.K. is required  
13 to bury all distribution assets along First Street and Notre Dame within a specified corridor. This  
14 project is not in accordance with the *Public Service Works on Highways Act* as it is not a  
15 relocation but rather a request to bury all overhead distribution assets to improve the esthetics  
16 of a specified corridor. As such the Town of Lakeshore will bear all costs incurred by E.L.K. to  
17 bury said distribution assets. At the time of filing this Application this project was confirmed for  
18 the 2012 Test Year. In the event that it is not in service by the end of 2012, there will be no  
19 impact on E.L.K.'s 2012 Test Year revenue requirement as the entire cost of this project will  
20 have been contributed.

21 ***Project 2012: Live Front Transformer and Primary Underground Cable Replacement***  
22 ***Program-Viscount Estates- Total cost \$220,703***

23 The underground infrastructure within Viscount Estates is at or near life expectancy. Incidents of  
24 failure have increased in the recent years. Availability of repair parts for the live front  
25 transformers continues to diminish. It was decided to begin a replacement program of installing  
26 new primary underground cable and dead front pad mounted transformers. 2012 is the  
27 beginning of the project and is focused on the areas with the highest risk of failure. Design work



1 is near completion with civil work to commence in Q3 with the project being completed mid Q4,  
2 2012.

3 ***Project 2012: Purchase of Underground Service Truck - Total Cost \$89,250***

4 E.L.K. manages the replacement of vehicles by monitoring the vehicle utilization, future and  
5 past maintenance costs

6 E.L.K. is purchasing a new 2 Ton Underground Service Truck to replace a 1 Ton Underground  
7 Service Truck originally purchased in 1999. Request for proposal is set to be released in Q3  
8 with the delivery of the vehicle prior to year end.

9 **Accumulated Depreciation:**

10 E.L.K. uses the straight line method of amortization using the half year rule to determine the  
11 depreciation expense for all distribution assets on a pooled basis and identifiable assets  
12 individually. A full year's amortization is calculated on a straight line basis over estimated useful  
13 life of the asset. E.L.K. Energy follows the amortization schedule provided at Schedule B of the  
14 OEB's 2007 Electricity Distribution Rate Handbook.

15 For the purposes of this Application, E.L.K. used the half year rule for calculating depreciation  
16 expense for the 2012 Test Year. Details of E.L.K.'s depreciation by account number are  
17 provided in the Fixed Asset Continuity Schedules as set out above, by year, in the Rate Base  
18 section of this Exhibit.

19 Further information on E.L.K.'s depreciation expenses and continuity schedules are provided in  
20 Exhibit 4 – Operating Costs.



## WORKING CAPITAL CALCULATION:

### Overview:

E.L.K.'s working capital allowance is forecast to be \$4,169,346 for the 2012 Test Year. E.L.K. has not undertaken a Working Capital lead-lag study and as such has calculated its working capital allowance using the 15% Allowance Approach in accordance with the Filing Requirements. E.L.K. submits that its working capital calculations are not only consistent with the Filing Requirements but are also consistent with OEB Decisions in distributors' cost of service applications approved in 2009, 2010 and 2011, where a utility specific lead-lag study had not been undertaken. The working capital allowance is based on E.L.K.'s proposed 2012 Test Year controllable expenses and cost of power. E.L.K. has provided the calculations by the Board's USoA classification for each of 2006 Actual to 2011 Actual, and the 2012 Test Year in Table 2-22 below.

The following Table 2-23 sets out E.L.K.'s year over year working capital variances for the six years 2006 to 2011 Actuals and 2012 Test Year. E.L.K. notes that the 2006 Board Approved working capital was determined through the 2006 EDR process and is based on the 2004 year end OM&A and cost of power adjusted for Tier 1 Adjustments. Accordingly, the variance between 2006 Actual and 2006 OEB Approved spans a two-year period. As apparent from Table 2-23, the major variance in the change in working capital is in the year over year cost of power.

**Table 2-22**

### Summary of Working Capital Calculations

Description	2006 OEB Approved	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Test
Cost of Power	13,034,003	14,871,803	18,516,760	16,432,333	14,418,495	19,951,904	20,088,089	25,166,131
Operations	219,009	230,558	215,650	211,133	298,927	236,550	246,823	291,000
Maintenance	226,715	244,876	390,707	408,784	506,972	308,857	522,563	455,000
Billing & Collecting	503,735	513,809	538,534	800,194	846,728	710,772	795,381	775,064
Community Relations	6,479	13,421	20,335	16,882	14,124	15,930	3,795	10,000
Administration & General	1,044,349	795,730	762,787	735,060	831,441	809,795	849,160	1,075,446
Taxes Other than Income Taxes	-	24,970	37,112	38,324	18,984	31,709	21,914	23,000
<b>Working Capital</b>	<b>15,034,290</b>	<b>16,695,166</b>	<b>20,481,884</b>	<b>18,642,710</b>	<b>16,935,670</b>	<b>22,065,516</b>	<b>22,527,725</b>	<b>27,795,640</b>



**Table 2-23**  
**Working Capital Variances**

Description	2006 Actual Variance from 2006 OEB Approved	2007 Actual Variance from 2006 Actual	2008 Actual Variance from 2007 Actual	2009 Actual Variance from 2008 Actual	2010 Actual Variance from 2009 Actual	2011 Actual Variance from 2010 Actual	2012 Test Variance from 2011 Actual
Cost of Power	1,837,800	3,644,957	(2,084,426)	(2,013,839)	5,533,409	136,185	5,078,042
Operations	11,549	(14,908)	(4,516)	87,794	(62,377)	10,273	44,177
Maintenance	18,161	145,831	18,077	98,188	(198,115)	213,706	(67,563)
Billing & Collecting	10,074	24,725	261,660	46,534	(135,956)	84,609	(20,317)
Community Relations	6,942	6,914	(3,453)	(2,758)	1,806	(12,135)	6,205
Administration & General	(248,619)	(32,943)	(27,727)	96,381	(21,646)	39,366	226,285
Taxes Other than Income Taxes	24,970	12,142	1,212	(19,341)	12,725	(9,794)	1,086
Working Capital	1,660,876	3,786,717	(1,839,173)	(1,707,040)	5,129,846	462,209	5,267,915

## Cost of Power

E.L.K. has calculated cost of power for the 2012 Test Year based on the results of the load forecast which is discussed in detail in Exhibit 3. The electricity prices used in the calculation were the published prices in the OEB's Regulated Price Plan Price Report – May 1, 2011 to April 30, 2012, issued April 15, 2011. E.L.K. will update the electricity prices should the OEB publish a revised Regulated Price Plan Report prior to a Decision.

The cost of power calculations for the 2012 Test Year and a cost of power summary are provided in the following Tables 2-24 and 2-25.



Table 2-24

2012 Test Year Cost of Power Forecast Calculation

<b><u>Electricity - Commodity RPP</u></b>	<b>2012</b>	<b>2012 Loss</b>			
<b>Class per Load Forecast RPP</b>	<b>Forecasted</b>	<b>Factor</b>	<b>2012</b>		
Residential	79,121,396	1.0791	85,379,898	\$0.08069	\$6,889,304
General Service < 50 kW	28,527,003	1.0791	30,783,489	\$0.08069	\$2,483,920
General Service 50 to 4,999 kW	2,846,833	1.0791	3,072,018	\$0.08069	\$247,881
Street Lighting	0	1.0791	0	\$0.08069	\$0
Sentinel Lighting	0	1.0791	0	\$0.08069	\$0
Unmetered Scattered Load	0	1.0791	0	\$0.08069	\$0
Hydro One	0	1.0791	0	\$0.08069	\$0
<b>TOTAL</b>	<b>110,495,232</b>		<b>119,235,405</b>		<b>\$9,621,105</b>

<b><u>Electricity - Commodity Non-RPP</u></b>	<b>2012</b>	<b>2012 Loss</b>			
<b>Class per Load Forecast</b>	<b>Forecasted</b>	<b>Factor</b>	<b>2012</b>		
Residential	13,962,599	1.0791	15,067,041	\$0.07877	\$1,186,831
General Service < 50 kW	3,169,667	1.0791	3,420,388	\$0.07877	\$269,424
General Service 50 to 4,999 kW	68,323,994	1.0791	73,728,422	\$0.07877	\$5,807,588
Street Lighting	1,905,461	1.0791	2,056,183	\$0.07877	\$161,966
Sentinel Lighting	59,632	1.0791	64,349	\$0.07877	\$5,069
Unmetered Scattered Load	187,824	1.0791	202,681	\$0.07877	\$15,965
Hydro One	42,996,782	1.0791	46,397,828	\$0.07877	\$3,654,757
<b>TOTAL</b>	<b>130,605,960</b>		<b>94,539,063</b>		<b>\$11,101,599</b>

<b><u>Transmission - Network</u></b>		<b>Volume</b>			
<b>Class per Load Forecast</b>		<b>Metric</b>	<b>2012</b>		
Residential		kWh	100,446,939	\$0.0058	\$581,434
General Service < 50 kW		kWh	34,203,877	\$0.0052	\$177,147
General Service 50 to 4,999 kW		kW	194,752	\$2.1567	\$420,014
Street Lighting		kW	5,310	\$1.6266	\$8,637
Sentinel Lighting		kW	166	\$1.6266	\$270
Unmetered Scattered Load		kWh	202,681	\$0.0052	\$1,050
Hydro One		kW	96,049	\$2.1567	\$207,144
<b>TOTAL</b>					<b>\$1,395,696</b>

<b><u>Transmission - Connection</u></b>		<b>Volume</b>			
<b>Class per Load Forecast</b>		<b>Metric</b>	<b>2012</b>		
Residential		kWh	100,446,939	\$0.0046	\$461,425
General Service < 50 kW		kWh	34,203,877	\$0.0042	\$143,156
General Service 50 to 4,999 kW		kW	194,752	\$1.6581	\$322,923
Street Lighting		kW	5,310	\$1.2827	\$6,811
Sentinel Lighting		kW	166	\$1.3096	\$218
Unmetered Scattered Load		kWh	202,681	\$0.0042	\$848
Hydro One		kW	96,049	\$1.6581	\$159,261
<b>TOTAL</b>					<b>\$1,094,642</b>



<b><u>Wholesale Market Service</u></b>					
<b>Class per Load Forecast</b>					
			<b>2012</b>		
Residential			100,446,939	\$0.0052	\$522,324
General Service < 50 kW			34,203,877	\$0.0052	\$177,860
General Service 50 to 4,999 kW			76,800,439	\$0.0052	\$399,362
Street Lighting			2,056,183	\$0.0052	\$10,692
Sentinel Lighting			64,349	\$0.0052	\$335
Unmetered Scattered Load			202,681	\$0.0052	\$1,054
Hydro One			46,397,828	\$0.0052	\$241,269
<b>TOTAL</b>			<b>260,172,296</b>		<b>\$1,352,896</b>
<b><u>Rural Rate Assistance</u></b>					
<b>Class per Load Forecast</b>					
			<b>2012</b>		
Residential			100,446,939	\$0.0011	\$110,492
General Service < 50 kW			34,203,877	\$0.0011	\$37,624
General Service 50 to 4,999 kW			76,800,439	\$0.0011	\$84,480
Street Lighting			2,056,183	\$0.0011	\$2,262
Sentinel Lighting			64,349	\$0.0011	\$71
Unmetered Scattered Load			202,681	\$0.0011	\$223
Hydro One			46,397,828	\$0.0011	\$51,038
<b>TOTAL</b>			<b>260,172,296</b>		<b>\$286,190</b>

**Table 2-25**

**2012 Test Year Cost of Power Summary**

	<b>2012</b>
4705-Power Purchased	\$20,722,704
4708-Charges-WMS	\$1,352,896
4714-Charges-NW	\$1,395,696
4716-Charges-CN	\$1,094,642
4720-Other Expenses	\$26,599
4730-Rural Rate Assistance	\$286,190
4750-Low Voltage	\$287,404
<b>TOTAL</b>	<b>25,166,131</b>



1    **SUMMARY**

2    E.L.K. has provided explanations to address its actual capital investments for year 2006 to 2011  
3    and provided details in support of 2012 Test Year capital and working capital requirements as  
4    required in the Filing Requirements.

5    E.L.K. submits that its historical capital investment in its distribution system has primarily been  
6    in response to the rapid growth of the Towns of Essex, Kingsville and Lakeshore and the  
7    investment in its existing distribution system has been required to improve the efficiency and  
8    reliability of its distribution system to ensure the safe and reliable supply of electricity that  
9    E.L.K's customer have come to expect.

10   E.L.K. further submits that its forecasted capital investments for the 2012 Test Year are  
11   consistent with the required investments of prior years and are prudent and just in supporting  
12   the continued growth in the Towns of Essex, Kingsville and Lakeshore and the continued safety  
13   and reliability of its distribution system.



## **APPENDIX 2-A**

### **ASSET MANAGEMENT PLAN**



**E.L.K. ENERGY INC.**  
**Distribution Asset Management Plan 2012-2032**



E.L.K. Energy Inc.  
Distribution Asset Management Plan  
September 2012



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# **1 SUMMARY**

## **1.1 The Purpose of the Plan**

The purpose of this Distribution Asset Management Plan (DAMP) is to outline how E.L.K. Energy Inc. (E.L.K. Energy) will develop, manage, and maintain its distribution system equipment to provide a safe, reliable, efficient, and cost effective distribution system.

The DAMP identifies the major initiatives and projects to be undertaken over the planning period to meet customer and stakeholder requirements. Preparation of the DAMP in this format is intended to supplement E.L.K. Energy's rate application for 2012 distribution rates to the Ontario Energy Board (OEB).

## **1.2 Historical Perspective**

When E.L.K. Energy was formed in 2000 by merging Essex Hydro, Lakeshore Hydro and Kingsville Hydro there were three separate informal asset management plans in place. A plan was quickly drafted to improve system reliability by converting 4.16kV distribution systems to 27.6kV.

The first station converted was a station leased from Hydro One that was approaching end of life. This work was completed in 2001. Two additional stations were converted concurrently and were completed in 2003 as they reached their end of life.

Hydro One approached E.L.K. Energy about an overload condition at their Cottam DS which served E.L.K. Energy's Cottam service area. E.L.K. Energy's options were to receive a second 8.32kV feeder from another DS and add a second primary metering point for eight hundred customers or Hydro One would provide a 27.6kV feeder. After reviewing the options and the service reliability indices for the service area it was determined a complete conversion of the service area to 27.6kV was the best option. The conversion then had a double benefit – Hydro One's distribution station would not be overloaded and at the same time the distribution lines would be upgraded or rebuilt giving new life to the distribution system. This work commenced in 2005 and was completed in 2011.

The final station conversion was completed the summer of 2012. E.L.K. Energy now has no distribution stations and serves their customers at 27.6kV with the exception of one service area that is fed from two Hydro One 8.32kV distribution stations

## **1.3 Period Covered**

The planning horizon of the DAMP is from 2012 to 2032. It is intended that the DAMP will be reviewed on a periodic basis.

The planning horizon extends for a twenty (20) year period. This period was selected to match Thunder Bay Hydro's benchmark, which was disclosed in an Electrical Distributors Association (EDA) Operations Council Forum on May 9, 2008 – "Asset Management for LDC's - Getting the



Plan Right from Conception to Completion". The main focus of the plan is 2012 as the budget for this year has been developed. A high level plan has been established for 2013 and beyond and analysis tends to be more trend-related and based on asset end of life rates as detailed in the Asset Condition Assessment. The Asset Condition Assessment is based on a planning horizon of twenty (20) years and predicts the sustainment of assets through to 2032.

It is very likely that new developments, that are not identified here, will arise at any given time, even in the short term of five (5) years.

#### **1.4 Key Assumptions**

The development of this DAMP is based on a series of key assumptions that are made as a foundation for planning and forecasting predictions of future activities, whether to maintain, replace or develop new assets (discretionary capital projects).

The key assumptions for this DAMP are as follows:

- Electricity growth rates will continue to be slow in the next five (5) years due to an economy in recovery and the impact of the Conservation and Demand Management (CDM) Programs in lowering demand and electricity usage.
- Recognition that the economies of the Towns of Essex, Kingsville and Lakeshore depend on a secure and reliable supply of electricity.
- In the next five (5) years regulatory activities by the OEB will continue at the current pace putting a heavy strain on E.L.K. Energy's resources. Beyond this timeframe it is hoped that some stability with regulatory requirements will consume fewer resources.
- The Green Energy Act which received Royal Assent on May 15, 2009 will require significant investment in the distribution infrastructure in order to meet the "Smart Grid" characteristics alluded to in the legislation.
- The installation of smart meters in 2010 will require significant investment to harness the capability of the new metering devices and to promote the "Smart Grid".
- With reference to the "Smart Grid" new technologies will be developed within the planning horizon of this DAMP. However, at this time the specific nature of how these new technologies would be developed to benefit E.L.K. Energy's customers is not known.
- Present service levels will continue to be maintained and will remain a balance between customer needs, price-quality tradeoffs, and industry best practice(s). Service levels will not be changed significantly due to introduction of new regulatory requirements.
- E.L.K. Energy's DAMP is a strategic document to convey future distribution system development and maintenance plans to stakeholders.
- E.L.K. Energy's asset management systems will continue to be developed in order to process performance information to meet demand, capacity, security, and reliability levels in a timely manner.



- Compliance with relevant regulatory requirements as they pertain to electricity rates, filing requirements, health & safety, and environmental protection will be maintained.
- Meet the requirements of E.L.K. Energy's Shareholder by achieving the objectives set down in E.L.K. Energy's mission statement.
- Asset management planning involves forecasts based on information collected from many sources. Distribution system development for the next year 2012 has been established. The following three (3) years (2013 through 2015) are less certain and the remaining years of the plan are based solely on trending. As the years pass a regular review of this plan will ensure it is the best it can be.

Review of future achievement (apart from regulatory compliance) will be centered on the following areas:

- Health & Safety Performance
- Economic Efficiency Performance
- Reliability Consistency and Improvement
- Environmental Performance
- Financial Performance

### **1.5 Asset Management Systems**

Asset management systems used by E.L.K. Energy include inspection and maintenance databases, paper records of inspection and maintenance activities, reliability database, asset attribute databases and AutoCAD Map 3D.

E.L.K. Energy's strategy with respect to asset management is to build the information system for assets around AutoCAD Map 3D. Connectivity to other systems such as the databases enhances the sophistication of the entire asset management product. E.L.K. Energy does not have a SCADA system.

### **1.6 Distribution System & Asset Description**

The E.L.K. Energy distribution system supplies approximately 11300 customers throughout the Towns of Essex, Kingsville and Lakeshore. These customers are supplied by three (3) Hydro One owned transformer stations (TS's) and one (1) Hydro One owned distribution station (DS) which deliver 27.44GWh of billed energy at a maximum demand of 64.00MW. (Figures from 2011).

The service area of E.L.K. Energy covers 22.22 square kilometers and is comprised of six non-contiguous service areas, serving the former municipalities of Belle River, Comber, Cottam, Essex, Harrow and Kingsville.

A breakdown of the assets in terms of their original cost is shown in Appendix A and a map of the service territory shown in Appendix B.



## **1.7 Service Levels**

E.L.K. Energy abides by the OEB prescribed levels of service and reliability standards dictated by the following:

- Chapter 15 of the 2006 Electricity Distribution Rate Handbook – Service Quality
- Regulation and,
- Amendments to the Distribution System Code - Board File No. EB-2008-0001.

## **1.8 Network Development Plans**

Asset enhancement and development projects have been identified and details are outlined in the capital budget for 2012. Trended capital budgets have been prepared for years 2013 thru 2014.

## **1.9 Life Cycle Asset Management**

Information about E.L.K. Energy's asset attributes and condition data are held within databases, various paper records and files. Asset conditions are assessed by various inspection and maintenance activities. These activities are analyzed to determine what appropriate maintenance intervals best suit the asset. Detailed attribute condition information is presently being collected and with time the confidence level of this information will improve.

Operational and maintenance expenditures are outlined in the O&M budgets for 2012.

## **1.10 Risk Management**

E.L.K. Energy's Distribution System Maintenance and Inspection Program document is aimed in part to protect the public from physical, electrical, and environmental hazards by maintaining a schedule of regular asset inspections or maintenance activities.

Ontario Regulation 22/04 - Electrical Distribution Safety is a key regulation which requires E.L.K. Energy and all other LDCs to maintain distribution standards, material standards, and construction verification programs to safeguard the public from hazards associated with the distribution system. The Electrical Safety Authority (ESA) is responsible for enforcing the regulation and this is done through a system of annual audits and regular field inspections.

E.L.K. Energy promotes excellence in health and safety management in order to prevent losses to people, assets, environment, and reputation. Keys to this H&S Management system are the evaluation of risk for all workplace hazards, regular H&S meetings with staff, and feedback on losses or near losses occurring in the workplace. Written emergency response procedures have been prepared as follows:

- Distribution System Emergency Contingency Plan



E.L.K. Energy will follow all regulatory requirements and guidelines to ensure the distribution system has a low risk impact on the environment.

### **1.11 Evaluation of Performance**

Formal performance benchmarks have not been established at E.L.K. Energy. However, a number of initiatives have been undertaken to develop data systems from which performance measures can be developed. As initiatives are implemented more data is available for analysis which will lead to better information. Once a better stream of information is available specific performance indicators can be created. E.L.K. Energy's philosophy is one of continuous improvement and the evaluation of performance is one area where more development activity is required.

## **2 Background and Objectives**

### **2.1 Purpose of this DAMP**

The purpose of the DAMP is to provide a management framework to ensure that E.L.K. Energy:

- Maintains service levels that will meet customer, community, and regulatory expectations for its distribution system network.
- Understands what levels of distribution system capacity, reliability, and security of supply will be required both now and in the future, and what issues will drive these requirements.
- Have programs and procedures to manage all phases of the distribution system life cycle from inception to retirement.
- Has considered the management of the distribution system in terms of the best risk management practices with the ultimate goal of minimizing identified risks.
- Has made adequate provisions to fund all phases of the distribution system asset life cycle.
- Makes decisions based on structured business strategies and models.
- Has a continuously improving knowledge of its assets with respect to locations, age, condition, capacity, and attributes.

This DAMP is not intended to be a detailed description of E.L.K. Energy's distribution system assets, but it is intended to be a description of the thinking, the policies, the strategies, the plans, and the resources that E.L.K. uses to manage the assets.

### **2.2 Planning and Operating Contexts**

All of E.L.K. Energy's distribution system assets exist within a strategic context that is shaped by a wide range of issues including E.L.K. Energy's Vision and Mission, this DAMP, regulatory environment, government policy objectives, commercial pressures, and technology trends. E.L.K. Energy's distribution assets are also influenced by technical regulations (i.e. –



construction and clearance standards), asset deterioration, and various risk exposures independently of the strategic context.

### **2.2.1 Strategic Context**

E.L.K. Energy's strategic context includes many issues that range from the local and Canadian economy to developing technologies. Issues which are considered to impact this DAMP include:

- The prevailing regulatory environment which constrains electricity rates and rates of return, requires stable or improving reliability indices, and requires complex reporting of financial and operating performance.
- Government policy objectives such as the implementation of conservation and demand management programs, smart meters and the introduction of the Green Energy Act.
- E.L.K. Energy's commercial goals.
- Local, national, and global economic cycles.
- Interest rates and the general business confidence in the Towns of Essex, Kingsville and Lakeshore service areas which influence the rates at which new customers connect to lines.
- Ensuring sufficient funds and skilled people are available in the short, medium, and long term to resource E.L.K. Energy's service requirements.

### **2.2.2 Independence from Strategic Context**

While E.L.K. Energy's assets and asset configuration will be shaped by the strategic issues identified above in "Strategic Context" that are relevant to its stakeholders, it is also important to recognize that the assets will also be influenced (and sometimes constrained) by issues that are independent of the strategic context. For example the rate at which wooden poles rot is independent of the scarcity of skilled contractors. This issue may constrain the rate at which E.L.K. Energy replaces rotten poles, but it does not influence the rate of rot.

Samples of issues that are independent of E.L.K. Energy's strategic context include:

- Technical regulations including Regulation 22/04 – Electrical Safety and the new
- Regulations on Farm Stray Voltage.
- Asset configuration, condition, and deterioration – these parameters will significantly limit the rate at which E.L.K. Energy can invest in upgrades or enhancements to the distribution system.
- The physical characteristics of electricity systems which govern such fundamental issues as voltage regulation, capacity, power flows, and faults.



- Physical risk exposures – exposure to such events as wind, lightning, snow/ice, motor vehicle impacts, theft of copper, and unwanted human interference are independent of strategic context.
- Health and safety requirements such as line clearances and grounding of equipment.

## **2.3 Key Planning Documents**

### **2.3.1 Vision and Mission Statements**

E.L.K. Energy's vision and mission statements are as follows:

E.L.K. Energy's vision is:

- be adaptable;
- continue to provide economical efficient energy;
- be in business for our customers;
- be a locally owned business;
- strive to be efficient in any new operation to meet our customers' needs; and
- partner with others to drive economies of scale and scope.

E.L.K. Energy's mission is:

- E.L.K. Energy Inc. is committed to provide the customers of the Towns of Essex, Kingsville and Lakeshore with a safe and reliable electricity supply while operating effectively and efficiently at an equitable cost.
- E.L.K. Energy Inc. will grow the business and increase shareholder value.

### **2.3.2 Strategic Plan**

This DAMP is the main tool used to set the action plan for creating capital and operations/maintenance budgets over the planning horizon.

### **2.3.3 Asset Strategy**

The asset strategy of the Legacy HEC's, which until now, has not been formally documented as an asset management plan, has been utilized to varying degrees. The guiding principles for today's distribution system asset strategy are:

- Maintain awareness of safety around electricity at the forefront for company, customers, and the general public.
- Exploit the availability of lines constructed for 27.6kV to improve reliability and electrical losses.
- As maintenance and construction occurs upgrade hardware on all distribution equipment to facilitate a seamless transition to the 27.6kV feeder voltage.
- Design the distribution system with the intent of minimizing electrical losses.



- Improve reliability of service to customers through effective maintenance plans and planned replacement of assets at their end of life.
- Maintain power quality by implementing the modeling of the electrical distribution system in AutoCAD Map 3D.
- Assist the connection of renewable embedded generation by identifying the constraints and providing solutions which enable proponents to connect to the distribution system.

### **2.3.4 Prevailing Regulatory Environment**

The Electricity Distribution Industry in Ontario is regulated under the OEB Act (the OEB Act), the *Electricity Act, 1998*, and the *Electricity Restructuring Act, 2004* all of which are administered by the OEB.

The OEB Act sets out the following guiding objectives for the OEB with respect to electricity:

- To protect the interests of consumers with respect to prices and the adequacy, reliability, and quality of electricity service.
- To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.

These regulatory requirements dictate or heavily influence E.L.K. Energy's rates, fees, and return on equity. Rates are required, by legislation, to be approved by the OEB.

### **2.3.5 Government Policy Objectives**

In May 2009 the Ontario Legislature passed Bill 150, the *Green Energy and Green Economy Act, 2009*. This legislation is a framework legislation aimed at making fundamental changes to the roles and responsibilities of local distribution companies (LDCs). This act will lead to a number of supporting regulations required to implement the Act. The implications of the act will likely result in significant asset expenditures by LDCs to support embedded generation and the ideals of a "smart grid". However, at this time it is too early to determine what impact this legislation will have on capital investments and subsequent rates to support these expenditures.

### **2.3.6 Annual Business Planning**

E.L.K. Energy produces or updates a number of key documents which support the annual business planning process. These documents include the asset condition assessment and detailed budgets. Going forward, this distribution asset management plan will also be reviewed.

### **2.3.7 Annual Budgets**

Each year E.L.K. Energy produces an annual budget for the year ahead which reflects the costs of individual projects and expenditures over the year. This budget is created by reviewing asset and operational issues experienced in the past and anticipated for the future. This budget



contributes to the long term alignment with the strategic context. It must be understood that this alignment process is very much a moving target.

For the last two years and in support for E.L.K. Energy's rate application in 2012, E.L.K. Energy has produced budgets going forward two years. In addition to the detailed annual budget a three year forecast (2012 plus two years) details trended costs over this period.

A critical activity for E.L.K. Energy (moving forward) is to ensure that the annual budget reflects the fundamentals of this DAMP.

## 2.4 Period Covered by this DAMP

This DAMP covers a period from January 1, 2012 to December 31, 2032.

There is an obvious degree of uncertainty in any predictions of the future and as such the DAMP contains a level of uncertainty. The influence of government regulation, ongoing adjustments to LDC regulation by the OEB, customer growth, and the general state of the economy makes for a substantial degree of uncertainty.

Accordingly E.L.K. Energy has established the following certainties to the timeframes of the DAMP:

Timeframe	Residential	Commercial/Industrial	Embedded Generation
Year 1	Certain	Little if any certainty	Some certainty
Year 2	Certain	Little if any certainty	Some certainty
Year 3 to 20	Some Certainty	Little if any certainty	Little if any certainty

## 2.5 Managing Stakeholder Interests

### 2.5.1 Identifying Stakeholders

E.L.K. Energy is governed by a Board of Directors and has one shareholder, The Town of Essex. Other stakeholders include:

- Electricity retailers, customers, and end consumers
- Contractors and service providers
- Distribution Supplier - Hydro One, as all of E.L.K. Energy's service areas are embedded within the Hydro One distribution system
- Tree owners
- Government agencies such as the OEB, OPA, & IESO
- Land owners where E.L.K. Energy lines run



E.L.K. Energy has contact with all of its stakeholders. Their suggestions provide opportunities for E.L.K. Energy to conduct its business and provide perspective about rates and service levels.

## 2.5.2 Accommodating Stakeholder Interests

Stakeholder interests can be viewed from a number of perspectives including financial stability, electricity rates, and quality of supply, safety, and compliance. Financial stability is required to ensure that shareholders and lending institutions have sufficient confidence to continue owning and investing in E.L.K. Energy. Electricity rates provide the means for E.L.K. Energy to create revenue and signal underlying costs. Not charging appropriate rates has economic implications for both E.L.K. Energy and its customers. Quality of Supply includes emphasis on reliability with respect to the number of interruptions, the duration of interruptions, the amount of flicker, and the quality of voltage. Safety involves staff, contractors, customers, and the general public. E.L.K. Energy must ensure the operation of the distribution system is safe for all. Compliance is of critical importance to the ongoing safety and reliability of the E.L.K. Energy distribution system.

E.L.K. Energy accommodates stakeholder interests as follows:

Interest	How E.L.K. ENERGY accommodates stakeholder interests
Safety	E.L.K. Energy will ensure that the public is kept safe by ensuring all assets are structurally sound, live conductors have maintained at least minimum clearances, enclosures are kept locked, and touch & step potentials are kept to a minimum. E.L.K. Energy will ensure the safety of its staff by implementing and continuously improving its safety management program.
Electricity Rates	E.L.K. Energy's revenue is constrained by regulatory requirements, conservation and demand management activities, and the state of the economy. Failure to collect enough revenue to fund reliable assets will impact customers in a negative way. Conversely collecting too much revenue penalizes customers and transfers a disproportionate proportion of wealth to the shareholder. E.L.K. Energy's pricing strategy must be cost effective and at the same time be enough to continue to balance distribution system security, capacity, reliability, and return on investment.
Quality of Supply	A customer survey was performed in 2006 and customers indicated that they expect their utility to provide consistent, reliable energy, handle outages and restore power quickly and make using electricity safely an important priority. For this reason E.L.K. Energy will continue to effectively rebuild its infrastructure with funds available.



<b>Compliance</b>	E.L.K. Energy will disclose performance information as required by regulators and ensure that safety issues are thoroughly documented.
<b>Financial Stability</b>	E.L.K. Energy will accommodate stakeholders' needs for long term viability by returning a dividend to the shareholders.

### 2.5.3 Managing Conflicting Interests

Conflicting interests will be managed as follows:

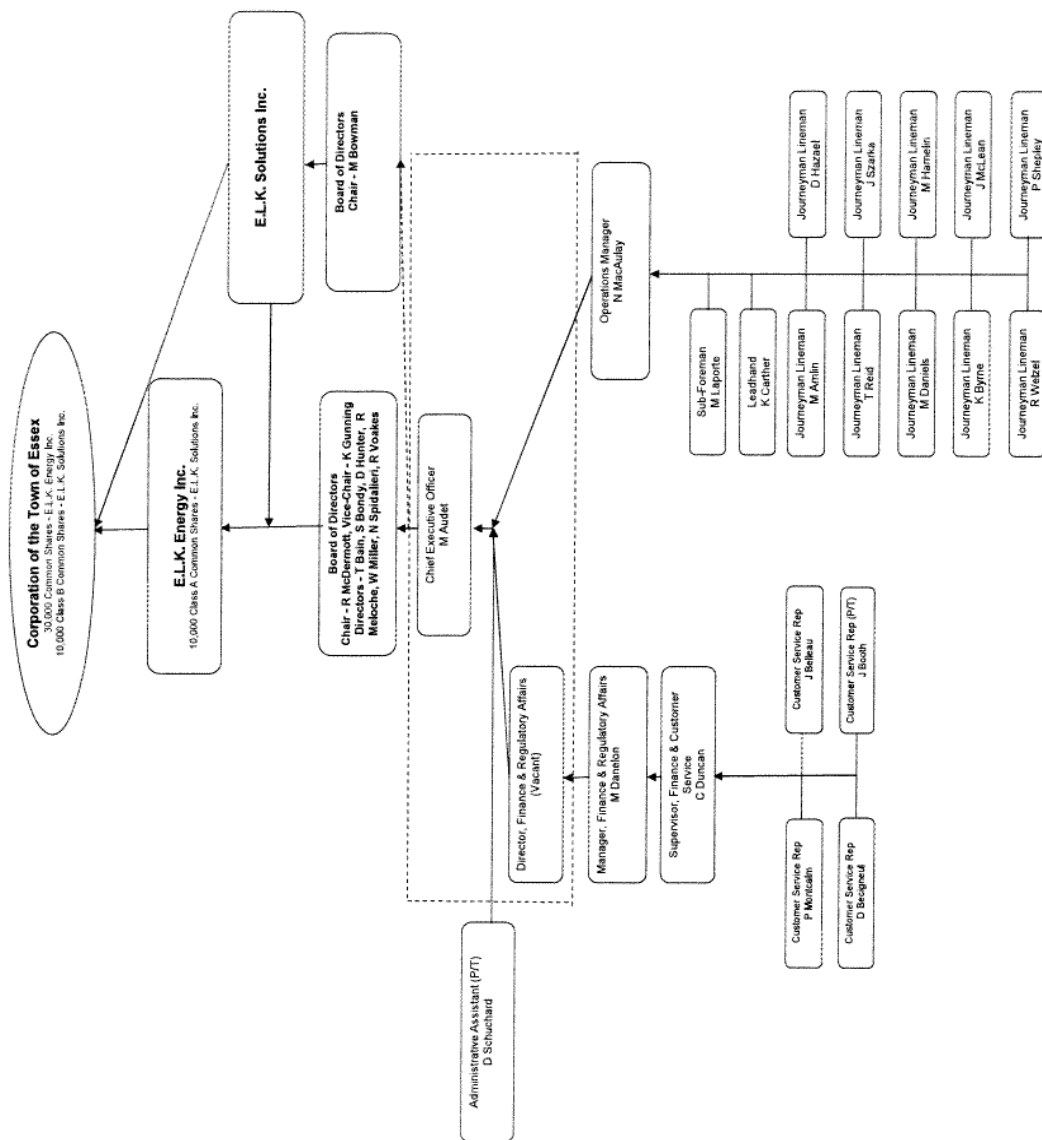
- Safety must be 1<sup>st</sup> Priority - Safety of staff, contractors, and the public will always be the highest priority even if this means exceeding budgets or risking non-compliance.
- All other interests must be managed as the situation dictates and will out of necessity be a balance of some proportion (not necessarily equal proportions) between the interests:
  - Quality of Supply – Customers want value and are willing to pay for a certain level of quality.
  - Electricity Rates – Rates reflect an appropriate balance between revenues and expenditures.
  - Compliance – Other than safety.
  - Financial Stability – E.L.K. Energy must be financially viable or it will not exist to manage other conflicts.

### 2.6 Accountabilities for Asset Management

E.L.K. Energy's accountabilities for asset management are reflected in the following figures describing the corporate entities and corporate organizational structure with area of responsibility.



# Corporate Organization Chart - E.L.K. Energy Inc.





### **2.6.1 Accountability at Shareholder – Owner Level**

E.L.K. Energy has one shareholder – The Town of Essex.

### **2.6.2 Accountability at Governance Level**

E.L.K. Energy is governed by a Board of Directors and the Directors are appointed by the Shareholders. E.L.K. Energy has eight directors, two of which are independent from any affiliate.

### **2.6.3 Accountability at the Executive and Management Level**

The Chief Executive Officer (CEO) is accountable to the Board of Directors and the Management Level is accountable to the CEO through business goals, the development and execution of annual budgets, and various standards & processes that apply to the distribution system assets.

Accountability for financial and regulatory activities lies with the Director of Finance. This role provides all financial reporting, assets funding provisions, and budgeting process for all phases of the DAMP.

Accountability for managing the lifecycle of existing assets, the installation of new developments, and the installation of new assets lies with the Operations Manager. This role addresses long term planning issues such as capacity and security.

Accountability for the daily continuity and restoration of electrical supply lies with the Operations Manager. This role provides control and dispatch for electrical restoration.

### **2.6.4 Key Reporting Lines**

The Board of Directors governs E.L.K. Energy's electrical distribution business and manages this overall responsibility through the CEO.

The E.L.K. Energy Board of Directors meets monthly and receives monthly reporting from management outlining financial, operational, and safety performance as well as the progress in maintenance, operational, and capital programs.

### **2.6.5 E.L.K. Energy Operating Structure**

#### **2.6.5.1 Location**

E.L.K. Energy's operation is based in one centralized location at 172 Forest Ave, Essex. All staff report daily to this location.

#### **2.6.5.2 Engineering & Operations Group**

The Operations Department provides a seamless design to build process which includes:



- Planning and design for new capital works including all new connections to the distribution system;
- Analysis of system configuration with such inputs as growth, new connections, voltage levels, and capacity information with a view to optimize the configuration of the distribution system;
- Operating, emergency response, connection services, maintenance services, and capital construction services;
- Executes the design plans;
- Produces material requirements to be utilized and warehoused.

### 2.6.5.3 Finance Group

The Finance Department provides financial reporting & analysis, budget support, accounting, rate design, and regulatory support to meet regulatory requirements.

## 3 Asset Management Systems

### 3.1 Asset Knowledge

Asset information is essential to a properly functioning asset management plan. E.L.K. Energy has various records, both paper and electronic, which identify asset attributes and condition data. The following table summarizes the status of the collection of asset attributes with respect to each asset category (based on May 2011 information).

Description of Asset	% Of Asset Attributes Known	% of Condition Data Collected
Distribution Station Transformers	100	100
Pole Mounted Transformers	60	100
Pad Mounted Transformers	70	100
Poles	90	100
Gang Operated Overhead Switches	100	20
Pad Mounted Switchgear	100	100
Underground XLPE Cable	90	N/A

The method of information collection and storage is a key component to successfully managing the data from all assets. Records are kept in a number of formats – either paper based files, database (MS Access-Db), or spreadsheet (MS Excel-Sp) based.



### **3.2 Improving and Using Asset Knowledge**

E.L.K. Energy's strategy is to make the AutoCAD Map 3D platform the keystone of all asset information. Currently asset data, for poles and distribution transformers, such as global coordinates, asset number (unique ID #) and physical attributes are available or accessible directly from the map. In the future E.L.K. Energy is confident that existing systems will be continuously improved so that all information (asset attribute and condition data) for all assets will be housed under the E.L.K. Energy format. This is essential in order to prepare meaningful asset condition assessments on a regular basis upon which replacement and development activities decisions can be made.

### **3.3 Key Systems and Processes**

E.L.K. Energy's key tool to manage asset knowledge is its AutoCAD Map 3D. This system in conjunction with a number of connected databases and spreadsheets residing on the outside of the main software platform contains the attributes for some of the distribution assets as noted in the above table. In addition to the AutoCAD Map 3D and databases, a number of paper records also exist which contain the asset information.

## **4 Summary of Assets Covered**

### **4.1 Distribution Area**

E.L.K. Energy's distribution system covers approximately 22.22 square kilometers in the Towns of Essex, Kingsville and Lakeshore. Within those towns, which cover a large geographic area in southwestern Ontario, E.L.K. Energy has six non-contiguous service areas, serving the former municipalities of Belle River, Comber, Cottam, Essex, Harrow and Kingsville. All of E.L.K. Energy's service areas are classified as urban. A map of the service areas is shown in Appendix B.

Generally speaking the urban service territory is comprised of mostly residential development with a supporting small commercial area and limited light industrial.

#### **4.1.1 Demographics**

##### **4.1.1.1 Key Economic Activities**

The Towns of Essex, Kingsville and Lakeshore service areas are predominantly residential areas but are home to some small businesses.

##### **4.1.1.2 Energy & Demand Characteristics**

Key energy and demand figures separated into transformer station areas and based on historical information from 2004 to 2011 are as follows:

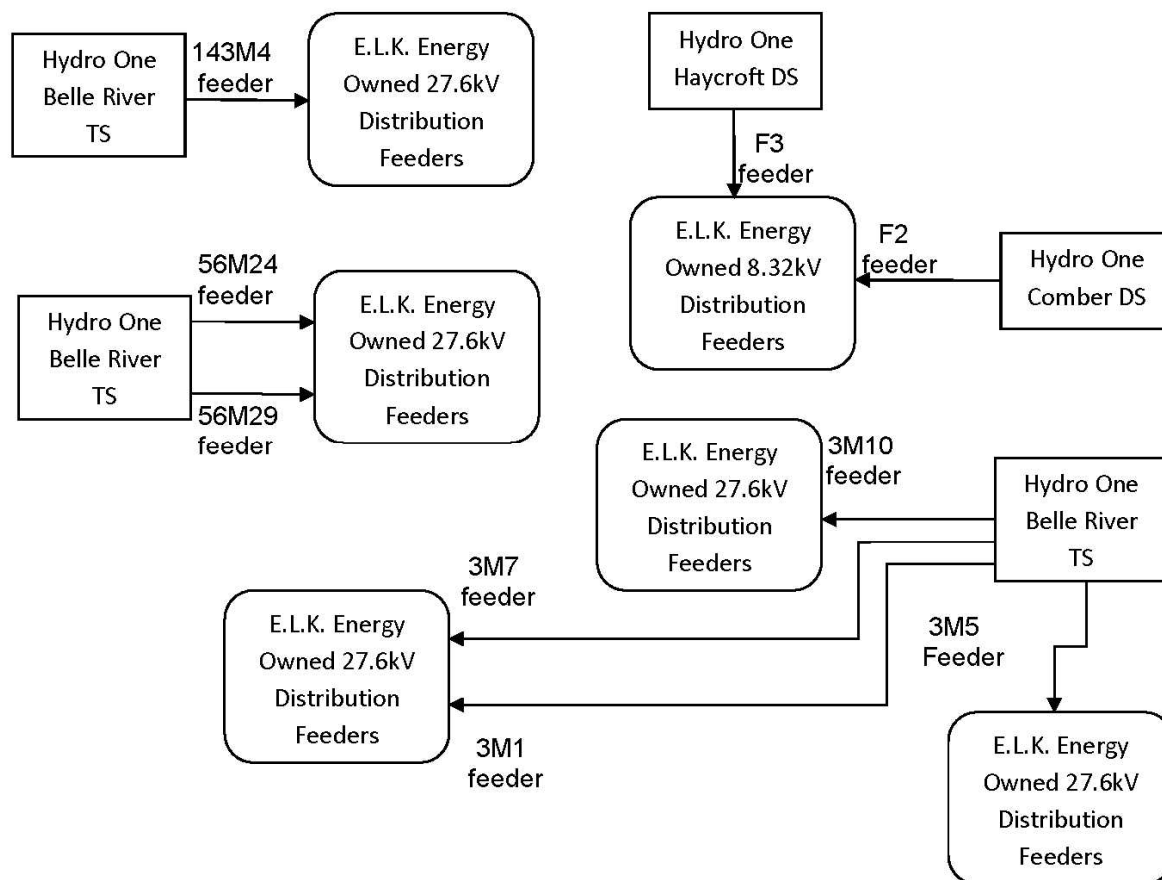


Station	Maximum Monthly Energy Usage GWh	Maximum Monthly Demand MW	Long Term Trend GWh	Long Term Trend MW
Belle River TS	4.317696	9.93		
Comber DS	0.786217	3.83		
Kingsville TS	14.580220	32.36		
Lauzon TS	7.756887	17.88		

## 4.2 Network Configuration

E.L.K. Energy is connected to the Ontario power transmission grid at four (4) transformer stations which are owned by Hydro One (HO). E.L.K. Energy customers are supplied via seven (7) 27.6kV and two (2) 8.32 kV feeder circuits which emanate out of these transformer stations. Within the service territory of E.L.K. Energy there is one (1) E.L.K. Energy owned distribution station fed from a 27.6kV circuit which supplies E.L.K. Energy customers with one (1) 4.16 kV circuit. Responsibility for maintaining circuits lies with the respective owners of the equipment.

The basic configuration is shown below.





### 4.3 Assets by Category

E.L.K. Energy has the following major assets:

Description of Assets	# of Assets
Distribution Station Transformers	1
Pole Mounted Transformers	832
Single Phase Pad Mounted Transformers	672
Three Phase Pad Mounted Transformers	59
Poles	3024
Gang Operated Overhead Switches	17
Pad Mounted Switchgear	1
Underground XLPE Cable	61.53

The above data is current as of December 2011.

## 5 Managing the Existing Assets

Electricity assets like any other type of physical asset have a lifecycle. This section describes how E.L.K. Energy assets are managed over their entire lifecycle from conception to retirement.

### 5.1 Maintenance Planning

E.L.K. Energy manages assets with the intent of providing a safe, efficient, reliable, and cost effective electricity distribution system.

For example distribution transformers are manufactured with the intent that there is no need to provide regular maintenance (maintenance free) for the duration of their lifecycle. Generally speaking they remain in service providing continuous service until they reach the end of their lifecycle – they fail in service.

At present E.L.K. Energy does not have a formal Maintenance and Inspection Program. All of the distribution assets are inspected on a regular basis as prescribed in the DSC. The inspections are documented on service orders and any maintenance required is forwarded to the supervisor for assessment and or immediate address. It is E.L.K. Energy's intention to have a formalized program in place for 2013 to provide further asset condition documentation for the DAMP.

This process will allow E.L.K. Energy to collect information and base future intervals on the actual existing condition of the asset. In this way the cost to perform maintenance can be optimized. The data collected from the maintenance provides valuable information upon which to base repair work, refurbishment activities, and asset replacement schedules.

Line Clearing and Tree Trimming – Tree contacts are a major cause of distribution system outages and momentary interruptions for E.L.K. Energy customers. E.L.K. Energy has a regular



line clearing and tree trimming maintenance program. This program cycles through the service territory on a four year basis.

## 5.2 Understanding Asset Lifecycles

Definition of Key Lifecycle Activities:

Activity	Detailed Definition
Operations	Involves changing the design parameters of an asset such as changes in circuit configuration or setting a tap on a transformer. Does not involve a physical change to the asset. Line clearing of trees is an operations activity.
Maintenance	Involves replacing consumable components on asset assemblies but not the whole assembly. Generally these sub components wear out before the whole assembly fails. For example an insulator on a pole assembly or an arc snuffer/muffler on a gang operated load break switch.
Sustainment	Involves replacing assets in terms of the assets listed under asset categories. For example replacing a pole in a pole line.
Retirement	Removes an asset from the distribution system. For example removing a redundant pole line from service. By definition retirement would be a reduction in the distribution system footprint.

## 5.3 Operating the Assets

Operational activities generally arise in dealing with distribution system issues when assets are not operating as normal. For example a number of triggers exist as follows:

- Voltage levels too high or too low – outside of Canadian Standards Association Voltage Variation Limits for circuits up to 1000V under “Normal Operating and Extreme Operating Conditions”
- Fault current exceeds thresholds on protective devices such as reclosers, fuses, and breakers
- Demand exceeds thresholds on protective devices and or the assets current carrying capacity
- Customer concerns about the quality or reliability of electricity being supplied to them

## 5.4 Maintaining the Assets

As stated above, maintenance is primarily about replacing consumable components of assets. Components wear out in a number of ways including oxidation, pitting or erosion of contact surfaces, material rot, gasket degradation, pitting of insulators, etc. Continued operations of devices which clearly exhibit component degradation will eventually lead to a failure in the distribution system. What leads to failure is a complex interaction of parameters such as quality of manufacture, quality of installation, age, operating hours, number of operations, loading cycles, stress due to fault events, ambient temperature, contaminants, and the maintenance performed during the life of the asset.



Specific maintenance strategies such as run to failure or decisions to clean pad-mounted switchgear have been developed primarily based on past maintenance histories or the lack thereof and the information contained in the Asset Condition Assessment.

## **6 Service Levels**

This section describes how E.L.K. Energy considers its service levels and relates them to the distribution assets.

E.L.K. Energy assesses what customers' preferences are by obtaining informal feedback from customers during regular daily interactions with the utility. E.L.K. Energy considers service levels to include a broad range of services including capacity, quality of electrical supply, continuity, restoration, ground clearances to conductors, grounding of equipment (public safety), and the absence of (radiant) interference. E.L.K. Energy considers customer preferences to fall into three categories in order of priority as follows:

- Reliability – continuity and reliability of electrical supply
- Quality – the absence of momentary interruptions and non-standard voltage levels
- Process – answering the phone, processing regular utility transactions such as new service connections & upgrades to electrical services, and outage notices

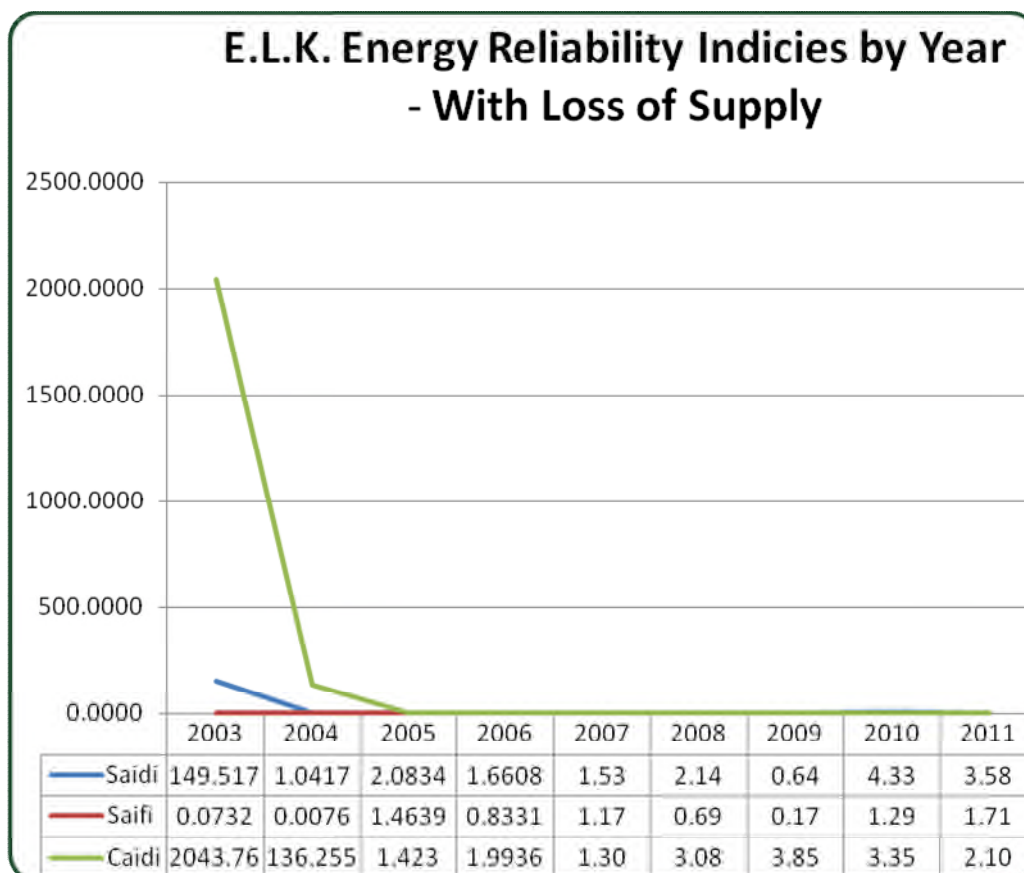
### **6.1 Service Levels - Reliability**

The reliability of supply is primarily measured by three internationally accepted indices called SAIDI, SAIFI, and CAIDI. They are defined as follows:

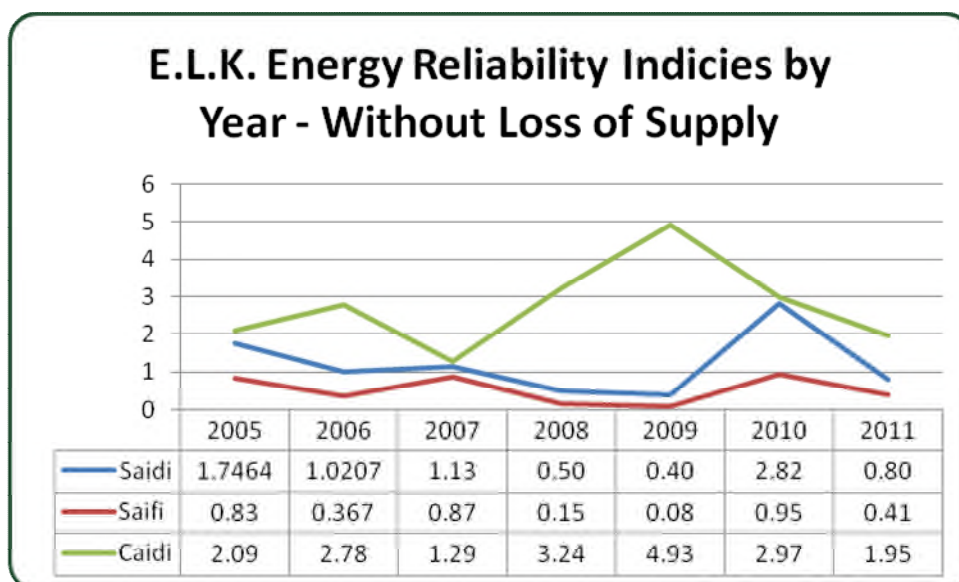
- SAIDI – System Average Interruption Duration Index – the length of outage customers experience in the year on average – expressed as hours per customer per year;
- SAIFI – System Average Interruption Frequency Index – the average number of interruptions each customer experiences – expressed as # interruptions per year per customer;
- CAIDI – Customer Average Interruption Duration Index – the speed at which power is restored – expressed as average duration in hours per customer per year.



E.L.K. Energy's indices history is shown in the table below (includes loss of supply):

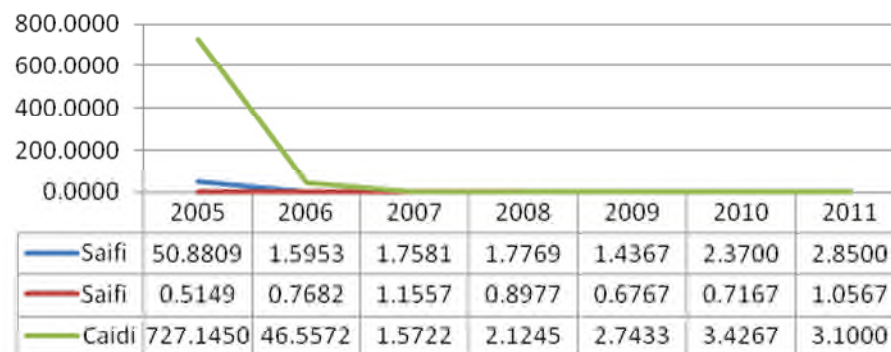


E.L.K. Energy's indices history is shown in the table below (excluding loss of supply):

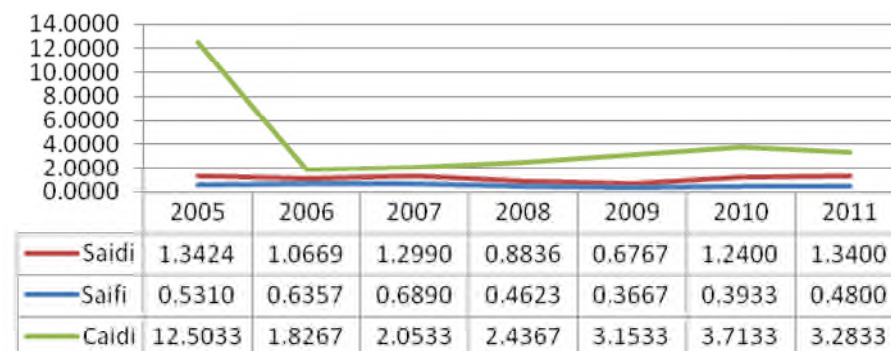




### E.L.K. Energy Reliability Indices - 3 Year Rolling Average With Loss of Supply



### E.L.K. Energy Reliability Indices - 3 Year Rolling Average With Out Loss of Supply



As shown by the graphs the trend in the indices numbers has decreased since 2004.

The reliability of supply is affected by E.L.K. Energy's sustainability programs (for existing assets), discretionary capital projects, operating processes, and factors which are not under the control of E.L.K. Energy such as weather disturbances and motor vehicle accidents.



## **6.2 Causes of Outages**

Since the beginning of 2002 E.L.K. Energy has been tracking the causes of outages. The information source for these particular statistics is the same database that is utilized in calculating the reliability indices in Section 6.1 above. The Outages by Cause for 2003 to 2011 are shown in two graphs as attached in Appendix D. Both sets of graphs reflect outages in terms of the number of incidents that occurred each year by specific causes. It is E.L.K. Energy's intent to utilize this information as an input into the prioritization of both maintenance and capital expenditures.

## **6.3 Service Levels - Quality**

Issues with quality of supply usually result in customer complaints. Measuring the response and actions to customer calls about poor quality is an indicator of the service level being provided. In an overhead system the control of momentary interruptions is a difficult one to reduce with any certainty because adverse weather along with tree and animal contacts affect this factor considerably. However, regular tree trimming and the constant vigilance of eliminating system defects through inspection and maintenance is believed to have a significant impact. Low voltage is usually related to either a defective asset or a capacity issue.

## **6.4 Service Levels - Process**

Process issues are generally the customer's perception of how E.L.K. Energy goes about its business. The primary measure for this is the receipt of customer complaints. In some cases these are relatively easy to address with process management improvement practices, but they may also be relatively expensive to implement. An example of this is the purchase of a new phone system to generate a better interface with the customer. Specifically the following services are measured:

- Connection of New Services
- Appointment Scheduling
- Appointments Met
- Rescheduling a Missed Appointment
- Telephone Accessibility
- Telephone Call Abandon Rate
- Written Responses to Enquiries
- Emergency Response

The above service levels are reported to the OEB as required annually.

## **6.5 Public Safety**

Public safety in Ontario with respect to the electrical distribution system operated by E.L.K. Energy is governed by Ontario Regulation 22/04 – Electrical Distribution Safety.



## **7 Sustaining Existing Assets**

### **7.1 Assets by Category**

E.L.K. ENERGY's distribution assets are grouped as follows:

- Distribution Station Transformers
- Pole Mounted Transformers
- Pad Mounted Transformers – separated into single and three phase units
- Poles
- Gang Operated Overhead Switches
- Pad Mounted Switchgear
- Underground XLPE Cable

### **7.2 Asset Condition Assessment**

The cornerstone of any asset management plan is to understand the type of assets, the number of assets, and the condition of the assets owned by the corporation. All records were kept in paper or spreadsheet form. As well, detail on the various asset numbers, attributes and their condition were generally poorly documented or unknown. With the launch of Auto CAD Map 3D and various database development projects, data collection and retention has improved dramatically. Field work is continuing to improve the collection of data.

### **7.3 Sustainment Strategies**

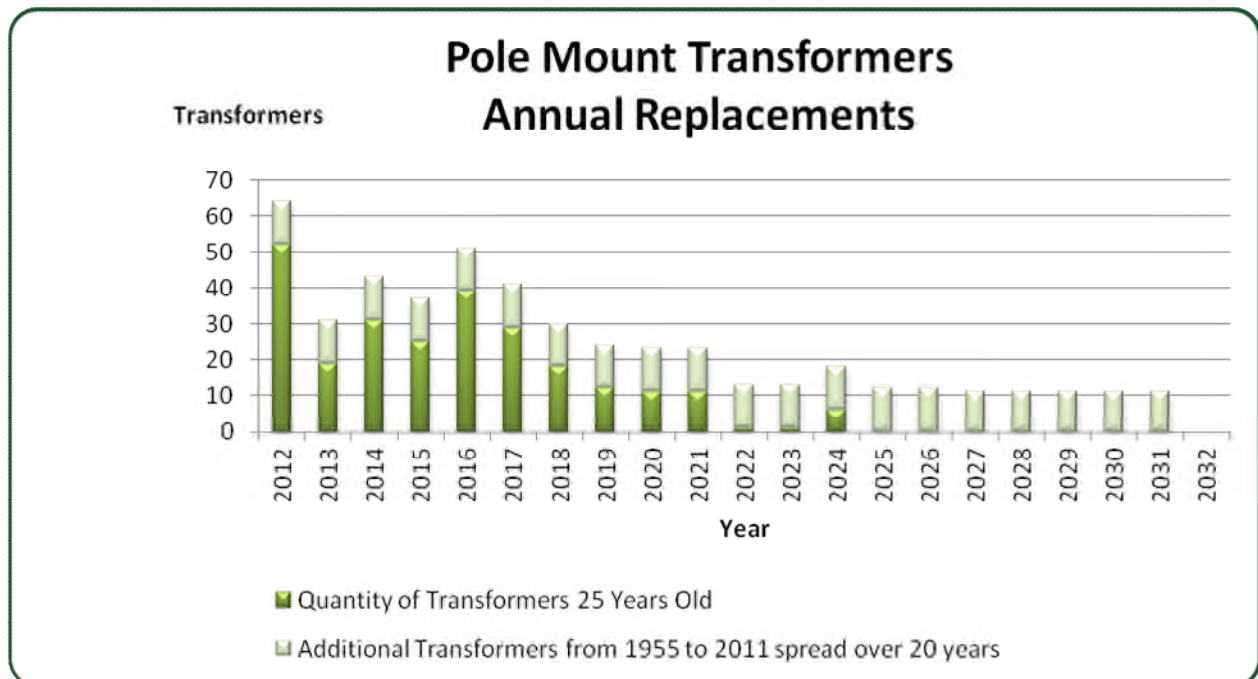
#### **7.3.1 Pole Mounted Transformers**

##### **7.3.1.1 Results of Asset Evaluation**

Pole Mounted Transformers as a whole constitute a very large asset base. The age and condition of transformers is spread over a broad range (the transformers were installed between 1955 and 2012). E.L.K. Energy has used a Typical Useful Life (TUL) of twenty-five (25) years for Pole Mounted Transformers. When 25 years is added to the year of manufacture the number of potential replacements at end of life can be forecasted. This projection revealed 246 transformers that have met or exceeded the 25 year TUL criteria. This quantity of transformers has been distributed over the twenty year replacement projection which added 12 units per year starting from 2012 to 2026 and 11 units per year starting from 2027 to 2032.

Shown below is a bar graph indicating the above mentioned asset evaluation which shows the number of Pole Mounted Transformers in E.L.K. Energy's distribution system that have reached or will reach their TUL of 25 years:





### 7.3.1.2 E.L.K. Energy's Sustainment Strategy

E.L.K. Energy's sustainment strategy is predicated on the following factors:

- The distribution transformer requires no maintenance.
- The outage impact of an individual transformer failure is limited to a very small number of customers and in some cases due to the rural nature of parts of the service territory only one customer is involved.

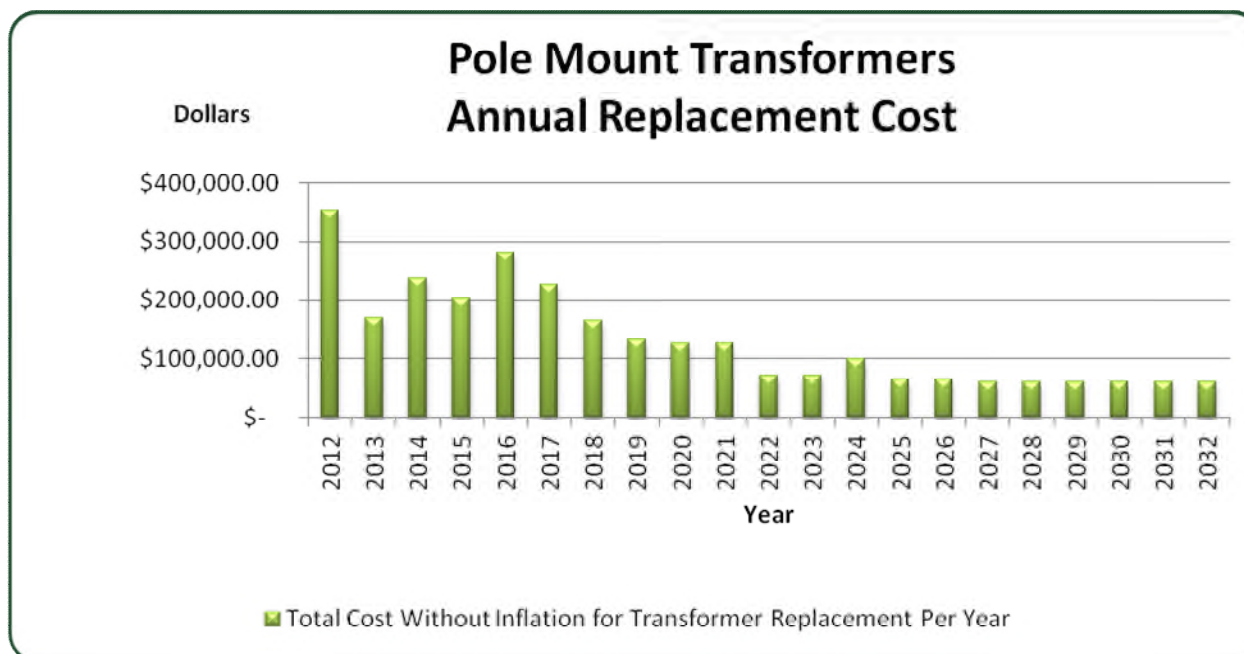
These factors have led E.L.K. Energy to adopt the following strategy:

- Inspect and monitor condition.
- Replace when conditions dictate - such as cracked bushings, leaking oil, etc.
- Replace when unit fails – thus, on a reactive replacement basis.
- Closely monitor the number of failures occurring between 2011 and 2017, if failure rates indicate an increasing trend change strategy to a preplanned replacement program to minimize the financial and operational affects on the large number of transformer replacements that could potentially occur between 2012 and 2021.

### 7.3.1.3 Budgets and Forecast

The relative costs in each year to replace units at end of life using an average unit replacement cost of \$5,500.00 would be as shown in the bar graph below:





- Replacements under a reactive approach are part of the Operations and Maintenance budget.
- Replacements under a preplanned approach are part of the Capital Budget.

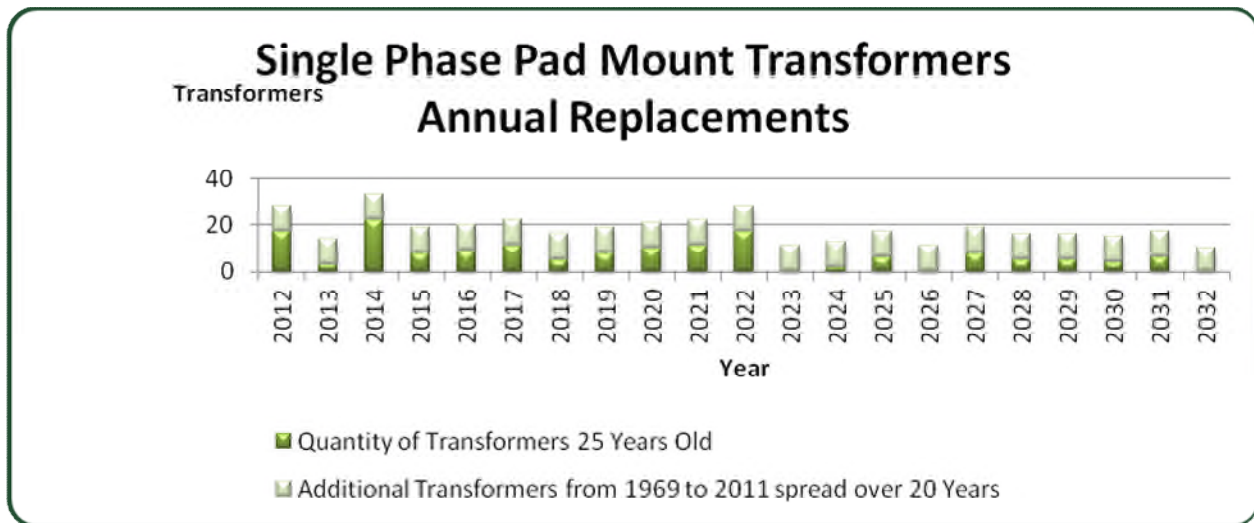
## 7.3.2 Single Phase Pad Mounted Transformers

### 7.3.2.1 Results of Asset Evaluation

Single Phase Pad Mounted Transformers as a whole constitute a large asset base. The age and condition of transformers is spread over a broad range (the transformers were installed between 1969 and 2012). E.L.K. Energy has used a TUL of twenty-five (25) years for Single Phase Pad Mounted Transformers. When 25 years is added to the year of manufacture the number of potential replacements at end of life can be forecasted. This projection revealed 230 transformers that have met the 25 year TUL criteria. This quantity of transformers has been spread over the twenty year replacement projection which added 11 units per year starting from 2012 to 2031 and 10 units in 2032.

Shown below is a bar graph indicating the above mentioned asset evaluation which shows the number of Single Phase Pad Mounted Transformers in E.L.K. Energy's distribution system that have or will reach their TUL of 25 years:





### 7.3.2.2 E.L.K. Energy's Sustainment Strategy

E.L.K. Energy's sustainment strategy is predicated on the following factors:

- The single phase pad mounted distribution transformer requires very little maintenance. Maintenance is generally confined to replacing faded warning labels and potentially painting the units.
- The outage impact of an individual transformer failure is limited to usually 10 to 12 customers.

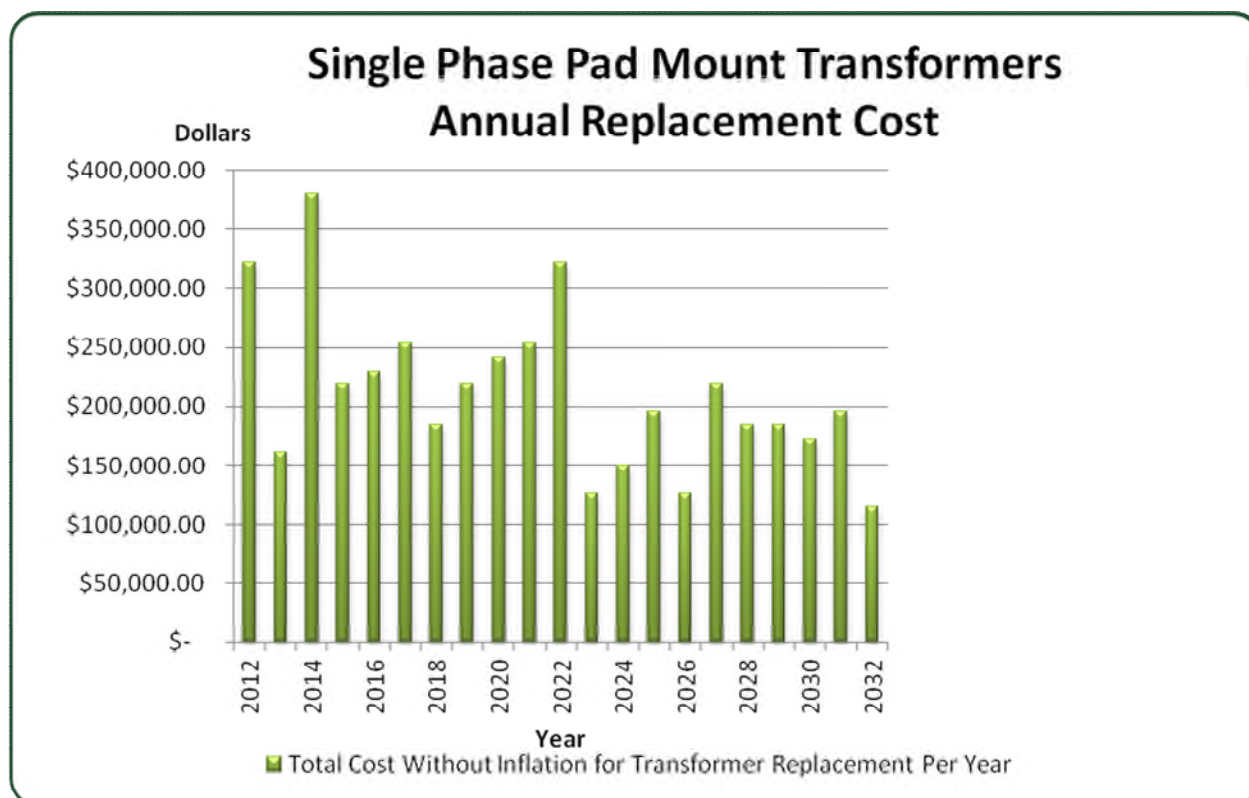
These factors have led E.L.K. Energy to adopt the following strategy:

- Inspect and monitor condition.
- Replace when conditions dictate - such as rusted tanks and frames, cracked bushings, leaking oil, etc.
- Replace when unit fails – thus, on a reactive replacement basis

### 7.3.2.3 Budgets and Forecast

The relative costs in each year to replace units at end of life using an average unit replacement cost of \$11,500.00 would be as shown in the bar graph below:





- Replacements under a reactive approach are part of the Operations and Maintenance budget.
- Replacements under a preplanned approach are part of the Capital Budget.

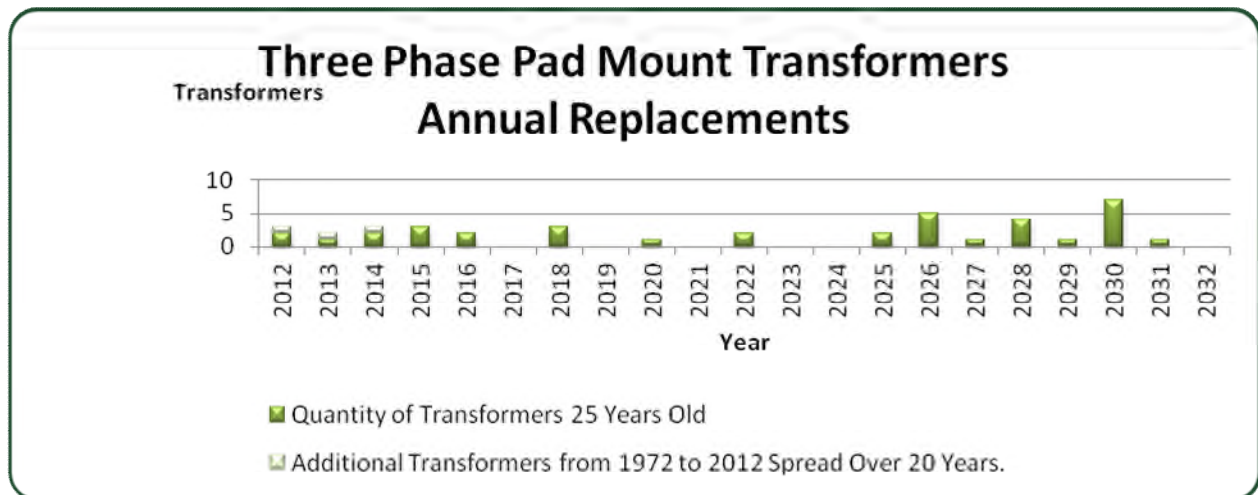
### 7.3.3 Three Phase Pad Mounted Transformers

#### 7.3.3.1 Results of Asset Evaluation

Three Phase Pad Mounted Transformers as a whole constitutes a very large asset base due to dollar value. The age and condition of transformers is spread over a broad range (the transformers were installed between 1972 and 2012). E.L.K. Energy has used a TUL of twenty-five (25) years for three Phase Pad Mounted Transformers. When 25 years is added to the year of manufacture the number of potential replacements at end of life can be forecasted. This projection revealed 3 transformers that have met the 25 year TUL criteria. This quantity of transformers has been spread over the twenty year replacement projection which added 1 unit per year starting from 2012 to 2014.

Shown below is a bar graph indicating the above mentioned asset evaluation which shows the number of Three Phase Pad Mounted Transformers in E.L.K. Energy's distribution system that have or will reach their TUL of 25 years:





### 7.3.3.2 E.L.K. Energy's Sustainment Strategy

E.L.K. Energy's sustainment strategy is predicated on the following factors:

- The three phase pad mounted distribution transformer requires very little maintenance. Maintenance is generally confined to replacing faded warning labels and potentially painting the units.
- The outage impact of an individual transformer failure is limited to one service site – either commercial or industrial.

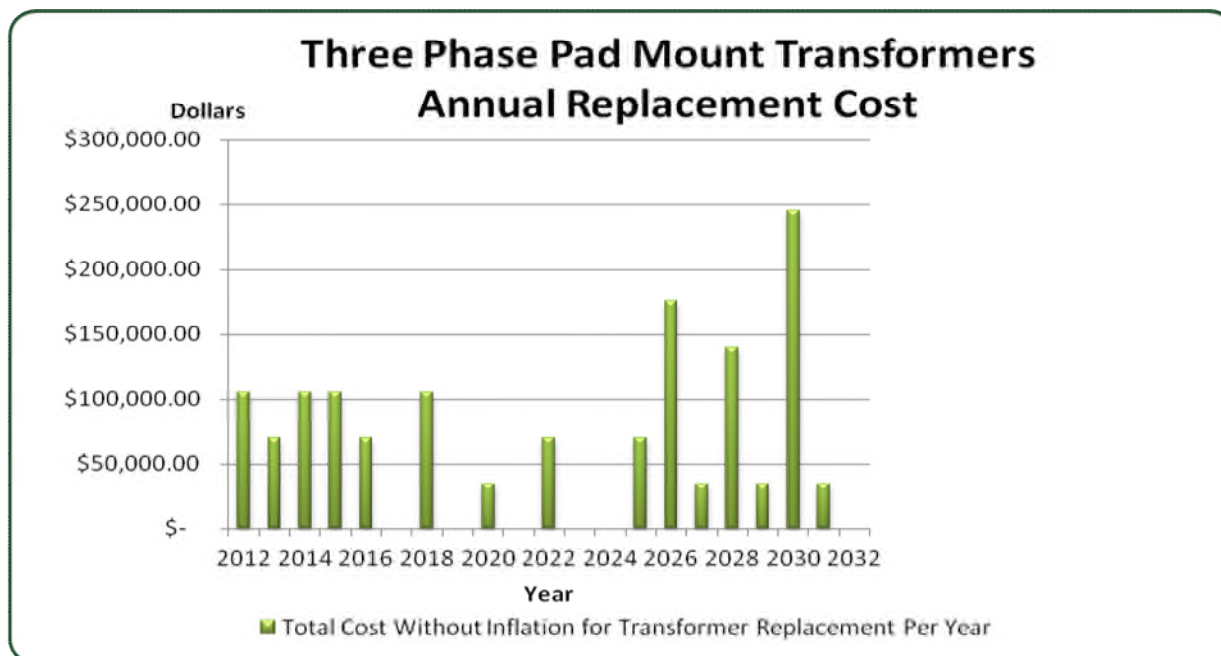
These factors have led E.L.K. Energy to adopt the following strategy:

- Inspect and monitor condition.
- Replace when conditions dictate - such as rusted tanks and frames, cracked bushings, leaking oil, etc.
- Replace when unit fails – thus, on a reactive replacement basis.
- Monitor conditions closely starting in year 2013, if failure rates indicate an increasing trend change to a preplanned replacement program to minimize the financial and operational affects.

### 7.3.3.3 Budgets and Forecast

The relative costs in each year to replace units at end of life using an average unit replacement cost of \$35,000.00 would be as shown in the bar graph below:





- Replacements under a reactive approach are part of the Operations and Maintenance budget.
- Replacements under a preplanned approach are part of the Capital Budget.

### 7.3.4 Poles

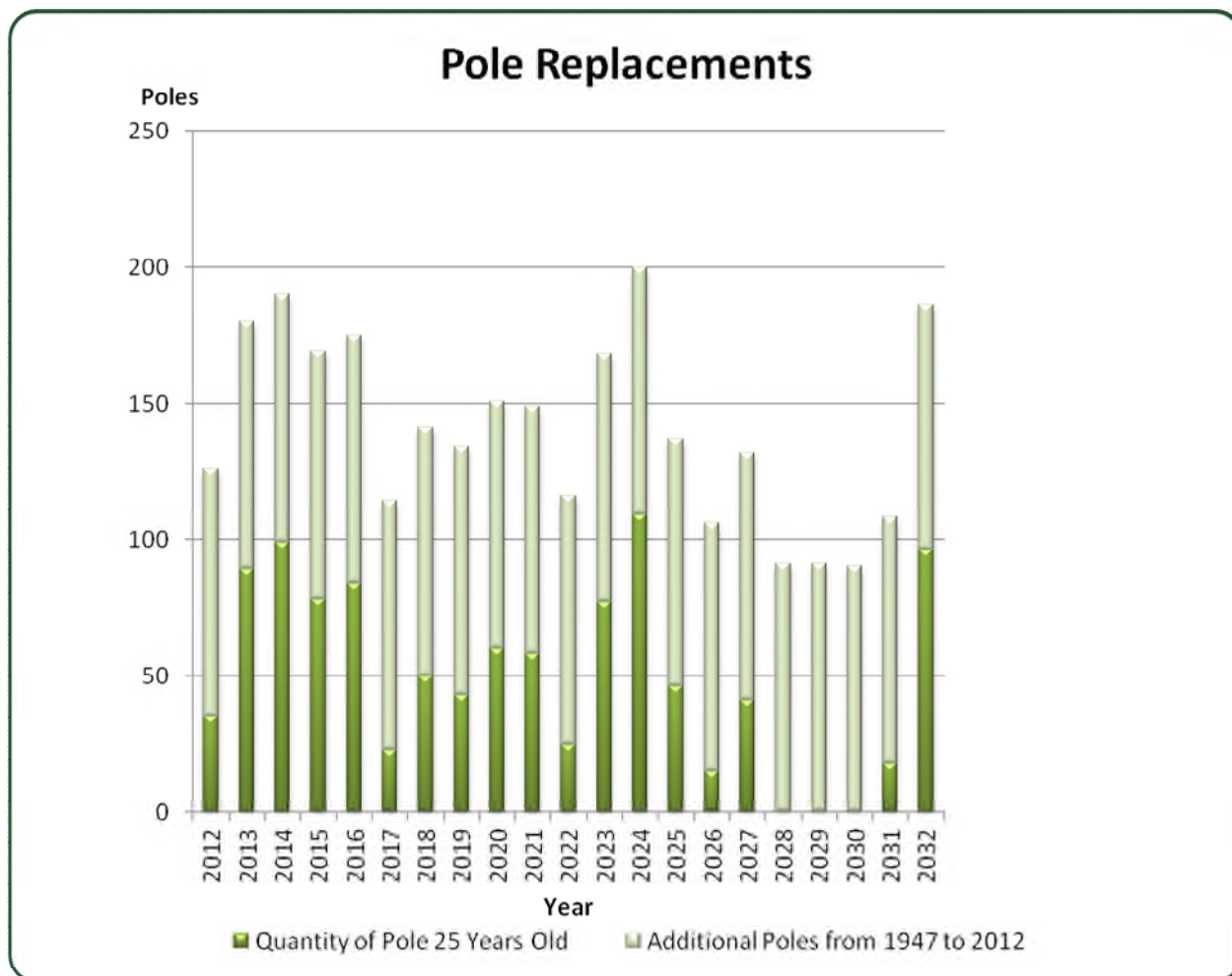
#### 7.3.4.1 Results of Asset Evaluation

Poles by far have the largest number of assets within the distribution system. The age and condition of poles covers the full range of possibilities from newly installed to sixty-five (65) years of age. E.L.K. Energy's inspection over the last few years has resulted in very few pole replacements indicating that the overall pole condition is good.

E.L.K. Energy has used a TUL of twenty-five (25) years for Poles. When 25 years is added to the year of manufacture the number of potential replacements at end of life can be forecasted. This projection revealed poles that have met the 25 year TUL criteria in the years starting 2007 to 2011. This quantity of poles was spread over the twenty year replacement projection which added 91 poles per year starting from 2012 to 2029 and 90 poles per year starting from 2030 to 2032.

Shown below is a bar graph indicating the above mentioned asset evaluation which shows the number of Poles in E.L.K. Energy's distribution system that have or will reach their TUL of 25 years:





#### 7.3.4.2 E.L.K. Energy's Sustainment Strategy

E.L.K. Energy's sustainment strategy is predicated on the following factors:

- The life expectancy of poles ranges from thirty-five (35) to seventy-five (75) years and condition is affected by many factors such as the soil condition and loading.
- E.L.K. Energy's inspection procedure is regulated by the OEB and as poles are inspected a determination is made as to whether they need to be replaced.
- A pole failure (depending on its function) can be a significant risk as the results of a failure could injure the public and result in lengthy interruptions in service to a widespread area and a large number of customers.

These factors have led E.L.K. Energy to adopt the following strategy:

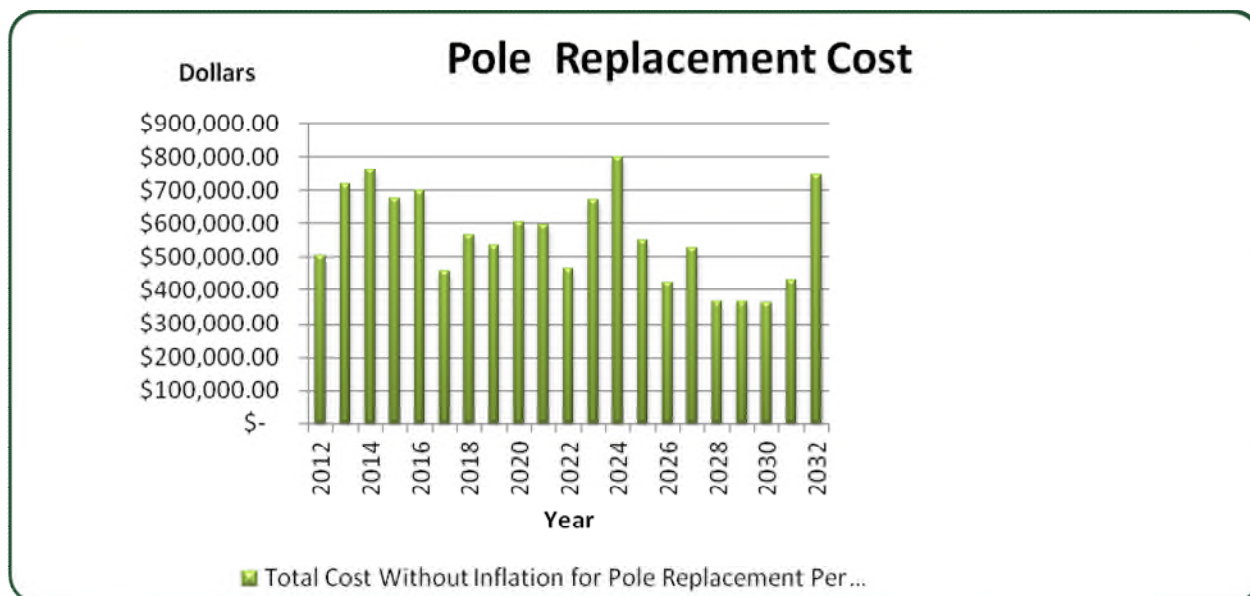
- Inspect and monitor condition.
- Replace when conditions dictate replacement.



- Continuing with the conversions from 4.16 kV and 8.32Kv to 27.6Kv distribution system will eliminate a substantial amount of the older poles from the system.

### 7.3.4.3 Budgets and Forecast

The relative costs in each year to replace units at end of life using an average unit replacement cost of \$4,000.00 would be as shown in the bar graph below:



- Replacements under a reactive approach are part of the Operations and Maintenance budget.
- Replacements under a preplanned approach are part of the Capital Budget.

### 7.3.5 Gang Operated Overhead Switches

#### 7.3.5.1 Results of Asset Evaluation

Gang Operated Overhead Switches are installed in various locations within the 27.6Kv distribution system with a total of 17 switches installed. The age of gang operated switches is spread over a broad range 1975 to 2005. Their conditions are generally unknown due to lack of maintenance but because many switches are fairly new it is assumed that many are in very good condition. E.L.K. Energy has used a TUL of twenty-five (25) years for Gang Operated Overhead Switches. When 25 years is added to the year of manufacture the number of potential replacements at end of life can be forecasted. This projection revealed that in the next 20 years no switch reached its TUL.

#### 7.3.5.2 E.L.K. Energy's Sustainment Strategy

E.L.K. Energy's sustainment strategy is predicated on the following factors:



- The life expectancy of gang operated overhead switches is in the range of sixty (60) years.
- E.L.K. Energy's Inspection and Maintenance program for switches is expected to begin in 2013. This program will allow better decision making in the near future with respect to switch maintenance and replacement.
- A switch failure is low risk.

These factors have led E.L.K. Energy to adopt the following strategy:

- Inspect, maintain, and monitor condition.
- Replace when conditions dictate replacement – thus, a proactive replacement basis.

### **7.3.5.3 Budgets and Forecast**

The relative costs to replace units at end of life would be \$28,000 using an average unit replacement cost.

- Replacement is part of E.L.K. Energy's sustainment capital programs.
- The budgets for 2012 and 2013 do not have any replacements scheduled. The forecast reflects no replacements required.

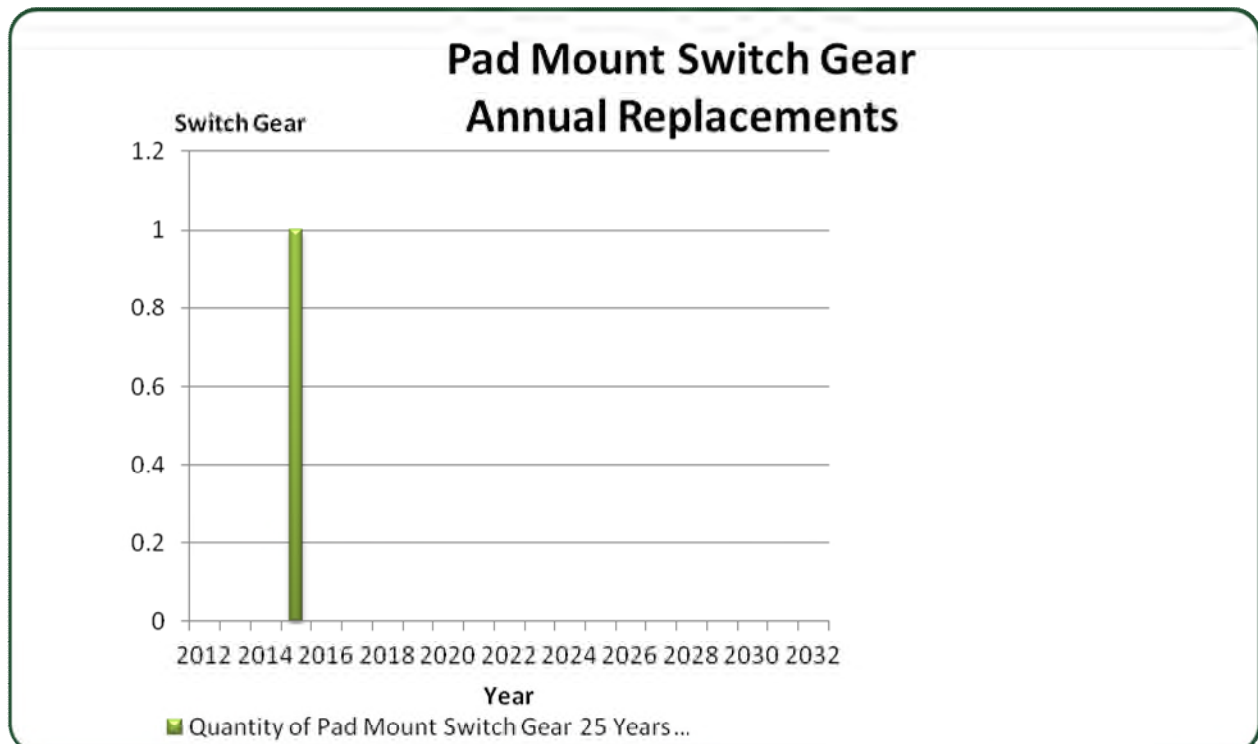
### **7.3.6 Pad Mounted Switchgear**

#### **7.3.6.1 Results of Asset Evaluation**

E.L.K. Energy's distribution system contains one (1) switchgear. The age of the switchgear is twenty-two (22) years. The condition is very good as the condition of the switchgear is monitored during the inspection process. E.L.K. Energy has used a TUL of twenty-five (25) years for pad mounted switchgear. When 25 years is added to the age distribution the number of potential replacements at end of life can be forecasted. This projection revealed that this unit is reaching its TUL in the year 2015.

Shown below is a bar graph indicating the above mentioned asset evaluation which shows when the Pad Mounted Switchgear unit in E.L.K. Energy's distribution system will reach its TUL of (25) years:





### 7.3.6.2 E.L.K. Energy's Sustainment Strategy

E.L.K. Energy's sustainment strategy is predicated on the following factors:

- The life expectancy of pad mounted switch gear units is in the range of 25 years.
- Continue with the inspection program to allow better decision making with respect to switch maintenance and replacement.
- The impact of a switch failure is significant risk. A significant customer outage would likely occur and the safety of the public and staff would be potentially impacted.

These factors have led E.L.K. Energy to adopt the following strategy:

- Inspect, maintain, and monitor condition.
- Replace when conditions dictate replacement – thus, a reactive replacement basis.
- Monitor conditions closely on a three year bases, if failure rates indicate an increasing trend change to a preplanned replacement program to minimize the financial and operational affects.

### 7.3.6.3 Budgets and Forecast

The relative costs in each year to replace units at end of life using an average unit replacement cost of \$65,000.00 would be as shown in the bar graph below:





- Replacements under a reactive approach are part of the Operations and Maintenance budget.
- Replacements under a preplanned approach are part of the Capital Budget.

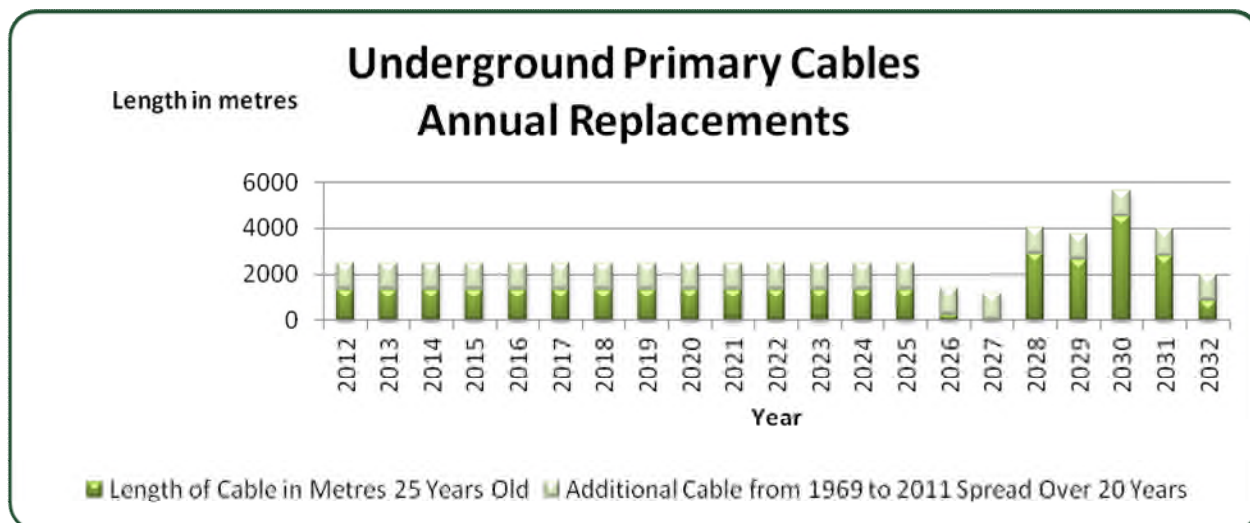
### 7.3.7 Cross-Linked Polyethylene (XLPE) Underground Cables

#### 7.3.7.1 Results of Asset Evaluation

Cross-linked polyethylene (XLPE) underground cables are installed in mostly underground fed residential subdivisions. A small portion of cable serves as distribution feeders from our overhead distribution system where necessary. Their condition is generally very good. E.L.K. Energy has used a TUL of twenty-five (25) years for underground cables. Records for annual cable installations began in 2001. The first underground installations in E.L.K. Energy's service areas was in 1969. All cables installed prior to 2000 have been divided equally across the years of 1969 to 2000. The cable values for the years 2001 to 2011 are actual values. When 25 years is added to the date of installation the number of potential replacements at end of life can be forecasted. This projection revealed that starting in 2012 a total of 23.94km of underground cables will have reached their TUL of 25 years.

Shown below is a bar graph indicating the above mentioned asset evaluation which shows the number of Underground Cables in E.L.K. Energy's distribution system that will reach their TUL of twenty-five (25) years





### 7.3.7.2 E.L.K. Energy's Sustainment Strategy

E.L.K. Energy's sustainment strategy is predicated on the following factors:

- E.L.K. Energy's Inspection and Maintenance program covers the terminations of cable only – these are exposed in pad mounted equipment and riser poles. Cable condition is only known for cables which fail in service. Failure information is tracked as part of the "cause" in E.L.K. Energy's reliability statistics. Cable replacement decisions would be based on failure history
- The impact of a cable failure is minimal. Customer outages are likely to remain within a residential subdivision and all cables can be isolated due to a loop system design (there is usually another way to supply the load).
- The safety of the public is not likely to be impacted because the cables are buried and not exposed.

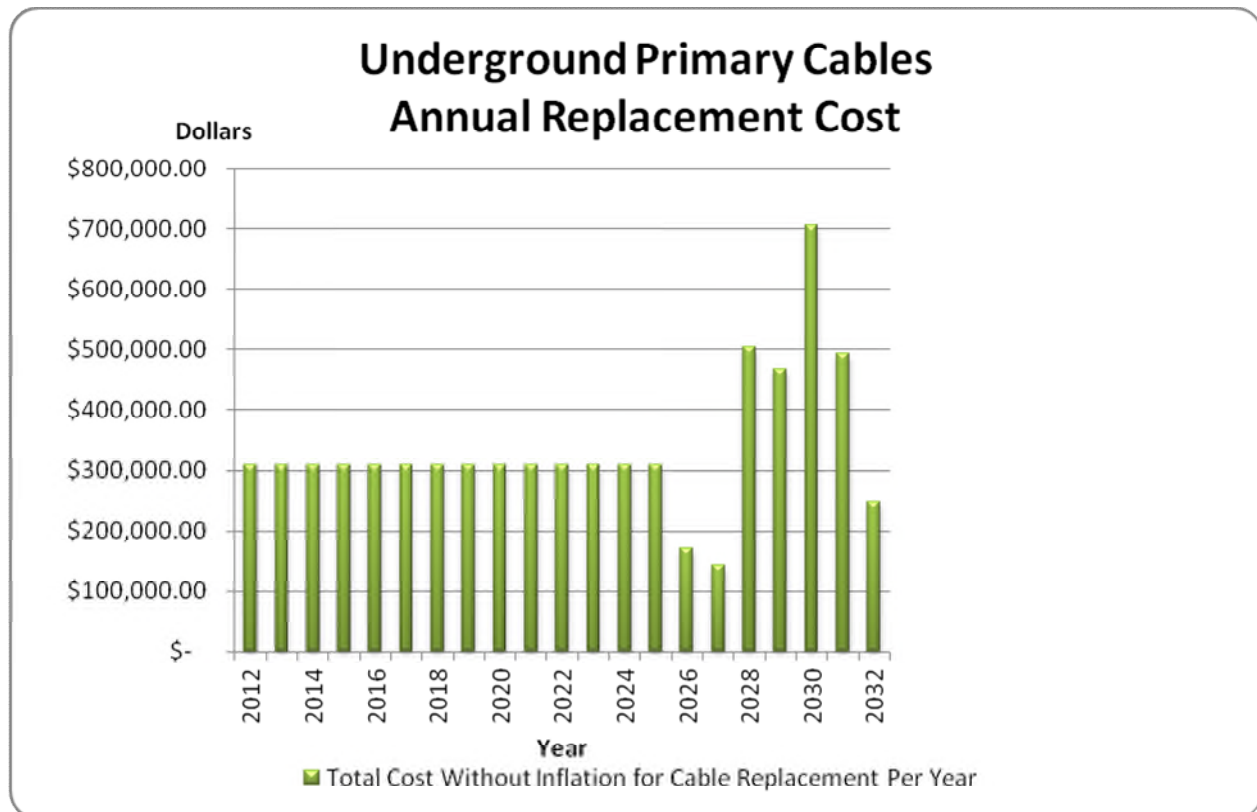
These factors have led E.L.K. Energy to adopt the following strategy:

- Monitor the number of cable failures.
- Create a systematic replacement program when failure results indicate a systemic failure of that particular age or type of cable – thus, a reactive replacement basis.

### 7.3.7.3 Budgets and Forecast

The relative costs in each year to replace cables at end of life using an average replacement cost of \$125.00 per metre would be as shown in the bar graph below:



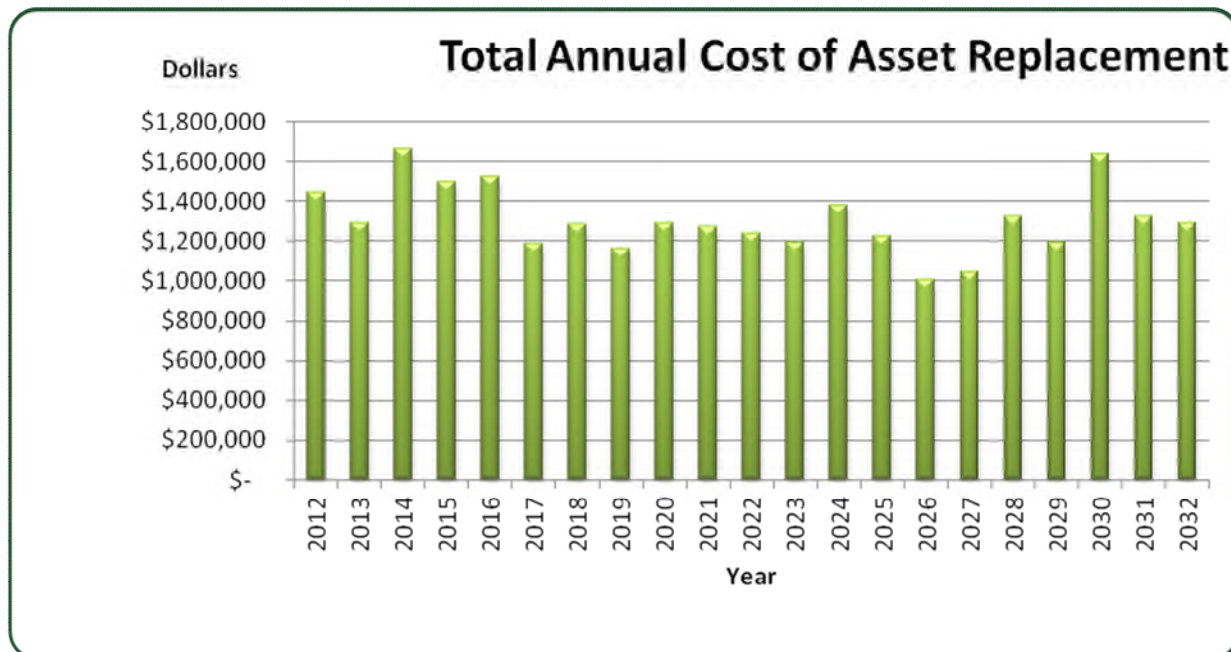


- Replacements under a reactive approach are part of the Operations and Maintenance budget.
- Replacements under a preplanned approach are part of the Capital Budget.

#### 7.4 Total Annual Cost for Asset Replacements

The total annual costs (without inflation projection) in each year to replace the above mentioned assets listed in content 7.1 at end of life would be as shown in the bar graph below:





The average annual asset replacement cost for the 20 year period is \$1,306,994.

## 8 Prioritized Capital Projects

Apart from the sustainment of existing assets in the distribution system there are other types of investment required in the distribution system. The first type can be called demand expenditures and they are required to supply the needs of a new customer or to enhance reliability in an area where system capacity is constrained. The second type of expenditure is called prioritized. On an annual basis, E.L.K. reviews capital projects identified for potential implementation and prioritizes each project based on defined criteria. All members of the management team follow these criteria as they individually complete outlines of their recommendations, which are then discussed by the full management team. After all recommended projects are examined, they are listed in order from highest to lowest priority and then moved forward based on an “as-needed” basis.

### 8.1 Typical Considerations in Developing New Prioritized Projects

Typically new assets are required as a result of the following drivers:

- Load Growth
- Security of Supply and Level of Redundancy
- Capacity of Assets
- Voltage Regulation
- Safety – Public and Staff
- Environmental Compliance



### 8.1.1 Load Growth

Load growth is influenced by a number of factors including:

- Population Growth
- Economy
- Effectiveness of conservation programs

In order to determine how growth might affect the distribution system a number of areas need to be analyzed. These include population forecasts, the number of new connections, the type of connections, and historical demand.

#### 8.1.1.1 Population Growth

As E.L.K. Energy's customer base consists of 6 urban areas located in 3 municipalities there is no historical population historical data or future forecasts to estimate the population growth. Instead E.L.K. Energy utilizes historical customer counts to forecast future growth.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
January	9854	10081	10182	10279	10402	10568	10671	10757	10841	10711	10981	11044
February	9861	10096	10199	10323	10407	10576	10672	10797	10851	10710	10987	11061
March	9886	10042	10220	10323	10418	10598	10690	10807	10847	10720	10999	11075
April	9904	10060	10228	10344	10443	10594	10690	10817	10874	10741	11015	11078
May	9923	10074	10227	10341	10436	10588	10710	10808	10862	10747	11014	11073
June	9951	10082	10227	10371	10445	10604	10716	10803	10842	10735	11020	11055
July	9972	10082	10239	10382	10445	10594	10708	10809	10812	10738	11014	11060
August	10009	10118	10258	10390	10468	10604	10731	10793	10784	10752	11023	11080
September	10029	10114	10279	10400	10505	10619	10726	10820	10784	10736	11020	11162
October	10049	10145	10285	10407	10524	10637	10709	10822	10784	10741	11033	11211
November	10078	10159	10291	10414	10524	10627	10736	10833	10851	11010	11044	11181
December	10081	10185	10299	10414	10556	10617	10744	10833	10851	10727	11047	11179
Average	9966	10103	10245	10366	10464	10602	10709	10808	10831	10755	11016	11105

The population is expected to rise by twenty-two (22) percent between 2012 and 2032 - on average 1 percent per year.

#### 8.1.1.2 Number of New Connections

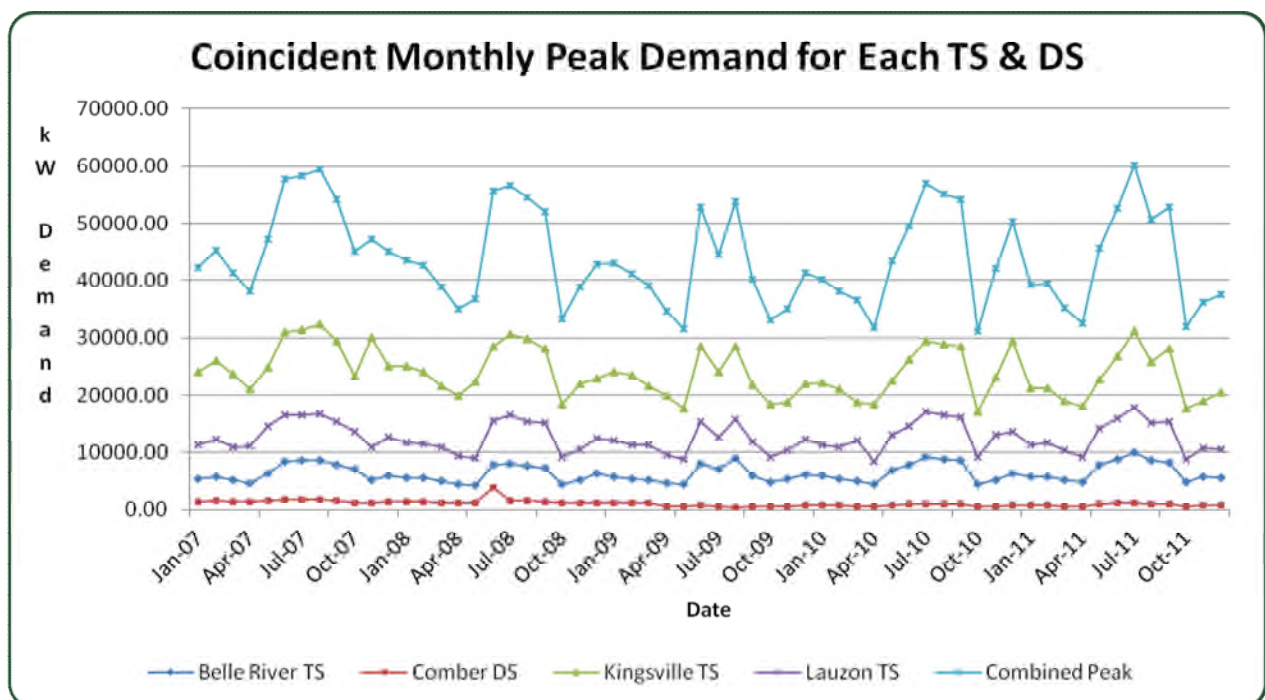
E.L.K. Energy's new connections slowed from 2005 – 2009 with the downturn in the economy. New connections began to increase in 2010 and appear to be returning to near historical levels. The following table shows the specifics. It should be noted that these connections represent low voltage connections.



	2005	2006	2007	2008	2009	2010	2011	2012
January	8	8	17	14	9	10	10	7
February	21	5	13	8	6	6	4	9
March	4	7	8	4	7	6	5	4
April	15	10	4	10	7	3	9	
May	13	13	14	14	12	8	4	
June	10	17	13	10	8	17	9	
July	14	13	7	7	3	8	22	
August	13	8	15	18	6	16	35	
September	13	17	3	6	16	10	15	
October	16	15	11	10	8	12	7	
November	9	12	9	7	7	8	12	
December	12	11	9	9	7	11	6	
Totals	148	136	123	117	96	115	138	20

### 8.1.1.3 Peak Demand

E.L.K. Energy has been recording the monthly demand peaks at each of the 3 TS's and 1 DS. The data from each station for the period from 2007 to 2011 is shown in the following graph:



The demand is based on hourly data provided from the IESO which is not adjusted for losses and monthly peaks between stations are coincident. It is evident that there are no distinct growth patterns in the peak demand for any of the TS's or DS.



#### **8.1.1.4 Conclusion**

Although the economy is currently very slow it is nonetheless expected to grow over the twenty (20) year timeframe of this plan. At this time it is unclear how the population growth will specifically affect the distribution system. Growth over the period from 2006 to 2010 has not appreciably affected the peak demand. Future revisions of this plan will need to account for potential growth as and when it materializes.

### **8.2 Capital Projects Prioritization Model**

In the past E.L.K. Energy's asset strategy was built on rebuilding 4.16kV distribution lines at 27.6kV to support the elimination of its aging 4.16kV distribution station. This program was completed Q3, 2012. Prior to commencement of budget proceedings for 2014 E.L.K. Energy will need to further develop a means to prioritize capital projects. Other utilities have developed prioritization strategies either in house or through the assistance of third party consultants. These strategies will be reviewed and E.L.K. Energy will prepare a model that takes into consideration E.L.K. Energy's specific circumstances.

It should be noted that sustainment type projects are not evaluated using this model. Sustainment projects are not discretionary because an existing asset is at the end of its useful life and must be replaced.

### **8.3 Past Capital Project Decision Process**

Notwithstanding E.L.K. Energy's asset strategy leading up to 2013 as noted above in Section 8.2 it is still necessary to evaluate individual projects based on a number of factors which are specific to E.L.K. Energy's service territory. In preparation for the setting budgets of the past the following considerations were made to decide which projects should be included in any given year:

- Financial
  - Reduction of future operating costs
  - Reduction of losses
- Reliability
  - Impact to SAIDI, SAIFI, and power quality (low voltage, etc.)
- Safety
  - Public
  - Staff
- Customer Relations
  - Impact/effect on customers
- Regulatory
  - Compliance with regulatory statutes
- Environmental
  - Elimination of risk of contamination to the environment – oil spills



Once the priorities are decided, a preliminary project design and estimate is made for each project.

#### **8.4 2012 and 2013 Prioritized Capital Projects**

The prioritized projects in the 2012 and 2013 budgets were evaluated using best engineering judgment based on the experience of the Operations Manager and the Line Subforeman. The criteria used are noted above in Section 8.3

Please refer to Appendix D and Appendix E for more details on the prioritized projects for 2012 and 2013.

#### **8.5 Five Year Forecast**

As a result of E.L.K. Energy's asset strategy leading up to 2013 a forecast was not necessary as the projects were dictated by the need to eliminate 4.16kV distribution lines and the expenditure in each year was kept relatively stable. A graph depicting the actual expenditures (distribution assets not including smart meters) plus projections for 2011 and 2012 is shown below. As shown in the graph the average expenditure over the years 2004 to 2012 (based on CGAAP) is \$775,331 and the median slightly below at \$689,836.

E.L.K. Energy's intention is to create a five year forecast to coincide with its newly developed asset strategy. For purposes of supporting E.L.K. Energy's cost of service rate application in 2012 a 2 year forecast has been developed using the data from the asset condition assessment as a proxy for the approximate minimum cost in both 2013 and 2014. No specific projects are yet available for 2013 or 2014.

At this time E.L.K. Energy is forecasting that for 2013 it will focus on eliminating all 8kV distribution lines in the Comber service area as Hydro One intends to eliminate the 8KV distribution station servicing it. After that is complete, E.L.K. Energy will focus on utilizing the DAMP for a guide in creating and prioritizing asset replacement projects. As this DAMP revealed, E.L.K. Energy will have to spend on average (minimum) of \$1,306,994 per year (without inflation projection) to replace aging assets in order to continue to provide a cost effective, safe and reliable electrical service to its customers for the next twenty (20) years.



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# Appendix A

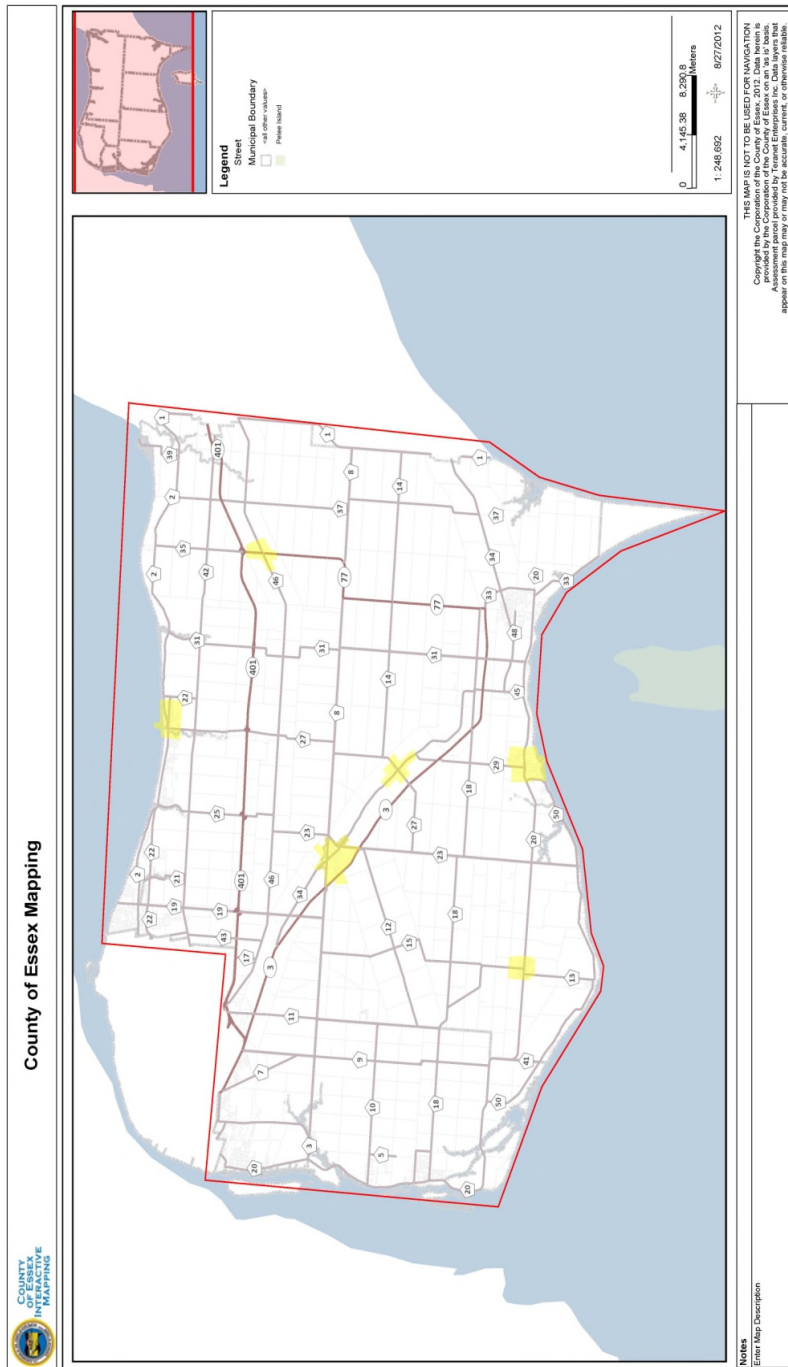
## Summary of Assets (as at December 31, 2011)

Category	Original Cost	% of Total
Distribution Stations	\$142,098	0.67%
Distribution Lines - Overhead	\$7,163,888	33.61%
Distribution Lines - Underground	\$8,498,535	39.87%
Distribution Transformers	\$5,511,324	25.86%
Total	\$21,315,845	



# Appendix B

## Service Territory Marked in Yellow

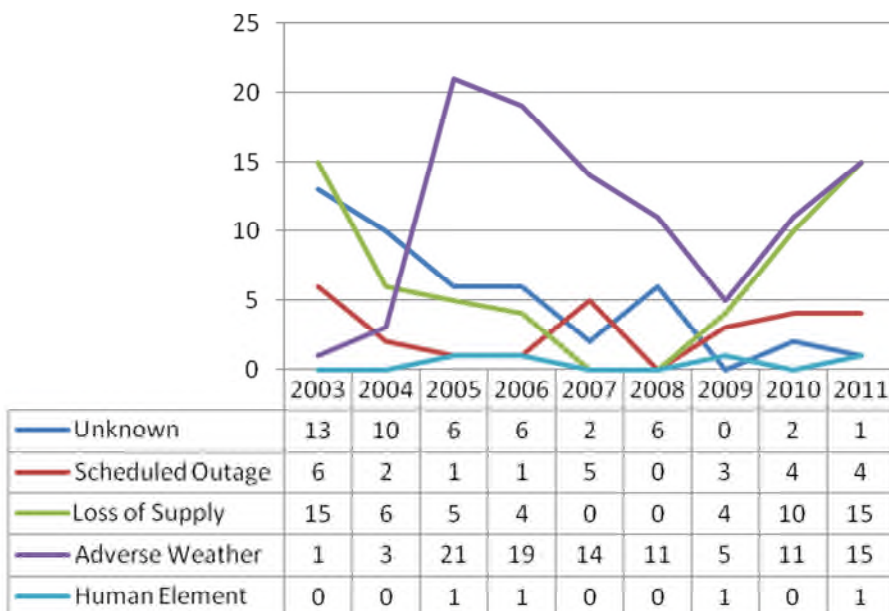




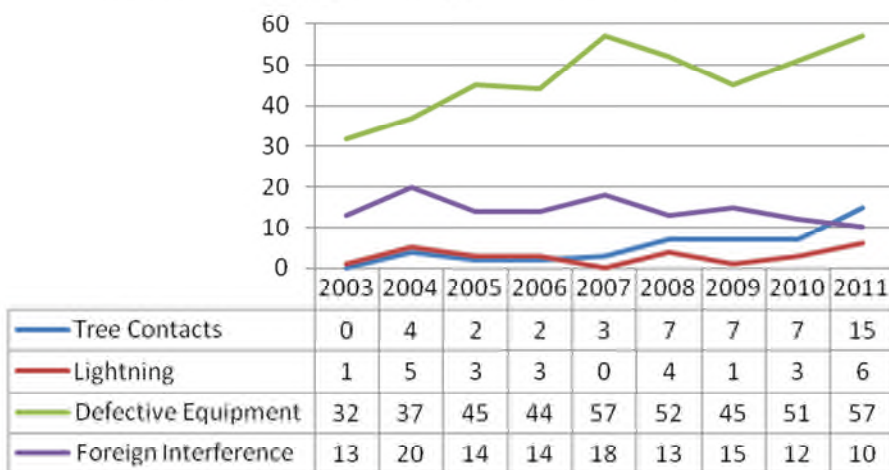
## Appendix C

### Outages by Cause

**E.L.K. Energy Outage Causes by Year**



**E.L.K. Energy Outage Causes by Year**





# Appendix D

## Prioritized Capital Projects for 2012

### **Project Name – Cottam Voltage Conversion**

- Complete secondary transfers from previous conversion project.
- Budgeted cost for above mentioned project is \$14,587

### **Project Name – Kingsville Voltage Conversion and Distribution Station Decommissioning**

- Complete the rear lot conversion of 2 transformer banks and 3 single phase transformer once the ground can accept truck traffic.
- Decommission the Kingsville DS.
- Budgeted cost for above mentioned project is \$52,417

### **Project Name – Viscount Estates Underground Primary Cable and Live Front Transformer replacement**

- Estimated 600 m of new primary underground cable installed by directional drill. Cable is being replaced as it is at its end of life and failures are increasing.
- Estimated 6 pad mounts to replace 6 live front transformers to accept the new cable. These transformers are at their end of life as well and repair parts are becoming increasingly difficult to find. The removed transformers will be utilized for repair parts.
- Budgeted cost for above mentioned project is \$202,703.



# Appendix E

## Prioritized Capital Projects for 2013

### **Project Name – Comber Voltage Conversion**

- Estimated 5 new poles to be installed to replace existing poles.
- Estimated 20 new transformers to be installed to replace existing transformers.
- Lower secondary bus and neutral.
- Budgeted cost for above mentioned project is \$256,794



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**APPENDIX 2-B**

**GREEN ENERGY PLAN**



OPA Letter  
of Comment:

E.L.K.  
Energy Inc.

Basic Green  
Energy Act  
Plan

Date: May 11, 2012



**ONTARIO**  
POWER AUTHORITY





## Introduction

On March 25, 2010, The Ontario Energy Board (“the OEB”) issued its Filing Requirements for Distribution System Plans. As a condition of Licence, Ontario Distributors are required to file a Green Energy Act Plan as part of their cost of service application.

The Filing Requirements distinguish between Basic and Detailed Green Energy Act Plans (“Plan” or “GEA Plan”) and outline the specific information and level of detail which must be provided for each type of Plan. Recognizing the importance of coordinated planning in achieving the goals of the *Green Energy and Green Economy Act, 2009* (the “GEA”), distributors must consult with embedded and host distributors, upstream transmitters and the OPA in preparing their Plans. For both Basic and Detailed Plans, distributors are required to submit as part of the Plan, a letter of comment from the OPA.

The OPA will review distributors’ Basic Plans to ensure consistency with regard to FIT and microFIT applications received, as well as with integrated Plans for the region or the system as a whole.

### **E.L.K. Energy Inc. Basic Green Energy Act Plan**

On April 23, 2012, the OPA received a Basic GEA Plan from E.L.K. Energy Inc. (“E.L.K. Energy”). The OPA has reviewed E.L.K. Energy’s Plan and has provided its comments below.

#### *OPA FIT/microFIT Applications Received*

E.L.K. Energy’s Plan identifies that 6 Commercial FIT applications and 279 Residential microFIT applications have been submitted to the OPA. Of these applications, E.L.K. Energy’s Plan identifies that 59 Residential microFIT projects have been approved and connected as of December 31, 2011. These have been itemized in Section 1.3: *Current Renewable Generation*, starting on page 4 of the Plan.

To date, the OPA has received and offered contracts to 8 capacity allocation exempt FIT applications totalling approximately 1.87 MW that have identified themselves as connecting within E.L.K. Energy’s service territory. Of these, 6 applications totalling approximately 1.45 MW remained active as of Q4 2011. Additionally, the OPA has processed 239 microFIT applications totalling approximately 2.25 MW of capacity in E.L.K. Energy’s service territory. Of these, approximately 0.56 MW have been offered a contract as of May 2012.

#### *Upstream Transmission Constraints*

There are no currently known transmission constraints applicable to E.L.K. Energy’s system.

#### *Economic Connection Test Results*

The OPA received a directive dated April 5, 2010 from the Minister of Energy with respect to the Feed-in Tariff Program Review. The directive states that “[g]iven the transmission projects planned through the Long Term Energy Plan and changes to the FIT Program, the OPA shall not run the Economic Connection Test”. A link to the full directive is provided on the OPA’s website:

<http://www.powerauthority.on.ca/sites/default/files/page/FIT-ReviewApril-2012.pdf>



### *Opportunities for Integrated Solutions*

There are no known corresponding expansions among neighbouring LDCs that could be addressed through integrated transmission solutions at this time.

### **Conclusion**

The OPA finds that E.L.K. Energy's GEA Plan is reasonably consistent with the OPA's information regarding renewable energy generation applications to date.

The OPA appreciates the opportunity to comment on E.L.K. Energy's Basic GEA Plan.



# **E.L.K. ENERGY INC.**

## **Basic Green Energy Act Plan**





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## **E.L.K. ENERGY INC. Basic**

### **Green Energy Act Plan**

## **1 Summary Information**

### **1.1 Introduction**

E.L.K. Energy Inc. (E.L.K. Energy) is a local distribution company (LDC) serving more than 11,300 customers in the Towns of Essex, Lakeshore and Kingsville. Within these towns, which cover a large geographic area in southwestern Ontario, E.L.K. Energy has six non-contiguous service areas, serving the communities of Belle River, Comber, Cottam, Essex, Harrow and Kingsville. In accordance with the Ontario Energy Board's (OEB) Filing Requirements (EB-2009-0397) E.L.K. Energy has prepared a Basic Green Energy Act (GEA) Plan. The GEA Plan is based on current information and represents E.L.K. Energy's best efforts to enable the connection of renewable generation facilities and to create a Smart Grid development strategy.

### **1.2 Current Situation**

E.L.K. Energy distributes power from five transformer stations:

- Belle River TS – Owned by Hydro One (HO)
- Comber DS – Owned by Hydro One (HO)
- Haycroft DS – Owned by Hydro One (HO)
- Kingsville TS – Owned by Hydro One (HO)
- Lauzon TS – Owned by Hydro One (HO)

E.L.K. Energy uses one station to further transform its distribution voltage to the 4.16 kV level. The station is as follows:

- Kingsville DS

At this point in time E.L.K. Energy has no station restrictions imposed by HO. However there are upstream feeder limitations on the Haycroft DS, serving the Comber Service



Area, which will restrict any microFIT connections to this station. Additionally E.L.K. Energy's feeder from the Comber DS, serving the Comber Service Area is fully allocated at 7% for an F class feeder so it is restricted for microFIT connections. The Kingsville TS feeder servicing E.L.K. Energy's Cottam Service Area, is fully allocated at 10% for an M class feeder so it is restricted for microFIT connections.

### **1.3 Current Renewable Generation**

Project applications submitted to the OPA include the following:

- 279 Residential microFIT
  - 277 Solar PV
  - 2 Wind
- 6 Commercial FIT
  - 6 Solar PV

Of the above projects the following have been approved and connected as of December 31, 2011:

- 59 Residential microFIT Solar PV
- 0 Commercial FIT

The distribution system has been virtually unaffected by the fifty-nine projects connected thus far. In 2010 the rate of connections was slow likely due to the economy and availability of contractors to install these types of installations. The number of connections in 2011 increased sharply due to a forty-four unit microFIT cluster. E.L.K. Energy's forecast of connections is based on E.L.K. Energy's experience to date and requests for information from prospective generators. This GEA Plan includes information on how the anticipated renewable connections will impact E.L.K. Energy's distribution system.

### **1.4 Current Information on Smart Grid Projects**

The term "Smart Grid" has been used to describe a number of initiatives within the electrical distribution, transmission, and generation environments. For distribution utilities like E.L.K. Energy, Smart Grid projects are likely to centre on the following



concepts:

- Optimization of the Distribution System
- Creating Self Healing Distribution Networks – Network Automation
- Distribution Intelligence – Monitoring the Network
- Two Way Communication Interfaces with the Customer
- Demand Control at the Customers Load – Home Area Networks

Smart Grid pilot projects, of all types, are being tested around the globe in various jurisdictions and are very much in a preliminary discovery phase. Significant impediments to the implementation of Smart Grid would include:

- Consumer Concerns Over Privacy
- Social Concerns Over the Use of Distribution System Information (including customer information)
- Limited ability of utilities to transform their networks in a short period of time
- Concerns over giving governments control over power using activities
- The cost benefit of projects

Given the uncertain nature of Smart Grid development E.L.K. Energy's strategy will be to adopt a very conservative approach to the implementation of Smart Grid projects.

## **1.5 Summary of Forecasted Expenditures**

E.L.K. Energy has not forecasted any internal expenditures with respect to this GEA Plan. All internal expenditures will be retained under the current rate structure. E.L.K. Energy has forecasted \$72,900 in 2012 for renewable energy expansion cost cap with respect to this GEA Plan.

## **2 Detailed Assessment**

### **2.1 Existing Conditions**

As noted above, E.L.K. Energy distributes power from transformer stations owned by Hydro One. Potential constraints on renewable connections from a TS/DS perspective



are:

- Thermal Capacity
- Short Circuit Capacity

From a distribution system perspective potential constraints on renewable connections are:

- Distribution Feeder or Line Capacity
- Thermal Capacity

E.L.K. Energy's own distribution station is currently slated for de-commissioning by the end of 2012 and therefore, limitations with respect to these stations will not be discussed.

In terms of the E.L.K. Energy electricity distribution system, E.L.K. Energy has committed a long term strategy to rebuild most of its distribution infrastructure. The core of this strategy was to convert older 4.16 kV & 8.13kV distribution equipment to 27.6kV. This work usually encompasses replacing the older equipment (poles, transformers, and conductors) with equipment built to today's standards with increased clearances and capacities. This work is part of E.L.K. Energy's regular capital program and the 4.16kV distribution from E.L.K. Energy's distribution substation is slated to be completed by the end of 2012.

To date E.L.K. Energy has had no inquiries with respect to any renewable generation in excess of 500 kW. Given that renewable generation programs have been available for some time and have matured over a number of years it is likely that E.L.K. Energy Service Areas will not be a centre for large scale solar or wind projects. This being said, the focus in E.L.K. Energy will be FIT and microFIT projects ( $\leq 500$  kW) which are of a much smaller scale than the large developments. E.L.K. Energy sees restrictions in the near future in the development of FIT and microFIT projects as several of our feeders are nearing the 7% or 10% peak feeder values.



There may however, be limitations with respect to the transmission and distribution stations owned by HO. E.L.K. Energy will continue to offer microFIT connections until formally notified otherwise by HO. FIT connections are subject to impact assessments which will identify any issues prior to an offer to connect.

There are expenditures included in E.L.K. Energy's cost of service application for renewable generation. This is in the form of renewable energy expansion cost cap. Expenditures of \$72,900 is for known projects in 2012.

E.L.K. Energy Inc. has established limits for the amount of generation on each of its seven 27.6kV M class feeders and two 8.13kV F class feeders. These capacities are based on 10% and 7% respectively of the feeders peak load. The Peak Load and Available Generation Capacity is noted in Table 1 below:

**Table 1:**

Station	Feeder	Voltage (kV)	Peak Load (kW)	Capacity Allowance (%)	Generation Capacity (kW)	Existing Generation (kW)	Available Generation Capacity (kW)	Known FIT Projects (kW)
Belle River TS	M4	27.6	9418	10	942	485.83	456.17	859.65
Comber DS	F2	8.13	1,159	7	81	80	1	487
Haycroft DS	F3	8.13	551	7	39	0	0	10
Kingsville TS	M1	27.6	7,223	10	722	0	722	133
Kingsville TS	M5	27.6	9,760	10	976	0	976	1,177.41
Kingsville TS	M7	27.6	8,450	10	845	0	845	520
Kingsville TS	M10	27.6	2,581	10	258	249.5	8.5	472.175
Lauzon TS	M24	27.6	7,888	10	789	31.2	757.8	195
Lauzon TS	M29	27.6	8,824	10	882	7.41	874.59	190

The feeder capacities are subject to change due to ongoing connections.

## **2.2 Distribution System Development to Enable Renewable Generation Connections**

Renewable connections over the next five years have been estimated using 2010 and 2011's application and connection experience. As E.L.K. Energy has connected a forty-four unit microFIT cluster in 2011, these connections will not be used in the forecast. Additionally the



2012 forecast will contain the twenty-nine unit microFIT cluster with a signed Offer to Connect and the eight unit microFIT cluster with a signed request for an Offer to Connect. There is a high level of uncertainty about the accuracy of this method of estimation. However, there is no methodology with which to predict future connections based on the limited experience E.L.K. Energy has with renewable generation connections. The estimated number of connections from 2012 onward and the actual connections through 2011 is as shown below in Table 2.

**Table 2:**

Type of Project	2010	2011	2012	2013	2014	2015	2016
<b>microFIT Solar PV-≤10kW</b>	4	55	42	11	11	11	11
<b>microFIT Wind-≤10kW</b>	0	0	1	0	0	0	0
<b>FIT-&gt;10kW-≤250kW</b>	0	0	0	1	1	1	1
<b>FIT-&gt;250kW-≤500kW</b>	0	0	1	1	1	1	1

It is anticipated that the above connections will be able to be connected using E.L.K. Energy's standard connection procedures. With the exception of a twenty-three unit microFIT cluster and an eight unit microFIT cluster which will be connected in 2012. The microFIT clusters are being developed on un-serviced residential developments and will be connected as a standard residential development.

The estimated generation by type of project is indicated in Table 3 below:

**Table 3:**

Type of Project	2010	2011	2012	2013	2014	2015	2016
<b>microFIT Solar PV-≤10kW</b>	40.5	503.44	387.24	101.42	101.42	101.42	101.42
<b>microFIT Wind-≤10kW</b>	0	0	8	0	0	0	0
<b>FIT-&gt;10kW-≤250kW</b>	0	0	0	250	250	250	250
<b>FIT-&gt;250kW-≤500kW</b>	0	0	500	450	500	500	500

In Table 3 all values are in kW. For microFIT Solar PV the average of 9.22kW per installation (from 2010 & 2011) was used to forecast future values. The microFIT clusters were not included in the forecast.

From a distribution perspective it is expected that all future projects in the five year horizon



(Table 3) will be able to be connected with available capacity providing the projects are located in E.L.K. Energy's service areas with remaining capacities.

## **2.3 Renewable Connection Project Costs**

E.L.K. Energy has had marginal experience with the connection of fifty-nine microFIT customers by the end of 2011. Of these connections forty-four were in a microFIT cluster with no existing electrical servicing. The costs to connect these units was established through an economic evaluation of the project which arrived at a per unit cost of \$2,270.53. The remaining fifteen microFIT projects primarily involved changes to metering only, standard connection. To date the average cost for a standard microFIT renewable connection has been \$565 of which the customer contributed 100% (contributed capital). These connections involved changes to metering only. It is anticipated that future connections will be similar to E.L.K. Energy's experience to date.

In terms of FIT projects, costs have not been established. These projects are not yet developed enough to estimate.

## **2.4 Renewable Connection Enablers**

E.L.K. Energy is committed to establishing a customer friendly process which enables and promotes the efficient connection of renewable generation to the distribution system. E.L.K. Energy plans to modify its web based processes to help generators find the information they need to plan their project and to enable a seamless web application experience.

The number of applications and subsequent connections is not anticipated to require extra resources over and above what currently exists in E.L.K. Energy's organizational structure.

## **2.5 Smart Grid Development**

E.L.K. Energy has been closely monitoring the development of Smart Grid projects in Ontario as well as other jurisdictions such as in the United States. Smart Grid development projects are for the most part in a discovery phase.

The feeders servicing E.L.K. Energy's service areas are all owned by Hydro One. E.L.K.



Energy has care and control of certain feeders within E.L.K. Energy's licensed service area while the remaining feeders are under the care and control of HO.

HO's feeders within E.L.K. Energy's licensed service area transport E.L.K. Energy's metered electrons with load customers connected sporadically along said feeders. Presently there is no opportunity for E.L.K. Energy to install any control or monitoring devices on these feeders. In total these feeders account for 75% of E.L.K. Energy's peak load and 68% of our customer base.

The four feeders within E.L.K. Energy's care and control service three communities. These feeders account for 25% of E.L.K. Energy's peak load and 32% of our customer base. By peak load these feeders account for 17%, 2%, 1% and 5% of E.L.K. Energy's peak load. By customer base these feeders account for 22%, 2%, 1% and 7% of E.L.K. Energy's customer base.

The feeder peak loads, customer base and LDC in control of the feeder is indicated in Table 4 below:

**Table 4:**

Station	Feeder	Voltage (kV)	Peak Load (kW)	Approximate Customer Base	Feeder Controlled By	Peak Load (%)	Customer Base (%)
Belle River TS	M4	27.6	9418	2,450	E.L.K.	17%	22%
Comber DS	F2	8.13	1,159	260	E.L.K.	2%	2%
Haycroft DS	F3	8.13	551	120	E.L.K.	1%	1%
Kingsville TS	M1	27.6	7,223	1,100	Hydro One	13%	10%
Kingsville TS	M5	27.6	9,760	3,100	Hydro One	17%	28%
Kingsville TS	M7	27.6	8,450	200	Hydro One	15%	2%
Kingsville TS	M10	27.6	2,581	750	E.L.K.	5%	7%
Lauzon TS	M24	27.6	7,888	1,600	Hydro One	14%	14%
Lauzon TS	M29	27.6	8,824	1,600	Hydro One	16%	14%

E.L.K. Energy's strategy will be to monitor development in the Smart Grid area and when sufficient progress is made in this area will evaluate projects on an individual basis as it may suit the needs of E.L.K. Energy's customers. Before projects can be undertaken a full cost benefit analysis must be completed.

It is anticipated that costs to monitor and keep up to date with Smart Grid development



will be contained within E.L.K. Energy's existing cost structure.



Exhibit	Tab	Schedule	Appendix	Contents
<b>3 – Operating Revenue</b>				
	1	1		Overview of Operating Revenue
	2	1		Weather Normalized Load and Customer/ Connection Forecast
	2		3-A	Monthly Data Used for Regression Analysis
	3	1		Operating Revenue Variance Analysis.
	3	2		Transformer Allowance
	3	3		Variance Analysis on Other Distribution Revenue



**OVERVIEW OF OPERATING REVENUE:**

This Exhibit provides the details of E.L.K.'s operating revenue for 2006 Board Approved, 2006 Actual to 2011 Actual and the 2012 Test Year. This Exhibit also provides a detailed variance analysis by rate class of the operating revenue components.

E.L.K. is proposing a total Service Revenue Requirement of \$4,539,680 for the 2012 Test Year. This amount includes a Base Revenue Requirement of \$3,859,625 plus revenue offsets of \$680,055 to be recovered through Other Distribution Revenue.

A summary of operating distribution revenue is presented below in Table 3-1 and provides a comparison of total revenues from the 2006 Board approved year to the 2012 Test Year.

**Throughput Revenue:**

Information related to E.L.K.'s throughput revenue includes details on the weather normalized load forecasting methodology reflecting expected CDM results and a forecast of customers by rate class based on the historical number of customers billed throughout the year.

A detailed variance analysis on the historical throughput revenue is also provided in this Exhibit.



**Other Revenue:**

Other revenues include Standard Service Supply (SSS) Administration Charges, Late Payment Charges, Miscellaneous Service Revenues and Merchandise and Jobbing Revenues.

A detailed variance analysis on other revenue is set out later on this Exhibit.

In the following table distribution throughput revenue excludes revenue from commodity sales but includes the collection of revenue related to transformer allowance. From 2006 to 2009, distribution throughput revenue includes revenue associated with the collection of Hydro One low voltage charges. From 2010 onward, low voltage revenue has been separated out as a separate line item.

Table 3-1: Summary of Operating Distribution Revenue									
	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Test at Current Rates	2012 Test at Proposed Rates
<b>Distribution Throughput Revenue</b>									
Residential	\$2,121,824	\$2,278,947	\$2,121,308	\$2,848,845	\$2,746,530	\$1,995,133	\$1,917,697	\$2,074,165	\$2,536,483
General Service < 50 kW	\$212,827	\$237,874	\$221,420	\$297,379	\$292,141	\$191,107	\$182,517	\$215,076	\$448,761
General Service 50 to 4,999 kW	\$1,145,060	\$1,197,876	\$1,115,017	\$1,497,717	\$1,337,855	\$997,220	\$855,946	\$891,709	\$661,267
Sentinel Lighting	\$660	\$653	\$607	\$815	\$632	\$413	\$564	\$42	\$413
Street Lighting	\$3,807	\$3,797	\$3,535	\$4,747	\$3,092	\$2,206	\$563	\$856	\$129,221
Unmetered Scattered Load	\$3,374	\$3,161	\$2,943	\$3,952	\$3,164	\$2,425	\$2,054	\$2,449	\$3,210
Hydro One								\$52,472	\$160,897
LV Revenue						\$198,741	\$373,779	\$287,404	\$287,404
<b>Total</b>	<b>3,487,553</b>	<b>3,722,308</b>	<b>3,464,830</b>	<b>4,653,455</b>	<b>4,383,414</b>	<b>3,387,245</b>	<b>3,333,120</b>	<b>3,524,173</b>	<b>4,227,656</b>
<b>Other Distribution Revenue</b>									
Specific Service Charges	\$62,120	\$44,778	\$64,739	\$41,352	\$68,261	\$52,826	\$65,524	\$66,000	\$66,000
Late Payment Charges	\$67,219	\$63,348	\$78,293	\$101,445	\$146,753	\$99,989	\$127,882	\$130,000	\$130,000
Other Operating Revenues	\$55,129	\$61,390	\$76,379	\$58,151	\$18,745	\$79,053	\$66,689	\$72,305	\$72,305
Other Income or Deductions	\$150,807	\$649,783	\$639,642	\$495,052	\$526,001	\$433,231	\$513,834	\$411,750	\$411,750
<b>Total</b>	<b>\$335,275</b>	<b>\$819,300</b>	<b>\$859,053</b>	<b>\$696,000</b>	<b>\$759,760</b>	<b>\$665,099</b>	<b>\$773,929</b>	<b>\$680,055</b>	<b>\$680,055</b>
<b>Grand Total</b>	<b>\$3,822,828</b>	<b>\$4,541,608</b>	<b>\$4,323,883</b>	<b>\$5,349,455</b>	<b>\$5,143,174</b>	<b>\$4,052,344</b>	<b>\$4,107,049</b>	<b>\$4,204,228</b>	<b>\$4,907,711</b>



**WEATHER NORMALIZED LOAD AND CUSTOMER/CONNECTION FORECAST**

The purpose of this evidence is to present the process used by E.L.K. to prepare the weather normalized load and customer/connection forecast used to design the proposed 2012 electricity distribution rates.

In summary, E.L.K. has used the same regression analysis methodology used by a number of distributors in previous cost of service rate applications to determine a prediction model. With regard to the overall process of load forecasting, E.L.K. submits that conducting a regression analysis on historical electricity purchases to produce an equation that will predict purchases is appropriate. E.L.K. has the data for the amount of electricity (in kWh) purchased from the IESO for use by E.L.K.'s customers. With a regression analysis, these purchases can be related to other monthly explanatory variables such as heating degree days and cooling degree days which occur in the same month. The results of the regression analysis produce an equation that predicts the purchases based on the explanatory variables. This prediction model is then used as the basis to forecast the total level of weather normalized purchases for the Test Year which is converted to bill kWh by rate class. A detailed explanation of the process is provided later in this evidence.

During proceedings related to the 2009 and 2010 cost of service applications for a number of other distributors, intervenors expressed concerns with the load forecasting process that was proposed at the time by those distributors. During the review process of the 2009 cost of service applications, Intervenors suggested the regression analysis should be conducted on an individual rate class basis and the regression analysis would be based on monthly kWh by rate class. E.L.K. reviewed the data required to conduct the regression analysis on an individual rate class basis and does not have a method to determine monthly consumed values by rate class.

During the review of 2010 cost of service applications, Board staff and intervenors expressed concern that the regression analysis assigned coefficients to some variable that were counter intuitive. For example, the customer variable would have a negative coefficient assigned to it which meant as the number of customers increased the energy forecast decreased. 2010 applicants explained that this was related to the recent Conservation and Demand Management ("CDM") savings in the utility but in the view of Board staff and intervenors this was not a



sufficient explanation. Further, the regression analysis indicated that some of the variables used in the load forecasting formula were not statistically significant and should not have been included in the equation. E.L.K. has attempted to address these concerns in the load forecast used in this Application. Based on the OEB's approval of this methodology in a number of previous cost of service applications, and based on the discussion that follows, E.L.K. submits that its load forecasting methodology is reasonable at this time for the purposes of this Application.

The following provides the material to support the weather normalized load forecast used by E.L.K. in this Application.

Table 3-2: Summary of Load and Customer/Connection Forecast							
Year		Billed (GWh)	Growth (GWh)	Percent Change	Customer/Connection Count	Growth	Percent Change (%)
<b>Billed Energy (GWh) and Customer Count / Connections</b>							
2006 Board Approved		185.8			13,347		
2005 Actual		190.6			13,490		
2006 Actual		201.2	10.6	5.6%	13,571	80	0.6%
2007 Actual		257.7	56.5	28.1%	13,656	85	0.6%
2008 Actual		247.7	(10.0)	(3.9%)	13,697	41	0.3%
2009 Actual		237.1	(10.6)	(4.3%)	13,823	126	0.9%
2010 Actual		228.3	(8.8)	(3.7%)	13,981	158	1.1%
2011 Actual		231.9	(5.2)	(2.3%)	14,054	73	0.5%
<b>2012 Normalized Test</b>		<b>241.1</b>	<b>9.2</b>	<b>4.0%</b>	<b>14,176</b>	<b>122</b>	<b>0.9%</b>

The information in the table above provides weather actual data from 2005 to 2011, while 2012 is weather normalized. E.L.K. does not have a process to properly adjust weather actual data to a weather normal basis. However, based on the process outlined in this Exhibit, a process to forecast energy on a weather normalized basis has been developed and used in this Application.

Total Customers and Connections are on a mid-year basis and streetlight, sentinel lights and unmetered loads are measured as connections.



- 1 Actual and forecasted billed amounts and numbers of customers are shown in Table 3-3 and
- 2 customer usage is shown in Table 3-4, on a rate class basis.

Table 3-3: Billed Energy and Number of Customers / Connections by Rate Class								
Year	Residential	General Service < 50 kW	General Service 50 to 4,999 kW	Street Lighting	Sentinel Lighting	Unmetered Scattered Load	Hydro One	Total
<b>Billed Energy (GWh)</b>								
2006 Board Approved	92.6	26.4	63.6	2.6	0.2	0.3		185.8
2005 Actual	90.0	26.5	71.9	2.1	0.1	0.0	0.0	190.6
2006 Actual	84.5	25.5	88.9	2.0	0.1	0.3	0.0	201.2
2007 Actual	87.0	25.5	83.7	2.5	0.1	0.4	58.6	257.7
2008 Actual	84.9	25.3	83.4	2.4	0.0	0.3	51.4	247.7
2009 Actual	82.9	25.1	78.5	2.5	0.0	0.3	47.8	237.1
2010 Actual	87.4	25.8	67.5	2.3	0.0	0.3	45.0	228.3
2011 Actual	85.0	28.4	66.9	2.0	0.0	0.2	49.4	231.9
<b>2012 Normalized Test</b>	<b>93.1</b>	<b>31.7</b>	<b>71.2</b>	<b>1.9</b>	<b>0.0</b>	<b>0.2</b>	<b>43.0</b>	<b>241.1</b>
<b>Number of Customers/Connections</b>								
2006 Board Approved	9,365	977	100	2,731	138	36		13,347
2005 Actual	9,413	1,071	107	2,736	127	36	0	13,490
2006 Actual	9,497	1,081	108	2,745	105	35	0	13,571
2007 Actual	9,581	1,090	109	2,754	83	35	4	13,656
2008 Actual	9,629	1,096	110	2,763	61	34	4	13,697
2009 Actual	9,741	1,122	113	2,772	39	34	4	13,823
2010 Actual	9,871	1,167	108	2,781	18	34	4	13,981
2011 Actual	9,932	1,194	95	2,790	7	33	4	14,054
<b>2012 Normalized Test</b>	<b>10,023</b>	<b>1,214</b>	<b>93</b>	<b>2,801</b>	<b>7</b>	<b>32</b>	<b>4</b>	<b>14,176</b>

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Table 3-4: Annual Usage per Customer/Connection by Rate Class							
Year	Residential	General Service < 50 kW	General Service 50 to 4,999 kW	Street Lighting	Sentinel Lighting	Unmetered Scattered Load	Hydro One
Energy Usage per Customer/Connection (kWh per customer/connection)							
2006 Board Approved	9,892	27,049	636,152	965	1,186	7,875	
2005 Actual	9,564	24,695	669,669	783	569	0	
2006 Actual	8,898	23,595	820,531	717	566	7,656	
2007 Actual	9,084	23,358	765,041	903	648	12,409	14,648,937
2008 Actual	8,815	23,087	758,801	886	641	8,646	12,839,272
2009 Actual	8,513	22,349	697,884	889	728	8,396	11,957,731
2010 Actual	8,849	22,120	628,258	814	569	8,224	11,254,885
2011 Actual	8,563	23,777	704,335	706	581	6,206	12,342,136
<b>2012 Normalized Test</b>	<b>9,288</b>	<b>26,102</b>	<b>761,547</b>	<b>684</b>	<b>575</b>	<b>5,865</b>	<b>10,749,196</b>
Annual Growth Rate in Usage per Customer/Connection							
2006 Board Approved v 2006 Actual	11.2%	14.6%	(22.5%)	34.4%	109.4%	2.9%	
2005 Actual							
2006 Actual	(7.0%)	(4.5%)	22.5%	(8.4%)	(0.4%)		
2007 Actual	2.1%	(1.0%)	(6.8%)	25.9%	14.4%	62.1%	
2008 Actual	(3.0%)	(1.2%)	(0.8%)	(1.9%)	(1.1%)	(30.3%)	(12.4%)
2009 Actual	(3.4%)	(3.2%)	(8.0%)	0.3%	13.5%	(2.9%)	(6.9%)
2010 Actual	3.9%	(1.0%)	(10.0%)	(8.4%)	(21.8%)	(2.0%)	(5.9%)
2011 Actual	(3.2%)	7.5%	12.1%	(13.3%)	2.1%	(24.5%)	9.7%
<b>2012 Normalized Test</b>	<b>8.5%</b>	<b>9.8%</b>	<b>8.1%</b>	<b>(3.1%)</b>	<b>(1.1%)</b>	<b>(5.5%)</b>	<b>(12.9%)</b>

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## **LOAD FORECAST AND METHODOLOGY**

E.L.K.'s weather normalized load forecast is developed in a three-step process. First, a total system weather normalized purchased energy forecast is developed based on a multifactor regression model that incorporates independent variables that impact the monthly historical load pattern for E.L.K. Second, the weather normalized purchased energy forecast is adjusted by a historical loss factor to produce a weather normalized billed energy forecast. Next, the forecast of billed energy by rate class is developed based on a forecast of customer numbers and historical usage patterns per customer. For the rate classes that have weather sensitive load, their forecasted billed energy is adjusted to ensure that the total billed energy forecast by rate class is equivalent to the total weather normalized billed energy forecast that has been determined from the regression model. The forecast of customers by rate class is determined using a geometric mean analysis. For those rate classes that use kW for the distribution volumetric billing determinant, an adjustment factor is applied to class energy forecast based on the historical relationship between kW and kWh. In addition, the billed energy by rate class is adjusted in 2012 to reflect the four year licensed CDM targets (i.e. 2011 to 2014) assigned to E.L.K..

A detailed explanation of the load forecasting process follows.

### **Purchased KWh Load Forecast**

An equation to predict total system purchased energy is developed using a multifactor regression model with the following independent variables: Hydro One uplifted volumes, weather (heating and cooling degree days); days in month; spring/fall seasonal "flag" and Ontario real GDP. The regression model uses monthly kWh and monthly values of independent variables from January 2004 to December 2011 to determine the monthly regression coefficients. This provides 96 monthly data points which represent a reasonable data set for use in a regression analysis. Consistent with the approach used by many other distributors in their cost of service applications, E.L.K. submits that it is appropriate to review the impact of weather over the period January 2004 to December 2011 and then determine the average weather conditions over this period which would be applied in the prediction formula to determine a weather normalized forecast. However, in accordance with the OEB's Filing Requirements, E.L.K. has also provided a sensitivity analysis showing the impact on the 2012



forecast of purchases assuming weather normal conditions are based on a 10-year average and a 20-year trend of weather data.

Weather impacts on load are apparent in both the winter heating season, and in the summer cooling season. For that reason, both Heating Degree Days (i.e. a measure of coldness in winter) and Cooling Degree Days (i.e. a measure of summer heat) are modeled.

The following outlines the prediction model used by E.L.K. to predict weather normal purchases for 2012:

#### E.L.K.'s Monthly Predicted kWh Purchases

= Hydro One Uplifted \* 0.72  
+ Heating Degree Days \* 6,517  
+ Cooling Degree Days \* 37,850  
+ Number of Days in the Month \* 643,421  
+ Spring Fall Flag \* (1,092,376)  
+ Ontario Real GDP Monthly \* 167,023  
+ Intercept of (27,238,734)

The monthly data used in the regression model and the resulting monthly prediction for the actual and forecasted years are provided in Appendix 3-A.

The sources of data for the various data points are:

- a) E.L.K.'s billing system for Hydro One uplifted volumes.
- b) The Environment Canada website for monthly heating degree day and cooling degree information. Weather data from the Windsor A Weather Station was used.
- c) The calendar provided information related to number of days in the month and the months defined to be spring or fall (i.e. March to May and September to November)
- d) For 2004 to 2006 the source of data for the Ontario Real GDP information was the 2003 and 2008 Ontario Economic Outlook and Fiscal Review, Ontario Ministry of Finance. For 2007 and 2008, the source was the 2010 Ontario Economic Outlook and Fiscal Review - 2010 Fall Update. For 2009 to 2012, the 2011 Ontario Economic Outlook and Fiscal Review - 2011 Fall Update provided the Ontario Real GDP for those years.



1 The prediction formula has the following statistical results:

<b>Table 3-5: Statistcial Results</b>	
<b>Statistic</b>	<b>Value</b>
R Square	91.9%
Adjusted R Square	91.4%
F Test	168.3
T-stats by Coefficient	
Intercept	(4.0)
Hydro One Uplifted	10.2
Heating Degree Days	7.8
Cooling Degree Days	10.5
Number of Days in Month	4.9
Spring Fall Flag	(3.3)
Ontario Real GDP Monthly %	3.8

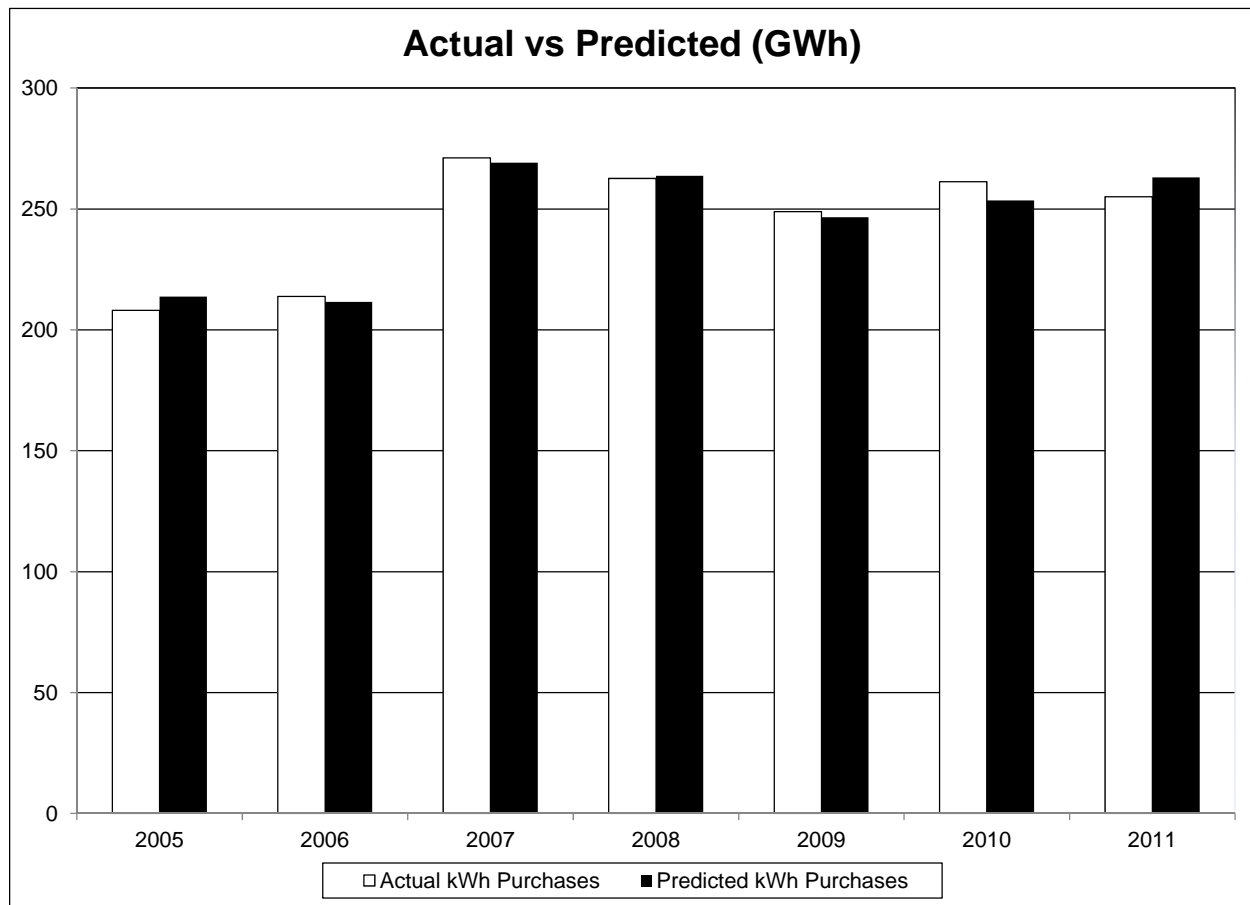
2

3 The annual results of the above prediction formula compared to the actual annual purchases

4 from 2004 to 2011 are shown in the chart below. The chart indicates the resulting prediction

5 equation appears to be reasonable.





The following table outlines the data that supports the above chart. In addition, the predicted total system purchases for E.L.K. are provided for 2011 and 2012. For 2011 and 2012 the system purchases reflect a weather normalized forecast for the full year. In addition, values for 2012 are provided with a 10 year average and a 20 year trend assumption for weather normalization.



Table 3-6: Total System Purchases				
Year		Actual	Predicted	% Difference
<b>Purchased Energy (GWh)</b>				
2004		195.9	195.5	(0.2%)
2005		208.1	213.7	2.7%
2006		213.8	211.6	(1.0%)
2007		271.1	269.1	(0.7%)
2008		262.6	263.7	0.4%
2009		248.9	246.5	(1.0%)
2010		261.3	253.5	(3.0%)
2011		255.0	263.1	3.1%
<b>2012 Normalized Test</b>			<b>263.2</b>	
<b>2012 Weather Normal - 10 year average</b>			<b>263.2</b>	
<b>2012 Weather Normal - 20 year trend</b>			<b>265.5</b>	

The weather normalized amount for 2012 is determined by using 2012 dependent variables in the prediction formula on a monthly basis together with the average monthly heating degree days and cooling degree days that occurred from January 2004 to December 2011 (i.e. eight years). The 2012 weather normalized 10 year average value represents the average heating degree days and cooling degree days that occurred from January 2002 to December 2011. The 2012 weather normalized 20 year trend value reflects the trend in monthly heating degree days and cooling degree days that occurred from January 1992 to December 2011.

The weather normal eight year average has been used as the purchased forecast in this Application for the purposes of determining a billed kWh load forecast which is used to design rates. The eight year average has been used as this is consistent with the period of time over which the regression analysis was conducted

### **Billed KWh Load Forecast**

To determine the total weather normalized energy billed forecast, the total system weather normalized purchases forecast is adjusted by a historical loss factor. This adjustment has been made using the average loss factor from 2005 to 2011 of 1.08. With this average loss factor the total weather normalized billed energy will be 243.7 GWh for 2012 (i.e. 263.2/1.08) before adjustment for CDM discussed below.



## Billed KWh Load Forecast and Customer/Connection Forecast by Rate Class

Since the total weather normalized billed energy amount is known, this amount needs to be distributed by rate class for rate design purposes taking into consideration the customer/connection forecast and expected usage per customer by rate class.

The next step in the forecasting process is to determine a customer/connection forecast. The customer/connection forecast is based on reviewing historical customer/connection data that is available as shown in the following table.

Table 3-7: Historical Customer/Connection Data								
Year	Residential	General Service < 50 kW	General Service 50 to 4,999 kW	Street Lighting	Sentinel Lighting	Unmetered Scattered Load	Hydro One	Total
Number of Customers/Connections								
2004	9,311	1,060	106	2,709	138	36	0	13,361
2005	9,413	1,071	107	2,736	127	36	0	13,490
2006	9,497	1,081	108	2,745	105	35	0	13,571
2007	9,581	1,090	109	2,754	83	35	4	13,656
2008	9,629	1,096	110	2,763	61	34	4	13,697
2009	9,741	1,122	113	2,772	39	34	4	13,823
2010	9,871	1,167	108	2,781	18	34	4	13,981
2011	9,932	1,194	95	2,790	7	33	4	14,054

From the historical customer/connection data the growth rates in customers/ connections can be evaluated. The growth rates are provided in the following table. The geometric mean growth rate in number of customers is also provided. The geometric mean approach provides the average compounding growth rate from 2004 to 2011.

Table 3-8: Growth Rate in Customer/Connections							
Year	Residential	General Service < 50 kW	General Service 50 to 4,999 kW	Street Lighting	Sentinel Lighting	Unmetered Scattered Load	Hydro One
Growth Rate in Customer/Connections							
2004							
2005	1.1%	1.1%	0.9%	1.0%	(8.0%)	(1.4%)	
2006	0.9%	0.9%	0.9%	0.3%	(17.3%)	(1.4%)	
2007	0.9%	0.9%	0.9%	0.3%	(21.0%)	(1.4%)	
2008	0.5%	0.5%	0.5%	0.3%	(26.5%)	(1.4%)	0.0%
2009	1.2%	2.3%	2.4%	0.3%	(36.1%)	0.0%	0.0%
2010	1.3%	4.0%	(4.4%)	0.3%	(55.1%)	(1.5%)	0.0%
2011	0.6%	2.4%	(11.6%)	0.3%	(60.0%)	(3.0%)	0.0%
<b>Geometric Mean</b>	<b>0.9%</b>	<b>1.7%</b>	<b>(1.6%)</b>	<b>0.4%</b>	<b>(34.7%)</b>	<b>(1.5%)</b>	<b>0.0%</b>

Except for the Sentinel Lighting class, the resulting geometric mean was first applied to the 2011 customer/connection numbers to determine the forecast of customer/connections in 2012.



For the Sentinel Lighting class, the 2011 number of connections was held constant for 2012 since E.L.K. does not expect the number of connections to decline further. Further decline would suggest the class should be eliminated since the number of customer could be zero. However, E.L.K Energy is not proposing to eliminate the class at this time.

Table 3-9: Customer/Connection Forecast								
Year	Residential	General Service < 50 kW	General Service 50 to 4,999 kW	Street Lighting	Sentinel Lighting	Unmetered Scattered Load	Hydro One	Total
Forecast Number of Customers/Connections								
2012	10,023	1,214	93	2,801	7	32	4	14,176

The next step in the process is to review the historical customer/connection usage and to reflect this usage per customer in the forecast. The following table provides the average annual usage per customer by rate class from 2005 to 2011 excluding Hydro One. A discussion on the process to determine the 2012 kWh forecast for Hydro One is provided later on in the evidence.

Table 3-10: Historical Annual Usage per Customer						
Year	Residential	General Service < 50 kW	General Service 50 to 4,999 kW	Street Lighting	Sentinel Lighting	Unmetered Scattered Load
Annual kWh Usage Per Customer/Connection						
2005	9,564	24,695	669,669	783	569	0
2006	8,898	23,595	820,531	717	566	7,656
2007	9,084	23,358	765,041	903	648	12,409
2008	8,815	23,087	758,801	886	641	8,646
2009	8,513	22,349	697,884	889	728	8,396
2010	8,849	22,120	628,258	814	569	8,224
2011	8,563	23,777	704,335	706	581	6,206

From the historical usage per customer/connection data the growth rate in usage per customer/connection can be reviewed. That information is provided in the following table. The geometric mean growth rate has also been shown.



**Table 3-11: Growth Rate in Usage Per Customer/Connection**

Year	Residential	General Service < 50 kW	General Service 50 to 4,999 kW	Street Lighting	Sentinel Lighting	Unmetered Scattered Load
<b>Growth Rate in Customer/Connection</b>						
2005						
2006	(7.0%)	(4.5%)	22.5%	(8.4%)	(0.4%)	#DIV/0!
2007	2.1%	(1.0%)	(6.8%)	25.9%	14.4%	62.1%
2008	(3.0%)	(1.2%)	(0.8%)	(1.9%)	(1.1%)	(30.3%)
2009	(3.4%)	(3.2%)	(8.0%)	0.3%	13.5%	(2.9%)
2010	3.9%	(1.0%)	(10.0%)	(8.4%)	(21.8%)	(2.0%)
2011	(3.2%)	7.5%	12.1%	(13.3%)	2.1%	(24.5%)
<b>Geometric Mean</b>	<b>(1.8%)</b>	<b>(0.6%)</b>	<b>0.8%</b>	<b>(1.7%)</b>	<b>0.4%</b>	<b>(4.1%)</b>

For the forecast of usage per customer/connection the historical geometric mean was applied to the 2011 usage to determine the 2012 usage per customer/connection.

**Table 3-12: Forecast Annual kWh Usage per Customer/Connection**

Year	Residential	General Service < 50 kW	General Service 50 to 4,999 kW	Street Lighting	Sentinel Lighting	Unmetered Scattered Load
<b>Forecast Annual kWh Usage per Customers/Connection</b>						
<b>2012</b>	<b>8,407</b>	<b>23,627</b>	<b>710,285</b>	<b>694</b>	<b>583</b>	<b>5,951</b>

With the preceding information the non-normalized weather billed energy forecast can be determined by applying the forecast numbers of customers/connections from Table 3-9 by the forecast of annual usage per customer/connection from Table 3-12. The resulting non-normalized weather billed energy forecast is shown in the following table.

**Table 3-13: Non-normalized Weather Billed Energy Forecast**

Year	Residential	General Service < 50 kW	General Service 50 to 4,999 kW	Street Lighting	Sentinel Lighting	Unmetered Scattered Load	Total
<b>NON-normalized Weather Billed Energy Forecast (GWh)</b>							
<b>2012 (Not Normalized)</b>	<b>84.3</b>	<b>28.7</b>	<b>66.4</b>	<b>1.9</b>	<b>0.0</b>	<b>0.2</b>	<b>181.5</b>

With regards to the 2012 kWh for Hydro One, there was a requirement to forecast monthly kWh since the variable named "Hydro One Uplifted" was included in the regression analysis to determine the prediction formula for power purchases which was conducted on a monthly basis. The following table outlines the actual monthly uplifted Hydro One values from 2007 to 2011 and these values were used in the regression analysis to determine the prediction formula. The 2012 monthly values were forecasted based on using the trend in kWh on a monthly basis and the 2012 monthly values were used in the prediction formula to produce the forecasted power



purchases for 2012. However, these values are uplifted values and include a loss factor of 1.0682 (i.e. E.L.K.'s loss factor for primary metered customers). When the losses are excluded from the uplifted amount the resulting kWh are the 2012 forecast billed kWh for Hydro One which is 45,933,462 divided by 1.0682 or 42,996,782 kWh.

<b>Table 3-14: Hydro One kWh</b>						
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>January</b>	5,218,251	5,321,742	5,537,852	4,443,394	5,088,630	4,780,697
<b>February</b>	5,297,740	5,335,312	5,761,928	4,730,331	5,258,621	5,071,821
<b>March</b>	5,430,766	5,063,455	4,729,916	4,066,284	4,539,427	3,932,015
<b>April</b>	5,850,949	4,901,935	4,690,838	3,324,931	4,378,340	3,272,732
<b>May</b>	5,994,376	3,756,481	3,917,562	3,105,799	3,743,060	2,557,462
<b>June</b>	6,426,468	3,636,030	3,591,150	3,327,015	3,594,103	2,322,830
<b>July</b>	4,613,250	4,366,856	4,052,451	3,985,249	4,086,352	3,790,211
<b>August</b>	4,937,277	5,358,891	3,497,596	5,180,907	5,824,158	5,438,499
<b>September</b>	5,381,126	4,892,273	4,859,822	4,944,551	4,902,860	4,724,850
<b>October</b>	4,233,788	4,024,402	3,480,893	3,790,880	3,829,981	3,559,648
<b>November</b>	3,987,920	3,890,338	3,493,143	3,614,966	3,646,274	3,438,928
<b>December</b>	5,225,929	4,317,062	3,484,625	3,580,070	3,848,609	3,043,769
<b>Total</b>	62,597,839	54,864,777	51,097,775	48,094,376	52,740,415	45,933,462

The following table provides the non-normalized weather billed energy forecast for all classes

<b>Table 3-15: Non-normalized Weather Billed Energy Forecast - All Classes</b>								
<b>Year</b>	<b>Residential</b>	<b>General Service &lt; 50 kW</b>	<b>General Service 50 to 4,999 kW</b>	<b>Street Lighting</b>	<b>Sentinel Lighting</b>	<b>Unmetered Scattered Load</b>	<b>Hydro One</b>	<b>Total</b>
<b>NON-normalized Weather Billed Energy Forecast (GWh)</b>								
<b>2012 (Not Normalized)</b>	<b>84.3</b>	<b>28.7</b>	<b>66.4</b>	<b>1.9</b>	<b>0.0</b>	<b>0.2</b>	<b>43.0</b>	<b>224.5</b>

The non-normalized weather billed energy forecast needs to be adjusted in order to be aligned with the total weather normalized billed energy forecast. As previously determined, the total weather normalized billed energy forecast is 243.7 GWh for 2012.

The difference between the non-normalized and normalized forecast adjustments is 19.2 GWh in 2012 (i.e. 243.7 – 224.5). The difference is assumed to be associated with moving the forecast from a non-normalized to a weather normal basis and this amount will be assigned to those rate classes that are weather sensitive. Based on the weather normalization work completed by Hydro One for E.L.K. for the cost allocation study, which has been used to support this Application, it was determined that the weather sensitivity by rate classes is as follows:



Table 3-16: Weather Sensitivity by Rate Class						
Residential	General Service < 50 kW	General Service 50 to 4,999 kW	Street Lighting	Sentinel Lighting	Unmetered Scattered Load	Hydro One
Weather Sensitivity						
79%	79%	57%	0%	0%	0%	0%

For the General Service 50 to 4,999 kW class the weather sensitivity amount of 57% was provided in the weather normalization work completed by Hydro One. For the Residential and General Service < 50 kW classes, it has been assumed in previous cost of service applications that these two classes are 100% weather sensitive. Intervenors expressed concern with this assumption and have suggested that 100% weather sensitivity is not appropriate. E.L.K. agrees with this position but also submits that the weather sensitivity for the Residential and GS < 50 kW classes should be higher than the GS > 50 kW class. As a result, E.L.K. has assumed the weather sensitivity for the Residential and General Service < 50 kW classes to be mid-way between 100% and 57%, or 79%.

The difference between the non-normalized and normalized forecast of 19.2 GWh in 2012 has been assigned on a *pro rata* basis to each rate class based on the above level of weather sensitivity.

In addition a manual adjustment has been made to reflect the impact of 2011 and 2012 CDM programs on the load forecast. This adjustment reflects the “gross” impact of 2011 and 2012 programs on the load forecast. The gross impact includes the net results measured by the OPA plus an estimate of the average net to gross adjustment reflecting gross and net savings information provided in the OPA 2006-2010 Final CDM Results. The net results provide a measurement of the program effectiveness used to achieve the LDC targets. The gross results include the net results plus the estimated impact of customers participating in a program even if an incentive was not provided to participate. In the past this has been termed the level of “free ridership”. In other words, the gross results include the results from those who participated in the program because there was an incentive plus those who participated even if there was not an incentive. In E.L.K.’s view it is the gross level that impacts the load forecast.

The following table outlines the average net to gross factor of 56.6% based on information provided in the OPA 2006-2010 Final CDM Results for E.L.K.. However, the average value is



the average from 2008 to 2012 since in reviewing the 2006 and 2007 results they appeared to be extreme outliers.

**Table 3-17: Average Net to Gross Percentage**

	OPA 2006- 2010 Final CDM Results (Gross)	OPA 2006- 2010 Final CDM Results (Net)	# Difference	% Difference of Net
2006	954,288	854,482	99,807	11.7%
2007	4,596,498	1,617,801	2,978,697	184.1%
2008	3,114,021	1,853,239	1,260,782	68.0%
2009	4,817,101	3,294,734	1,522,367	46.2%
2010	4,902,523	3,193,071	1,709,452	53.5%
2011	4,638,700	2,924,193	1,714,507	58.6%
2012	4,479,876	2,856,639	1,623,237	56.8%
Total	27,503,007	16,594,159	10,908,848	56.6%

The 2011 preliminary results from 2011 CDM programs have been provided to E.L.K. from the OPA in the OPA's Q4 2011 Conservation & Demand Management Status Report. The 2011 preliminary results impact on the expected savings from 2012 to 2014 programs in order to achieve the licensed 4 year CDM target. Based on the following table the 2011 preliminary results savings will contribute 41.6% to the four year target. The table indicates that assuming persistence, 2012 to 2014 programs will need to achieve 9.7% of the four year target each year in order to achieve the target.

**Table 3-18: Schedule to Achieve 4 Year kWh CDM Target**

4 Year 2011 to 2014 kWh target					
8,250,000					
	2011	2012	2013	2014	Total
2011 Programs	10.4%	10.4%	10.4%	10.4%	41.6%
2012 Programs		9.7%	9.7%	9.7%	29.2%
2013 Programs			9.7%	9.7%	19.5%
2014 Programs				9.7%	9.7%
	10.4%	20.1%	29.9%	39.6%	100.0%
kWh					
2011 Programs	858,000	858,000	858,000	858,000	3,432,000
2012 Programs	0	803,000	803,000	803,000	2,409,000
2013 Programs	0	0	803,000	803,000	1,606,000
2014 Programs	0	0	0	803,000	803,000
	858,000	1,661,000	2,464,000	3,267,000	8,250,000



The above table suggests that in 2012, the savings from 2012 will be 1,661,000 kWh on a net basis. However on a gross basis this amount would be 1,661,000 times 1.566 (i.e. the net to gross factor determined in table 3-17) or 2,601,886 kWh. In E.L.K.'s view, the 2012 load forecast should be adjusted by 2,601,886 kWh to reflect 2012 CDM savings from programs that support the four year target.

In accordance with the Board's Guidelines for Electricity Distributor Conservation and Demand Management [EB-2012-0003], issued April 26, 2012, it is E.L.K.'s understanding that as part of this application expected CDM savings in 2012 will need to be established for LRAM variance accounts purposes. It is also E.L.K.'s understanding that the OPA will measure CDM results attributable to the four year targets on a net basis. Consistent with past practices, it is expected the net level of savings will be used for LRAM calculations. As a result, it is E.L.K.'s view that the units used for the 2012 LRAM variance account should also be on a net basis. Based on the net information in table 3-18, E.L.K. expects to achieve 1,661,000 net kWh savings in 2012. For LRAM variance account purposes, the following table outlines how this expected savings has been allocated to rate class using the 2012 information from table 3-13. No amount has been assigned to Hydro One since they are an embedded distributor which has their own four year target to achieve. To assign E.L.K. savings to this class would double count the results of two distributors in achieving the four year targets across the province. The expected kW saving has also been provided for those classes billed distribution charges on a kW basis using the average kW/KWh factors from Table 3-22

Table 3-19: 2013 Expected Savings for LRAM Variance Account								
	Residential	General Service < 50 kW	General Service 50 to 4,999 kW	Street Lighting	Sentinel Lighting	Unmetered Scattered Load	Hydro One	Total
kWh	771,241	262,621	607,563	17,794	37	1,744		1,661,000
kW where applicable			1,663	50	0			1,712

The following table outlines how the classes have been adjusted to align the non-normalized forecast with the normalized forecast and reflect the adjustments discussed above.



Table 3-20: Alignment of Non-normal to Weather Normal Forecast								
Year	Residential	General Service < 50 kW	General Service 50 to 4,999 kW	Street Lighting	Sentinel Lighting	Unmetered Scattered Load	Hydro One	Total
<b>Non-normalized Weather Billed Energy Forecast (GWh)</b>								
2012 Non-Normalized Test	84.3	28.7	66.4	1.9	0.0	0.2	43.0	224.5
<b>Weather Adjustment (GWh)</b>								
2012	10.0	3.4	5.7	0.0	0.0	0.0	0.0	19.2
<b>CDM Adjustment (GWh)</b>								
2012	(1.2)	(0.4)	(1.0)	(0.0)	(0.0)	(0.0)	0.0	(2.6)
<b>Weather Normalized Billed Energy Forecast (GWh)</b>								
2012 Normalized Test	93.1	31.7	71.2	1.9	0.0	0.2	43.0	241.1

## Billed KW Load Forecast

There are four rate classes that are charged volumetric distribution on per kW basis. As a result, the energy forecast for these classes needs to be converted to a kW basis for rate setting purposes. The forecast of kW for these classes is based on a review of the historical ratio of kW to kWhs and applying the average ratio to the forecasted kWh to produce the required kW.

The following table outlines the annual demand units by applicable rate class.

Table 3-21: Historical Annual kW per Applicable Rate Class					
Year	General Service 50 to 4,999 kW	Street Lighting	Sentinel Lighting	Hydro One	Total
<b>Billed Annual kW</b>					
2005	200,773	6,403	216	0	207,392
2006	241,321	5,910	178	0	247,409
2007	218,225	6,521	141	115,967	340,854
2008	209,583	6,487	104	112,771	328,945
2009	207,445	5,754	66	109,952	323,217
2010	200,283	6,759	30	107,517	314,588
2011	195,461	5,760	12	113,911	315,143

The following table illustrates the historical ratio of kW/kWh as well as the average ratio for 2005 to 2011.



<b>Table 3-22: Historical kW/KWh Ratio per Applicable Rate Class</b>				
<b>Year</b>	<b>General Service 50 to 4,999 kW</b>	<b>Street Lighting</b>	<b>Sentinel Lighting</b>	<b>Hydro One</b>
<b>Ratio of kW to kWh</b>				
2005	0.2791%	0.2988%	0.2988%	
2006	0.2713%	0.3001%	0.3001%	
2007	0.2609%	0.2623%	0.2623%	0.1979%
2008	0.2513%	0.2651%	0.2651%	0.2196%
2009	0.2642%	0.2335%	0.2335%	0.2299%
2010	0.2965%	0.2985%	0.2985%	0.2388%
2011	0.2921%	0.2924%	0.2924%	0.2307%
<b>Average 2005 to 2011</b>	<b>0.2736%</b>	<b>0.2787%</b>	<b>0.2787%</b>	<b>0.2234%</b>

The average ratio was applied to the weather normalized billed energy forecast in Table 3-20 to provide the forecast of kW by rate class as shown below. The following table outlines the forecast of kW for the applicable rate classes.

<b>Table 3-23: kW Forecast by Applicable Rate Class</b>					
<b>Year</b>	<b>General Service 50 to 4,999 kW</b>	<b>Street Lighting</b>	<b>Sentinel Lighting</b>	<b>Hydro One</b>	<b>Total</b>
<b>Predicted Billed kW</b>					
<b>2012 Normalized Test</b>	<b>194,766</b>	<b>5,340</b>	<b>11</b>	<b>96,049</b>	<b>296,166</b>

Table 3-24 provides a summary of the billing determinants by rate class that are used to develop the proposed rates.



Table 3-24: Summary of Forecast

	2006 Board Approved	2006	2007	2008	2009	2010	2,011	2012 Weather Normalized Test
<b>ACTUAL AND PREDICTED KWH PURCHASES</b>								
Actual kWh Purchases		213,838,930	271,076,220	262,640,600	248,858,578	261,284,908	255,035,715	
Predicted kWh Purchases		211,598,040	269,111,681	263,658,970	246,491,382	253,504,114	263,058,997	263,174,825
% Difference of actual and predicted purchases		(1.0%)	(0.7%)	0.4%	(1.0%)	(3.0%)	3.1%	
<b>BILLING DETERMINANTS BY CLASS</b>								
<b>Residential</b>								
Customers	9,365	9,497	9,581	9,629	9,741	9,871	9,932	10,023
kWh	92,642,708	84,498,297	87,035,310	84,884,556	82,921,826	87,351,574	85,048,309	93,093,255
<b>General Service &lt; 50 kW</b>								
Customers	977	1,081	1,090	1,096	1,122	1,167	1,194	1,214
kWh	26,427,277	25,504,618	25,471,561	25,303,620	25,064,151	25,802,419	28,389,839	31,699,824
<b>General Service 50 to 4,999 kW</b>								
Customers	100	108	109	110	113	108	95	93
kWh	63,615,244	88,936,084	83,654,338	83,391,243	78,511,912	67,537,753	66,911,850	71,176,063
kW	218,553	241,321	218,225	209,583	207,445	200,283	195,461	194,766
<b>Street Lighting</b>								
Customers	2,731	2,745	2,754	2,763	2,772	2,781	2,790	2,801
kWh	2,634,057	1,969,155	2,486,348	2,447,482	2,463,607	2,264,690	1,969,876	1,916,371
kW	6,300	5,910	6,521	6,487	5,754	6,759	5,760	5,340
<b>Sentinel Lighting</b>								
Customers	138	105	83	61	39	18	7	7
kWh	163,647	59,448	53,772	39,103	28,374	9,963	4,068	4,024
kW	0	178	141	104	66	30	12	11
<b>Unmetered Scattered Load</b>								
Customers	36	35	35	34	34	34	33	32
kWh	283,513	267,964	428,118	293,947	285,456	275,513	201,696	187,863
<b>Hydro One</b>								
Customers	0	0	4	4	4	4	4	4
kWh	0	0	58,595,749	51,357,088	47,830,923	45,019,542	49,368,544	42,996,782
kW	0	0	115,967	112,771	109,952	107,517	113,911	96,049
<b>Total</b>								
Customer/Connections	13,347	13,571	13,656	13,697	13,823	13,981	14,054	14,176
kWh	185,766,446	201,235,565	257,725,197	247,717,037	237,106,249	228,261,453	231,894,181	241,074,182
kW from applicable classes	224,853	247,409	340,854	328,945	323,217	314,588	315,143	296,166



**Appendix 3-A**  
**Monthly Data Used for Regression Analysis**

	Purchased	Hydro One Uplifted	Heating Degree Days	Cooling Degree Days	Number of Days in Month	Spring Fall Flag	Ontario Real GDP Monthly %	Predicted Purchases
Jan-04	18,128,620	0	762.9	0	31	0	127.53	18,979,963
Feb-04	16,086,300	0	579.4	0	29	0	127.80	16,541,205
Mar-04	15,841,540	0	429.3	0	31	1	128.06	15,801,498
Apr-04	14,054,710	0	251.7	4.4	30	1	128.32	14,211,331
May-04	13,160,650	0	101.6	28.1	31	1	128.59	14,817,814
Jun-04	17,788,490	0	21.4	62	30	0	128.85	16,071,507
Jul-04	18,387,330	0	2.2	122.4	31	0	129.12	18,920,303
Aug-04	17,376,950	0	6.1	74.2	31	0	129.38	17,165,751
Sep-04	16,685,151	0	23	59.7	30	1	129.65	15,035,768
Oct-04	14,771,528	0	190.9	0.5	31	1	129.92	14,577,185
Nov-04	15,762,317	0	354	0	30	1	130.19	15,022,392
Dec-04	17,819,138	0	593.5	0	31	0	130.45	18,363,700
Jan-05	18,189,710	0	700.4	0	31	0	130.74	19,108,752
Feb-05	15,836,100	0	572	0	28	0	131.03	16,390,296
Mar-05	16,631,550	0	545.3	0	31	1	131.33	17,102,833
Apr-05	14,405,130	0	242.5	1.4	30	1	131.62	14,587,933
May-05	14,529,930	0	143.4	5.7	31	1	131.91	14,797,176
Jun-05	18,470,070	0	4.4	166.9	30	0	132.20	20,490,778
Jul-05	21,188,220	0	0	194.7	31	0	132.50	22,206,844
Aug-05	21,540,420	0	0.1	185.5	31	0	132.79	21,908,459
Sep-05	17,203,800	0	15.3	82.2	30	1	133.09	16,411,066
Oct-05	15,745,210	0	182.8	19	31	1	133.38	15,803,276
Nov-05	16,068,980	0	346.2	0	30	1	133.68	15,555,024
Dec-05	18,270,640	0	659.7	0	31	0	133.98	19,383,396
Jan-06	17,495,990	0	494.7	0	31	0	134.25	18,354,252
Feb-06	16,164,900	0	538	0	28	0	134.53	16,752,347
Mar-06	17,164,270	0	461.4	0	31	1	134.81	17,137,346
Apr-06	14,641,220	0	219.5	1.1	30	1	135.08	15,005,576
May-06	13,901,070	0	105.9	40.6	31	1	135.36	16,450,277
Jun-06	17,912,530	0	8.8	85.7	30	0	135.64	18,020,094
Jul-06	22,524,750	0	0	197.4	31	0	135.92	22,880,723
Aug-06	21,130,000	0	0	147.4	31	0	136.20	21,034,966
Sep-06	15,286,330	0	52.1	22.3	30	1	136.48	14,950,458
Oct-06	15,621,710	0	251.3	2.3	31	1	136.76	16,181,929
Nov-06	19,270,390	0	356.8	0	30	1	137.04	16,186,004
Dec-06	22,725,770	0	460.4	0	31	0	137.33	18,644,068



	Purchased	Hydro One Uplifted	Heating Degree Days	Cooling Degree Days	Number of Days in Month	Spring Fall Flag	Ontario Real GDP Monthly %	Predicted Purchases
Jan-07	23,594,230	5,218,251	602.4	0	31	0	137.55	23,360,976
Feb-07	23,081,780	5,297,740	706.1	0	28	0	137.78	22,201,607
Mar-07	22,044,680	5,430,766	429.3	0.2	31	1	138.01	21,376,970
Apr-07	19,604,320	5,850,949	285.2	0.9	30	1	138.23	20,161,326
May-07	20,629,530	5,994,376	87.2	46	31	1	138.46	21,362,819
Jun-07	23,858,190	6,426,468	8.1	132.2	30	0	138.69	24,908,030
Jul-07	24,738,400	4,613,250	1.3	148.2	31	0	138.92	24,846,691
Aug-07	26,868,930	4,937,277	4.4	167.4	31	0	139.15	25,865,026
Sep-07	21,805,090	5,381,126	25.4	76.4	30	1	139.38	21,179,354
Oct-07	20,415,380	4,233,788	111.2	42.3	31	1	139.61	20,304,326
Nov-07	20,794,820	3,987,920	400.3	0	30	1	139.84	19,805,430
Dec-07	23,640,870	5,225,929	595	0	31	0	140.07	23,739,126
Jan-08	24,088,720	5,321,742	611	0	31	0	139.97	23,895,996
Feb-08	22,590,240	5,335,312	629	0	29	0	139.86	22,719,261
Mar-08	22,046,700	5,063,455	542	0	31	1	139.76	22,129,073
Apr-08	18,811,030	4,901,935	224	1	30	1	139.65	19,330,119
May-08	18,644,710	3,756,481	143	12	31	1	139.55	18,997,934
Jun-08	22,711,700	3,636,030	3	124	30	0	139.44	22,679,665
Jul-08	26,419,990	4,366,856	0	189	31	0	139.34	26,261,277
Aug-08	24,364,410	5,358,891	1	145	31	0	139.23	25,303,418
Sep-08	20,565,410	4,892,273	12	65	30	1	139.13	20,267,630
Oct-08	18,777,310	4,024,402	221	3	31	1	139.02	19,292,600
Nov-08	20,094,850	3,890,338	413	0	30	1	138.92	19,666,096
Dec-08	23,525,530	4,317,062	632	0	31	0	138.81	23,115,901
Jan-09	24,531,230	5,537,852	799	0	31	0	138.39	25,012,252
Feb-09	20,746,930	5,761,928	553	0	28	0	137.97	21,568,279
Mar-09	20,762,810	4,729,916	464	0	31	1	137.54	21,012,876
Apr-09	18,304,870	4,690,838	263	11	30	1	137.13	19,385,477
May-09	17,564,208	3,917,562	76	15	31	1	136.71	18,320,318
Jun-09	20,151,815	3,591,150	25	70	30	0	136.29	20,228,856
Jul-09	21,718,677	4,052,451	1	88	31	0	135.87	21,656,438
Aug-09	24,301,262	3,497,596	7	124	31	0	135.46	22,596,587
Sep-09	19,833,254	4,859,822	28	48	30	1	135.05	19,003,559
Oct-09	19,025,038	3,480,893	248	0	31	1	134.63	18,219,406
Nov-09	19,026,900	3,493,143	321	0	30	1	134.22	17,991,257
Dec-09	22,891,585	3,484,625	603	0	31	0	133.81	21,496,077



	<u>Purchased</u>	<u>Hydro One Uplifted</u>	<u>Heating Degree Days</u>	<u>Cooling Degree Days</u>	<u>Number of Days in Month</u>	<u>Spring Fall Flag</u>	<u>Ontario Real GDP Monthly %</u>	<u>Predicted Purchases</u>
Jan-10	23,520,946	4,443,394	680	0	31	0	134.17	22,741,713
Feb-10	20,573,877	4,730,331	571	0	28	0	134.52	20,367,747
Mar-10	20,520,862	4,066,284	397	0	31	1	134.87	19,654,431
Apr-10	17,431,446	3,324,931	183	1	30	1	135.23	17,197,332
May-10	19,189,808	3,105,799	92	50	31	1	135.58	18,981,964
Jun-10	23,092,031	3,327,015	6	124	30	0	135.94	21,900,121
Jul-10	28,187,746	3,985,249	0	216	31	0	136.30	26,522,451
Aug-10	26,984,638	5,180,907	0	189	31	0	136.65	26,423,536
Sep-10	19,634,115	4,944,551	43	50	30	1	137.01	19,584,712
Oct-10	18,062,554	3,790,880	166	1	31	1	137.37	18,415,327
Nov-10	20,064,654	3,614,966	378	0	30	1	137.73	19,037,983
Dec-10	24,022,231	3,580,070	664	0	31	0	138.10	22,676,796
Jan-11	23,397,085	5,088,630	731	0	31	0	138.35	24,237,826
Feb-11	20,570,362	5,258,621	615	0	28	0	138.60	21,713,908
Mar-11	21,011,815	4,539,427	520	0	31	1	138.85	21,460,653
Apr-11	18,252,354	4,378,340	294	0	30	1	139.10	19,268,747
May-11	18,454,400	3,743,060	112	33	31	1	139.35	19,578,802
Jun-11	21,528,092	3,594,103	10	105	30	0	139.61	21,999,377
Jul-11	28,389,523	4,086,352	0	242	31	0	139.86	28,177,824
Aug-11	24,810,531	5,824,158	0	144	31	0	140.11	25,764,736
Sep-11	19,628,308	4,902,860	59	48	30	1	140.37	20,134,997
Oct-11	18,511,823	3,829,981	190	5	31	1	140.62	19,266,320
Nov-11	18,941,946	3,646,274	315	0	30	1	140.88	19,177,756
Dec-11	21,539,477	3,848,609	496	0	31	0	141.13	22,278,052
Jan-12		4,780,697	673	0	31	0	141.42	24,150,935
Feb-12		5,071,821	595	0	29	0	141.72	22,618,678
Mar-12		3,932,015	473	0	31	1	142.01	21,248,490
Apr-12		3,272,732	245	3	30	1	142.30	18,794,659
May-12		2,557,462	108	29	31	1	142.59	19,061,497
Jun-12		2,322,830	11	109	30	0	142.89	21,786,456
Jul-12		3,790,211	1	175	31	0	143.18	25,966,149
Aug-12		5,438,499	2	147	31	0	143.48	26,168,338
Sep-12		4,724,850	32	56	30	1	143.77	20,726,760
Oct-12		3,559,648	195	9	31	1	144.07	19,855,575
Nov-12		3,438,928	361	0	30	1	144.37	19,906,817
Dec-12		3,043,769	588	0	31	0	144.66	22,890,471

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# **OPERATING REVENUE VARIANCE ANALYSIS**

## **THROUGHPUT REVENUE and OTHER OPERATING REVENUE**

### **VARIANCE ANALYSIS ON THROUGHPUT REVENUE:**

A summary of historical and forecast operating revenues is presented in Table 3-1. A variance analysis for the other net operating revenue will be provided further in Tab 3 Schedule 2 of this Exhibit.

#### **2006 Board Approved:**

E.L.K.'s 2006 Board approved operating revenue was \$3,822,828. Throughput revenue was \$3,487,553 or 91.2% of total revenues. Other net operating revenue accounts for the remaining \$335,275

#### **2006 Actual:**

E.L.K.'s operating revenue in fiscal 2006 was \$4,541,608. Throughput revenue was \$3,722,308 or 82.0% of total revenues. Other net operating revenue accounts for the remaining \$819,300

**Table 3-25: Comparison 2006 Actual to 2006 Board Approved**

Throughput Revenue	2006 Board Approved	2006 Actual	Difference \$	Difference %
Residential	\$2,121,824	\$2,278,947	\$157,123	7.4%
General Service < 50 kW	\$212,827	\$237,874	\$25,047	11.8%
General Service 50 to 4,999 kW	\$1,145,060	\$1,197,876	\$52,816	4.6%
Sentinel Lighting	\$660	\$653	(\$7)	(1.0%)
Street Lighting	\$3,807	\$3,797	(\$10)	(0.3%)
Unmetered Scattered Load	\$3,374	\$3,161	(\$213)	(6.3%)
Hydro One	\$0	\$0	\$0	
LV Revenue	\$0	\$0	\$0	
Total	\$3,487,553	\$3,722,308	\$234,755	6.7%



Throughput revenue for 2006 was 6.7% or \$234,755 higher than the amounts approved in the 2006 EDR primarily due to the increase in usage of the General Service 50 to 4,999 kW customer class. Please note that there was a change in billing systems in June 2008. Comparable reports from the legacy system for 2006 to June 2008 were unavailable. Therefore, the following methodology was used for categorizing the operating distribution revenue by service categories for actual 2006, actual 2007 and the first half of 2008: The proration from the July to December 2008 statistical report for distribution revenue was used to categorize the operating distribution revenue by service for 2006 to 2008. As such, there may be minimal allocation variances.

Table 3-26 below compares the 2006 Board Approved billing quantities to the 2006 Actual quantities.

Table 3-26: Comparison 2006 Actual to 2006 Board Approved								
Billing Quantiities	Customer/Connections			kWh		kW		Volumetric Difference
	2006 Board Approved	2006 Actual	Difference	2006 Board Approved	2006 Actual	2006 Board Approved	2006 Actual	
Residential	9,365	9,497	132	92,642,708	84,498,297			(8,144,411)
General Service < 50 kW	977	1,081	104	26,427,277	25,504,618			(922,660)
General Service 50 to 4,999 kW	100	108	8			218,553	241,321	22,768
Sentinel Lighting	138	105				0	178	178
Street Lighting	2,731	2,745	14			6,300	5,910	(391)
Unmetered Scattered Load	36	35	(1)	283,513	267,964			(15,549)
Hydro One		0	0					0
Total	13,347	13,571	257	119,353,498	110,270,878	224,853	247,409	

### 2007 Actual:

E.L.K.'s operating revenue in fiscal 2007 was \$4,323,883 as shown in Exhibit 3, Tab 1, Table 3-1. Throughput revenue totaled \$3,464,830 or 80.1% of total revenues. Other net operating revenue accounts for the remaining revenue of \$859,053

### Comparison 2007 Actual to 2006 Actual – Throughput Revenue:



<b>Table 3-27: Comparison 2007 Actual to 2006 Actual</b>				
<b>Throughput Revenue</b>	<b>2006 Actual</b>	<b>2007</b>	<b>Difference \$</b>	<b>Difference %</b>
Residential	\$2,278,947	\$2,121,308	(\$157,639)	(6.9%)
General Service < 50 kW	\$237,874	\$221,420	(\$16,454)	(6.9%)
General Service 50 to 4,999 kW	\$1,197,876	\$1,115,017	(\$82,859)	(6.9%)
Sentinel Lighting	\$653	\$607	(\$46)	(7.0%)
Street Lighting	\$3,797	\$3,535	(\$262)	(6.9%)
Unmetered Scattered Load	\$3,161	\$2,943	(\$218)	(6.9%)
Hydro One	\$0	\$0	\$0	
LV Revenue	\$0	\$0	\$0	
<b>Total</b>	<b>\$3,722,308</b>	<b>\$3,464,830</b>	<b>(\$257,478)</b>	<b>(6.9%)</b>

The 2007 throughput revenue was \$257,478 or 6.9% lower than the 2006 actual revenue due to a reduction in the kW load for the General Service 50 to 4,999 customer class as well as a reduction in the kWh usage for general service <50 kW. The Residential customer class revenue dropped from 2006 to 2007 even though kWh increased. This is due to a reduction in the RPP prices from May 2006 to 2007. For instance, the average RPP price in May 2006 was 6.256 cents/kWh and dropped to 5.429 cents/kWh.

Table 3-28 below compares the 2006 Actual billing quantities to the 2007 Actual quantities.

<b>Table 3-28: Comparison 2007 Actual to 2006 Actual</b>								
	<b>Customer/Connections</b>			<b>kWh</b>		<b>kW</b>		
<b>Billing Quantities</b>	<b>2006 Actual</b>	<b>2007</b>	<b>Difference</b>	<b>2006 Actual</b>	<b>2007</b>	<b>2006 Actual</b>	<b>2007</b>	<b>Volumetric</b>
Residential	9,497	9,581	84	84,498,297	87,035,310			2,537,013
General Service < 50 kW	1,081	1,090	10	25,504,618	25,471,561			(33,056)
General Service 50 to 4,999 kW	108	109	1			241,321	218,225	(23,096)
Sentinel Lighting	105	83	(22)			178	141	(37)
Street Lighting	2,745	2,754	9			5,910	6,521	611
Unmetered Scattered Load	35	35	(1)	267,964	428,118			160,154
Hydro One	0	4	4			0	115,967	115,967
<b>Total</b>	<b>13,571</b>	<b>13,656</b>	<b>85</b>	<b>110,270,878</b>	<b>112,934,989</b>	<b>247,409</b>	<b>340,854</b>	

2008 Actual:

E.L.K.'s operating revenue in fiscal 2008 was \$5,349,455, as shown in Exhibit 3, Tab 1, Table 3-1. Throughput revenue totaled \$4,653,455 or 87.0% of total revenues. Other net operating revenue accounts for the remaining revenue of \$696,000.

**Comparison 2008 Actual to 2007 Actual – Throughput Revenue:**



<b>Table 3-29: Comparison 2008 Actual to 2007 Actual</b>				
<b>Throughput Revenue</b>	<b>2007</b>	<b>2008</b>	<b>Difference \$</b>	<b>Difference %</b>
Residential	\$2,121,308	\$2,848,845	\$727,537	34.3%
General Service < 50 kW	\$221,420	\$297,379	\$75,959	34.3%
General Service 50 to 4,999 kW	\$1,115,017	\$1,497,717	\$382,700	34.3%
Sentinel Lighting	\$607	\$815	\$208	34.3%
Street Lighting	\$3,535	\$4,747	\$1,212	34.3%
Unmetered Scattered Load	\$2,943	\$3,952	\$1,009	34.3%
Hydro One	\$0	\$0	\$0	
LV Revenue	\$0	\$0	\$0	
<b>Total</b>	<b>\$3,464,830</b>	<b>\$4,653,455</b>	<b>\$1,188,625</b>	<b>34.3%</b>

The 2008 throughput revenue was \$1,188,625 or 34.3% higher than the 2007 actual revenue primarily due to an increase in the rates. The average RPP price increased from May 2007 (5.704 cents/kWh) to November 2008 (6.030 cents/kWh). The General Service 50 to 4,999 kW revenue increased due to an increase in the weighted average price from a yearly average in 2007 (5.05 cents/kwh) to 2008 (5.17 cents/kwh). Further, there was an increase in the tariff of rates and charges per the May 1, 2008 rate order for this customer class.

Table 3-30 below compares the 2007 Actual billing quantities to the 2008 Actual quantities.

<b>Table 3-30: Comparison 2008 Actual to 2007 Actual</b>								
<b>Billing Quantities</b>	<b>Customer/Connections</b>			<b>kWh</b>		<b>kW</b>		<b>Volumetric</b>
	2007	2008	Difference	2007	2008	2007	2008	
Residential	9,581	9,629	48	87,035,310	84,884,556			(2,150,754)
General Service < 50 kW	1,090	1,096	6	25,471,561	25,303,620			(167,942)
General Service 50 to 4,999 kW	109	110	1			218,225	209,583	(8,642)
Sentinel Lighting	83	61	(22)			141	104	(37)
Street Lighting	2,754	2,763	9			6,521	6,487	(34)
Unmetered Scattered Load	35	34	(1)	428,118	293,947			(134,171)
Hydro One	4	4	0			115,967	112,771	(3,197)
<b>Total</b>	<b>13,656</b>	<b>13,697</b>	<b>41</b>	<b>112,934,989</b>	<b>110,482,122</b>	<b>340,854</b>	<b>328,945</b>	

2009 Actual:

E.L.K.'s operating revenue in fiscal 2009 was \$5,143,174, as shown in Exhibit 3, Tab 1, Table 3-1. Throughput revenue totaled \$4,383,414 or 85.2% of total revenues. Other net operating revenue accounts for the remaining revenue of \$759,760.



**Comparison 2009 Actual to 2008 Actual – Throughput Revenue:**

<b>Table 3-31: Comparison 2009 Actual to 2008 Actual</b>				
<b>Throughput Revenue</b>	<b>2008</b>	<b>2009</b>	<b>Difference \$</b>	<b>Difference %</b>
Residential	\$2,848,845	\$2,746,530	(\$102,315)	(3.6%)
General Service < 50 kW	\$297,379	\$292,141	(\$5,238)	(1.8%)
General Service 50 to 4,999 kW	\$1,497,717	\$1,337,855	(\$159,862)	(10.7%)
Sentinel Lighting	\$815	\$632	(\$183)	(22.5%)
Street Lighting	\$4,747	\$3,092	(\$1,655)	(34.9%)
Unmetered Scattered Load	\$3,952	\$3,164	(\$788)	(19.9%)
Hydro One	\$0	\$0	\$0	
LV Revenue	\$0	\$0	\$0	
<b>Total</b>	<b>\$4,653,455</b>	<b>\$4,383,414</b>	<b>(\$270,041)</b>	<b>(5.8%)</b>

The 2009 throughput revenue was \$270,041 or 5.8% lower than 2008 actual revenue due to a decrease in usage across all classes which resulted in the revenue decrease. In particular, the General Service 50 to 4,999 kW class decrease can be further explained by the reduction in the monthly average weighted hourly price from 5.17 cents/kWh in 2008 to 3.16 cents/kWh in 2009.

Table 3-32 below compares the 2008 Actual billing quantities to the 2009 Actual quantities.

<b>Table 3-32: Comparison 2009 Actual to 2008 Actual</b>								
<b>Billing Quantities</b>	<b>Customer/Connections</b>			<b>kWh</b>		<b>kW</b>		<b>Volumetric</b>
	2008	2009	Difference	2008	2009	2008	2009	
Residential	9,629	9,741	111	84,884,556	82,921,826			(1,962,730)
General Service < 50 kW	1,096	1,122	26	25,303,620	25,064,151			(239,469)
General Service 50 to 4,999 kW	110	113	3			209,583	207,445	(2,138)
Sentinel Lighting	61	39	(22)			104	66	(37)
Street Lighting	2,763	2,772	9			6,487	5,754	(734)
Unmetered Scattered Load	34	34	0	293,947	285,456			(8,491)
Hydro One	4	4	0			112,771	109,952	(2,818)
<b>Total</b>	<b>13,697</b>	<b>13,823</b>	<b>126</b>	<b>110,482,122</b>	<b>108,271,432</b>	<b>328,945</b>	<b>323,217</b>	

**2010 Actual:**

E.L.K.'s operating revenue in fiscal 2010 was \$4,052,344, as shown in Exhibit 3, Tab 1, Table 3-1. Throughput revenue totaled \$3,387,254 or 83.6% of total revenues. Other net operating revenue accounts for the remaining revenue of \$665,099.



Comparison 2010 Actual to 2009 Actual Throughput Revenue:

<b>Table 3-33: Comparison 2010 Actual to 2009 Actual</b>				
<b>Throughput Revenue</b>	<b>2009</b>	<b>2010</b>	<b>Difference \$</b>	<b>Difference %</b>
Residential	\$2,746,530	\$1,995,133	(\$751,397)	(27.4%)
General Service < 50 kW	\$292,141	\$191,107	(\$101,034)	(34.6%)
General Service 50 to 4,999 kW	\$1,337,855	\$997,220	(\$340,635)	(25.5%)
Sentinel Lighting	\$632	\$413	(\$219)	(34.7%)
Street Lighting	\$3,092	\$2,206	(\$886)	(28.7%)
Unmetered Scattered Load	\$3,164	\$2,425	(\$739)	(23.4%)
Hydro One	\$0	\$0	\$0	
LV Revenue	\$0	\$198,741	\$198,741	
<b>Total</b>	<b>\$4,383,414</b>	<b>\$3,387,245</b>	<b>(\$996,169)</b>	<b>(22.7%)</b>

The 2010 throughput revenue was \$996,169 or 22.7% lower than 2009 actual revenue due to E.L.K. and its auditors determining there was an error in 2010 in E.L.K.'s tracking of the differences between amounts paid to the IESO on account of power and various wholesale market services, and amounts billed to E.L.K.'s customers on account of those items. In the normal course, those differences would have been tracked in applicable variance accounts. Balances in those accounts would have accrued carrying charges, and would have been disposed of, either as a credit to customers or a charge to customers. E.L.K.'s 2010 distribution revenue adjustment totaled \$926,694 as a reduction to distribution revenue. E.L.K. determined these differences were not booked to the correct variance accounts. Instead, these amounts billed to customers on account of power (for example) were tracked in an energy sales account, and the differences not moved into 1588 –the RSVA Power account. The effect of this error was that E.L.K.'s revenues appeared to be much larger than they in fact were. This was also detailed in E.L.K.'s submission on matters identified in Procedural Order No. 1 (EB-2011-0099).

Table 3-34 below compares the 2009 Actual billing quantities to the 2010 Actual quantities.

<b>Table 3-34: Comparison 2010 Actual to 2009 Actual</b>								
<b>Billing Quantities</b>	<b>Customer/Connections</b>			<b>kWh</b>		<b>kW</b>		<b>Volumetric</b>
	<b>2009</b>	<b>2010</b>	<b>Difference</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	
Residential	9,741	9,871	131	82,921,826	87,351,574			4,429,749
General Service < 50 kW	1,122	1,167	45	25,064,151	25,802,419			738,268
General Service 50 to 4,999 kW	113	108	(5)			207,445	200,283	(7,163)
Sentinel Lighting	39	18	(22)			66	30	(37)
Street Lighting	2,772	2,781	9			5,754	6,759	1,006
Unmetered Scattered Load	34	34	(1)	285,456	275,513			(9,943)
Hydro One	4	4	0			109,952	107,517	(2,436)
<b>Total</b>	<b>13,823</b>	<b>13,981</b>	<b>158</b>	<b>108,271,432</b>	<b>113,429,506</b>	<b>323,217</b>	<b>314,588</b>	



**2011 Actual:**

E.L.K.'s operating revenue in fiscal 2011 was \$4,105,090 as shown in Exhibit 3, Tab 1, Table 3-1. Throughput revenue totals \$2,959,341 or 72.1% of total revenues. Other net operating revenue accounts for the remaining revenue of \$1,145,749

**Comparison 2011 Actual to 2010 Actual Throughput Revenue:**

<b>Table 3-35: Comparison 2011 Actual to 2010 Actual</b>				
<b>Throughput Revenue</b>	<b>2010</b>	<b>2011</b>	<b>Difference \$</b>	<b>Difference %</b>
Residential	\$1,995,133	\$1,917,697	(\$77,436)	(3.9%)
General Service < 50 kW	\$191,107	\$182,517	(\$8,590)	(4.5%)
General Service 50 to 4,999 kW	\$997,220	\$855,946	(\$141,274)	(14.2%)
Sentinel Lighting	\$413	\$564	\$151	36.6%
Street Lighting	\$2,206	\$563	(\$1,643)	(74.5%)
Unmetered Scattered Load	\$2,425	\$2,054	(\$371)	(15.3%)
Hydro One	\$0	\$0	\$0	
LV Revenue	\$198,741	\$373,779	\$175,038	88.1%
<b>Total</b>	<b>\$3,387,245</b>	<b>\$3,333,120</b>	<b>(\$54,125)</b>	<b>(1.6%)</b>

The 2011 throughput revenue was 54,125 or 1.6% lower than 2010 actual revenue. This minimal decrease is due to the decrease in usage primarily from E.L.K.'s General Service 50 to 4,999 customer class as shown in Table 3-36 below.

Table 3-36 below compares the 2010 Actual billing quantities to the 2011 Actual quantities.

<b>Table 3-36: Comparison 2011 Actual to 2010 Actual</b>								
<b>Billing Quantities</b>	<b>Customer/Connections</b>			<b>kWh</b>		<b>kW</b>		<b>Volumetric</b>
	2010	2011	Difference	2010	2011	2010	2011	
Residential	9,871	9,932	61	87,351,574	85,048,309			(2,303,266)
General Service < 50 kW	1,167	1,194	28	25,802,419	28,389,839			2,587,420
General Service 50 to 4,999 kW	108	95	(13)			200,283	195,461	(4,822)
Sentinel Lighting	18	7	(11)			30	12	(18)
Street Lighting	2,781	2,790	9			6,759	5,760	(999)
Unmetered Scattered Load	34	33	(1)	275,513	201,696			(73,817)
Hydro One	4	4	0			107,517	113,911	6,394
<b>Total</b>	<b>13,981</b>	<b>14,054</b>	<b>73</b>	<b>113,429,506</b>	<b>113,639,844</b>	<b>314,588</b>	<b>315,143</b>	



**2012 Test Year:**

E.L.K.'s 2012 Test Year operating revenue is forecast to be \$4,907,711 as shown in Exhibit 3, Tab 1, Table 3-1.. Throughput revenue totals \$4,227,656 or 86.1% of total revenues. Other operating revenue (net), accounts for the remaining revenue of \$680,055

**Comparison of 2012 Test Year to 2011 Actual Throughput Revenue:**

<b>Table 3-37: Comparison 2012 Test to 2011 Actual</b>				
<b>Throughput Revenue</b>	<b>2011</b>	<b>2012 Test</b>	<b>Difference \$</b>	<b>Difference %</b>
Residential	\$1,917,697	\$2,536,483	\$618,786	32.3%
General Service < 50 kW	\$182,517	\$448,761	\$266,244	145.9%
General Service 50 to 4,999 kW	\$855,946	\$661,267	(\$194,679)	(22.7%)
Sentinel Lighting	\$564	\$413	(\$151)	(26.7%)
Street Lighting	\$563	\$129,221	\$128,658	22852.2%
Unmetered Scattered Load	\$2,054	\$3,210	\$1,156	56.3%
Hydro One	\$0	\$160,897	\$160,897	
LV Revenue	\$373,779	\$287,404	(\$86,375)	(23.1%)
<b>Total</b>	<b>\$3,333,120</b>	<b>\$4,227,656</b>	<b>\$894,536</b>	<b>26.8%</b>

Total throughput revenue is forecast to be \$894,536 or 26.8% higher than 2011 actual. This variance is due to increased revenue resulting from this rate application.

Table 3-38 below compares the 2011 Actual billing quantities to the 2012 Test Year billing quantities.

<b>Table 3-38: Comparison 2012 Test to 2011 Actual</b>								
	<b>Customer/Connections</b>			<b>kWh</b>		<b>kW</b>		
<b>Billing Quantiities</b>	<b>2011</b>	<b>2012 Test</b>	<b>Difference</b>	<b>2011</b>	<b>2012 Test</b>	<b>2011</b>	<b>2012 Test</b>	<b>Volumetric</b>
Residential	9,932	10,023	92	85,048,309	93,093,255			8,044,946
General Service < 50 kW	1,194	1,214	20	28,389,839	31,699,824			3,309,985
General Service 50 to 4,999 kW	95	93	(2)			195,461	194,766	(695)
Sentinel Lighting	7	7	0			12	11	(1)
Street Lighting	2,790	2,801	12			5,760	5,340	(420)
Unmetered Scattered Load	33	32	(0)	201,696	187,863			(13,833)
Hydro One	4	4	0			113,911	96,049	(17,862)
<b>Total</b>	<b>14,054</b>	<b>14,176</b>	<b>122</b>	<b>113,639,844</b>	<b>124,980,942</b>	<b>315,143</b>	<b>296,166</b>	



**TRANSFORMER ALLOWANCE**

E.L.K. currently provides a Transformer Ownership Allowance Credit of \$0.60/kW to GS > 50 kW customers that own their own transformer facilities. E.L.K. is proposing to maintain this rate for the 2012 Test Year for eligible customers.



## VARIANCE ANALYSIS ON OTHER DISTRIBUTION REVENUE

2006 Board Approved Comparison to 2006 Actual – Other Operating Revenue:

Table 3-39 below summarizes the variance by account description followed by a discussion on those variances over \$50,000.

**Table 3-39: Comparison 2006 Actual to 2006 Board Approved**

Other Distribution Revenue	2006 Board Approved	2006	Difference \$	Difference %
Specific Service Charges	\$62,120	\$44,778	(\$17,342)	(27.9%)
Late Payment Charges	\$67,219	\$63,348	(\$3,871)	(5.8%)
Other Operating Revenues	\$55,129	\$61,390	\$6,261	11.4%
Other Income or Deductions	\$150,807	\$649,783	\$498,977	330.9%
Total	\$335,275	\$819,300	\$484,024	144.4%

Other income and deductions for 2006 was 330.9% or \$498,977 higher than the amounts approved in the 2006 EDR. Based on a detailed review, it appears that some items do not appear to be included in the Board approved amount, specifically interest and dividend income totaling \$171,702 and revenues from non-utility operations totaling \$240,535 which together total \$412,237 the majority of the difference.

### **2007 Actual Comparison to 2006 Actual – Other Operating Revenue**

Table 3-40 below summarizes the variance by account

**Table 3-40: Comparison 2007 Actual to 2006 Actual**

Other Distribution Revenue	2006	2007	Difference \$	Difference %
Specific Service Charges	\$44,778	\$64,739	\$19,961	44.6%
Late Payment Charges	\$63,348	\$78,293	\$14,945	23.6%
Other Operating Revenues	\$61,390	\$76,379	\$14,988	24.4%
Other Income or Deductions	\$649,783	\$639,642	(\$10,141)	(1.6%)
Total	\$819,300	\$859,053	\$39,753	4.9%



**2008 Actual Comparison to 2007 Actual – Other Operating Revenue**

Table 3-41 below summarizes the variance by account description followed by a discussion on those variances over \$50,000.

<b>Table 3-41: Comparison 2008 Actual to 2007 Actual</b>				
<b>Other Distribution Revenue</b>	<b>2007</b>	<b>2008</b>	<b>Difference \$</b>	<b>Difference %</b>
Specific Service Charges	\$64,739	\$41,352	(\$23,387)	(36.1%)
Late Payment Charges	\$78,293	\$101,445	\$23,152	29.6%
Other Operating Revenues	\$76,379	\$58,151	(\$18,228)	(23.9%)
Other Income or Deductions	\$639,642	\$495,052	(\$144,590)	(22.6%)
<b>Total</b>	<b>\$859,053</b>	<b>\$696,000</b>	<b>(\$163,053)</b>	<b>(19.0%)</b>

Other income and deductions for 2008 was 22.6% or \$144,590 lower than the amounts in 2007 due to reductions in interest income earned on all of E.L.K.'s bank account balances. The interest rate significantly decreased from the beginning of 2007 to the end of 2008 resulting in a decrease of \$117,000 in interest alone on E.L.K.'s bank accounts.

**2009 Actual Comparison to 2008 Actual – Other Operating Revenue**

Table 3-42 below summarizes the variance by account description.

<b>Table 3-42: Comparison 2009 Actual to 2008 Actual</b>				
<b>Other Distribution Revenue</b>	<b>2008</b>	<b>2009</b>	<b>Difference \$</b>	<b>Difference %</b>
Specific Service Charges	\$41,352	\$68,261	\$26,909	65.1%
Late Payment Charges	\$101,445	\$146,753	\$45,308	44.7%
Other Operating Revenues	\$58,151	\$18,745	(\$39,406)	(67.8%)
Other Income or Deductions	\$495,052	\$526,001	\$30,949	6.3%
<b>Total</b>	<b>\$696,000</b>	<b>\$759,760</b>	<b>\$63,760</b>	<b>9.2%</b>

**2010 Actual Comparison to 2009 Actual – Other Operating Revenue:**

Table 3-43 below summarizes the variance by account description followed by a discussion on those variances over \$50,000.



<b>Table 3-43: Comparison 2010 Actual to 2009 Actual</b>				
<b>Other Distribution Revenue</b>	2009	2010	Difference \$	Difference %
Specific Service Charges	\$68,261	\$52,826	(\$15,435)	(22.6%)
Late Payment Charges	\$146,753	\$99,989	(\$46,764)	(31.9%)
Other Operating Revenues	\$18,745	\$79,053	\$60,308	321.7%
Other Income or Deductions	\$526,001	\$433,231	(\$92,770)	(17.6%)
Total	\$759,760	\$665,099	(\$94,661)	(12.5%)

Other operating revenues for 2010 were 321.7% or \$60,308 higher than the amounts in 2009 due to rent from electric property increasing approximately \$50,000 from 2010 to 2009. In 2009 this similar revenue was included as part of revenue from non-utility operation which is part of other income or deductions.

Other income and deductions for 2010 were 17.6% or \$92,770 lower than the amounts in 2009 due to net revenue from non-utility operations decreasing by \$195,000. This is primarily the result of E.L.K. devoting significant resources to the installation of Smart Meters on the majority of its customer base and therefore not devoting as many resources to other non-utility revenue jobs. Offsetting the \$195,000 decrease is also an increase of approximately \$42,000 for the special purpose charge recovery which began in May 2010 as well as the sale of the Harrow Service centre E.L.K. owned which generated a gain on disposal of \$56,000. The resultant effect of all three changes totals \$97,000 which explains the variance.

#### **2011 Actual Comparison to 2010 Actual – Other Operating Revenue:**

Table 3-44 below summarizes the variance by account description followed by a discussion on those variances over \$50,000.

<b>Table 3-44: Comparison 2011 Actual to 2010 Actual</b>				
<b>Other Distribution Revenue</b>	2010	2011	Difference \$	Difference %
Specific Service Charges	\$52,826	\$65,524	\$12,698	24.0%
Late Payment Charges	\$99,989	\$127,882	\$27,893	27.9%
Other Operating Revenues	\$79,053	\$66,689	(\$12,364)	(15.6%)
Other Income or Deductions	\$433,231	\$513,834	\$80,602	18.6%
Total	\$665,099	\$773,929	\$108,829	16.4%



Other income and deductions for 2011 were 18.6% or \$80,602 higher than the amounts in 2010 due to net revenue from non-utility operations increasing approximately \$134,000. There were no gains on disposal of property in 2011 in comparison to the \$56,000 gain in 2010. The resultant effect of the above two differences totals a \$78,000 increase, which explains the majority of the \$80,602 variance.

**Comparison to 2012 Test Year to 2011 Actual– Other Operating Revenue:**

Table 3-45 below summarizes the variance by account description followed by a discussion on those variances over \$50,000.

<b>Table 3-45: Comparison 2012 Test to 2011 Actual</b>				
<b>Other Distribution Revenue</b>	<b>2011</b>	<b>2012</b>	<b>Difference \$</b>	<b>Difference %</b>
Specific Service Charges	\$65,524	\$66,000	\$476	0.7%
Late Payment Charges	\$127,882	\$130,000	\$2,118	1.7%
Other Operating Revenues	\$66,689	\$72,305	\$5,616	8.4%
Other Income or Deductions	\$513,834	\$411,750	(\$102,084)	(19.9%)
<b>Total</b>	<b>\$773,929</b>	<b>\$680,055</b>	<b>(\$93,874)</b>	<b>(12.1%)</b>

Other income and deductions for 2012 were 19.9% or \$102,084 lower than the amounts in 2011 due to net revenue from non-utility operations decreasing primarily from a decreased amount of Program Administration Budget (PAB) Funding from the OPA for the 2011-2014 CDM programs. As well, the special purpose charge recovery revenue ceased in May 2011 resulting in a decrease of approximately \$40,000.



1					
Exhibit	Tab	Schedule	Appendix	Contents	
<b>4 – Operating Costs</b>					
	1			<b>Overview</b>	
		1		Manager's Summary of Operating Costs	
	2			<b>OM&amp;A Costs</b>	
		1		Departmental and Corporate OM&A Activities	
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			4-C	2011 Federal & Ontario Tax Return	



## MANAGER'S SUMMARY

### OVERVIEW OF OPERATING COSTS:

#### Operating Costs:

The operating costs presented in this Exhibit represent the annual expenditures required to sustain E.L.K.'s distribution operations. E.L.K. follows the OEB's Accounting Procedures Handbook (the "APH") in distinguishing work performed between operations and maintenance. A summary of E.L.K.'s operating costs for 2006 Actual, 2007 Actual, 2008 Actual, 2009 Actual, 2010 Actual, 2011 Actual and the 2012 Test Year, in accordance with the Filing Requirements, is provided in Table 4.1 below. A summary of the variances as required by the Filing Requirements is provided in Tables 4.2 through 4.7.

**Table 4.1**

Description	Summary of OM & A Expenses						2012 Test Year
	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	
Operations	\$ 230,558	\$ 215,650	\$ 211,133	\$ 298,927	\$ 236,550	\$ 246,823	\$ 291,000
Maintenance	\$ 244,876	\$ 390,707	\$ 408,784	\$ 506,972	\$ 308,857	\$ 522,563	\$ 455,000
Billing & Collecting	\$ 513,809	\$ 538,534	\$ 800,194	\$ 846,728	\$ 710,772	\$ 795,381	\$ 775,064
Community Relations	\$ 13,421	\$ 20,335	\$ 16,882	\$ 14,124	\$ 15,930	\$ 3,795	\$ 10,000
Administrative & General Expense	\$ 795,730	\$ 762,787	\$ 735,060	\$ 831,441	\$ 809,795	\$ 849,160	\$ 1,075,446
Total OM & A Expense	\$ 1,798,394	\$ 1,928,013	\$ 2,172,053	\$ 2,498,192	\$ 2,081,904	\$ 2,417,722	\$ 2,606,510
Year over year Increase - Actual Years		7%	13%	15%	-17%	16%	8%
Inflation Rate (Canada CPI)		2.2%	2.3%	0.3%	1.8%	2.9%	1.5%

\* 2012 Inflation Rate of 1.5% based on June 2011 – June 2012 Canada CPI from [www.statcan.gc.ca](http://www.statcan.gc.ca)



**Table 4.2 Summary OM&A Expense Variances 2006 Actual vs. 2007 Actual**

<b>OM &amp; A: 2006 Actual vs. 2007 Actual</b>				
Description	2006 Actual	2007 Actual	Variance \$	Variance %
Operations	\$ 230,558	\$ 215,650	\$ (14,908)	-6%
Maintenance	\$ 244,876	\$ 390,707	\$ 145,831	60%
Billing & Collecting	\$ 513,809	\$ 538,534	\$ 24,725	5%
Community Relations	\$ 13,421	\$ 20,335	\$ 6,914	52%
Administrative & General Expenses	\$ 795,730	\$ 762,787	\$ (32,943)	-4%
<b>Total OM &amp; A Expense</b>	<b>\$ 1,798,394</b>	<b>\$ 1,928,013</b>	<b>\$ 129,619</b>	<b>7%</b>

**Table 4.3 Summary OM&A Expense Variances 2007 Actual vs. 2008 Actual**

<b>OM &amp; A: 2007 Actual vs. 2008 Actual</b>				
Description	2007 Actual	2008 Actual	Variance \$	Variance %
Operations	\$ 215,650	\$ 211,133	\$ (4,517)	-2%
Maintenance	\$ 390,707	\$ 408,784	\$ 18,077	5%
Billing & Collecting	\$ 538,534	\$ 800,194	\$ 261,660	49%
Community Relations	\$ 20,335	\$ 16,882	\$ (3,453)	-17%
Administrative & General Expenses	\$ 762,787	\$ 735,060	\$ (27,727)	-4%
<b>Total OM &amp; A Expense</b>	<b>\$ 1,928,013</b>	<b>\$ 2,172,053</b>	<b>\$ 244,040</b>	<b>13%</b>



**Table 4.4 Summary OM&A Expense Variances 2008 Actual vs. 2009 Actual**

<b>OM &amp; A: 2008 Actual vs. 2009 Actual</b>				
Description	2008 Actual	2009 Actual	Variance \$	Variance %
Operations	\$ 211,133	\$ 298,927	\$ 87,794	42%
Maintenance	\$ 408,784	\$ 506,972	\$ 98,188	24%
Billing & Collecting	\$ 800,194	\$ 846,728	\$ 46,534	6%
Community Relations	\$ 16,882	\$ 14,124	\$ (2,758)	-16%
Administrative & General Expenses	\$ 735,060	\$ 831,441	\$ 96,381	13%
<b>Total OM &amp; A Expense</b>	<b>\$ 2,172,053</b>	<b>\$ 2,498,192</b>	<b>\$ 326,139</b>	<b>15%</b>

**Table 4.5 Summary OM&A Expense Variances 2009 Actual vs. 2010 Actual**

<b>OM &amp; A: 2009 Actual vs. 2010 Actual</b>				
Description	2009 Actual	2010 Actual	Variance \$	Variance %
Operations	\$ 298,927	\$ 236,550	\$ (62,377)	-21%
Maintenance	\$ 506,972	\$ 308,857	\$ (198,115)	-39%
Billing & Collecting	\$ 846,728	\$ 710,772	\$ (135,956)	-16%
Community Relations	\$ 14,124	\$ 15,930	\$ 1,806	13%
Administrative & General Expenses	\$ 831,441	\$ 809,795	\$ (21,646)	-3%
<b>Total OM &amp; A Expense</b>	<b>\$ 2,498,192</b>	<b>\$ 2,081,904</b>	<b>\$ (416,288)</b>	<b>-17%</b>



**Table 4.6 Summary OM&A Expense Variances 2010 Actual vs. 2011 Actual**

<b>OM &amp; A: 2010 Actual vs. 2011 Actual</b>				
Description	2010 Actual	2011 Actual	Variance \$	Variance %
Operations	\$ 236,550	\$ 246,823	\$ 10,273	4%
Maintenance	\$ 308,857	\$ 522,563	\$ 213,706	69%
Billing & Collecting	\$ 710,772	\$ 795,381	\$ 84,609	12%
Community Relations	\$ 15,930	\$ 3,795	\$ (12,135)	-76%
Administrative & General Expenses	\$ 809,795	\$ 849,160	\$ 39,365	5%
<b>Total OM &amp; A Expense</b>	<b>\$ 2,081,904</b>	<b>\$ 2,417,722</b>	<b>\$ 335,818</b>	<b>16%</b>

**Table 4.7 Summary OM&A Expense Variances 2011 Actual vs. 2012 Test**

<b>OM &amp; A: 2011 Actual vs. 2012 Test</b>				
Description	2011 Actual	2012 Test	Variance \$	Variance %
Operations	\$ 246,823	\$ 291,000	\$ 44,177	18%
Maintenance	\$ 522,563	\$ 455,000	\$ (67,563)	-13%
Billing & Collecting	\$ 795,381	\$ 775,064	\$ (20,317)	-3%
Community Relations	\$ 3,795	\$ 10,000	\$ 6,205	164%
Administrative & General Expenses	\$ 849,160	\$ 1,075,446	\$ 226,286	27%
<b>Total OM &amp; A Expense</b>	<b>\$ 2,417,722</b>	<b>\$ 2,606,510</b>	<b>\$ 188,788</b>	<b>8%</b>

For comparison purposes E.L.K. has provided Table 4.8 which compares the cost per customer of E.L.K. to the LDCs in its cohort as those cohorts were established in the 2008 PEG report. The expenses and customer numbers are as reported in the 2010 OEB Yearbook. The data presented shows that E.L.K. compares very favorably to the other members of the cohort.



**Table 4.8 – Cost per Customer Comparison**

Mid-Size Southern Medium-High Undergrounding	E.L.K.	LDC A	LDC B	LDC C	LDC D	LDC E	LDC F	LDC G	LDC H	LDC I	LDC J	LDC K	LDC L	LDC M	LDC N
Residential Customers	9899	11238	28512	31037	17373	19543	23336	19301	13727	14538	25915	13701	6537	31750	12847
General Service <50 kW Customers	1187	777	3118	3588	1985	1692	3264	2429	1687	1687	2046	1170	1224	3511	1378
General Service >50 kW Customers	119	31	403	387	221	176	344	277	119	194	222	203	121	427	148
<b>Total Customers</b>	<b>11205</b>	<b>12046</b>	<b>32033</b>	<b>35012</b>	<b>19579</b>	<b>21411</b>	<b>26944</b>	<b>22007</b>	<b>15533</b>	<b>16419</b>	<b>28183</b>	<b>15074</b>	<b>7882</b>	<b>35688</b>	<b>14373</b>
Expenses															
Operating	\$ 236,550	\$ 23,217	\$ 960,958	\$1,688,112	\$ 574,450	\$1,297,663	\$2,404,496	\$ 213,163	\$ 303,575	\$ 677,862	\$ 740,910	\$ 763,741	\$ 350,388	\$ 3,135,697	\$ 209,691
Maintenance	\$ 310,300	\$ 487,145	\$1,036,846	\$1,211,448	\$ 872,068	\$ 932,588	\$ 940,362	\$1,236,423	\$1,580,092	\$ 408,347	\$1,444,596	\$ 602,881	\$ 394,912	\$ 175,850	\$ 675,782
Administrative	\$1,536,447	\$1,667,677	\$4,471,544	\$3,466,199	\$2,543,298	\$2,503,075	\$2,657,828	\$2,844,734	\$2,110,582	\$2,250,550	\$3,294,849	\$2,170,969	\$1,024,249	\$ 6,943,273	\$3,551,535
Other	\$ 31,759	\$ 25,004	\$ 200,000	\$ 954,940	\$ 50,045	\$ 65,416	\$ 155,272	\$ 115,227	\$ 288,051	\$ 114,670	\$ 68,136	\$ 132,225	\$ 31,673	\$ 235,388	\$ 32,041
Total OM & A Expenses	\$2,115,056	\$2,203,043	\$6,669,348	\$7,320,699	\$4,039,861	\$4,798,742	\$6,157,958	\$4,409,547	\$4,262,300	\$3,451,629	\$5,548,491	\$3,668,816	\$1,801,222	\$10,490,208	\$4,469,049
<b>OM &amp; A Per Customer</b>	<b>\$ 188.76</b>	<b>\$ 182.89</b>	<b>\$ 208.20</b>	<b>\$ 209.09</b>	<b>\$ 206.34</b>	<b>\$ 224.13</b>	<b>\$ 228.55</b>	<b>\$ 200.37</b>	<b>\$ 275.69</b>	<b>\$ 210.22</b>	<b>\$ 196.87</b>	<b>\$ 243.45</b>	<b>\$ 228.52</b>	<b>\$ 293.94</b>	<b>\$ 310.93</b>

E.L.K. also provides for reference purposes some statistics reported from the PSE report on Third Generation Incentive Regulation Stretch Factor for 2012. With respect to the econometric benchmarking, which indicates a company's actual costs compared to the predicted costs for a company with similar characteristics, E.L.K.'s rank is 22 out of 77. Another measure, the unit Cost indexing reports the ratio of the average actual OM & A unit cost index of each company in the last three years to the peer group's average OM & A unit cost index over the same years. A lower ratio of actual unit cost to peer group unit cost implies better performance. Table 4.9 below displays the unit costing index results which shows E.L.K. in comparison to other comparable utilities. The results show that E.L.K. compares favorably to the other utilities in its cohort.



**Table 4.9 – Unit OM & A Cost Indexes**

<b>Mid-size Southern Medium-High Undergrounding</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Avg Last 3 Avail Yrs</b>	<b>Avg/Grp Avg</b>	<b>%age Diff</b>
Chatham-Kent Hydro Inc.	0.671	0.678	0.696	0.759	0.782	0.916	0.819	<b>0.791</b>	-20.90%
Festival Hydro Inc.	0.717	0.801	0.791	0.82	0.848	0.882	0.85	<b>0.82</b>	-18%
Peterborough Distribution Incorporated	0.763	0.864	0.894	0.967	0.907	0.851	0.908	<b>0.877</b>	-12.30%
Kingston Hydro Corporation	0.925	0.834	0.832	0.91	0.928	1.019	0.952	<b>0.919</b>	-8.10%
Essex Powerlines Corporation	1.132	1.105	1.023	0.977	0.945	0.964	0.962	<b>0.929</b>	-7.10%
Westario Power Inc.	0.964	0.953	0.912	1.088	1.002	0.929	1.006	<b>0.971</b>	-2.90%
E.L.K. Energy Inc.	0.562	0.828	0.863	0.976	1.134	0.916	1.009	<b>0.974</b>	-2.60%
St. Thomas Energy Inc.	0.946	1.073	1.016	0.989	1.075	1.062	1.042	<b>1.006</b>	0.60%
Welland Hydro-Electric System Corp.	0.809	0.752	0.968	0.985	1.111	1.056	1.05	<b>1.014</b>	1.40%
Wasaga Distribution Inc.	0.921	0.982	0.962	1.005	1.047	1.111	1.054	<b>1.018</b>	1.80%
Woodstock Hydro Services Inc.	0.93	0.961	0.993	1.019	1.075	1.109	1.068	<b>1.031</b>	3.10%
Niagara Peninsula Energy Inc.	1.038	1.039	0.986	1.077	1.097	1.125	1.099	<b>1.061</b>	6.10%
Bluewater Power Distribution Corporation	1.03	1.103	1.045	1.069	1.211	1.221	1.167	<b>1.126</b>	12.60%
COLLUS Power Corp.	0.812	0.973	1.012	1.111	1.228	1.216	1.185	<b>1.144</b>	14.40%
Erie Thames Powerlines Corporation	1.329	1.275	1.528	1.477	1.331	1.294	1.367	<b>1.32</b>	32%

Detailed information with respect to OM&A costs and variances, arranged by USoA account, is provided at Exhibit 4, Tab 2, Schedule 2.

The variance used to determine the OM&A accounts requiring analysis has been prescribed by the Filing Requirements as \$50,000 for a distributor with a distribution revenue requirement less than or equal to \$10 million. E.L.K. falls within this classification. E.L.K. has provided analysis for all variances greater than \$50,000.

#### **OM&A Costs:**

OM&A costs in this Exhibit, Exhibit 4 represent E.L.K.'s integrated set of asset maintenance and customer activity needs to meet public and employee safety objectives; to comply with the Distribution System Code, environmental requirements and government direction; and to maintain distribution business service quality and reliability at targeted performance levels. OM&A costs also include providing services to customers connected to E.L.K.'s distribution system, and meeting the requirements of the OEB's Standard Supply Service Code and Retail Settlement Code.



1 The proposed OM&A cost expenditures for the 2012 Test Year are the result of a business  
2 planning and work prioritization process that ensures that the most appropriate, cost effective  
3 solutions are put in place.

4 E.L.K. is proposing recovery of 2012 Test Year OM&A costs, excluding amortization, PILs and  
5 Interest totaling \$2,606,509.

6 **OM&A Budgeting Process Used by E.L.K.:**

7 The operating budget is prepared annually by management and is reviewed and approved by  
8 the Board of Directors. The budget is started before the start of each fiscal year, and completed  
9 in Q1 of the following year. It provides a plan against which actual results may be evaluated.  
10 Once approved the budget is only revised if a material change in plan is required.

11 The operating budget is a component of the overall budget process described in Exhibit 1, Tab  
12 2, Schedule 2. The Operations Manager and Manager, Finance & Regulatory Affairs provide  
13 input for the preparation of the operational and capital budget. The following are some of the  
14 tasks undertaken during the budgeting process.

- 15 • Outside expenses for all operational and capital budgets are built using previous year  
16 actual and current year forecast as the base;
- 17 • Significant variances from prior years are explained;
- 18 • Accounting prepares a total labor budget using projected wage and benefit cost.  
19 Overtime and account distribution are based on previous years actual plus any identified  
20 or potential changes for the future year;

21 **Income Tax, Large Corporation Tax and Ontario Capital Taxes:**

22 E.L.K. is subject to the payment of PILs under Section 93 of the *Electricity Act, 1998*, as  
23 amended. The Applicant does not pay Section 89 proxy taxes, and is exempt from the payment  
24 of income and capital taxes under the *Income Tax Act (Canada)* and the *Ontario Corporations*  
25 *Tax Act*. Please refer to Exhibit 4, Tab 3, Schedule 1 for further tax calculations and a copy of  
26 the 2011 Federal T2 return in Appendix 4-C.



**DEPARTMENTAL AND CORPORATE OM&A ACTIVITIES:**

**• OPERATIONS & MAINTENANCE DEPARTMENT**

The expenses for the Operations department include all costs relating to the operation (5000-5095) and maintenance (5105-5195) of E.L.K.'s electrical system. This includes both direct labor costs and non-capital material spending to support both scheduled and reactive maintenance events. In addition, costs are allocated from support departments to cover the costs of Labour Burden, Engineering and Stores. E.L.K.'s maintenance strategy is, to the extent possible, to minimize reactive and emergency-type work through an effective planned maintenance program (including predictive and preventative actions).

E.L.K.'s customer responsiveness and system reliability are monitored continually to ensure that its maintenance strategy is effective. This effort is coordinated with E.L.K.'s capital project work, so that where maintenance programs have identified matters the correction of which require capital investments, E.L.K. may adjust its capital spending priorities to address those matters.

Operations is responsible for the direction, planning, co-ordination and supervision of the activities of the operations department. The department is also responsible for the quality and quantity of work, maintenance of work schedules and safety of all personnel working within the department and is responsible for both the short and long term planning for all operational functions of the Board. The Operations Department is responsible for maintaining compliance with all regulatory requirements (i.e., Ontario Energy Board, Independent Electricity System Operator, Infrastructure Health & Safety Association, Electrical Safety Authority, etc.).

**• Predictive Maintenance:**

Predictive maintenance activities involve the visual inspection of elements of the E.L.K. distribution system. Any identified deficiencies found are prioritized and addressed within a suitable time frame.



1                   •   **Preventative Maintenance:**

2   Preventative maintenance activities include inspection, servicing and repair of network  
3   components. This includes overhead and pad-mounted load break switch maintenance as  
4   well as overhead and pad-mounted transformers. Also included are regular inspection and  
5   repair of substation components and ancillary equipment. The work is performed using a  
6   combination of time and condition based methodologies.

7                   •   **Emergency Maintenance:**

8   This item includes unexpected repairs to the electrical system that must be addressed  
9   immediately. The costs include those related to repairs caused by storm damage,  
10   emergency tree trimming and on-call premiums. E.L.K. constantly evaluates its  
11   maintenance data to adjust predictive and preventative actions. The ultimate objective is  
12   to reduce this emergency maintenance. An answering service company has been  
13   contracted to contact “on call” lineperson and supervisory staff in the event of service  
14   problems outside of normal business hours.

15                  •   **Service Work:**

16   The majority of costs related to this work pertain to service upgrades requested by  
17   customers, and requests to provide safety cover-up for work (overhead line cover-ups).  
18   This includes service disconnections and reconnections by E.L.K. for all service classes;  
19   assisting pre-approved contractors; the making of final connections after Electrical Safety  
20   Authority (“ESA”) inspection for service upgrades; and changes of service locations.

21                  •   **Metering:**

22   The Operations Department is responsible for the installation, testing, and commissioning  
23   of new and existing simple and complex metering installations. Testing of complex  
24   metering installations ensures the accuracy of the installation and verifies meter multipliers  
25   for billing purposes. Revenue protection is another activity performed whereby the  
26   Operations Department proactively investigates the diversion and theft of power.



1                   •   **Substation Services:**

2   Substation services activities address the maintenance of all equipment at E.L.K.'s 1  
3   substation. This includes both labor costs and non-capital material spending to support  
4   both scheduled and emergency maintenance events. As with the maintenance activities,  
5   E.L.K.'s substation maintenance strategy focuses on minimizing, to the extent possible,  
6   emergency-type work by improving the effectiveness of E.L.K.'s planned maintenance  
7   program (including predictive and preventative actions) for its substation.

8   In 2012 the Operations Department will be responsible for keeping asset related data up to  
9   date in an asset data base and mapping software. The data base and mapping system  
10   will be used for asset management activities, troubleshooting system problems, delivering  
11   underground utility locating services for excavating contractors and for design and  
12   construction activities including new capital projects and customer connections.  
13   Operations costs were allocated to operations, maintenance, capital, and third party  
14   receivable accounts based on total labor, truck and material costs. A standard overhead  
15   percentage is set at the beginning of the year and adjusted to actual at year end.

16                   •   **Warehouse**

17   The Operations Manager is accountable for managing the procurement, control, and  
18   movement of materials within E.L.K.'s service centre. This would include monitoring  
19   inventory levels, issuing material requests for pricing, issuing purchase orders for material  
20   purchase, approving material for use and material returns as required.

21                   •   **Transportation Fleet**

22   Responsibility for this area falls within the Operations Manager's duties and involves the  
23   maintenance and control of approximately 15 fleet vehicles. Its objectives include  
24   keeping maintenance schedules to ensure vehicle reliability and safety, and the  
25   minimization of vehicle down time. Vehicle costs are allocated to operations,  
26   maintenance, capital and third party receivable accounts based on number of hours used.  
27   A standard hourly cost/hr is set for all vehicles within the fleet and reviewed and adjusted  
28   annually based on the previous year's actual results.



**LABOUR BURDEN/SAFETY AND HEALTH**

The accounting department collects the cost of all employee benefits and payroll taxes such as EI, CPP, EHT, WSIB, and group insurances. Costs are allocated to all departments, and capital based on direct labour. An overhead rate is set at the beginning of each year and reviewed and adjusted annually if applicable.

With regard to Health and Safety, costs include Health & Safety program supplies and training as well labour costs associated with safety meetings. E.L.K. is committed to maximizing productivity and reducing risk of injury by initiating safety and health measures that focus on preventative actions. The commitment to safety and health is significant, and involves documenting unsafe behaviors, monitoring conformance to established standards and policies, determining the effectiveness of safety training and monitoring the resolution of safety recommendations/audits; commitment to continuous improvement in training; and identifying and correcting root causes for system deficiencies.

**CUSTOMER SERVICE**

The Customer Service Department is responsible for the customer care activities for the approximately 11,500 customers in E.L.K's service area. These activities include meter reading, billing, call centre, collections, and other back office functions. E.L.K. aspires to achieve customer service excellence in its processes and customer programs. The costs associated with the Customer Service department are collected in accounts 5305 to 5340.

**Meter Reading:**

E.L.K. Energy is currently on Time-of-Use pricing for Residential and General Service < 50 kW customers. The smart metering system includes an Advanced Metering Infrastructure ("AMI") and Meter Data Management/Repository ("MDM/R") functions. An AMI is the infrastructure within which date and time-stamped hourly meter reads are remotely collected and transmitted daily to E.L.K.'s control computer and to the MDM/R. Therefore, physical meter reading is now performed primarily only for General Service > 50 kW customers of E.L.K., those not on Time-of-Use pricing. E.L.K. linepersons complete these physical meter readings. On average, E.L.K. reads approximately 200



1 electric service meters per month. Previous to E.L.K.'s September 2011 Time-of-Use  
2 implementation date, E.L.K. contracted a third-party meter reading company for physical  
3 meter reads for the majority of E.L.K.'s customer base.

4 **Billing:**

5 E.L.K. performs monthly billing and issues approximately 135,000 electricity invoices  
6 annually to customers. On average this total includes 1,400 final bills for customers  
7 moving within or outside of E.L.K.'s service territory. A monthly billing schedule is created  
8 based on the meter reading schedule to ensure timely billing of services. The billing  
9 functions include the VEE processes; EBT and retailer settlement functions for 1,095  
10 retailer accounts; MDM/R processes; account adjustments; processing meter changes;  
11 and other various account related field service orders and mailing services. E.L.K. offers  
12 customers a number of billing and payment options including walk-in counter service, an  
13 equal payment plan and a preauthorized payment plan. E.L.K. is also now offering the  
14 option for customers to pay through credit card payment.

15 **Collections:**

16 Collections involve a combination of activities, including the collection of overdue active  
17 accounts, security deposits and final bills for service termination. In an effort to minimize  
18 credit losses, E.L.K. enforces a prudent credit policy in accordance with the Distribution  
19 System Code. Active overdue accounts are collected by in-house staff through reminder  
20 notices as well as final notices, and staff also attempt to contact customers with overdue  
21 accounts by a direct telephone call. Final bill collections are turned over to a collection  
22 agency after in-house collection methods are exhausted.

23 **Community Relations:**

24 E.L.K. is committed to providing consumer information and responses, in a timely and  
25 proactive manner, on electricity distribution and related issues. E.L.K. maintains a  
26 presence in the communities it serves, where E.L.K. staff is available to answer customer  
27 questions in a friendly environment. For example, E.L.K. was part of a town hall meeting  
28 in which E.L.K. representatives described in detail a customer's statement of account and



1 answered customer concerns. E.L.K. also cordially co-operates with local news and  
2 media agencies throughout the year in trying to communicate effectively the changes  
3 within E.L.K. and the electrical distribution industry.

4 Since LDCs are the "face-to-the-customer" for the electricity industry, E.L.K. has an  
5 important role to play in educating the public about electricity safety and energy  
6 conservation. On June 22<sup>nd</sup>, new responsibilities were assigned to Local Distribution  
7 Companies through a new Conservation Demand Management (CDM) Code which  
8 requires conservation programming be available and accessible within each LDC  
9 community. E.L.K. continues to participate with the OPA in administering programs  
10 directed at Energy Conservation, currently through a third-party provider. E.L.K. is  
11 currently active in both the residential as well as commercial and industrial programs for  
12 years 2011-2014. As well, a directive was issued to LDCs to achieve targets for overall  
13 energy and peak reductions for years 2011-2014. E.L.K. is working diligently to meet its  
14 targets. E.L.K. is active in the community promoting conservation initiatives, attending a  
15 number of community events each year. Further, E.L.K. provides bill inserts to its  
16 customers regarding OPA conservation programs and to keep them informed to the extent  
17 possible regarding Time-of-Use pricing. Just recently in Q2 of 2012, E.L.K. has  
18 completely redesigned its website which provides its customers an interactive tool to learn  
19 about the services E.L.K. offers, with many industry links. E.L.K. has also recently  
20 incorporated an eCare web portal through Harris (E.L.K.'s CIS vendor). This additional  
21 module was implemented in Q3 of 2011. Harris' eCare customer web portal provides a  
22 new level of customer service for E.L.K. by giving its customers a means of accessing  
23 important billing information twenty-four hours a day seven days a week. Individuals and  
24 businesses can quickly review their bill history, payment history, consumption history,  
25 meter reading history, and print bills. E.L.K. is committed to improving the communication  
26 between itself and its customers.

## 27 **ADMINISTRATIVE AND GENERAL EXPENSES**

28 Administrative and general expenses (5605 -6205) include expenses incurred in connection with  
29 the general administration of the utility's operations. Within E.L.K., the following functional areas  
30 are considered to be part of general administration and, as such, expenses incurred within



these functional areas are accounted for as administrative and general expenses. Cost allocation may result in some expenses being allocated to different cost centres based on the work performed:

- Executive Salaries and Expenses (5605);
- Management Salaries and Expenses (5610);
- General Administrative Salaries and Expenses (5615);

**Executive Salaries and Expenses: 5605**

This account includes salaries for E.L.K.'s Board of Directors, which includes: seven Directors, one Vice-Chair and One Chair, a total of 9 total members. In addition, two E.L.K. staff are also presently on the board, being the Chief Executive Officer and Manager, Finance & Regulatory Affairs. There is no additional compensation for the E.L.K. staff representatives. This account only possesses the salaries of the Board of Directors, and no other management or executive staff members.

**Management Salaries and Expenses: 5610**

Management Salaries and Expenses are comprised of the management positions at E.L.K. This includes the Chief Executive Officer; Director, Finance & Regulatory Affairs; and Manager, Finance & Regulatory Affairs. The Finance Department is responsible for the preparation of statutory, management and Board of Directors financial reporting in accordance with GAAP; all daily accounting functions, including accounts payable, accounts receivable, and general accounting; treasury functions including cash management, risk management, accounting systems and internal control processes; preparation of consolidated budgets and forecasts; and supporting tax compliance. The department is also responsible for all regulatory reporting and compliance with applicable codes and legislation governing E.L.K. including development and preparation of rate filings, performance reporting, and compliance. Human resource related functions are also supported from the Finance Department. The Chief Executive Officer oversees the entire corporation, reports to E.L.K.'s shareholder and is a primary contact between E.L.K. and the Board of Directors.



**General Administrative Salaries and Expenses: 5615**

The Corporate Administration and Personnel Administration department is responsible for providing support services required to operate an effective corporation. Expenses included in General Administrative Salaries include salary and related payroll burdens associated with the Administrative Assistants.

**Office Supplies and Expenses: 5620**

Office Supplies and Expenses include a wide variety of costs such as bank service charges; books and subscriptions; communication type expenses which include E.L.K.'s after hours call centre and communication devices; office equipment and supplies; membership fees and dues; postage and printing costs and travel and miscellaneous incidentals.

**Outside Service Employed: 5630**

Outside Services Employed include, but are not limited to, consulting and professional fees of accountants and auditors, actuaries, legal services, and tax consultants.

**Employee Pensions and Benefits: 5645**

Employee Pensions and Benefits include annual expenses for post-retirement benefits provided to eligible E.L.K. employees in accordance with company policy and as provided in the collective bargaining agreement between E.L.K. and its union. The annual expense and liability are determined in accordance with Section 3461 of the CICA Handbook and supported by an actuarial valuation that is completed every three years with actuarial extrapolation for the other years.

**Regulatory Expenses: 5655**

Regulatory Expenses include those expenses incurred in connection with Decisions and Orders on Cost Awards for hearings, proceedings, technical sessions, LEAP funding and other matters before the OEB or other regulatory bodies, including annual assessment fees paid to a regulatory body. Annual fees assessed by the OEB and regulatory related expenses to consultants are included in this expenditure category.



**Miscellaneous General Expense: 5665**

Other miscellaneous costs are included in this account as well as payouts for successful liability claims.

**Maintenance of General Plant: 5675**

Expenses under Maintenance of General Plant include all costs of operating the service centre and office building. These include items such as: building utility costs, maintenance & repairs to the office building, lawn care, and burdened salaries.

**Electrical Safety Authority ("ESA"): 5680**

Expenses under Electrical Safety Authority ("ESA") fees include all annual charges from the ESA as well as annual audit expenses.



**OM&A DETAILED COST TABLES:**

**Table 4.10 Detailed Account by Account Operation Expenses**

USoA	Distribution Expenses - Operation	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual
5005	Operation Supervision and Engineering	72,064	71,389	58,337	60,020	55,207	60,876
5010	Load Dispatching	-	269	449	82	4,836	277
5012	Station Buildings and Fixtures Expense	-	-	-	-	-	-
5014	Transformer Station Equipment - Operation Labour	-	-	-	-	-	-
5015	Transformer Station Equipment - Operation Supplies and Expenses	-	-	-	-	-	-
5016	Distribution Station Equipment - Operation Labour	1,061	729	2,559	1,648	661	460
5017	Distribution Station Equipment - Operation Supplies and Expenses	-	-	-	-	-	-
5020	Overhead Distribution Lines and Feeders - Operation Labour	49,507	39,309	43,302	45,900	35,367	40,304
5025	Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	-	-	-	-	-	24
5030	Overhead Sub-transmission Feeders - Operation	-	-	-	-	-	-
5035	Overhead Distribution Transformers - Operation	417	1,039	1,147	2,459	2,385	4,180
5040	Underground Distribution Lines and Feeders - Operation Labour	78,636	87,955	86,907	109,885	77,137	103,084
5045	Underground Distribution Lines and Feeders - Operation Supplies and Expenses	-	-	-	59	-	-
5050	Underground Sub-transmission Feeders - Operation	-	-	-	-	1,179	-
5055	Underground Distribution Transformers - Operation	1,328	(1,325)	2,127	4,525	-	2,550
5060	Street Lighting and Signal System Expense	-	-	-	-	-	-
5065	Meter Expense	17,365	6,569	16,205	52,782	22,654	20,937
5070	Customer Premises - Operation Labour	-	-	-	-	-	-
5075	Customer Premises - Operation Materials and Expenses	-	-	-	-	-	-
5085	Miscellaneous Distribution Expenses	-	878	-	-	-	-
5090	Underground Distribution Lines and Feeders - Rental Paid	-	-	-	-	-	-
5095	Overhead Distribution Lines and Feeders - Rental Paid	10,180	8,837	100	21,566	37,124	14,131
5096	Other Rent	-	-	-	-	-	-
	<b>TOTAL OPERATING EXPENSES</b>	<b>230,558</b>	<b>215,650</b>	<b>211,133</b>	<b>298,927</b>	<b>236,550</b>	<b>246,823</b>

**Table 4.11 Detailed Account by Account Maintenance Expenses**

USoA	Distribution Expenses - Maintenance	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual
5105	Maintenance Supervision and Engineering	-	-	-	-	-	-
5110	Maintenance of Buildings and Fixtures - Distribution Stations	-	-	-	-	-	-
5112	Maintenance of Transformer Station Equipment	-	-	-	-	-	-
5114	Maintenance of Distribution Station Equipment	-	-	-	-	-	-
5120	Maintenance of Poles, Towers and Fixtures	7,954	24,220	28,708	26,751	27,946	28,940
5125	Maintenance of Overhead Conductors and Devices	55,886	85,397	67,005	120,252	65,316	101,474
5130	Maintenance of Overhead Services	28,276	40,890	33,353	46,617	44,898	35,287
5135	Overhead Distribution Lines and Feeders - Right of Way	23,264	42,212	63,629	109,493	32,897	89,166
5145	Maintenance of Underground Conduit	4,604	-	-	-	-	-
5150	Maintenance of Underground Conductors and Devices	30,808	28,683	21,283	64,097	37,759	86,462
5155	Maintenance of Underground Services	58,333	51,112	90,168	63,614	50,312	129,762
5160	Maintenance of Line Transformers	24,593	28,844	27,346	63,827	30,364	33,009
5165	Maintenance of Street Lighting and Signal Systems	-	-	127	-	-	-
5170	Sentinel Lights - Labour	-	-	-	-	-	-
5172	Sentinel Lights - Materials and Expenses	-	-	-	-	-	-
5175	Maintenance of Meters	11,158	89,346	77,164	12,322	19,365	18,463
5178	Customer Installations Expenses - Leased Property	-	-	-	-	-	-
5195	Maintenance of Other Installations on Customer Premises	-	-	-	-	-	-
	<b>TOTAL MAINTENANCE EXPENSES</b>	<b>244,876</b>	<b>390,707</b>	<b>408,784</b>	<b>506,972</b>	<b>308,857</b>	<b>522,563</b>



**Table 4.12 Detailed Account by Account Billing & Collecting Expenses**

USoA	Billing & Collecting Expenses	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual
5305	Supervision	88,398	84,455	79,675	81,380	87,893	87,991
5310	Meter Reading Expense	141,706	155,797	146,838	171,786	130,838	78,665
5315	Customer Billing	195,400	214,344	213,169	232,443	218,801	235,490
5320	Collecting	73,052	78,695	80,762	99,722	79,976	79,386
5325	Collecting - Cash Over and Short	(257)	760	(1,795)	2,432	(15)	1,334
5330	Collection Charges	-	-	-	-	-	-
5335	Bad Debt Expense	10,917	4,482	281,545	258,966	193,279	312,515
5340	Miscellaneous Customer Accounts Expenses	4,594	-	-	-	-	-
	<b>TOTAL BILLING AND COLLECTING EXPENSES</b>	<b>513,809</b>	<b>538,534</b>	<b>800,194</b>	<b>846,728</b>	<b>710,772</b>	<b>795,381</b>

**Table 4.13 Detailed Account by Account Community Relations Expenses**

USoA	Community Relations Expenses	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual
5405	Supervision	-	-	-	-	-	-
5410	Community Relations - Sundry	4,879	4,020	8,087	9,919	8,142	3,795
5415	Energy Conservation	6,813	10,552	4,773	-	-	-
5420	Community Safety Program	313	-	-	-	-	-
5425	Miscellaneous Customer Service and Informational Expenses	-	-	-	-	-	-
5505	Supervision	-	-	-	-	-	-
5510	Demonstrating and Selling Expense	-	-	-	-	-	-
5515	Advertising Expenses	1,417	5,762	4,022	4,205	7,789	-
5520	Miscellaneous Sales Expense	-	-	-	-	-	-
	<b>TOTAL COMMUNITY RELATIONS EXPENSES</b>	<b>13,421</b>	<b>20,335</b>	<b>16,882</b>	<b>14,124</b>	<b>15,930</b>	<b>3,795</b>



**Table 4.14 Detailed Account by Account General & Administrative Expenses**

USoA	General & Administrative Expenses	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual
5605	Executive Salaries and Expenses	29,780	25,073	42,634	13,631	18,940	19,661
5610	Management Salaries and Expenses	248,233	263,973	208,912	269,158	331,647	316,300
5615	General Administrative Salaries and Expenses	59,076	59,252	77,016	72,225	55,322	61,905
5620	Office Supplies and Expenses	113,824	92,586	82,004	104,100	61,253	81,984
5625	Administrative Expense Transferred - Credit	-	-	-	-	-	-
5630	Outside Services Employed	110,402	99,276	111,177	140,089	107,295	109,679
5635	Property Insurance	35,628	29,618	30,416	30,088	28,989	41,996
5640	Injuries and Damages	50,548	44,969	32,174	47,780	36,996	33,798
5645	Employee Pensions and Benefits	4,838	15,282	28,672	26,901	393	2,229
5650	Franchise Requirements	-	-	-	-	-	-
5655	Regulatory Expenses	33,791	24,682	26,016	28,081	32,940	48,176
5660	General Advertising Expenses	6,112	4,678	-	-	-	-
5665	Miscellaneous General Expenses	5,557	3,311	2,480	1,327	10,547	9,134
5670	Rent	-	-	-	-	-	-
5675	Maintenance of General Plant	92,855	95,441	88,466	104,549	78,221	83,538
5680	Electrical Safety Authority Fees	5,088	4,644	5,093	5,000	5,576	5,523
5681	Special Purpose Charge Expense	-	-	-	-	41,626	35,213
5685	Independent Electricity System Operator Fees and Penalties	-	-	-	-	-	-
5695	OM&A Contra Account	-	1	-	(11,489)	-	-
6205	Donations (Charitable Contributions)	-	-	-	-	50	25
	<b>TOTAL GENERAL &amp; ADMINISTRATIVE EXPENSES</b>	<b>795,730</b>	<b>762,787</b>	<b>735,060</b>	<b>831,441</b>	<b>809,795</b>	<b>849,160</b>



## VARIANCE ANALYSIS ON OM&A COSTS:

E.L.K has provided a detailed OM&A cost table covering Actuals from the period 2006 through 2011 inclusive and the 2012 Test Year in Exhibit 4, Tab 2, Schedule 2, above. Before moving to a variance analysis for each account that exceeds the materiality threshold, a summary of total OM&A expenses is presented below along with an analysis of the total movement from 2006 Actual to 2012 Test Year.

**Table 4.15 Cost Driver Table**

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual
<b>Total OM&amp;A- Opening Balance</b>	1,133,388	1,798,395	1,928,021	2,172,542	2,498,193	2,081,904	2,417,722
<b>A. Payroll &amp; Benefits</b>	72,714	17,036	(24,178)	28,069	26,086	(440)	213,039
<b>B. O/H &amp; U/G Maintenance Expenses</b>	(121,997)	130,791	25,961	185,089	(259,446)	223,070	(45,774)
<b>C. Meter Reading/Customer Billing</b>	43,923	39,696	(10,623)	67,409	(76,782)	(34,725)	37,189
<b>D. Third Party Professional Services</b>	36,976	(11,126)	11,901	28,913	(32,794)	2,383	23,571
<b>E. Bad Debts Write Offs</b>	14,179	(11,029)	277,063	(22,579)	(65,687)	119,236	(59,515)
<b>F. Energy Conservation</b>	2,975	2,568	(1,713)	(2,941)	(1,777)	(4,347)	(795)
<b>G. Miscellaneous</b>	616,237	(38,310)	(33,890)	41,691	(5,889)	30,641	21,072
<b>Total OM&amp;A- Closing Balance</b>	<b>1,798,395</b>	<b>1,928,021</b>	<b>2,172,542</b>	<b>2,498,193</b>	<b>2,081,904</b>	<b>2,417,722</b>	<b>2,606,509</b>

### A. Payroll & Benefits

Year over year changes in compensation and benefits from 2006 through 2009 are not significant and represent differences in allocation of time through a detailed labour distribution. The increase in 2010 is the result of the Director of Finance & Regulatory Affairs returning to work in 2010 and the reduction into 2011 is the Director of Finance not being on payroll for an amount of time. In 2012, the increase represents the replacement of the Director of Finance who left the company in 2011 and as well as the addition of one new staff member, to assist with increased workloads due to Green Energy initiatives, managing the processes of both microFIT and FIT contracts, conservation tracking and reporting, assisting in the International Financial Reporting Standards conversion, as well as implementing and maintaining time-of-use web presentment tools and the MDM/R daily process. As well, there have been minimal increases in benefits costs in the majority of the aforementioned years. Please see table 4.26 for a further breakdown and details concerning payroll & benefits.

### B. Overhead & Underground Maintenance Expenses

A significant reduction in Underground and Overhead Maintenance expenses for 2006 was primarily due to a reduction in demand work for trouble/service calls as well as some significant



capital projects occurring around this time, ultimately deferring the overhead and underground maintenance. The reduction primarily affected the following 4 accounts: a reduction of \$15,536 for Acct 5020 Overhead Distribution Lines & Feeders - Operation Labour; a reduction of \$14,109 for Acct 5040 Underground; a reduction of \$17,971 for Acct 5125 Maintenance of Overhead Conductors & Devices; and a reduction of \$61,038 for Acct 5150 Maintenance of Underground Conductors & Devices. The significant increase in 2007 primarily affects the same accounts and represented a catch up from the previous year which had minimal O/H & U/G maintenance. 2008 is consistent, but there was a significant increase in 2009. This increase is the result of significant maintenance due to a very unstable weather year with significant storms, causing much damage. 2010 showed a significant decrease due to the implementation of E.L.K.'s approximately 11,000 smart meters all of which were installed in house. As such labour hours were concentrated for this necessary project. The 2011 increase reflects some of the catch up that occurred after 2010.

#### **C. Meter Reading/Customer Billing**

This cost centre includes accounts related to meter reading expense, customer billing, customer postage and customer supplies. The increases and decreases vary from year to year on a rather stable basis and can be explained primarily from the change in customer postage and supplies. The timing of purchases also explains the small variances from year to year. The decrease in meter reading expenses from 2010 through 2012 is primarily the result of E.L.K. no longer using a third party contractor for meter reading services for both residential and general service <50 customers. The third party contractor completed its work at the end of 2010/beginning of 2011 due to the fact that E.L.K.'s smart meter reads are now transmitted through radio frequency to the MDM/R for validation.

#### **D. Third Party Professional Services**

E.L.K. utilizes a number of third party services for various activities including, audit, legal, regulatory services, collection services, meter reading, and CIS support. Individual amounts fluctuate annually based on requirements each year. Amounts are fairly consistent year over year. A full analysis is available below.



**E. Bad Debt Write-Offs**

E.L.K. has seen a steady increase in bad debt expense over the past few years as the region has faced economic difficulty. Beginning in 2008, E.L.K. increased its focus on accounts with overdue balances. As a result, a one-time clean up of accounts (with accounts written off) occurred at this time. Subsequent to 2008, E.L.K., with its auditor's approval, developed a mechanism to better track and provide for allowance for doubtful accounts, which were consistently producing similar bad debts amounts. In 2012 bad debt expense is anticipated to decrease due to two primary factors: (1) continued increased collection efforts in-house for active accounts on a monthly basis through reminder notices, final notices as well as personalized phone calls; and (2) the first full year of using a third party collection agency with respect to finalised accounts. As discussed in the "Collections" section in Exhibit 4, Tab 2, Schedule 1, above, E.L.K.'s new process involves an initial attempt at collection through a reminder and final notice approach that details if payment is not made, the account will be forwarded to collections. The professional services of a collection agency also support the planned reduction of the allowance for doubtful accounts and ultimately bad debts.

**G. Miscellaneous**

Changes in miscellaneous expenses represent various year over year changes as described in the account by account variance analysis below if applicable.

**Variance Analysis:**

Consistent with Chapter 2 of the Board's Filing Requirements, E.L.K. has provided variance analyses for the 2012 Test Year vs. 2006 – Last Board Approved Rebasing Application (Actual) and between the 2012 Test Year and 2011 Actual (Most Current Actual). E.L.K. has reviewed the variance of each USoA account and provided explanations for variances exceeding a materiality threshold of \$50,000. The variances are indicated in the following tables highlighted in yellow and an explanation of each variance is presented in the following section.



Account Description	Last Board- approved Rebasing Year (2006 Actuals)	Most Current Actual Year (2011)	Test Year (2012)	Test Year Versus Last Rebasing		Test Year Versus Most Current Actuals		
				Variance (\$)	Percentage Change (%)	Variance (\$)	Percentage Change (%)	
Operations								
5005 Operation Supervision and Engineering	\$72,064	\$60,876	\$81,000	\$ 8,936	12.40%	\$ 20,125	33.06%	
5010 Load Dispatching	\$0	\$277	\$1,000	\$ 1,000		\$ 723	260.37%	
5012 Station Buildings and Fixtures Expense	\$0	\$0	\$0	\$ -		\$ -		
5014 Transformer Station Equipment - Operation Labour	\$0	\$0	\$0	\$ -		\$ -		
5015 Transformer Station Equipment - Operation Supplies and Expenses	\$0	\$0	\$0	\$ -		\$ -		
5016 Distribution Station Equipment - Operation Labour	\$1,061	\$460	\$2,000	\$ 939	88.46%	\$ 1,540	335.21%	
5017 Distribution Station Equipment - Operation Supplies and Expenses	\$0	\$0	\$0	\$ -		\$ -		
5020 Overhead Distribution Lines and Feeders - Operation Labour	\$49,507	\$40,304	\$54,000	\$ 4,493	9.08%	\$ 13,696	33.98%	
5025 Overhead Distribution Lines and Feeders - Operation Supplies and Expenses	\$0	\$24	\$0	\$ -		\$ 24	-100.00%	
5030 Overhead Sub-transmission Feeders - Operation	\$0	\$0	\$0	\$ -		\$ -		
5035 Overhead Distribution Transformers - Operation	\$417	\$4,180	\$4,000	\$ 3,583	859.21%	\$ 180	-4.32%	
5040 Underground Distribution Lines and Feeders - Operation Labour	\$78,636	\$103,084	\$100,000	\$ 21,364	27.17%	\$ 3,084	-2.99%	
5045 Underground Distribution Lines and Feeders - Operation Supplies and Expenses	\$0	\$0	\$0	\$ -		\$ -		
5050 Underground Sub-transmission Feeders - Operation	\$0	\$0	\$0	\$ -		\$ -		
5055 Underground Distribution Transformers - Operation	\$1,328	\$2,550	\$1,000	\$ 328	-24.71%	\$ 1,550	-60.79%	
5060 Street Lighting and Signal System Expense	\$0	\$0	\$0	\$ -		\$ -		
5065 Meter Expense	\$17,365	\$20,937	\$22,000	\$ 4,635	26.69%	\$ 1,063	5.08%	
5070 Customer Premises - Operation Labour	\$0	\$0	\$0	\$ -		\$ -		
5075 Customer Premises - Operation Materials and Expenses	\$0	\$0	\$0	\$ -		\$ -		
5085 Miscellaneous Distribution Expenses	\$0	\$0	\$0	\$ -		\$ -		
5090 Underground Distribution Lines and Feeders - Rental Paid	\$0	\$0	\$0	\$ -		\$ -		
5095 Overhead Distribution Lines and Feeders - Rental Paid	\$10,180	\$14,131	\$26,000	\$ 15,820	155.41%	\$ 11,869	83.99%	
5096 Other Rent	\$0	\$0	\$0	\$ -		\$ -		
Total - Operations	\$ 230,558	\$ 246,823	\$ 291,000	\$ 60,442	26.22%	\$ 44,177	17.90%	
Account Description								
Maintenance								
5105 Maintenance Supervision and Engineering	\$0	\$0	\$0	\$ -		\$ -		
5110 Maintenance of Buildings and Fixtures - Distribution Stations	\$0	\$0	\$0	\$ -		\$ -		
5112 Maintenance of Transformer Station Equipment	\$0	\$0	\$0	\$ -		\$ -		
5114 Maintenance of Distribution Station Equipment	\$0	\$0	\$0	\$ -		\$ -		
5120 Maintenance of Poles, Towers and Fixtures	\$7,954	\$28,940	\$29,000	\$ 21,046	264.57%	\$ 60	0.21%	
5125 Maintenance of Overhead Conductors and Devices	\$55,886	\$101,474	\$90,000	\$ 34,114	61.04%	\$ 11,474	-11.31%	
5130 Maintenance of Overhead Services	\$28,276	\$35,287	\$35,000	\$ 6,724	23.78%	\$ 287	-0.81%	
5135 Overhead Distribution Lines and Feeders - Right of Way	\$23,264	\$89,166	\$81,000	\$ 57,736	248.18%	\$ 8,166	-9.16%	
5145 Maintenance of Underground Conduit	\$4,604	\$0	\$0	\$ -4,604	-100.00%	\$ -		
5150 Maintenance of Underground Conductors and Devices	\$30,808	\$86,462	\$76,000	\$ 45,192	146.69%	\$ 10,462	-12.10%	
5155 Maintenance of Underground Services	\$58,333	\$129,762	\$94,000	\$ 35,667	61.14%	\$ 35,762	-27.56%	
5160 Maintenance of Line Transformers	\$24,593	\$33,009	\$32,000	\$ 7,407	30.12%	\$ 1,009	-3.06%	
5165 Maintenance of Street Lighting and Signal Systems	\$0	\$0	\$0	\$ -		\$ -		
5170 Sentinel Lights - Labour	\$0	\$0	\$0	\$ -		\$ -		
5172 Sentinel Lights - Materials and Expenses	\$0	\$0	\$0	\$ -		\$ -		
5175 Maintenance of Meters	\$11,158	\$18,463	\$18,000	\$ 6,842	61.32%	\$ 463	-2.51%	
5178 Customer Installations Expenses - Leased Property	\$0	\$0	\$0	\$ -		\$ -		
5195 Maintenance of Other Installations on Customer Premises	\$0	\$0	\$0	\$ -		\$ -		
Total - Maintenance	\$ 244,876	\$ 522,563	\$ 455,000	\$ 210,124	85.81%	\$ 67,563	-12.93%	

1

2



Account Description								
<b>Billing and Collecting</b>								
5305 Supervision	\$88,398	\$87,991	\$90,000	\$ 1,602	1.81%	\$ 2,009	2.28%	
5310 Meter Reading Expense	\$141,706	\$78,665	\$110,064	\$- 31,642	-22.33%	\$ 31,399	39.92%	
5315 Customer Billing	\$195,400	\$235,490	\$241,000	\$ 45,600	23.34%	\$ 5,510	2.34%	
5320 Collecting	\$73,052	\$79,386	\$80,000	\$ 6,949	9.51%	\$ 614	0.77%	
5325 Collecting - Cash Over and Short	(\$257)	\$1,334	\$1,000	\$ 1,257	-489.11%	\$- 334	-25.02%	
5330 Collection Charges	\$0	\$0	\$0	\$ -		\$ -		
5335 Bad Debt Expense	\$10,917	\$312,515	\$253,000	\$ 242,083	2217.58%	\$- 59,515	-19.04%	
5340 Miscellaneous Customer Accounts Expenses	\$4,594	\$0	\$0	\$- 4,594	-100.00%	\$ -		
<b>Total - Billing and Collecting</b>	<b>\$ 513,809</b>	<b>\$ 795,381</b>	<b>\$ 775,064</b>	<b>\$ 261,255</b>	<b>50.85%</b>	<b>\$- 20,317</b>	<b>-2.55%</b>	
<b>Account Description</b>								
<b>Community Relations</b>								
5405 Supervision	\$0	\$0	\$0	\$ -		\$ -		
5410 Community Relations - Sundry	\$4,879	\$3,795	\$3,000	\$- 1,879	-38.51%	\$ 795	-20.94%	
5415 Energy Conservation	\$6,813	\$0	\$0	\$- 6,813	-100.00%	\$ -		
5420 Community Safety Program	\$313	\$0	\$0	\$- 313	-100.00%	\$ -		
5425 Miscellaneous Customer Service and Informational Expenses	\$0	\$0	\$0	\$ -		\$ -		
5505 Supervision	\$0	\$0	\$0	\$ -		\$ -		
5510 Demonstrating and Selling Expense	\$0	\$0	\$0	\$ -		\$ -		
5515 Advertising Expenses	\$1,417	\$0	\$7,000	\$ 5,583	394.16%	\$ 7,000		
5520 Miscellaneous Sales Expense	\$0	\$0	\$0	\$ -		\$ -		
<b>Total - Community Relations</b>	<b>\$ 13,421</b>	<b>\$ 3,795</b>	<b>\$ 10,000</b>	<b>\$- 3,421</b>	<b>-25.49%</b>	<b>\$ 6,205</b>	<b>163.52%</b>	
<b>Account Description</b>								
<b>Administrative and General Expenses</b>								
5605 Executive Salaries and Expenses	\$29,780	\$19,661	\$20,000	\$- 9,780	-32.84%	\$ 339	1.73%	
5610 Management Salaries and Expenses	\$248,233	\$316,300	\$505,000	\$ 256,767	103.44%	\$ 188,700	59.66%	
5615 General Administrative Salaries and Expenses	\$59,076	\$61,905	\$65,000	\$ 5,924	10.03%	\$ 3,095	5.00%	
5620 Office Supplies and Expenses	\$113,824	\$81,984	\$87,000	\$- 26,824	-23.57%	\$ 5,016	6.12%	
5625 Administrative Expense Transferred - Credit	\$0	\$0	\$0	\$ -		\$ -		
5630 Outside Services Employed	\$110,402	\$109,679	\$122,000	\$ 11,598	10.51%	\$ 12,321	11.23%	
5635 Property Insurance	\$35,628	\$41,996	\$28,000	\$- 7,628	-21.41%	\$ 13,996	-33.33%	
5640 Injuries and Damages	\$50,548	\$33,798	\$58,000	\$ 7,452	14.74%	\$ 24,202	71.61%	
5645 Employee Pensions and Benefits	\$4,838	\$2,229	\$1,000	\$- 3,838	-79.33%	\$ 1,229	-55.13%	
5650 Franchise Requirements	\$0	\$0	\$0	\$ -		\$ -		
5655 Regulatory Expenses	\$33,791	\$48,176	\$109,408	\$ 75,617	223.78%	\$ 61,232	127.10%	
5660 General Advertising Expenses	\$6,112	\$0	\$0	\$- 6,112	-100.00%	\$ -		
5665 Miscellaneous General Expenses	\$5,557	\$9,134	\$10,000	\$ 4,443	79.96%	\$ 866	9.48%	
5670 Rent	\$0	\$0	\$0	\$ -		\$ -		
5675 Maintenance of General Plant	\$92,855	\$83,538	\$64,000	\$- 28,855	-31.08%	\$- 19,538	-23.39%	
5680 Electrical Safety Authority Fees	\$5,088	\$5,523	\$6,000	\$ 912	17.92%	\$ 477	8.64%	
5681 Special Purpose Charge Expense	\$0	\$35,213	\$0	\$ -		\$ -		
5685 Independent Electricity System Operator Fees and Penalties	\$0	\$0	\$0	\$ -		\$ -		
5695 OM&A Contra Account	\$0	\$0	\$0	\$ -		\$ -		
6205 Donations (Charitable Contributions)	\$0	\$ 25	\$ 38	\$ 38		\$ 13	50.00%	
<b>Total - Administrative and General Expenses</b>	<b>\$ 795,730</b>	<b>\$ 849,160</b>	<b>\$1,075,446</b>	<b>\$ 279,715</b>	<b>35.15%</b>	<b>\$ 226,285</b>	<b>26.65%</b>	
<b>Total OM&amp;A</b>	<b>\$ 1,798,394</b>	<b>\$2,417,722</b>	<b>\$2,606,509</b>	<b>\$ 808,115</b>	<b>44.94%</b>	<b>\$ 188,787</b>	<b>7.81%</b>	

## 2006 ACTUAL VERSUS 2012 TEST VARIANCE ANALYSIS:

### 5135 – Distribution Lines and Feeders – Right of Way **\$57,736**

This account involves the labour and overhead for tree trimming. Tree trimming costs were minimal from 2006 (\$23,264) through 2007 (\$42,212). This is the result of significant capital projects and subdivision work during this time which took priority. In 2008, (\$63,629) and 2009 (\$109,493), E.L.K. had significant forestry completed in these years to catch up on previously uncompleted work. In 2010, tree trimming expenditures decreased significantly (\$32,897) due to the implementation of E.L.K.'s approximately 11,000 smart meters all of which were installed by E.L.K. staff. The 2011 actual (\$89,166) and 2012 Budgeted (\$81,000) amounts reflect a more consistent and normalized level that is sustainable to allow E.L.K. to avoid future accumulation of needed forestry work.



**5335 – Bad Debt Expense                      \$242,083**

Bad Debt Expense significantly increased from minimal amounts in 2006 (\$10,917) and 2007 (\$4,482) as amounts were likely not fully recognized. Beginning in 2008, E.L.K. increased its focus on accounts with overdue balances. As a result, a one-time clean up of accounts (with accounts written off) occurred at this time. The 2008 actual level was \$281,545. A more detailed review of the allowance for doubtful accounts by both E.L.K. and its auditors was performed for the year-ending 2008 which resulted in a significant adjustment to increase the allowance for doubtful accounts and ultimately the bad debt expense, a conservative approach. The decrease from \$281,545 in 2008 to \$258,966 in 2009 and \$193,270 in 2010 were the result of E.L.K. continuing to fine tune the new approach of looking at the allowance as well as E.L.K.'s increased efforts at in-house collections for active accounts on a monthly basis through reminder notices, final notices as well as personalized phone calls. The apparent increase in the 2011 Actual amount (\$312,515) is the result of the incorrect amounts being used from E.L.K.'s custom overdue report in 2010, a manual calculation error which was adjusted for in 2011, as well as the continued struggle of the local economy. E.L.K. has once again increased its collection effort specifically with respect to finalled accounts, accounts whose customers have completed the termination of services paperwork, through a reminder and final notice approach that details if payment is not made, the account will be forwarded to collections. E.L.K. has engaged a collection agency in 2012 to assist in reducing the allowance for doubtful accounts and ultimately bad debts, resulting in a budgeted amount of \$253,000.

**5610 Management Salaries and Expenses                      \$256,767**

Within the USoA account 5610, E.L.K has reported the costs for the Chief Executive Officer, Director, Finance & Regulatory Affairs and Manager, Finance & Regulatory Affairs. Please note that some immaterial costs of these individuals may have been allocated to different cost centers as well. The increase from 2006 (\$248,333) to 2007 (\$263,973) is attributable to pay increases. From 2008 through 2011, there are fluctuations in the expenditures in this area due to on-going changes in the status of the former Director of Finance & Regulatory Affairs. The decrease into 2008 (\$208,912) is the result of the Director of Finance & Regulatory Affairs only



1 working ten months in the 2008 fiscal year. In 2009 (\$269,158), the small increase over 2008 is  
2 the result of pay increases and E.L.K. creating a new position, Manager of Finance &  
3 Regulatory Affairs, which accounts for most of the increase. The increase in 2010 Actual (to  
4 \$331,647) results from the return of the Director of Finance on a three day a week full time basis  
5 while maintaining the Manager of Finance & Regulatory Affairs position. The slight decrease in  
6 2011 (to \$316,300) is the result of the Director only working for four months in that year. The  
7 budgeted 2012 amount of \$505,000 includes additional pay increases and the replacement of  
8 the Director of Finance as a full time position who left the company in 2011 as well as the  
9 addition of one new staff member, a financial analyst to assist with increased workloads due to  
10 Green Energy initiatives, managing the processes of both microFIT and FIT contracts,  
11 conservation tracking and reporting, assisting in the International Financial Reporting Standards  
12 conversion, as well as implementing and maintaining time-of-use web presentment tools and  
13 the MDM/R daily process.

14 **5655 – Regulatory Expenses \$75,617**

15 The variance of regulatory expenses from 2006 through 2011 is primarily the result of the total  
16 cost of OEB annual assessments. The increased cost for the 2012 Test year over the 2006  
17 Actual spending is primarily the result of increased costs related to the completion of E.L.K.'s  
18 cost of service application, including an increase of approximately \$25,000 in legal costs for  
19 regulatory matters, a \$37,000 increase in consultant's costs and \$11,000 in intervenor costs.

20 **2011 ACTUAL VERSUS 2012 TEST YEAR VARIANCE ANALYSIS:**

21 **5335 – Bad Debt Expense \$(59,515)**

22 The decrease in bad debt expense from 2011 Actual to the 2012 Test Year is approximately  
23 \$60,000. As previously discussed above, this budgeted decrease for 2012 is due to two primary  
24 factors being: (1) continued increased collection efforts in-house for active accounts on a  
25 monthly basis through reminder notices, final notices as well as personalized phone calls; and  
26 (2) the first full year of using a third party collection agency with respect to finalised accounts.  
27 E.L.K. new process first attempts collection through a reminder and final notice approach that  
28 details if payment is not made, the account will be forwarded to collections. The professional



services of a collection agency also support the planned reduction of the allowance for doubtful accounts and ultimately bad debts.

**5610 Management Salaries and Expenses \$188,700**

The budgeted 2012 amount of \$505,000 which results in an approximate \$189,000 increase from 2011 Actual includes pay increases and the replacement of the Director of Finance as a full time position (the individual previously in that position left the company in 2011) as well as the addition of one new staff member, a financial analyst to assist with increased workloads due to Green Energy initiatives, managing the processes of both microFIT and FIT contracts, conservation tracking and reporting, assisting in the International Financial Reporting Standards conversion, as well as implementing and maintenance of time-of-use web presentment tools and the MDM/R daily process.

**5655 – Regulatory Expenses \$61,232**

The increase of regulatory expenses from 2011 Actual to 2012 Test as previously discussed is primarily the result of increased costs related to the completion of E.L.K.'s cost of service application. Approximations include an increase of approximately \$25,000 in legal costs for regulatory matters, a \$37,000 increase in consultant's costs and Board costs and a \$11,000 increase for intervener costs.

E.L.K. has included any one-time costs regarding regulatory expenses in this application and these costs are amortized over a four year period.

The table below sets out the OM&A cost per customer and Full Time equivalent employee.

**Table 4.16 – OM&A Per Customer and FTE**

Description	2006 Board Approved	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Test
Number of Customers	10,478	10,721	10,819	10,873	11,013	11,183	11,257	11,367
Total OM&A from Appendix 2-G	1,937,607	1,798,394	1,928,012	2,172,053	2,498,192	2,081,904	2,417,722	2,606,509
OM&A cost per customer	185	168	178	200	227	186	215	229
Number of FTEs	20	19	19	19	20	20	20	21
Customers/FTEs	524	564	569	572	551	559	563	541
OM&A Cost per FTEE	96,880	94,652	101,474	114,319	124,910	104,095	120,886	124,119

The number of customers includes the average number of residential, GS<50 and GS>50 customers as found in E.L.K.'s Load Forecast.



E.L.K. has included the cost of the Low Income Assistance Program (LEAP) in account 5655 – Regulatory Expenses calculated as 0.12% of the 2006 Cost of Service Revenue Requirement of \$3,800,795 (LEAP program funding of \$4,560.95).

Regulatory costs as indicated in the variance analysis are presented in Table 4.17. Regulatory costs for the 2012 rate application amounting to \$111,000, including E.L.K. consulting costs as well as anticipated Board and Intervenor expenses have been amortized over a four year period in the 2012 OM&A budget. The costs that have been included are indicated below:

**Table 4.17 - Regulatory Costs**

Regulatory Cost Category	USoA Account	USoA Account Balance	Ongoing or One-time Cost?	Last Rebased Year 2006	2007	2008	2009	2010	2011	Annual % Change	2012	Annual % Change
1 OEB Annual Assessment	5655		On-Going	\$ 31,712	\$ 20,640	\$ 25,096	\$ 27,794	\$ 32,082	\$ 30,758	-4.13%	\$ 29,970	-2.56%
2 OEB Hearing Assessments (applicant-originated)												
3 OEB Section 30 Costs (OEB-initiated)	5655		One-Time	\$ 189	\$ 853	\$ 1,694	\$ 916	\$ 626	\$ 1,340	114.06%	\$ 2,000	49.25%
4 Expert Witness costs for regulatory matters												
5 Legal costs for regulatory matters	5655		One-Time								\$ 25,000	
6 Consultants' costs for regulatory matters	5655		One-Time						\$ 9,848		\$ 36,925	274.95%
7 Operating expenses associated with staff resources allocated to regulatory matters												
8 Operating expenses associated with other resources allocated to regulatory matters <sup>1</sup>												
9 Other regulatory agency fees or assessments	5655		On-Going	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	0.00%	\$ 800	0.00%
10 Any other costs for regulatory matters (Misc and LEAP)	5655		One-Time	\$ 1,090	\$ 2,389	-\$ 1,574	-\$ 1,429	-\$ 569	\$ 5,431	-1054.48%	\$ 4,561	-16.02%
11 Intervenor costs	5655		One-Time								\$ 11,250	
12 Sub-total - Ongoing Costs <sup>3</sup>		\$ -		\$ 32,512	\$ 21,440	\$ 25,896	\$ 28,594	\$ 32,882	\$ 31,558	-4.03%	\$ 30,770	-2.50%
13 Sub-total - One-time Costs <sup>4</sup>		\$ -		\$ 1,279	\$ 3,242	\$ 120	-\$ 513	\$ 57	\$ 16,619	29056.14%	\$ 79,736	379.79%
14 Total		\$ -		\$ 33,791	\$ 24,682	\$ 26,016	\$ 28,081	\$ 32,939	\$ 48,177	46.26%	\$ 110,506	129.38%
<b>Notes:</b>												
<sup>1</sup>	Please identify the resources involved.											
<sup>2</sup>	Where a category's costs include both one-time and ongoing costs, the applicant should prove a separate breakdown between one-time and ongoing costs.											
<sup>3</sup>	Sum of all ongoing costs identified in rows 1 to 11 inclusive.											
<sup>4</sup>	Sum of all one-time costs identified in rows 1 to 11 inclusive.											



**CHARGES TO AFFILIATES FOR SERVICES PROVIDED**

**Introduction:**

E.L.K. provides services for an affiliate company, E.L.K. Solutions Inc. ("E.L.K. Solutions")  
E.L.K. also performs services for its shareholder the Town of Essex. A summary of  
charges to affiliates and the Town of Essex for services provided in 2006 Actual, 2007  
Actual, 2008 Actual, 2009 Actual, 2010 Actual, 2011 Actual and 2012 Test Year, is shown  
in the following Table 4.18.

**SERVICES PROVIDED BY E.L.K. TO E.L.K. SOLUTIONS**

**Water Heater Services**

E.L.K. provides E.L.K. Solutions with billing, collecting and other customer service  
services for Water Heater rentals for approximately 151 customers. This included issuing  
approximately 1,812 bills for water heater rental units on a yearly basis. Customers are  
charged a flat rate each month, the amount of which depends on the size of the tank.  
Costs for this service were determined through employee time sheets with the appropriate  
amount charged to E.L.K. Solutions at fully burdened employee rates.

**Street Light and Sentinel Light Services**

E.L.K. provides maintenance services for street lights and sentinel lights to E.L.K.  
Solutions. These services are provided based on employee time at fully burdened rates,  
as well as truck and material expenses at fully burdened costs. These costs are  
summarized in Table 4.18 below.

**SERVICES PROVIDED BY E.L.K. TO TOWN OF ESSEX**

**Water & Sewer Billing Services**

E.L.K. provides the Town of Essex water and sewer billing services. These services  
include meter reading, service orders, billing, bill collection and payment, answering all  
customer water and sewage related inquiries and other customer services as required. By



providing this service, E.L.K. has been able to combine meter reading, billing, collections and customer service functions. Approximately 35% of the bills issued each month are shared electricity/water and sewer bills and approximately 27% are water only accounts. A mechanism of cost plus mark-up is used to charge the Town of Essex for the water and sewer billing and collecting services provided by E.L.K..

**TABLE 4.18 - SHARED SERVICES/CORPORATE COST ALLOCATION**

2006 Actual Charges to Affiliates						
Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service	Percentage Allocation
From	To			\$	\$	%
E.L.K. Energy Inc	E.L.K. Solutions	Streetlighting, Sentinel Lighting and Water Heaters	Cost	264,000.00	264,000.00	100%
E.L.K. Energy Inc	Town of Essex	Billing Function for Water Department	Cost Base plus mark-up	295,000.00	245,833.00	100%
2007 Actual Charges to Affiliates						
Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service	Percentage Allocation
From	To			\$	\$	%
E.L.K. Energy Inc	E.L.K. Solutions	Streetlighting, Sentinel Lighting and Water Heaters	Cost	213,000.00	213,000.00	100%
E.L.K. Energy Inc	Town of Essex	Billing Function for Water Department	Cost Base plus mark-up	281,000.00	234,167.00	100%



2008 Actual Charges to Affiliates						
Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service	Percentage Allocation
From	To			\$	\$	%
E.L.K. Energy Inc	E.L.K. Solutions	Streetlighting, Sentinel Lighting and Water Heaters	Cost	171,000.00	171,000.00	100%
E.L.K. Energy Inc	Town of Essex	Billing Function for Water Department	Cost Base plus mark-up	267,000.00	222,500.00	100%
2009 Actual Charges to Affiliates						
Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service	Percentage Allocation
From	To			\$	\$	%
E.L.K. Energy Inc	E.L.K. Solutions	Streetlighting, Sentinel Lighting and Water Heaters	Cost	144,000.00	144,000.00	100%
E.L.K. Energy Inc	Town of Essex	Billing Function for Water Department	Cost Base plus mark-up	253,000.00	210,833.00	100%
2010 Actual Charges to Affiliates						
Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service	Percentage Allocation
From	To			\$	\$	%
E.L.K. Energy Inc	E.L.K. Solutions	Streetlighting, Sentinel Lighting and Water Heaters	Cost	174,000.00	174,000.00	100%
E.L.K. Energy Inc	Town of Essex	Billing Function for Water Department	Cost Base plus mark-up	234,000.00	195,000.00	100%
2011 Actual Charges to Affiliates						
Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service	Percentage Allocation
From	To			\$	\$	%
E.L.K. Energy Inc	E.L.K. Solutions	Streetlighting, Sentinel Lighting and Water Heaters	Cost	103,000.00	103,000.00	100%
E.L.K. Energy Inc	Town of Essex	Billing Function for Water Department	Cost Base plus mark-up	238,000.00	198,333.00	100%

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2012 Test Charges to Affiliates						
Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service	Percentage Allocation
From	To			\$	\$	%
E.L.K. Energy Inc	E.L.K. Solutions	Streetlighting, Sentinel Lighting and Water Heaters	Cost	148,000.00	148,000.00	100%
E.L.K. Energy Inc	Town of Essex	Billing Function for Water Department	Cost Base plus mark-up	240,000.00	200,000.00	100%



**PURCHASE OF PRODUCTS AND SERVICES FROM NON-AFFILIATES**

E.L.K. purchases many services and products from third parties. Tables 4.19, 4.20, 4.21, 4.22, 4.23 and 4.24 disclose the expenditures by vendor where the annual amount exceeded \$50,000 per year, for the years 2006, 2007, 2008, 2009, 2010, 2011 respectively. Table 15 contains the vendor information for 2012 where the year to date amount has exceeded \$50,000 as of August 22, 2012.

Purchases for 2012 operating and capital works will continue to be based on the methodology contained within E.L.K.'s Procurement Policy, which has been attached as Appendix 4-A.



Table 4.19 - 2006 Non-Affiliate Suppliers			
Vendor	Amount	Product/Service	Procure Method
CWS - Corix	\$ 51,447.01	Meter Reading	RFP
Canada Post Corporation	\$ 79,950.00	Postage	Market Rate
Grafton Utility Supply	\$ 72,440.89	Material	RFQ
Ken Lepain & Sons Trucking	\$ 62,121.54	Inspection/Fleet Repairs	RFQ
Lakeport Power	\$ 67,539.22	Transformers	RFQ
Mearie Management Inc.	\$ 160,549.98	Insurance/Benefits	Sole Source
Nedco - Division of Westburne	\$ 255,915.22	Material	RFQ
Posi-Plus Ontario Inc	\$ 163,186.44	New Bucket Truck	RFP
Rapid Drainage	\$ 71,034.76	Directional Drill	RFQ

Table 4.20 - 2007 Non-Affiliate Suppliers			
Vendor	Amount	Product/Service	Procure Method
Advanced Utility Systems	\$ 52,212.00	Customer Info System	RFP
Canada Post Corporation	\$ 79,500.00	Postage	Market Rate
Guelph Utility Pole Company	\$ 74,624.40	Poles	RFQ
Harris Computer Systems	\$ 90,028.93	Customer Info System	RFP
HD Supply Limited	\$ 91,213.63	Material	RFQ
Lakeport Power	\$ 119,023.86	Transformers	RFQ
Mearie Management Inc.	\$ 164,093.63	Insurance/Benefits	Sole Source
Moloney Electric	\$ 67,185.90	Transformers	RFQ
Nedco - Division of Westburne	\$ 141,706.49	Material	RFQ
PC Outlet Computer Stores	\$ 56,871.70	IT Support/Material	Sole Source
Posi-Plus Ontario Inc	\$ 318,542.22	New Bucket Trucks	RFP
Siemens Canada Limited	\$ 153,429.70	Transformers	RFQ
Westburne Supply Ontario	\$ 53,248.07	Material	RFQ

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Table 4.21 - 2008 Non-Affiliate Suppliers			
Vendor	Amount	Product/Service	Procure Method
Canada Post Corporation	\$ 85,050.00	Postage	Market Rate
Dunn Paving Limited	\$ 73,131.00	Parking Lot	RFP
Harris Computer Systems	\$ 122,242.99	Customer Info System	RFP
HD Supply Utilities	\$ 94,487.81	Material	RFQ
Imperial Oil	\$ 54,871.11	Gas	RFP
Ken Knapp Ford	\$ 65,440.07	Truck	RFP
Lakeport Power	\$ 67,749.15	Transformers	RFQ
Marchant Excavating Contractors	\$ 60,265.50	Boring	RFQ
Mearie Management Inc	\$ 156,689.00	Insurance/Benefits	Sole Source
Nedco- Division of Westburne	\$ 90,377.44	Material	RFQ
Rapid Drainage	\$ 67,447.88	Directional Drill	RFQ
Westburne Supply Ontario	\$ 66,083.58	Material	RFQ

Table 4.22 - 2009 Non-Affiliate Suppliers			
Vendor	Amount	Product/Service	Procure Method
Canada Post Corporation	\$ 81,900.00	Postage	Market Rate
Echopoint Solutions	\$ 336,301.63	OPA Conservation Program	RFQ
Exomark Incorporated	\$ 96,059.01	OPA Conservation Program	RFQ
Harris Computer Systems	\$ 89,799.70	Customer Info System	RFP
HD Supply Utilities	\$ 75,107.43	Material	RFQ
Ken Knapp Ford	\$ 78,169.70	Truck	RFP
Ken Lapain & Sons Trucking	\$ 68,193.91	Inspection/Fleet Repairs	RFQ
Lakeport Power	\$ 58,324.96	Transformers	RFQ
Mearie Management Inc.	\$ 195,561.49	Insurance/Benefits	Sole Source
Peterborough Utilities Service	\$ 73,695.86	Meter Service Provider	RFQ
Rapid Drainage	\$ 80,493.00	Directional Drill	RFQ

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Table 4.23 - 2010 Non-Affiliate Suppliers			
Vendor	Amount	Product/Service	Procure Method
Canada Post Corporation	\$ 95,642.63	Postage	Market Rate
Echopoint Solutions	\$ 320,168.29	OPA Conservation Program	RFQ
Harris Computer Systems	\$ 93,283.60	Customer Info System	RFP
HD Supply Utilities	\$ 139,417.37	Material	RFQ
KTI Limited	\$ 878,617.18	Smart Metering	London RFQ Process
Lakeport Power	\$ 82,235.19	Transformers	RFQ
Marchand Excavating Contractors	\$ 69,555.15	Boring	RFQ
Mearie Management	\$ 150,888.25	Insurance/Benefits	Sole Source
Nedco - Division of Westburne	\$ 147,009.58	Material	RFQ
Sensus	\$ 100,241.69	Smart Meters	London RFQ Process

Table 4.24- 2011 Non-Affiliate Suppliers			
Vendor	Amount	Product/Service	Procure Method
Canada Post Corporation	\$ 96,050.00	Postage	Market Rate
Echopoint Solutions	\$ 154,439.35	OPA Conservation Program	RFQ
Harris Computer Systems	\$ 116,941.97	Customer Info System	RFP
HD Supply Utilities	\$ 69,927.13	Material	RFQ
Mearie Group	\$ 112,286.14	Insurance/Benefits	Sole Source
Sensus	\$ 121,952.65	Smart Meters	London RFQ Process

Table 4.25 - 2012 Non-Affiliate Suppliers			
Vendor	Amount	Product/Service	Procure Method
Canada Post Corporation	\$ 76,840.00	Postage	Market Rate
Echopoint Solutions	\$ 216,380.61	OPA Conservation Program	RFQ
HD Supply Utilities	\$ 105,805.24	Material	RFQ
Mearie Group	\$ 98,874.08	Insurance/Benefits	Sole Source

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**APPENDIX 4-A**

**E.L.K.'s Procurement Policy**





## Statement of Policy and Procedure

Manual:	Finance and Accounting	SPP No.	
Section:	Purchasing Cycle	Issued:	January 17, 2008
Subject:	Purchasing	Effective:	January 17, 2008
Issue to:	All Manual Holders	Page:	1 of 48
Issued by:		Replaces:	October 12, 2006
		Dated:	October 12, 2006

### 1 POLICY

The policies and procedures prescribed in this policy shall be followed for the purchasing of all *goods and/or services* by *E.L.K.* or any of its officers, servants or employees.

*E.L.K.* purchasing principles shall comply with the "FAIRNESS IS A TWO WAY STREET ACT (Construction, Labour/Mobility)" which was adopted by the Ontario Legislature (June 7<sup>th</sup>, 1999) as amended. The Act prohibits the Ontario Government, prescribed agencies, boards commissions, Crown Corporations and broader public sector entities (including municipalities) from *awarding construction contracts* to contractors from a designated jurisdiction. Quebec is the jurisdiction designated by regulation under the act.

### 2 PURPOSE

2.01 The goals and objectives of the Purchasing Policy and each of the methods of purchasing authorized herein are:

(1) To provide the basic minimum requirements to ensure that *quotations* are obtained, *competitive purchasing* is adhered to and continue to ensure that *E.L.K.* obtains the *best value* of *goods and/or services* at the most economical cost.

(2) To the extent possible, ensure efficiency, openness, *accountability* and transparency in the administration of the purchasing function while protecting the financial interest of *E.L.K.* and respecting the competitive interests of those participating in the purchasing process.

(3) To ensure an uninterrupted flow of *goods and/or services* by obtaining the right product, at the *best value*, with delivery at the right time.

(4) To attempt to reduce the amount of solid waste requiring *disposal* arising from the procurement of environmentally responsible *goods and/or services*.

(5) To ensure proper policies and procedures are in place to support the achievement of *Board/Corporate* goals and objectives.

### 3 SCOPE

The Purchasing Policy applies to the Company.





## Statement of Policy and Procedure

Manual:	Finance and Accounting	SPP No.	
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### 4 RESPONSIBILITY

- 4.01 Managers have the responsibility of overseeing all purchasing activities within their department(s) and are accountable for achieving *best value* while following the purchasing principles of this Policy.
- 4.02 The Chief Executive Officer and the *Director of Finance* have the responsibility and authority to:
- (a) Provide purchasing advice to departments,
  - (b) Monitor adherence to the provisions of this Policy,
  - (c) Notify Managers, in advance if possible, of non-compliance,
  - (d) Inform The *Board* that non-compliance with this Policy has occurred,
  - (e) Provide ongoing training and educational programs relating to this Policy,
  - (f) Ensure the issuance of *purchase orders* on a timely and efficient manner,
  - (g) Continuously monitor and evaluate the efficiency and effectiveness of purchasing procedures and implement opportunities for improvement,
  - (h) Sell and dispose surplus and/or obsolete material and equipment and
  - (i) *Purchase* all *goods* and *service* upon authority of a resolution of the *Board* and/or a written and properly authorized *requisition*, within the limits and conditions set out.
- 4.03 The *C.E.O.* or *Director of Finance* have the authority to instruct Managers not to approve *requisition contracts* and to submit recommendations to the *Board* for *approval* and may provide additional restrictions concerning purchasing where such action is considered necessary and in the best interest of *E.L.K.*
- 4.04 The *C.E.O.* and the *Director of Finance* from time to time, at his/her discretion, may make recommendations regarding the rescinding, remaking or amending this policy or any provision.
- 4.05 The Manager given *acquisition* authority under this policy is accountable and responsible to ensure that proper budgets exist and *purchases* do not violate any *E.L.K.* legal or statutory policy. Those responsible for *requisitioning* and purchasing *goods* and/or *services* will be held accountable for their decisions.
- 4.06 The Manager is responsible to ensure that the requirements of this Policy have been met before creating and releasing any *purchase order*.
- 4.07 *Approval* authorities of this Policy are to be in accordance with Table "B". Sales taxes, excise taxes, *goods* and *service* taxes and duties shall be included in determining the price of a *contract* for the supply of *goods* or *services* for the purpose of the relationship of the price to the Preauthorized Expenditure Limit.
- 4.08 A *Board* report recommending *award* of a *tender* or *proposal* is required as set forth in Table "B". *Board approval* may be required in cases where, in the opinion of the *C.E.O.* or *Director of Finance*, it is felt *purchases* in excess of budgetary allotments





## Statement of Policy and Procedure

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should be reviewed by the **Board**, in which case a report to the *Board* will need to be prepared.

- 4.09 The prescribed sections of this Policy maintain the integrity of the *bid solicitation* processes including protecting the interests of *E.L.K.*, the public and persons participating in a purchasing process.
- 4.10 The Ontario Public Buyers Association (OPBA) "Code of Ethics for public purchasers is based upon the following tenets and members of the OPBA attempt to consistently practice their profession and deal with their day-to-day responsibilities according to these principles. Members are encouraged to display this statement in their departments as well as other locations in their agencies."

(1) "Open and Honest Dealings with Everyone Who is Involved in the Purchasing Process." This includes all businesses with which *E.L.K.* *contracts* or from which it *purchases goods and/or services*.

(2) "Fair and Impartial *Award Recommendations* for All Contracts and Tenders." This means that *E.L.K.* does not extend preferential treatment to any vendors, including local companies. Not only is it against the law, it is not good business practice, since it limits fair and open competition for all vendors and is therefore a detriment to obtaining the best possible value for each tax dollar.

(3) "An Irreproachable Standard of Personal Integrity on the Part of All Those Designated as Purchasing Agents for this Agency." Absolutely no gifts or favours are accepted by the staff associated with the purchasing agents of *E.L.K.* in return for business or the consideration of business. *E.L.K.* does not publicly endorse one company in order to give that company an advantage over others.

4.11

*E.L.K.* is committed to the development and implementation of a vendor performance measurement system which will include, but may not be limited to, the following elements:

- (a) Effectiveness,
- (b) Objectivity,
- (c) Fairness,
- (d) Openness and Transparency,
- (e) *Accountability* and
- (f) Efficiency

## 5 DEFINITIONS

- 5.01 To establish the definition of any other purchasing term not herein included, reference shall be made to the latest edition of the National Institute of Governmental Purchasing Guide.





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*"Acceptance"* means *E.L.K.* shall be under no obligation to accept the lowest or any tender, proposal or expression of interest. *E.L.K.* shall have the right to accept any submission that it may consider to be in its best interest, or reject any or all submissions. The grounds for rejecting a submission include but are not limited to, past performance with *E.L.K.* or with other clients.

*"Accountability"* means having responsibility to account for ones conduct in an explicable and understandable manner.

*"Acquisition"* means the act of acquiring goods and services.

*"Advertising"* means the publication of projects (*tenders, proposals*, expressions of interest) in appropriate newspapers, journals, the *E.L.K.* website, or electronic bulletin boards.

*"Agreement"* means a formal written legal agreement or *contract* for the supply of goods, services, equipment or *construction*.

*"Approval"* a requirement to obtain necessary *approvals* according to predefined dollar limits.

*"Approved Budget"* means a budget approved by the *E.L.K. Board* for the current fiscal year.

*"Asset"* means a non-consumable item valued over \$1,000 with a useful life of over one year.

*"Award"* means authorization to proceed with the *purchase* of goods and/or services.

*"Best Value"* means the optimal balance of performance and cost determined in accordance with a pre-defined evaluation plan. *Best value* may include a time horizon that reflects the overall life cycle of a given asset.

*"Bid"* means an offer or submission from a supplier in response to a *bid solicitation*.

*"Bid Bond"* means the form of security provided by a bonding agency licenced in the Province of Ontario required by the terms and conditions of *Bid Solicitation* documentation to guarantee that the successful bidder enters into a *contract* with *E.L.K.*

*"Bid Irregularity"* means a deviation between the requirements (terms, conditions, specifications, special instructions) of a *bid* request and the information provided in *bid* response. For the purpose of this policy, *bid* irregularities are further classified as "major irregularities" or "minor irregularities":





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(a) Major Irregularity: a deviation from the *bid* request which affects the price, quality, quantity or delivery and is material to the *award*. If the deviation is permitted, the bidder could gain an unfair advantage over competitors. *E.L.K.* must reject any *bid* which contains a major irregularity.

(b) Minor Irregularity: a deviation from the *bid* request which affects form, rather than substance. The effect on the price, quality, quantity or delivery is not material to the *award*. If the deviation is permitted or corrected, the bidder would not gain an unfair advantage over competitors. *E.L.K.* may permit the bidder to correct a minor irregularity.

*"Bid Solicitation"* means a request for *bids* that may be in the form of a Request for Quotation, Request for Pre-Qualifications, Request for Tender or Request for Proposal.

*"Bid Deposit"* means currencies, certified cheques, bank draft, bond surety issued by a surety company or other form of negotiable instrument to ensure the successful bidder will enter into an Agreement.

*"Blanket Purchase Order"* is document used to formalize a purchasing transaction requiring the vendor to hold firm the quoted prices for a designated period of time and is one that has been issued to a supplier for specific item(s) over a specified period of time. It is only applicable in cases where *goods* and *services* are used by one or more departments repetitively throughout a given year. Comparative pricing for *blanket purchase orders* must be obtained on an annual basis.

*"Board"* means the *E.L.K. Board* of Directors and known as *"Board"* throughout the document.

*"C.E.O."* means the Chief Executive Officer of *E.L.K.* or in his absence the most senior official designated by the *Board*.

*"Certificate of Clearance"* from the Workplace Safety and Insurance Board means a certificate issued by an authorized official of the Workplace Safety and Insurance Board certifying that the Board waives its rights under subsection 9 (3) of the Workers' Compensation Act, R.S.O. 1990, Chapter W.11.

*"Competitive Purchasing"* means an *acquisition* method whereby vendors/manufacturers are given an equal opportunity to compete for *E.L.K.* business.

*"Conflict of Interest"* means a situation in which private interests or personal considerations may affect a director's or an employee's judgment in acting in the best interest of *E.L.K.* It includes using a director's or an employee's position, confidential information or corporate time, material or facilities for private gain or advancement or the expectation of private gain or advancement. A conflict may occur when an interest benefits any member of the director's or employee's family, friends, or business associates.





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"*Construction*" means a *construction*, reconstruction, demolition, repair or renovation of a building, structure or other civil engineering or architectural work and includes site preparation, excavation, drilling, seismic investigation, soil investigation, the supply of products and materials and the supply of equipment and machinery if they are included in and incidental to the *construction* and the installation and repair of fixtures of a building, structure or other civil engineering design or architectural work, but does not include professional *services* related to the *construction contract* unless they are included in the *specifications*.

"*Consulting and Professional Services*" means those *services* requiring the skills of a professional for a defined *service* and may include, but not limited to, architects, engineers, designers, surveyors, planners, accountants, auditors, management professionals, marketing professionals, software and information technology experts, financial consultants, insurance consultants, lawyers, law firms, real estate agents and brokers, planners, environmental planners and engineers, hydro geologists, transportation planners and engineers, communications consultants and any other professional *services* which may be required by *E.L.K.*

"*Contract*" means a legally binding agreement between two or more parties. Such agreements will consist in the form of a:

- (a) *Purchase Order*, or
- (b) *Purchase Order* incorporating a formal agreement, or
- (c) Formal agreement between two or more parties that creates an obligation to provide defined *goods* and/or perform defined *services*.

"*Contract Order*" means a document used to formalize a purchasing transaction which is a binding agreement for a vendor to supply *goods* and/or *services* to *E.L.K.*

"*Disposal*" means the transfer of ownership from *E.L.K.* by sale, trade-in, alternative use or destruction which are deemed surplus.

"*Director*" means an individual appointed to the *E.L.K. Board of Directors*.

"*Director of Finance*" means the *Director of Finance* for *E.L.K.*

"*E.L.K.*" means *E.L.K. Energy Inc.*

"*Emergency*" means a situation where the *purchase of goods* and *services* requires immediate action in the following situations:

- (a) An imminent or actual danger to the life, health or safety of an official, the public, or an employee while acting on the behalf of *E.L.K.*;
- (b) An imminent or actual danger of injury to or destruction of real or personal property belonging to *E.L.K.*, for which *E.L.K.* would be liable;
- (c) An unexpected interruption or threat of an interruption of an essential public service;





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(d) An *emergency* as defined by the Emergency Management Act and the Emergency Response Plan formulated by *E.L.K.*;

(e) A spill of a pollutant as contemplated by the Environmental Protection Act.

"*Evaluation Committee*" shall be composed of a minimum of two persons, namely one of C.E.O, Operations Manager or *Director of Finance*. The committee shall review all *proposals* against established criteria and reach consensus on the final rating results.

"*Evaluation Criteria*" to be applied in *awarding the Contract* and the role of an *evaluation committee* are stated clearly in the solicitation document. Criteria used to identify the *proposal* that best meets the needs of *E.L.K.* may include, but are not limited to, cost, quality, service, compatibility, product reliability, operating efficiency and expansion potential, proponent qualification and experience.

"*Execute*" means to legally bind *E.L.K.* to the terms and conditions defined within the agreement.

"*Executed Agreement*" means a form of agreement, either incorporated in the *bid* documents or prepared by *E.L.K.* or its agents, which has been *executed* by the successful bidder and *E.L.K.*

"*Expression of Interest*" means a situation where vendor(s) approach *E.L.K.* or are solicited by *E.L.K.* to advise *E.L.K.* of their ability or desire to undertake, *E.L.K.* requirements and/or provide certain *goods* or *services*.

"*Fair Market Value*" means that price that would be agreed to in an open and unrestricted market between knowledgeable and willing parties dealing at arm's length who are fully informed and not under any compulsion to transact.

"*Goods*" includes supplies, materials and equipment of every kind required to be used to carry on the operation of *E.L.K.*

"*Holdback*" means an amount withheld under the terms of the *contract* to be used as security and to ensure the complete performance of the *contract* and to avoid overpayment in relation to progress of work.

"*Irregularities Contained in Bids*" is defined in Appendix "C" and includes the appropriate response to those irregularities.

"*Irrevocable Letter of Credit*" means an irrevocable letter from a financial institution containing a request that the party to who it is addressed pay the bearer or a person named therein money as a result of failure to perform or fulfill all the covenants, undertakings, terms, conditions and agreements contained in a *contract*.





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*"Labour and Materials Payment Bond"* means a bond issued by a surety company licensed in the Province of Ontario to ensure that the contractor has paid his/her suppliers and thereby protects *E.L.K.* against liens which might be granted to suppliers should the contractor not make proper payments.

*"Letter of Agreement to Bond"* means a letter or other form issued by a bonding agency licensed to operate by Government of Canada or the Province of Ontario advising that if the bidder is successful the bonding agency will issue the required bonds.

*"Lowest Compliant Bid"* means the *bid* that would provide *E.L.K.* with the desired *goods* and/or *services* at the lowest per unit or overall cost, meets all the *specifications* and contains no major irregularity or qualifications.

*"Manager"* means an individual responsible for a department and who reports directly to the C.E.O.

*"Negotiation"* means the action or process of conferring with one or more vendors leading to an agreement on the *acquisition* of the required *goods* and *services* under the conditions outlined in this Policy.

*"No Bid Response"* means a supplier was solicited to provide a *quotation*, but did not provide a quote.

*"Performance Bond"* means a bond issued by a surety company *executed* in connection with a *contract* and which secures the performance and fulfillment of the undertakings, covenants, terms, conditions and agreements contained in the *contract*.

*"Progress Payment"* means a payment made under the terms of a *contract* during its terms and before its completion.

*"Proposal"* means a competitive offer, binding on the proponent and submitted in response to a *Request for Proposal* where *proposal* evaluation and *contract award* is based on criteria such as but not limited to proponent qualifications and experience, product features and characteristics, service quality and efficiency and conformance with *specifications* and requirements contained in the *Request for Proposal*. Price may be an *evaluation criteria* for *proposals* but will not necessarily be the predominant basis for *contract award*. *Proposals* will not have public openings.

*"Purchase"* means to acquire by *purchase*, rental or lease of *goods* and *services*.

*"Purchase Order"* means a written offer to *purchase goods* and *services* or a written *acceptance* of an offer where such offer has been made on forms prescribed by *E.L.K.* (See Appendix "E").





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*"Quotation"* means a bid received as a result of a written or verbal (via telephone or in person) request by E.L.K. for the supply of *goods* and/or *services*.

*"Request for Pre-Qualification"* means a request for the detailed submission of the experience, financial strength, education, background and personnel of persons, firms or corporations who may, from time to time, qualify to supply *goods* and/or *services* to E.L.K.

*"Request for Proposal"* (RFP) means a process where a need is identified, but the method by which it will be achieved is unknown or flexible at the outset. This process allows vendors to propose solutions or methods to arrive at the desired result. The solicitation of written, competitive *proposals*, or offers to be used as a basis for entering into a *contract* when *specification* and price will not necessarily be the predominant *award* criteria.

*"Request for Quotation"* (RFQ) means a *bid solicitation* where written quotes are obtained from suppliers without formal *advertising* or receipt of *sealed bids*.

*"Requisition"* means a written or electronically produced request in an *approval* format and duly authorized to obtain *goods* and/or *services*.

*"Sealed Bid"* means a formal sealed response received as a part of a *quotation*, *tender* or *proposal*.

*"Service"* means all professional, consulting, *construction* or maintenance *services* including the delivery, installation, repair, restoration, demolition or removal of personal property and real property.

*"Sole Source"* means the *purchase* of a good and/or *service* where there is only one available supplier of that good and/or *service* that meets the needs or requirements of E.L.K. (See Appendix "A").

*"Specification"* means any description of the physical or functional characteristics, or of the nature of a supply, *service*, equipment or *construction* item. It may include a description of any requirement for inspecting, testing, or preparing a supply, *service*, equipment or *construction* item for delivery. It may also include drawings or samples.

*"Tender"* means an offer received from a supplier of *goods* and/or *services* in response to an advertisement requesting sealed *tenders*.

## 6 REFERENCES

Table "A" Methods of Purchasing

Table "B" Circumstances For Purchasing Method – *Competitive Purchasing*





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Table "C" Circumstances For Purchasing Method – *Non-Competitive Purchasing*

Appendix "A" *Sole Source* Procurement

Appendix "B" "Two Envelope Approach" to Requests for *Proposal*

Appendix "C" Response to *Irregularities Contained in Bids*

Appendix "D" Exemption From Purchasing Policy

Appendix "E" Sample *Purchase Order*

Appendix "F" Index

## 7 PURCHASING PROCEDURES

7.01 The circumstances for the use of purchasing methods for *E.L.K.* shall be as set forth in Table "A" attached hereto.

7.02 The *competitive purchasing* process for *E.L.K.* shall be as set forth in the Table "B" attached hereto.

7.03 **Informal low value purchasing** general conditions:

- i. The solicitation of *quotations* shall be fair, such that not to allow any bidder be given an unfair advantage.
- ii. The *competitive purchasing* process undertaken shall be based on clear definition of the product or *service* and a clear outline of the review and criteria to be undertaken.
- iii. A minimum of three written or verbal *quotations* shall be required for *purchases* exceeding \$1,000.00. For *purchases* under \$1,000.00 *quotations* are at the discretion of the Manager. Managers may lower the \$1,000.00 limit for their department. *Purchase orders* are required if the *purchase* exceeds \$1,000.00. Table "B" sets forth when written or verbal quotes are required.
- iv. A *no bid response* is not be considered as a valid bid unless approved by the *C.E.O.* or *Director of Finance*.
- v. Written *quotations* shall be forwarded to the *Director of Finance* with a *purchase order* and shall be retained in the department files in accordance to Section 10.3 of this Policy.
- vi. Sufficient funds are available to pay for the *contract*.
- vii. The Manager may delegate his/her authority to a designate provided the designate follow the requirements of this Policy.

Upon request, the *C.E.O.* or *Director of Finance* shall assist in reviewing *requisitions* and the *quotations* obtained by departments. Where appropriate, the *C.E.O.* or *Director of Finance* may solicit additional quotes.

7.03.01 Petty cash funds shall be maintained to expedite small *purchases* and acquired *goods/services* where immediate payment is required upon receipt of *goods*. The value of the *goods/services* shall not exceed \$300.

7.04 **Request for quotation:** general conditions:  
(a) Manager shall:





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- i. Prepare the *specifications*, terms and conditions relevant to the *acquisition* of *goods* and/or *services* or provide other information as appropriate,
  - ii. Give notice of the *request for quotation* by requesting submissions from suppliers who appear best qualified to meet the provisions of the *quotation*, and at the discretion of the Manager advertise in a newspaper.
  - iii. Consider any irregularities and act in accordance with Appendix "C" and Section 8.07 of this Policy.
- (b) The *purchase* of *goods* and/or *services* in this section shall be made through the issuance of a *purchase order* up to the amount approved in the budget.
- (c) *E.L.K.* reserves the right to accept or reject any submission.





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7.05 **Request for tenders** are required for *purchases* exceeding \$50,000.

- 7.05.01 A Request for *Tender* shall be used for *purchases* exceeding \$50,000.00 where all of the following criteria apply:
- (a) Two or more sources are considered capable of supplying the requirement,
  - (b) The requirement is adequately defined to permit the evaluation of *tenders* against clearly defined criteria,
  - (c) The market conditions are such that *tenders* can be submitted on a common pricing basis and
  - (d) *Best value* for *E.L.K.* can be achieved by an *award* selection made on the basis of the lowest bid meets *specification*.
- 7.05.02 At the discretion of the Manager, all such *tenders* shall either be placed on *E.L.K.* internet website or advertised in a newspaper. The onus is on interested vendors to review *E.L.K.* website and newspapers from time to time for competitions that may be of interest to them.
- 7.05.03 The Manager or designate shall provide a *tender* call form in writing or electronically containing the relevant *specifications*, budget, authorization signature(s), *approval* authority and terms and conditions for the *purchase* of *goods* and/or *services*.
- 7.05.04 The Manager shall prepare a summary of the bids and recommend the *award* of *contract* to the lowest responsive bidder. Work shall be *awarded* based on the lowest bid that meets the required terms, conditions and *specifications* outlined in the bid document, unless otherwise approved by the *Board*.
- 7.05.05 Sealed *tenders* may be required in accordance with Section 8.15 of this Policy. *Performance bond* and *labour and materials payment bond* are required for all *purchases* over \$150,000. *Purchases* of lesser value may include bonding requirements as determined by the Manager or designate if it is deemed in the best interest of *E.L.K.* When *performance bond* and *labour and materials payment bond* are required, the amount of each bond shall be 50 percent of the amount of the *tender* bid.
- 7.05.06 The Manager or designate shall be responsible for arranging for opening of *tender* bids at the time and date specified by the *tender* call. There must be in attendance at that time: C.E.O. or designate.

There may be in attendance at that time the Consultant or Engineer or designate. It shall be the responsibility of the Manager or designate to notify those persons noted above.

All *tenders* will be opened in full view and at a reasonable time following the close of bidding. Total *tendered* prices shall be read out at the meeting. Unless otherwise stated, the opening of bids shall commence at 11:45 a.m. on the designate date.





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- 7.05.07 With respect to all reports initiated for *tenders*, there shall be a disclosure on the sources of financing, allocation of revenue and other financial commentary as considered appropriate by the *Director of Finance*.
- 7.05.08 The Manager or designate shall follow the provisions of Section 8.16 of this Policy regarding the *award of contract* using a *purchase order* or *contract*.
- 7.05.09 Except as otherwise provided, no work may commence or commitment to the *purchase of goods* and/or *services* shall be entered into, until such time as a *purchase order* has been issued or a *contract* signed and all necessary documents and *approvals* received.
- 7.05.10 *E.L.K.* reserves the right to accept or reject any submission.
- 7.05.11 The *award* of any *tender* requires *Board approval*.
- 7.06 **A *Request for proposal* may be called when the requirements for *goods* and/or *services* needed cannot be definitely specified and where such *proposals* could result in specific offers by the bidders to fulfill the requirements, *services* or function at a particular price. A *request for proposal* should be used where one or more of the criteria for issuing a request for *tender* cannot be met, such as:**
- (a) Owing to the nature of the requirement, suppliers are invited to propose a solution to a problem, requirement or objective and the selection of the suppliers is based on the effectiveness of the proposed solution rather than on price alone, or
  - (b) It is expected that *negotiations* with one or more bidders may be required with respect to any aspect of the requirement.
- 7.06.01 The *Manager* and *C.E.O.* may jointly select a supplier without competition where;
- (a) The estimated total cost does not exceed \$50,000 and
  - (b) The cost of preparing a detailed *proposal* would deter suppliers from submitting *proposals*.
- 7.06.02 If estimated value is greater than \$50,000, the *Manager* shall issue a request for *proposal* in the same manner as a request for *tender*.
- 7.06.03 Where in the opinion of the *Manager* in consultation with the *C.E.O.* the requirement is not straightforward or an excessive workload would be required to evaluate *proposals*, either due to their complexity, length, number or any combination thereof, a multi-step procedure may be used that would include a pre-qualification stage to ensure the workload is manageable.
- 7.06.04 The *Manager* shall maintain a list of suggested *evaluation criteria* for assistance in formulating an evaluation process using a *request for proposal*. This may include, but is not limited to, factors such as approach, qualifications, experience, equipment, facilities, strategy, methodology, past performance, scheduling and price.





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- 7.06.05 An *Evaluation Committee* shall review all *proposals* against the established criteria, reach consensus on the final rating results and ensure that the final rating results, with supporting documents, are kept on file.
- 7.06.06 With respect to all reports initiated for *request for proposal*, there shall be a disclosure on the sources of financing, allocation of revenue and other financial commentary as considered appropriate by the *Director of Finance*.
- 7.06.07 The *Manager* shall follow the provisions of Section 8.16 of this Policy regarding the *award of contract* using a *purchase order* or *contract*.
- 7.06.08 *E.L.K.* reserves the right to accept or reject any submission.
- 7.06.09 The *award of any request for proposal* requires *Board approval*.
- 7.07 A **two-envelope approach** may be used when it is desirable to evaluate the technical and qualitative information of a given *Request for Proposal* without being influenced by pricing information. Appendix "B" outlines the process to be followed in a two-envelope approach.
- 7.08 The following section is for acquiring *goods* and/or *services* through the ***negotiation process***.
- 7.08.01 The *C.E.O.* shall justify the need to use this policy prior to *E.L.K.* staff entering into any discussions with any vendor. This process may be adopted when any of the following conditions apply:
- (a) Due to abnormal market conditions, the *goods* and/or *services* required are in short supply;
  - (b) Where there is only one source of supply which would be acceptable and cost effective;
  - (c) When no bids are received in a *tender* or *quotation* call;
  - (d) When only one bid is received in a *tender* or *quotation* call;
  - (e) Where the lowest *tender* or *quotation* meeting *specifications* substantially exceeds the amount budgeted for the *purchase* and it is impractical to recall the *tender* or *quotation*;
  - (f) When all bids received fail to meet the *specifications* or *tender* terms and conditions and it is impractical to recall the *tender* or *quotation*;
  - (g) The *goods* and/or *services* are required as a result of *emergency*, which would not reasonably permit the use of method other than direct *negotiation*; or
  - (h) Where authorized by the *Board* to do so.
- 7.08.02 All methods of *negotiation* by *E.L.K.* shall employ fair and ethical practices.
- 7.08.03 When the *C.E.O.* in conjunction with the *Manager* deems *negotiations* to be necessary, they shall be carried out jointly in co-operation subject to the conditions of this Policy. Any negotiated *purchase* exceeding \$50,000 is subject to *Board approval*.





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- 7.09 The following section shall be followed for **leasing and financing services**.
- 7.09.01 *Managers* wishing to acquire or use *goods* or *services* via an **external third party financing lease** must receive the *approval* of the *Board* prior to requesting to undertake any competitive bidding process.
- 7.09.02 Before entering into a lease or financing arrangement, the *Director of Finance* shall prepare a report to the *Board* with a recommendation, assessing, in the opinion of the *Director of Finance* the costs and financial and other risks associated with the proposed lease or financing arrangement, include but not limited to:
- (a) A comparison between the fixed and estimated costs and the risks associated with the proposed financing lease and those associated with other methods of financing;
  - (b) A statement summarizing the effective rate or rates of financing for the financing lease, the ability for lease payment amount to vary and the methods or calculations, including possible financing rate changes, that may be used to establish that variance under the financing lease;
  - (c) A statement summarizing any contingent payment obligations under the financing lease that in the opinion of the *Director of Finance* would result in a material impact for *E.L.K.*, including lease termination provisions, equipment loss, equipment replacement options and guarantees and indemnities;
  - (d) An opinion about whether the costs of the financing for the proposed financing lease are lower than other methods of financing available to *E.L.K.* and whether the risks associated with the financing lease are reasonable;
  - (e) A summary of assumptions applicable to any possible variations in the financing lease payment and contingent payment obligations and
  - (f) Any other matters the *Director of Finance* or the *Board* considers advisable.
- 7.09.03 All purchasing activity including *request for proposals* for financing are to require that submissions include original equipment cost, length of lease, effective rate of interest, residual value and terms and date of payment.
- 7.10 A **blanket purchase order** may be utilized where *goods* and *services* ordered will not be used within a 3 month period and where:
- (a) One or more departments repetitively order the same *goods* and/or *services* and the actual demand is not known in advance, or
  - (b) A need is anticipated for a range of *goods* and/or *services* for a specific purpose, but the actual demand is not known at the outset and delivery is made when a requirement arises.
- 7.10.01 In utilizing a *blanket purchase order*, the expected quantity of the specified *goods* or *services* to be *purchased* over the time period of the *agreement* shall be as accurate an estimate as practical and be based to the extent possible on previous usage adjusted for any known factors that may change usage.





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- 7.10.02 *Blanket purchase orders* are not to exceed a one-year period to ensure that comparative pricing is obtained on a regular basis, unless it can be demonstrated that a *supply/service agreement* beyond one year will provide financial benefits to *E.L.K.*
- 7.10.03 The Finance Department shall establish and maintain *blanket purchase order* lists that define source and price with selected suppliers. Where purchasing action is initiated by departments for frequently used *goods* and/or *services*, it is to be made with the supplier or suppliers listed in the *blanket purchase order*.
- 7.10.04 Vendors are only authorized to fulfill their commitment by receipt of a *purchase order* or *blanket purchase order*.
- 7.11 The following section will be used for **emergency purchases**:
- 7.11.01 "*Emergency*" is defined but not limited to:
- (a) An imminent or actual danger to the life, health or safety of an official, the public or an employee while acting on *E.L.K.*'s behalf;
  - (b) An imminent or actual danger of injury to or destruction of real or personal property belonging to *E.L.K.* for which *E.L.K.* would be liable;
  - (c) An unexpected interruption or threat of an interruption of an essential public service;
  - (d) An *emergency* as defined by the Emergency Management Act, and the Emergency Response Plan formulated there under by *E.L.K.* and
  - (e) A spill of a pollutant as contemplated by the Environmental Protection Act.
- 7.11.02 When purchasing *goods* or *services* as a result of an *emergency* situation, the following policies apply:
- (a) *Purchases* over \$1,000.00 but under \$10,000.00  
A *Manager* may initiate or approve *purchases* under \$10,000.00 in an *emergency* situation. Immediately following such *purchase*, the *Manager* will notify the *C.E.O./Director of Finance* in writing of the *purchase* with full details concerning the circumstances under which the *purchase* was made. *Purchases* of this nature will require that a *purchase order* be prepared and that as many comparative quotes as practicable under the circumstances are obtained.
  - (b) *Purchases* over \$10,000.00  
The initiating *Manager* must obtain the prior *approval* of the *C.E.O.* or, in the absence of the *C.E.O.*, the *Director of Finance* in consultation with the Chair or Vice-Chair for *E.L.K.*. As soon as reasonably possible following the *purchase*, the *Manager* will issue an information report to the *C.E.O.* and when the *purchase* was made. *Purchases* of this nature will require that a *purchase order* be prepared and that as many comparative quotes as practicable under the circumstances are obtained.
- 7.11.03 All *emergency purchases* made under this section shall be confirmed by the issuance of a *purchase order* or *contract* as *requisitioned* by the initiating *Manager* immediately or as soon as practicable following the commitment.





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- 7.12 This section applies to the *purchase* of **consulting and professional services** unless the *purchase* has been exempt from this Policy. The *acquisition* process described in this section is restricted to *acquisitions* that are predominantly or exclusively for *consulting and professional services*. *Acquisition of consulting and professional services* is defined in Section 5 and in accordance with this Policy.
- 7.12.01 *Consulting and Professional Services* shall be acquired in accordance with the general *acquisition* process where informal/formal *quotations* or *tenders/proposals* (Section 7.03 to 7.06) are required.
- 7.12.02 The department shall endeavor to see that individuals and firms providing *consulting and professional services* have fair access to *E.L.K.* assignments.
- 7.12.03 The department shall attempt to provide sufficient detail to outline the objective, type and scope of work to be conducted.
- 7.12.04 The *Board* upon the written recommendation of a *Manager* may waive the requirement for *quotations* or *proposals* when:
- (a) The works are the continuation of a previous project
  - (b) The firm has demonstrated unique qualifications to undertake the project such as:
    - (i) in house expertise
    - (ii) historical data on *E.L.K.*
  - (c) Time constraints are such that to seek *quotations* or *tenders* will result in:
    - (i) increased costs
    - (ii) loss of provincial or federal funding

## 8.0 BID AND CONTRACT REQUIREMENTS

- 8.01 **Construction contracts** shall comply with the requirements of this Policy with the provision that *contracts* shall be endorsed in either a *purchase order* and/or formal *contract* in a form satisfactory to *E.L.K.*
- 8.01.01 The successful bidder for a *construction* project shall submit the following documentation in a form satisfactory to *E.L.K.* within seven (7) working days after being notified in writing to do so by *E.L.K.* or its designate:
- (a) *Executed performance bonds* and labour and material payment bond(s),
  - (b) *Executed agreement*,
  - (c) Insurance documents in compliance with the *tender* documents,
  - (d) Declarations respecting the Workplace Safety & Insurance Act,
  - (e) *Certificate of Clearance* from the Workplace Safety & Insurance Board and
  - (f) *Executed performance bond*.
- 8.02 The following conditions apply to all **bid submissions**:
- 8.02.01 Bid documents shall be submitted and received in the manner as specified in the bid document.





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- 8.02.02 Unless otherwise stated, the closing time for receiving bid documents shall be 11:30 a.m. on the date designated by the *Manager*.
- 8.02.03 Unless otherwise stated, the opening of the bids shall commence at 11:45 a.m. on the closing date.
- 8.02.04 Fax submissions will not be accepted.
- 8.02.05 Bid documents received by *E.L.K.* later than the specified closing time shall be returned unopened to the bidder.
- 8.02.06 A bidder who has already submitted a bid document may submit a further bid document at any time up to the official closing time. The last bid document received shall supersede and invalidate all bids previously submitted by that bidder.
- 8.02.07 A bidder may withdraw his or her bid document at any time up to official closing time, provided that the withdrawal is made in writing, is on company letterhead and is signed by an authorized signatory of the bidder. All bid documents submitted are irrevocable after the official closing time.
- 8.02.08 All bidders may be requested to supply a list of all subcontractors to be employed on a project. The *Manager* or designate responsible for the project thereto must approve any deletions or additions made to the list of subcontractors after the opening of the bid in question.
- 8.02.9 The bid documents shall clearly specify what action shall be taken with respect to informal or unbalanced bids and what penalties shall be imposed if the bidder fails to submit the appropriate documents in the manner specified and the *Manager* under whose jurisdiction the bid will be administered shall report such failures to the *Board* with appropriate recommendations.
- 8.02.10 *E.L.K.* reserves the right to accept or reject any bid document.
- 8.03 A *Manager* or designate with the concurrence of the *C.E.O.* may request the **cancellation of a bid solicitation** at any time up to *contract award*.
- 8.03.01 The *Manager* or designate and the *C.E.O.* shall ensure that the confidentiality of any bid submitted is maintained in accordance with the provisions of the Protection of Privacy Act, as amended.
- 8.04 Where bids are received in response to a *bid solicitation* but, in the opinion of the *Manager* under whose jurisdiction the bid will be administered acting together with the *C.E.O.* or *Director of Finance* exceed budget, are not responsive to the requirement or do not represent *Fair Market Value* a **revised solicitation** shall be issued in an effort to obtain an acceptable bid unless Section 8.04.01 applies.





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8.04.01 The *Manager* or designate and the *C.E.O.* or *Director of Finance* jointly may waive the need for a revised *bid solicitation* and enter *negotiations* with the lowest responsive bidder or the highest responsive bidder for a revenue-driven bid selection emanating from a *bid solicitation* under the following circumstances and shall be done in accordance with Section 7.08 of this Policy:

(a) The total cost of the lowest responsive bid is in excess of the funds appropriated by the *Board* for the project or the highest responsive bid revenue is less than that made in appropriate accounts in the *Board approved budget* and

(b) The *Manager* or designate and the *C.E.O.* or *Director of Finance* agree that the changes required to achieve an acceptable bid will not change the general nature of the requirement described in the *bid solicitation*.

8.04.02 In the case of building *construction contracts*, where the total cost of the lowest responsive bid is in excess of the budget approved by the *Board*, *negotiations* shall be made in accordance with Section 7.08.

8.04.03 *E.L.K.* has the right to cease *negotiations* and reject any offer.

8.05 In the event **only one bid is received** in response to a request for *tender*, the *Manager* may return the unopened bid to the bidder when, in the opinion of the department or designate and the *C.E.O.* or *Director of Finance* additional bids could be secured. In returning the unopened bid the *Manager* shall inform the bidder that *E.L.K.* may be recalling the *tenders* at a later date.

8.05.01 In the event that only one bid is received in response to a request for *tenders*, the bid may be opened and evaluated in accordance with *E.L.K.* usual procedures when, in the opinion of the *Manager* or designate and the *C.E.O.* or *Director of Finance*, the bid should be considered by *E.L.K.* If, after evaluation by the *Manager* or designate and the *C.E.O.* or *Director of Finance*, the bid is not found to be acceptable, the procedures set out in Section 8.04 shall be followed.

8.06 If **two equal bids** are received the *Manager* will offer an opportunity for bidders to re-bid.

8.06.01 Should a tie persist, the *Manager* under whose jurisdiction the bid will be administered acting together with the *C.E.O.* shall evaluate the two tied bids giving consideration to several factors, including but not limited to the following:

(a) Whether a prompt payment discount is being made available to *E.L.K.* and in what amount;

(b) When delivery is an important factor, which bidder can offer the best delivery date;

(c) The sales *service* record of both bidders and which bidder is, in the opinion of *E.L.K.*, in a better position to offer the best sales *service*; and

d) The overall performance record of both bidders relative to their past business dealings, if any, with *E.L.K.*;





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- 8.06.02 If, after a consideration of the factors set out above the respective *Manager* acting together with the *C.E.O.* or *Director of Finance* cannot make a determination that will break the tie, then the names of the tied bidders shall be written on paper and placed into a container and one piece of paper shall be drawn randomly from the container by the *Manager* and the *tender* shall be awarded to the bidder whose name appears on the piece of paper drawn.
- 8.06.03 The *Manager* shall set the time and location of the draw and the bidders shall be advised in writing in order that they may be present. Bidders must provide written confirmation that they have received notification of the draw date/time either by fax or email. The following shall be present at the draw: the *C.E.O.* or *Director of Finance* and the *Manager* in charge of the *bid solicitation* or their designate(s), any of the bidders, or their authorized representatives. Should any bidder elect not to be represented at the draw, the draw will proceed regardless.
- 8.07 The process for administering and responding to **bid irregularities** contained in any and all *contracts* shall be set out in Appendix "C" attached hereto.
- 8.07.01 *E.L.K.* reserves the right to waive minor irregularities at its sole discretion.
- 8.08 **Analyzing of bid responses** shall be as follows. Request for *tenders*, *request for proposals* and bid response shall be tabulated and analyzed by the *Manager* or designate with a recommendation forwarded to the *C.E.O.* for review.
- 8.09 *E.L.K.* does not encourage **in-house bidding** as part of its procurement process.
- 8.10 The circumstances for **sole source purchasing** for *E.L.K.* shall be as set forth in Appendix "A" attached hereto.
- 8.11 Departments whose budget provides for the *acquisition of goods and/or services* shall be responsible for the preparation of **specifications** for a quote, *tender* or *proposal* call.
- 8.11.01 The *C.E.O.* or *Director of Finance* shall have the authority to review and recommend improvements to the *specifications* and resulting changes to *specifications* shall be made with the co-operation of the *Manager* or designate concerned.
- 8.11.02 *Specifications* should be detailed but not brand specific to leave room for potential vendors to provide alternatives in the event an equal or better-proven product or method is available and shall not deter a competitive process.
- 8.11.03 In cases where the *specification* will result in a *sole source purchase*, it shall be at the discretion of the *C.E.O.* or *Director of Finance* to require the department to bring forward a report for *Board approval*.





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- 8.11.04 Vendors or potential vendors shall not be requested to expend time, money or effort on design or in developing *specifications* or to otherwise help define a requirement beyond the normal level of *service* expected from vendors. When such *services* are required:
- (a) The *C.E.O.* or *Director of Finance* shall be advised,
  - (b) The *contracted* vendor will be considered as a consultant and unable to make an offer for the supply of the *goods* and/or *services*,
  - (c) A fee may be paid to the *contracted* vendor; and
  - (d) The detailed *specifications* shall become the property of *E.L.K.* for use in obtaining competitive bids.
- 8.11.05 Where, in the opinion of the respective *Manager* acting together with the *C.E.O.* or *Director of Finance* it is not possible to prepare precise *specifications* in order to issue a request for *tender* for the provision of *goods* and/or *services*, a *request for proposals* shall be issued. The *Manager* shall prepare *evaluation criteria* and weightings for the criteria. The document shall clearly distinguish those requirements that are deemed mandatory or non-mandatory and shall clearly outline how these items will be evaluated.
- 8.11.06 At the discretion of the *Manager* a refundable or non-refundable fee may be charged for *tenders, proposals, expression of interest* and *specification* packages.
- 8.12 The **total project cost or contract** amount shall be sum of all costs to be paid to the vendor/supplier under the *contract*, plus all taxes and less any rebate.
- 8.13 The initiating department is responsible to ensure that those vendors providing *services* to *E.L.K.* meet the necessary **Workplace Safety and Insurance Board** requirements as set out in Subsections of 18.13 and 18.14 of this Policy. The insurance policy shall be in a form satisfactory to *E.L.K.* prior to the commencement of any work being performed, for no less than the minimum amounts stated in Section 8.13.01 and in force for the entire *contract* period and subsequent maintenance period.
- 8.13.01 The minimum insurance requirements required by *E.L.K.* in Canadian dollars, shall be
- (a) Subdivision
    - \$5 million General Liability
    - \$5 million Environmental Pollution Liability
    - \$2 million Auto Liability
  - (b) Consultants
    - \$2 million General Liability
    - \$2 million Professional Errors or Omissions Liability
  - (c) *Contracts*
    - \$2 million General Liability
  - (d) Tenants
    - \$2 million General Liability
    - \$300,000 Tenant Legal Liability
  - (e) Other Types of *Contracts*





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At the direction of the *Board* acting on the recommendation of the *Manager*, the *Manager* or designate may determine any other risk requiring coverage.

- 8.13.02 *E.L.K.* shall be:
- (a) Named as an additional insured in the policy of insurance and the policy shall contain a cross-liability/separation clause;
  - (b) Indemnified from any and all claims, demands, losses, costs or damages resulting from the performance of a bidder's obligation under *contract*.
- 8.13.03 Vendor insurance policies shall not be altered, cancelled or allowed to lapse without thirty (30) days prior written notice to *E.L.K.* If the insurance policy is cancelled or changed in any manner that would affect *E.L.K.* as outlined in coverage specified in the policy for any reason, thirty (30) days prior notice by registered mail shall be given by the insurer to *E.L.K.* The contractor shall deliver the insurance policy or certificate prior to commencing any work pursuant to any *contracts*.
- 8.13.04 The contractor shall maintain such fire and theft insurance, including dishonesty of any employees or agents hired by the contractor, as well provide coverage for loss by burglary, fire or theft of any stock or equipment of the contractor's upon city premises.
- 8.13.05 Prior to payment to a supplier or vendor, a *certificate of clearance* from the Workplace Safety and Insurance *Board* shall be provided by the vendor to *E.L.K.* evidencing the payment of all required premiums or levies to the Workplace Safety and Insurance *Board* to the date of payment by *E.L.K.* to the vendor.
- 8.13.06 All bid documents shall clearly indicate requirements to be provided by the successful bidder.
- 8.13.07 *Manager* or designate shall be contacted for assistance where insurance requirements are unclear and where insurance requirements are waived. The *C.E.O.* in conjunction with *E.L.K.*'s insurer shall have the authority to waive any and/or all insurance requirements of this section.
- 8.14 The *Manager* or designate shall be satisfied that the contractor who accepts a *purchase order* and/or *contract* is fully knowledgeable of all terms and conditions of the **Occupational Health and Safety Act**, including the regulations applying to an employer, deemed or otherwise, of a sub-contractor.
- 8.14.01 The contractor shall strictly comply with all aspects of the Occupational Health and Safety Act and regulations there under.
- 8.14.02 The contractor shall agree to indemnify and hold harmless *E.L.K.* and its employees for all matters and claims pertaining or relating to the work to be performed by the contractor and/or its sub-contractors.





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- 8.14.03 The contractor shall assume responsibility for any and all breaches of health and safety requirements, including the cost of legal defense on a solicitor and own client basis should *E.L.K.* or any of its employees be charged with violating said Act or Regulations. In the event that *E.L.K.* or any of its employees thereof are convicted and fined for any such offence as having been a deemed employer or otherwise vicariously or definitively liable, the contractor shall forth with pay any such fine on behalf of such defendant.
- 8.14.04 The contractor shall deliver a *Certificate of Clearance* from the Workplace Safety and Insurance Board prior to commencing any work pursuant to any *contracts* ensuring all premiums or levies have been paid to the Workplace Safety and Insurance Board to the date of payment.
- 8.15 The *Manager* or designate may require that a bid be accompanied by a ***Bid Bond*** or other similar security to guarantee entry into a *contract*.
- 8.15.01 In addition to the security referred to in Section 8.15, the successful bidder may be required to provide,
- (a) A *performance bond* to guarantee the faithful performance of the *contract*, and
  - (b) A *Labour and Materials Payment Bond* to guarantee the payment for labour and materials to be supplied in connection with a *contract*.
- 8.15.02 The *Manager*, *C.E.O.* and *Director of Finance* shall select the appropriate means to guarantee execution and performance of the *contract*. Means may include one or more of but are not limited to:
- (a) Financial bonds for *contract* performance;
  - (b) Certified cheque, bank draft or money order drawn on any bank named in Schedule I or II to the Bank Act (Canada), any trust or loan company registered under the Loan and Trust Company Act (Ontario), the Province of Ontario Savings Office, or a credit union as defined in the Credit Unions and Caisses Populaires Act (Ontario),
  - (c) An *Irrevocable Letter of Credit* naming *E.L.K.* as the beneficiary,
  - (d) A *Bid Bond* issued by an approved guarantee company properly licensed in the Province of Ontario, on bond forms acceptable to *E.L.K.*,
  - (e) Canadian currency and
  - (f) Other forms of security deposits, provisions for liquidated damages, *progress payments* and *holdbacks*.
- 8.15.03 A *bid deposit* shall be required to accompany and be included in an envelope containing the bid documents in the following circumstances:
- (a) All bids for *construction* projects;
  - (b) *Special maintenance contracts*, except for those *contracts* whose price in the opinion of the *Manager* is disproportionate to the cost of the contractor of obtaining a *bid bond*;
  - (c) All demolition *contracts*;





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(d) In circumstances not mentioned in Section 8.15.03 (a) through (c) the *Manager* or designate in consultation with the *C.E.O.* or *Director of Finance* shall be authorized to determine whether or not a *bid deposit* is required prior to calling of *sealed bids*.

- 8.15.04 When a *bid bond* is required, the *Manager*, in conjunction with the *Director of Finance*, shall determine the amount of the *bid deposit*.
- 8.15.05 When a *Performance Bond* or Labour and Material Payment Bond is required, the amount of the bond shall be 50% of the amount of the *tender bid*, unless the *Manager* recommends and the *Board* approves a higher level of bonding.
- 8.15.06 The *Manager* and the *Director of Finance* shall ensure that the guarantee means selected will:
- (a) Not be excessive but will be sufficient to cover any financial risk to *E.L.K.*
  - (b) Provide flexibility in applying leverage on a supplier so that the penalty is proportional to any *contract* deficiencies and
  - (c) Comply with provincial statutes and regulations
- 8.15.07 All bidders shall include in the *tender/sealed bid* envelope the following:
- (a) The *tender/bid* form issued by *E.L.K.* or its agents and
  - (b) The satisfactory declaration if applicable
- 8.15.08 If, in the opinion of the *Manager* or designate the risk to *E.L.K.* is not adequately limited by the *progress payment* provisions of the *contract*, an additional minimum payment *holdback* of 10% may be required.
- 8.15.09 The *Manager* or designate may release the *holdback* funds on *construction contracts* upon:
- (a) The *contractor* submitting a statutory declaration that all accounts have been paid and all documents have been received for all damage claims,
  - (b) Receipt of clearance from the Workplace Safety and Insurance Board for any arrears of Workplace Safety and Insurance Board assessment,
  - (c) All the requirements of the Construction Liens Act being satisfied,
  - (d) Receipt of certification from *E.L.K.*'s Solicitor, where applicable, that liens have not been registered and
  - (e) Certification from the *Manager*, under whom the work has been performed that the conditions of the *contract* have been satisfied.
- 8.15.10 The conditions for release of *holdback* funds provided in Section 8.15.11 apply to other *goods* and/or *services contracts* with necessary modifications.
- 8.15.11 The *tender* documents shall clearly specify what action shall be taken with respect to informal or unbalanced bids and what penalties shall be imposed if the bidder fails to submit the appropriate documents in the manner specified and the *Manager* under whose jurisdiction the bid will be administered shall report such failures in consultation with the *C.E.O.* to the *Board* with appropriate recommendations.





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- 8.15.12 In all circumstances with respect to *tenders* the *Manager* or designate in consultation with the *Director of Finance* is authorized to determine whether or not a *Letter of Agreement to bond* is to be submitted with the bids. When the requirements of a *Letter of Agreement to bond* have been determined, the failure of a bidder to provide said *Letter of Agreement to bond* shall result in the bid being rejected.
- 8.15.13 A *tender* and/or *proposal* requiring an appropriate *bid deposit* shall be void if such security is not received in the manner specified in Section 8.15.02 or if the value of the *bid deposit* is less than required. The *Director of Finance* is authorized to cash and deposit any *bid bonds* and/or cheques in *E.L.K.*'s possession that are forfeited as a result of non-compliance with terms, conditions and/or *specifications* of a *sealed bid*.
- 8.15.14 The successful bidder for maintenance *contracts*, demolition *contracts*, *proposals* for the sale and/or removal of *E.L.K.* owned buildings, or structures and *tenders* shall submit the following documentation in a form satisfactory to *E.L.K.* within seven (7) working days after being notified in writing to do so by *E.L.K.*:
- (a) *Executed Performance Bond*,
  - (b) *Executed Agreement and Labour and Materials Payment Bond(s)*,
  - (c) Insurance Documents in compliance with *tender* documents
  - (d) *Certificate of Clearance* from the Workers' Safety Insurance Board and
  - (e) Declarations respecting the Worker's Compensation
- 8.16 The **award of a contract** may be made by way of:
- (a) *Purchase Order/Contract Order*
  - (b) *Formal Agreement*
- 8.16.01 A *Purchase Order* or *Contract Order* is to be used when the resulting *contract* is in the opinion of the *Manager* or designate, straightforward and will contain *E.L.K.*'s standard terms and conditions and is a binding *agreement* with the *contracted* vendor.
- 8.16.02 A *Formal Agreement* is to be used when the resulting *contract* is, in the opinion of the *Manager* or designate, complex and will contain terms and conditions other than *E.L.K.*'s standard terms and conditions.
- 8.16.03 It shall be the responsibility of the *Manager* initiating the *bid solicitation*, with the *Director of Finance* and/or Solicitor, to determine if it is in the best interest of *E.L.K.* to establish a formal *agreement* with the supplier.
- 8.16.04 Where it is determined that Section 8.16.03 applies, the formal *agreement* shall be reviewed and approved for execution by *E.L.K.*'s Solicitor or designate.
- 8.16.05 Where a *Formal Agreement* is required, as a result of the *award* of the *contract* by delegated authority, the Chair and C.E.O. shall *execute* the *agreement* in the name of *E.L.K.*





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- 8.16.06 Where a *Formal Agreement* is issued, the *Manager* or designate shall issue a *purchase order* or *contract order* incorporating the terms and conditions relevant to the *award* of a *contract*.
- 8.16.07 Where a *Formal Agreement* is not required, the *Manager* or designate shall issue a *purchase order* or *contract order* incorporating the terms and conditions relevant to the *award* of a *contract*.
- 8.16.08 *Requisitions* or *purchase orders* shall not be arbitrarily structured to alter the relationship of the price to the preauthorized expenditure limit.
- 8.16.09 For an approved form of *agreement* for major *purchases* of *goods* and/or *services*, a form of *agreement* prepared or approved by *E.L.K.*'s Solicitor shall be used at the discretion of the *Director of Finance*, when deemed advisable in *E.L.K.*'s best interest.
- 8.17 Where a *contract* contains an **option for renewal**, the *Manager* may authorize such option provided that all of the following apply:
- (a) The supplier's performance in supplying the *goods* and/or *services* is, in the opinion of the respective *Manager* acting together with the *C.E.O.* or *Director of Finance*, considered to have met the requirements of the *contract*,
  - (b) The *Manager* or designate provides the *Director of Finance* with a written explanation as to why the renewal is in the best interest of *E.L.K.*
  - (c) The *Manager* and the *Director of Finance* agree that the exercise of the option is in the best interest of *E.L.K.* and
  - (d) Funds are available in appropriate accounts within the *Board approved budget* including authorized revisions to meet the proposed expenditure
- Notwithstanding the foregoing options that exceed \$50,000.00 require *Board approval* in the same manner as was required in the original *contract*.
- 8.18 **No amendment or revision** to a *contract* shall be made unless the amendment, in the opinion of the *Board*, is in the best interest of *E.L.K.*
- 8.18.01 No amendment that changes the price of a *contract* shall be agreed to without a corresponding change in requirement or scope of work and where applicable, *Board approval* is required.
- 8.18.02 *Managers* or designate may recommend amendments to *contracts*.
- 8.18.03 Where expenditures for the proposed amendment combined with the price of the original *contract* exceeds the *Board approved budget* for the project, a report prepared by the *Manager* shall be submitted to the *Board* recommending the amendment and proposing the source of financing.
- 8.19 Where a requirement exists to initiate a project for which *goods* and/or *services* are required and **funds are not contained within the the *Board approved budget*** to





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meet the proposed expenditure, the Manager shall, prior to commencement of the purchasing process, submit a report to the *Board* containing:

- (a) Information surrounding the requirement to *contract*,
- (b) Information on the availability of the funds within existing budgets, which were originally approved by the *Board* for other purposes, or on the requirement of additional funds.

### 9 MATERIAL AND VENDOR MANAGEMENT

- 9.01 The Manager or designate shall be responsible for monitoring the prices of the *goods* required in **inventory** and establishing the necessary *purchase orders* and *blanket purchase order* so that staff can *requisition* their requirements in order to replenish the stock as needed.
- 9.01.01 Upon receipt of an authorized *requisition*, the Manager or designate shall proceed to contact suppliers in order to fulfill the inventory requirement.
- 9.01.02 The Manager or designate may from time to time alter the source or method of supply when it is, in his/her opinion, beneficial to do so.
- 9.01.03 Managers or designate shall ensure a physical inventory of stock items be taken on a periodic basis and an adequate allowance of inventory obsolescence be maintained.
- 9.01.04 Physical inventories can be taken periodically as designated by the Manager, but must be taken on December 31<sup>st</sup> of every year, or within 2 working days of December 31<sup>st</sup> and submitted to the Finance Department. All inventories should be kept only to the extent that they meet requirements within a 3-month period.
- 9.02 The Manager or designate shall,
- (a) Arrange for the prompt **inspection of goods on receipt** to confirm conformance with the terms of the *purchase* or *blanket purchase order* and
  - (b) Inform the *C.E.O.* and *Director of Finance* of discrepancies immediately.
  - (c) Delivery receipts must be signed off by the Manager or designate and promptly forwarded to the Finance Department.
- 9.02.01 The *C.E.O.* or *Director of Finance* shall co-ordinate an appropriate course of action with the Manager or designate for any non-performance or discrepancies.
- 9.03 *Disposal of surplus and obsolete material and equipment* shall be done in accordance with this section.
- 9.03.01 Each Manager or designate shall submit an annual report to the *C.E.O.* identifying all furniture, vehicles, equipment and surplus stock, which are no longer used or which have become obsolete, worn out, or incapable of being used.





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- 9.03.02 The C.E.O. shall have the authority to sell, exchange, or otherwise dispose of material declared surplus or obsolete to the needs of E.L.K. and where it is cost effective and in the best interest of E.L.K. to do so.
- 9.03.03 The Manager shall be responsible for ascertaining if the items can be of use to other departments rather than disposed of.
- 9.03.04 The C.E.O. shall have the authority to sell or dispose of the material by the most effective of following methods:
- (a) Offered to other departments at no cost ;
  - (b) Offered for sale to public agencies;
  - (c) Sold by external advertisement, including *tender*, *quotation*, public auction, or on-line auction;
  - (d) Sold or traded to the original supplier or others in that line of business where it is determined that a higher net return will be obtained than following other procedures;
  - (e) Donated to a charitable organization;
  - (f) Recycled;
  - (g) Other methods as deemed appropriate;
- 9.03.05 In the event that all other efforts to dispose of material by sale are unsuccessful, these items may be scrapped.
- 9.03.06 Where it is deemed appropriate, the C.E.O. and/or the initiating department, may set a reserve price for an article that is to be sold and
- (a) In case of *disposal* by *tender*, the reserve price shall be published and disclosed;
  - or
  - (b) In case of public auction, on-line auction or *quotation*, the reserve price shall be used as an internal estimate and not disclosed.
- 9.03.07 The revenue generated from the sale of surplus and obsolete material shall be credited to the appropriate general ledger account.
- 9.03.08 Departments are responsible for the *disposal* of hazardous material. Where *disposal* prices must be obtained, the C.E.O. shall be notified of the necessary information regarding the hazardous material.
- 9.03.09 No employee, elected official, or immediate member of their families, shall be permitted to receive surplus and obsolete material except by *purchase* at a public auction or on-line auction.
- 9.04 Managers in conjunction with the C.E.O. and *Director of Finance* shall institute a **vendor performance management** program for E.L.K.
- 9.04.01 A performance evaluation shall rate the performance of the vendor on criteria determined by the Manager to be appropriate in determining if E.L.K. has obtained a satisfactory level of performance by the vendor.





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9.04.02 Documented poor performance or non-performance may be used to determine the eligibility of a bidder to participate in future *E.L.K. contracts* in accordance with Section 9.06.

9.05 *E.L.K.* may, in its absolute discretion, **reject a tender or proposal** submitted by the bidder, if the bidder, or any officer or director of the bidder is or has been engaged, either directly or indirectly through another corporation, in a legal action against *E.L.K.* its elected or appointed officers and employees in relation to:

- (a) Any other *contract or service*; or
- (b) Any matter arising from *E.L.K.*'s exercise of its powers, duties, or functions.

9.05.01 In determining whether or not to reject a *quotation, tender or proposal* under this clause, *E.L.K.* will consider whether the litigation is likely to affect the bidder's ability to work with *E.L.K.*, its consultants and representatives and whether *E.L.K.*'s experience with the bidder indicates that *E.L.K.* is likely to incur increased staff and legal costs in the administration of the *contract* if it is *awarded* to the bidder.

9.06 The Manager or designate shall document evidence and advise the *C.E.O.* and *Director of Finance* in writing where the **performance of a supplier** has been unsatisfactory in terms of failure to meet *specifications*, terms and conditions or for health and safety violations.

9.06.01 The *Director of Finance* may, in consultation with the Solicitor, prohibit an unsatisfactory supplier from bidding on future *contracts* for a period of up to three years.

9.06.02 Any supplier being excluded from a bidding process due to poor performance will be reported to the *Board* and will be notified in writing of their exclusion.

9.06.03 The supplier shall have the opportunity to respond to the *Board* regarding a notification sent pursuant to Section 9.06.02. The decision of the *Board* regarding the exclusion of a supplier shall be final.

9.07 This section shall be followed in situations where it is deemed by the Manager or designate to be necessary to **pre-qualify bidders** prior to the commencement of the competitive *sealed bid* process. The purpose of the pre-qualification is to ensure that each bidder can demonstrate they have ability to provide the necessary expertise and resources to satisfactorily complete the work required. Pre-qualification shall only be considered in the following circumstances:

- (a) The work involves complex, multi-disciplinary activities; specialized expertise, equipment, materials, or financial requirements,
- (b) The work is such that *contract* administration costs (work inspection, follow-up, extra fee *negotiations*) could result in a substantial cost to *E.L.K.* if the work is not satisfactorily performed the first time,





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(c) The *goods* or equipment to be *purchased* must meet national safety standards, or if no standard has been established, has required a demonstrated acceptable level of performance, or

(d) The work is considered "high risk" with respect to regulations governed under Occupational Health and Safety.

9.07.01 This is a two-step process, where either a competitive *sealed bid* or a *proposal* call will follow. Pre-qualification is the first step and would set out criteria requiring bidders to provide information such as, but not limited to:

- (a) Experience on similar work
- (b) References provided from other customers for similar work
- (c) Verification of applicable licenses and certificates
- (d) Health and safety policies and staff training, and
- (e) Financial capability

9.07.02 Appropriate staff, at the direction of the *C.E.O.* and *Director of Finance* will evaluate and rank the submissions and then recommend a short list of acceptable bidders who will be invited to participate in the subsequent request for *tender* call.

9.07.03 Alternatively, *E.L.K.* may issue a request for information. A request for information can be used to build supplier interest and to see who the interested parties are to justify a full *request for proposal* competition. The request for information may request detailed information such as, but not limited to, company background, who the interested parties are, what they can offer and what they can do for *E.L.K.* Any resulting bid document will be advertised and will be open to vendors who wish to participate.

## 10 GENERAL ADMINISTRATIVE PROCEDURES

10.01 Where a supplier has **invoiced *E.L.K.* payments** the invoice shall be included in the appropriate monthly cheque register for the *Board* to be prepared by the *Director of Finance*.

10.02 The procedures in this section shall be used to **resolve any question involving the meaning or application of this Policy**. *E.L.K.* encourages the most open, competitive bidding process for the *purchase of goods and/or services* and the equitable treatment of all vendors. In the event that disputes arise during the administration of a *contract* that cannot be easily resolved, the vendor shall:

- (1) Request a meeting with the *C.E.O.* and *Director of Finance*. This request shall be in writing and shall provide a detailed statement of the legal and factual grounds of the protest, including copies of relevant documents and shall identify the form of relief requested.





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(2) If, after the meeting, the vendor is satisfied that their concerns have been addressed and that the process has been fair and equitable, no further action shall be required.

(3) If, after the meeting, the *C.E.O.* and *Director of Finance* are convinced that there was an error or oversight on the part of the purchasing process, a report shall be issued to the *Board* for *approval*. The report shall set out the course of action recommended by the *C.E.O.* and *Director of Finance*.

(4) The *Board* will provide a final resolution to the conflict, subject to any litigation proceedings which may be commenced.

10.03 The public and the business community must have confidence in the integrity of *E.L.K.* officers and employees. Any officer, or employee who intentionally and knowingly **fails to act in accordance with this Policy** shall be subject to appropriate disciplinary action up to and including termination of employment.

10.03.01 Any bidder and existing suppliers who intentionally and knowingly fail to act in accordance with the purchasing Policy may be prohibited from bidding on future *contracts* for a period of three years in accordance with Section 9.06.

10.03.02 No *acquisition of goods* and/or *services* or *disposal* of surplus *goods*, or equipment shall be made where the quantity or delivery is divided or in any manner arranged so that the price or value of the *goods* and/or *services* to be acquired or disposed of is artificially reduced to circumvent the prescribed purchasing process.

10.03.03 No officer or employee or any relative of that officer, or employee shall be permitted to *purchase* any surplus *goods* to be disposed of except by successfully bidding on the same at a public auction or by *sealed bid* but in no case if the duties of that officer, or employee include making decisions regarding the *disposal* of such *goods* or activities relating to the conduct of the *disposal* process.

10.03.04 Officers and employees shall not knowingly cause or permit anything to be done or communicated to anyone which is likely to cause any potential vendor to have an unfair advantage or disadvantage in obtaining a *contract* for the supply of *goods* and/or *services* to *E.L.K.*

10.04 In order to contribute to waste reduction and to increase the development and awareness of **environmentally sound purchasing**, *acquisitions* of *goods* and/or *services* will ensure that wherever possible, *specifications* are amended to provide for expanded use of durable products, reusable products and products (including those used in *services*) that contain the maximum level of post-consumer waste and/or recyclable content, without significant affecting the intended use of the product or *service*.





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- 10.04.01 It is recognized that cost analysis is required in order to ensure that the products are made available at competitive prices.
- 10.05 All officers and employees of *E.L.K.* shall provide their **best efforts** to comply with the terms and conditions of this Policy.
- 10.06 All officers and employees of *E.L.K.* shall not have a **pecuniary interest**, either directly or indirectly, in any *contract* with *E.L.K.* or with any person acting for *E.L.K.* in any *contract* for the supply of *goods* and/or *services* for which *E.L.K.* pays or is liable, directly or indirectly to pay.
- 10.06.01 All staff and others participating in the evaluation of *proposals* shall disclose any *conflict of interest* prior to the evaluation process.
- 10.06.02 All consultants *awarded a contract* by *E.L.K.* shall disclose to *E.L.K.* prior to accepting an assignment, any potential *conflict of interest*. If such a *conflict of interest* exists, *E.L.K.* as directed by the C.E.O. may, at its discretion, withhold the assignment from the consultant until the matter is resolved. And furthermore, if during the conduct of an *E.L.K.* assignment, a consultant is retained by another client giving rise to a potential *conflict of interest*, then the consultant shall so inform *E.L.K.*
- 10.07 The Province of Ontario's Discriminatory Business Practices Act (R.S.O. 1990) was established to prevent **discrimination** in Ontario on the grounds of race, creed, colour, nationality, ancestry, place or origin, sex or geographical location of persons employed or engaged in business. As such, granting **preference to local suppliers** to provide *goods* and/or *services* to *E.L.K.* cannot be undertaken.
- 10.08 Where a *contract* may extend beyond the **term of the Board**, the *contract* shall contain provisions to minimize the financial liability of *E.L.K.* should the subsequent *Board* not approve sufficient funds to complete the *contract* and *E.L.K.* may terminate the *contract*.
- 10.09 The **disclosure of information** received relevant to the issue of *bid solicitations* or the *award of contracts* emanating from *bid solicitations* shall be made by the appropriate officers in accordance with the provisions of the Protection of Privacy Act, as amended.
- 10.09.01 All **records and information** pertaining to *tenders*, *proposals* and other *sealed bids*, which reveal a trade secret or scientific, unit process, technical, commercial, financial or other labour relations information, supplied in confidence implicitly or explicitly shall remain confidential if the disclosure could reasonably be expected to:
- Prejudice significantly the competitive position or interfere significantly with the contractual or other *negotiations* of a person, group of persons, organizations;
  - Result in similar information no longer being supplied to *E.L.K.* where it is in the public interest that similar information continue to be so supplied;
  - Result in undue loss or gain to any person, group, committee or financial institution or agency; or





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(d) Result in information whose disclosure could reasonably be expected to be injurious to the financial and/or security interests of *E.L.K.*

- 10.10 Managers shall be authorized to co-operate with local municipalities, *boards* and commissions of such other organizations performing *services* for or on behalf of *E.L.K.* with respect to co-operative or **bulk purchasing** of *goods* and with respect to providing general advice, information or assistance pursuant to such requests.
- 10.11 Where, in the opinion of the Manager or designate it would be effective, *tenders* and *proposals* shall be placed on *E.L.K.* internet website and if *E.L.K.* so desires, in the local press.
  - 10.11.01 Advertisements, where applicable, must appear with sufficient time between *advertising* and *tender* closing to permit a contractor to examine the advertisement, obtain the *tender* documents, complete and submit his/her *proposal*.
  - 10.11.02 *Tender* and *proposals* may be advertised on other government operated and/or purchasing association internet websites, where practicable, to attract competent bidders.
- 10.12 The purpose of this policy is to determine **how effective the Purchasing Policy has been** in achieving the objectives set out in Section 3 of the Policy.
  - 10.12.01 The Purchasing Policy shall be reviewed within eighteen (18) months of passage.
  - 10.12.02 The Purchasing Policy shall be reviewed subsequently thereafter prior to the end of each *Board* term.
- 10.13 All background information, information submitted by vendors, analysis, *purchase order* and other relevant information involved in obtaining prices for *goods* and/or *services* shall be **retained** in compliance with *E.L.K.*'s Retention By-Law.
- 10.14 In the absence of the Manager or designate the *C.E.O.* or *Director of Finance* shall act as the **department purchasing agent**.
  - 10.14.01 Any commitments being made where it is recommended that a *contract* be *executed* by the Chair or *C.E.O.* must first be approved by the *Board* where the expenditure is over \$5,000.00 or *contracts* not terminable on 30 days' notice.
  - 10.14.02 No employee or elected official shall *purchase* or offer to *purchase*, on behalf of *E.L.K.*, any *goods* and/or *services*, except in accordance with this Policy.
  - 10.14.03 The Tables "A", "B" & "C", Appendix "A", "B", "C", "D" and "E" attached hereto may be amended from time to time with report to the *Board*. Such amendments do not invalidate any other portion of this Policy.





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- 10.14.04 The Manager or *Director of Finance* may randomly review departments purchasing related files on an on-going basis to review the effectiveness and integrity of the process and policy adherence.
- 10.14.05 The Manager in conjunction with the *Director of Finance* shall establish procedures consistent with the purposes, goals and objectives and be used as guidelines and for information on purchasing goods and/or services in compliance with this Policy.
- 10.14.06 The *Director of Finance* shall initiate and submit the recommendation with respect to the *award* for group benefits, auditors, banking and professional services to the *Board* with the assistance and consultation of the departments.
- 10.14.07 The *C.E.O.* shall initiate and submit the recommendation to the *Board* with respect to the sale of *E.L.K.* owned real property.
- 10.14.08 The *Director of Finance* shall initiate and submit the recommendation with respect to general insurance to the *Board*.
- 10.14.09 Managers shall review unsolicited *proposals* received by *E.L.K.* Any purchasing activity resulting from the receipt of an unsolicited *proposal* shall comply with the provisions of this Policy.
- 10.14.10 To ensure standardization of corporate equipment and software, prior *approval* shall be required from the Manager and the *Director of Finance* for computer equipment.
- 10.15 Information to be included in ***purchase orders*** is as follows:
- (a) Documentation of comparative pricing obtained (either written or verbal) or a copy of the RFQ, RFP or RFT submitted by the successful bidder and a summary of the criteria used to rate the bid
  - (b) Information concerning the vendor (name, address, telephone/fax number)
  - (c) Ship To/Bill To Information
  - (d) Details concerning the goods or services purchased and pricing, including estimated shipping charges, if extra payment terms
  - (e) Account to be charged
  - (f) Authorization for the *purchase* according to the requirements set out in Table "B"; where *Board* authorization is obtained, reference to the resolution is to be noted on the *purchase order*.





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**Table A – Methods of Purchasing**

Method	Definition	Goals
<i>Request for Proposal</i> (RFP)	Process for obtaining unique <i>proposals</i> designed to meet broad outcomes to a complex problem or need for which there is no clear or single solution. Solicitation of requests for <i>proposal</i> may be by invitation and/or by <i>advertising</i> (website/newspapers) and may include a "two envelope" approach. (See appendix B)	To implement an objective, fair, open, transparent, accountable and efficient process. <i>Proposals</i> to be selected on the basis of 1) the highest score and 2) that the <i>proposal</i> meets the requirements specified in the competition, based on qualitative, technical and pricing considerations.
Request for <i>Tender</i> (RFT)	Process of obtaining competitive bids based on precisely defined requirements for which a clear or single solution exists. Bid solution performed on the basis of an advertisement (website, newspaper(s) and/or trade magazines.	To implement an effective, objective, fair, open, transparent, accountable and efficient competitive bids. <i>Tenders</i> to be accepted on the basis of the lowest bid that meets all of the requirements specified in the competition.
<i>Request for Quotation</i> (RFQ)	Same as Request for <i>Tender</i> , except that <i>bid solicitation</i> is done on an invitational basis from a pre-determined list of bidders that may be supplemented with public <i>advertising</i> at the discretion of management.	To implement an effective, objective, fair, open, transparent, accountable and efficient process for obtaining competitive bids. Quotes to be accepted on the basis of the lowest bid that meets all of the requirements specified in the competition.
Informal, Low Value Purchasing	Process for obtaining competitive pricing for <i>goods</i> and <i>services</i> through phone, fax, email, vendor advertisements or catalogues.	To obtain competitive pricing in an expeditious and cost effective manner.
<i>Sole Source</i> Procurement	Process for obtaining <i>goods</i> and <i>services</i> without seeking competitive pricing. Refer to Appendix A for full details of when this process may be used.	To allow for purchasing in an efficient and timely manner.





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**Table B: Circumstances for Purchasing Methods – *Competitive Purchasing***

Estimated Value of Goods or Service	Method of Purchasing Required	Purchasing Paperwork Required	Authorization Required
\$0 to \$1,000	Information Low Value Purchasing <i>Comparative pricing may be obtained at the discretion of purchaser; the requirement for comparative pricing at purchasing values less than \$1,000 may be required on a departmental basis of the discretion of the Manager.</i>	None	Employee designed by a Manager; Managers have the option to reduce maximum purchasing \$ levels requiring approval by Manager at their discretion.
\$1,001 to \$5,000	Informal Low Value Purchasing <i>Three comparative quotes required: Purchases under \$2,500 – verbal quotes Purchases \$2,501 to \$5,000 – written quotes</i>	<i>Purchase Order with three verbal quotes noted on P.O. or three written quotes attached to P.O.</i>	Manager – up to the amount in <i>approved Budget</i> . Managers have the option to reduce maximum purchasing \$ levels requiring approval by Manager at their discretion.
\$5,001 to \$50,000 where requirements can be definitively specified or defined	<i>Request for Quotation</i>	<i>Purchase Order</i>	Manager and <i>Director of Finance</i> or C.E.O. (up to the amount in <i>approved Budget</i> )
\$5,001 to \$50,000 where requirements cannot be definitively specified or defined	<i>Request for Proposal</i>	<i>Purchase Order</i>	Manager and <i>Director of Finance</i> or C.E.O. (up to the amount in <i>approved Budget</i> )
Greater than \$50,000 where requirements can be definitively specified or	<i>Request for Tender</i>	<i>Purchase Order or Contract</i>	<i>Board on recommendations of Manager/C.E.O.</i>





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defined			
Greater than \$50,000 where requirements cannot be definitively specified or defined	<i>Request for Proposal</i>	<i>Purchase Order or Contract</i>	<i>Board on recommendations of Manager/C.E.O.</i>





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**Table C : Circumstances for Purchasing Methods – Non-Competitive Purchasing**

Estimated Value of Goods or Service	Method of Purchasing Required	Purchasing Paperwork Required	Authorization Required
\$0 to \$500	<i>Non-competitive purchasing</i>	None	Manager
\$501 to \$50,000	<i>Non-competitive purchasing</i>	<i>Purchase Order</i>	Manager and Director of Finance or C.E.O. (up to the amount in approved Budget)
Greater than \$50,001	<i>Non-competitive purchasing</i>	<i>Purchase Order or Contract</i>	Board on recommendations of Manager/C.E.O.





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### Appendix A – Non-Competitive (*Sole Source*) Purchasing

*Non-competitive purchasing* is deemed acceptable by *E.L.K.* in the following circumstances:

- a) Where a statutory or market-based monopoly exists for the item(s) to be *purchased*;
- b) Where no bids were received in a competitive process;
- c) Where an item is required by an exclusive right such as patent, copyright or exclusive license;
- d) Where it is necessary to ensure compatibility with existing products to avoid violating warranty/guarantee requirements when *service* is required;
- e) Where, in the opinion of the responsible Manager acting in conjunction with the *Director of Finance* or *C.E.O.*, the compatibility of a *purchase* with existing equipment, facilities or *services* is a paramount consideration;
- f) Where *goods* are *purchased* for testing or trial use;
- g) Where *goods* or *services* are in short supply due to market conditions;
- h) Where *E.L.K.* *purchases goods* for resale;
- i) Where *E.L.K.* has a rental *contract* with a *purchase* option and such *purchase* option is beneficial to *E.L.K.*;
- j) When competitive procurement is impractical for certain items such as meal allowances, incidental travel expenses and training and education expenses;
- k) Where compatibility between existing products is necessary to maintain consistency within the organization (ie software);
- l) Where the sources of supply are restricted to the extent that there is not effective price competition, or consideration of substitutes is precluded due to any of the following:
  - i) Components or replacement parts for which there is no substitute;
  - ii) Compatibility with an existing product, facility or *services* is required;
  - iii) Specific standards authorized by the *Board* or other regulatory body with which compliance is required.
- m) When only one bid/*proposal* is received through the procurement process and it is impractical to proceed with another call for *quotations/proposal*.
- n) Where the cost of competitive purchasing exceeds the benefits. For example: in the case where transformers would need to be shipped to three vendors to obtain quotes and the shipping costs are significant to the anticipated cost of repair.





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### Appendix B: Two-Envelope Approach" to Requests for *Proposal*

A "two-envelope" approach may be used by *E.L.K.* when *E.L.K.* wishes to evaluate the technical and qualitative information of a given *proposal* without being influenced by pricing information. The Chief Executive Officer of *E.L.K.* will determine and approve instances when a "Two-Envelope Approach" should be used in a *Request for Proposal* process.

The following summarizes the key aspects of a "Two-Envelope Approach" for Requests for *Proposal*:

- (1) Each proponent must submit qualitative and technical information in a sealed envelope ("Envelope One") and pricing information in a second sealed envelope ("Envelope Two").
- (2) The contents of Envelope One for each company submitting a bid shall be opened and evaluated by the Manager in conjunction with the C.E.O. in terms of technical and qualitative services.
- (3) After reviewing the contents of Envelope One for all bidders, the Manager will open and evaluate "Envelope Two" for only those bids that meet the *specifications* for the *Request for Proposal* in terms of technical and qualitative services.
- (4) In the event that a *proposal* is not eligible to proceed to price evaluation, the proponent shall be disqualified from further consideration and the second envelope will be returned to the proponent unopened, along with the contents of the first envelope.
- (5) A higher point rating of a top proponent is not deemed to be sufficient evidence for the decision to open one pricing envelope. The decision to open only one pricing envelope must be made after determination that only one proponent is qualified and capable of performing the project or service. This would only be expected to occur in unique situations where artistic merit, proven design capability or other unique, non-quantifiable characteristics exist.
- (6) Where only one pricing envelope is opened, the pricing envelopes of other proponents shall remain sealed and retained until such time as the *Board* has reviewed and approved the *award* of the *contract*, after which time any sealed envelopes will be returned to the proponents unopened.
- (7) In the event that the process identified above results in two or more bidders satisfying *E.L.K.*'s requirements in terms of qualitative and technical information and pricing, *E.L.K.* reserves the right to accept or reject any submission.





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### Appendix C – Responses to Irregularities Contained in Bids

The following irregularities result in **automatic rejection and returned to the bidder**:

1. Bid or *proposal* received after the closing date/time.
2. Bid envelope received unsealed.
3. A bid is received by an excluded bidder.

The following irregularities result in **automatic rejection**:

1. The bid does not contain sufficient financial security as defined in the bid document prepared by *E.L.K.*
2. The bid has been completed and/or signed in an erasable medium (i.e. pencil).
3. The bid has been completed and is not legible.
4. Failure to *execute Agreement* to Bond or Bonding company's corporate seal or signature missing from *Agreement* to Bond.
5. Corporate seal or signature of the bidder missing; the signatory does not have the authority to bind the corporation and the signature is missing.
6. The bid documents do not acknowledge the necessary addendums which have a financial implication
7. The cheque has not been certified,
8. Failure to attend mandatory site visit.
9. Failure to insert the *Tenderer's* business name in the Form of *Tender*.
10. Pricing page missing.
11. The bid documents contain changes to the bid document that have not been initialed and unit prices in the schedule of prices have been changed but not initialed and the *contract* totals are not consistent with the amended unit prices.

The following irregularities result in **automatic rejection unless**, in the opinion of the *C.E.O.* in cooperation with the applicable Manager, the incomplete information is deemed to be trivial or not significant:

1. All required sections of the Bid documents have not been completed
2. The bid is qualified or restricted.
3. Bids received on documents other than those provided by *E.L.K.*

Description of Irregularity	Response to Irregularity
Corporate seal or signature of the bidder is missing; the signatory does not have the authority to bind the corporation or the signature is missing.	Bidder permitted 48 hours to obtain missing corporate seal or signature or obtain the signature of a person authorized to bind the corporation
The bid documents contain changes to the bid document that have not been initialed: a) Changes to information other than unit prices and <i>contract</i> totals	a) 48 hours to initial changes, as determined by the <i>C.E.O.</i> , in cooperation with the Manager b) 48 hours to initial changes as





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	b) Unit prices in the schedule of prices have been changed but not initialed and the <i>contract</i> totals are consistent with the amended unit prices	determined by the C.E.O. with the Manager
	The bid contains mathematical errors which are not consistent with the unit prices	48 hours to make and initial corrections, unit prices will govern.
	Part bids (all items not bid)	Acceptable unless complete bid has been specified in the request.
	Bids containing minor clerical errors	48 hours to correct initial errors. <i>E.L.K.</i> reserves the right to waive initialing and accept bid.
	Other mathematical errors	<ul style="list-style-type: none"> <li>a) If both the unit price and the total price are left blank, then both shall be considered as zero</li> <li>b) If the unit price is left blank but a total price is shown for the item, the unit price shall be established by dividing the total price by the estimated quantity</li> <li>c) If the total price is left blank for a lump sum item, it shall be considered as zero</li> <li>d) If the <i>tender</i> contains an error in addition and/or subtraction and/or transcription in the approved <i>tender</i> documentation format requested (i.e. not the additional supporting documentation supplied), the error shall be corrected and the corrected total <i>contract</i> price shall govern</li> </ul>
	Bid documents which suggest that the bidder has made a major mistake in calculations or bid	Consultation with a Solicitor on a case-by-case basis.
	Any other irregularity	The C.E.O. in cooperation with the Manager and acting in consensus, shall have the authority to waive other irregularities or grant 48 hours to initial such other irregularities which jointly the C.E.O. and Manager consider to be of a minor nature.





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### Appendix D: Exemptions from the Purchasing Policy

While *purchases* identified below are exempt from the policy, such *purchases* must be within the spending limits provided in the budget approved by the *Board*.

The *acquisition* methods described in this policy do not apply to the following items:

- 1) *Purchases* made through petty cash.
- 2) Training and Education, including:
  - a) Conferences, conventions, courses and seminars
  - b) Magazines, books, periodicals and subscriptions
  - c) Memberships including licensing
  - d) Staff training and development/workshops/relations
- 3) Reimbursable *Board* and Employee Expenses as permitted by the Travel Policy
  - a) Advances and meal allowances
  - b) Travel
  - c) Hotel accommodation and mileage
  - d) Miscellaneous, non-travel expenses
- 4) General Expenses
  - a) Payroll deduction remittances, medical and insurance premiums (group benefits), tax remittances and any other payment for employment
  - b) Licenses (vehicles, equipment, etc.), certificates, and other *approvals* required
  - c) Postage
  - d) Replenishment of petty cash funds
  - e) Insurance claims, legal settlements and arbitration *awards* or other payment of damages
  - f) Charges to and from other government bodies, including Federal, Provincial or Municipal
- 5) Professional & Other *Services*
  - a) Legal fees for expert or professional legal *services*
  - b) Insurance premiums
  - c) Payments to Health agencies that are subject to *service agreements*
  - d) Ongoing maintenance for existing computer hardware and software
- 6) Real Estate
  - a) Including land, building, leasehold interest, easements, encroachments, licenses etc.
  - b) Realty *services* regarding the lease, *acquisition*, demolition, sale of land and appraisal of land
- 7) Utilities
  - a) Water and sewer
  - b) Electricity
  - c) Natural gas





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- d) Telephone *services*
- e) Internet charges
- f) *Advertising service* required by *E.L.K.* on or in but not limited to radio, television, newspaper and magazines
- g) Consulting *services*
- h) Additional non-recurring accounting and auditing *services*
- i) Bank *services* where covered by *agreements*
- j) Postage





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### Appendix E: Sample Purchase Order

Vendor:

\_\_\_\_\_  
 \_\_\_\_\_  
 Telephone No.: \_\_\_\_\_  
 Fax No.: \_\_\_\_\_

Ship to:

E.L.K. Energy Inc.  
 172 Forest Ave, Essex ON N8M 3E4

Invoice to:

E.L.K. Energy Inc.  
 172 Forest Ave, Essex ON N8M 3E4

Description of Item(s)/Services Purchased:

\_\_\_\_\_

Date of P.O.: \_\_\_\_\_

Vendor Terms: \_\_\_\_\_

Deliver by: \_\_\_\_\_

Stock No.	Qty	Description	G/L Account	Unit price	Total
					\$ -
					\$ -
					\$ -
					\$ -
					\$ -
					\$ -
					\$ -
					\$ -

Shipping charges (indicate one):

☐ Included  
☐ Extra

If quoted, please provide the cost of shipping ⇒

Sub-total \$ -

GST @ 6% \$ -

PST @ 8% \$ -

Total \$ -

Buyer:

\_\_\_\_\_

Approved By:

\_\_\_\_\_  
*Manager (purchases less than \$5,000)*

Approved By:

\_\_\_\_\_  
*Director of Finance/C.E.O./Board Resolution Number*





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### General Purchasing Policies:

The Purchasing Policy sets out the policies and procedures to be followed when purchasing goods and services for E.L.K. Energy. Purchase Orders for goods and services exceeding \$1,000 must include information concerning comparative quotes obtained or a copy of the Request for Proposal, Request for Quotation or Invitation to Tender from the successful bidder, along with any documentation summarizing the evaluation process for such bids. Proper authorization must be obtained prior to purchasing as follows:

\$0 to \$5,000	Manager ( <i>up to the amount in approved budget</i> )
\$5,001 to \$50,000	Manager and Director of Finance or C.E.O. ( <i>up to the amount in approved budget</i> )
Greater than \$50,001	Board, on recommendation of Manager and C.E.O.

Purchase orders should be forwarded to accounts payable upon completion/

### Supporting Documentation for Comparative Quotes:

Supplier Name	Item Description/Stock No.	Price/Unit	Total Price

### Notes:

### Purchase Order Numbers:

The sequential numbering system for Purchase Orders will consist of the purchaser's initials, followed by a 2-digit number signifying the year and a 3-digit sequential number (for example, SS-06-001). Purchasers must maintain a log of Purchase Order Numbers used during any given calendar year. Following the end of the calendar year, the sequential log must be submitted to the Finance Department for audit purposes.

### Packing Slips & Invoices:

All invoices from suppliers must be forwarded to Accounts Payable. Packing slips received by the department upon receipt of the goods or services must be signed off as received and submitted to the Finance Department where they will be matched with the appropriated Purchase Order and invoice for payment.





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**Appendix A** *Sole Source Procurement*

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**Appendix E** Sample PO

**Appendix F** Index



**EMPLOYEE COMPENSATION, INCENTIVE PLAN EXPENSES, PENSION EXPENSE  
AND POST RETIREMENT BENEFITS:**

**Compensation/Performance System**

**Union**

E.L.K.'s unionized staff is represented by the International Brotherhood of Electrical Workers Local 636. The current collective agreement became effective of the 1<sup>st</sup> day of April 2010 and remains in full force and effect until March 31, 2014. The current agreement was signed March 10, 2011 and includes annual wage increases of 2.75% per year for 2010, 2011 and 2012.

**Executive/Management**

The Management compensation plan consists of salaries and benefits. Each position within the company has a job description and has been assessed through a pay equity plan completed by E.L.K. The method of comparison used was a point factor gender neutral job evaluation system. The evaluation system contained the mandatory factors of skill, effort, responsibility and working conditions. Pay for executives and management is reviewed annually by the Chief Executive Officer, Personnel Committee and the Board of Directors. Each employee's position is carefully reviewed yearly and compared with various categories from the Mearie Management Survey. Changes to management compensation, if any, are approved by the Board of Directors. E.L.K. does not offer any incentive or bonus compensation. As indicated previously, the executive category only possesses the salaries of the Board of Directors, and no other management or executive staff members.

**Benefits**

A comprehensive and competitive benefits package exists which includes medical insurance, life insurance, vacation and a company-sponsored retirement plan. The plans are designed to address the health and welfare needs of the employee population with similar plans for both union and management employees.

All full time staff participates in the OMERS pension plan.



All full time staff is provided with Post-Retirement Benefits. All current employees as of April 1, 2000 who retire on or after April 1, 2003, and have attained the age of 55 and have 15 years of Board Service Credit or retire with an unreduced pension under the OMERS Type 7 Plan will have their health care benefits as outlined in Article 15 of the collective agreement provided to age 65 or until said retirees qualify for the government health plan, whichever occurs first. Please note that prior to the amalgamation of E.L.K., the predecessor utilities and their staff members negotiated post-retirement benefits on a case by case basis. Those arrangements with respect to post-retirement benefits remained in place following the creation of E.L.K. The accrued expense is based on an actuarial valuation. The latest copy of the valuation has been provided as Appendix 4-B.

#### Employee Compensation and Benefits:

Employee complement, compensation and benefits are set out in Table 4.26 below.

**Table 4.26 Employee Costs**

	2006	2007	2008	2009	2010	2011	2012
<b>Number of Employees (FTEs including Part-Time)<sup>1</sup></b>							
Executive	-	-	-	-	-	-	-
Management	4	4	4	5	5	5	6
Non-Union	-	-	-	-	-	-	-
Union	15	15	15	15	15	15	15
Total	19	19	19	20	20	20	21
<b>Number of Part-Time Employees</b>							
Executive							
Management							
Non-Union	3	6	4	4	2	2	2
Union							
Total	3	6	4	4	2	2	2
<b>Total Salary and Wages</b>							
Executive	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Management	\$ 335,781	\$ 347,406	\$ 374,393	\$ 371,490	\$ 445,661	\$ 409,368	\$ 505,000
Non-Union	\$ 35,935	\$ 34,537	\$ 41,067	\$ 60,787	\$ 35,283	\$ 38,123	\$ 42,128
Union	\$ 935,966	\$ 1,016,991	\$ 1,049,375	\$ 1,035,527	\$ 1,057,267	\$ 1,102,552	\$ 1,064,488
Total	\$ 1,307,682	\$ 1,398,934	\$ 1,464,835	\$ 1,467,804	\$ 1,538,211	\$ 1,550,043	\$ 1,611,616
<b>Current Benefits</b>							
Executive	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Management	\$ 21,543	\$ 23,251	\$ 24,021	\$ 28,175	\$ 27,057	\$ 28,054	\$ 29,989
Non-Union	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Union	\$ 115,397	\$ 94,961	\$ 97,653	\$ 111,984	\$ 89,841	\$ 110,651	\$ 85,770
Total	\$ 136,940	\$ 118,212	\$ 121,674	\$ 140,159	\$ 116,898	\$ 138,705	\$ 115,759
<b>Accrued Pension and Post-Retirement Benefits</b>							
Executive							
Management	\$ 1,612	\$ 5,094	\$ 5,341	\$ 111	\$ 131	\$ 427	\$ 427
Non-Union	\$ 1,612	\$ 5,094	\$ 5,341	\$ 111	\$ 131	\$ 427	\$ 427
Union	\$ 1,612	\$ 5,094	\$ 5,341	\$ 111	\$ 131	\$ 427	\$ 427
Total	\$ 4,836	\$ 15,282	\$ 16,023	\$ 333	\$ 393	\$ 1,281	\$ 1,281



Total Benefits (Current + Accrued)							
Executive	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Management	\$ 23,155	\$ 28,345	\$ 29,362	\$ 28,286		\$ 28,481	\$ 30,416
Non-Union	\$ 1,612	\$ 5,094	\$ 5,341	\$ 111	\$ 131	\$ 427	\$ 427
Union	\$ 117,009	\$ 100,055	\$ 102,994	\$ 112,095	\$ 89,972	\$ 111,078	\$ 86,197
Total	\$ 141,776	\$ 133,494	\$ 137,697	\$ 140,492	\$ 117,291	\$ 139,986	\$ 117,040
Total Compensation (Salary, Wages, & Benefits)							
Executive	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Management	\$ 358,936	\$ 375,751	\$ 403,755	\$ 399,776	\$ 472,718	\$ 437,849	\$ 535,416
Non-Union	\$ 35,935	\$ 34,537	\$ 41,067	\$ 60,787	\$ 35,283	\$ 38,123	\$ 42,128
Union	\$ 1,051,363	\$ 1,111,952	\$ 1,147,028	\$ 1,147,511	\$ 1,147,108	\$ 1,213,203	\$ 1,150,258
Total	\$ 1,449,458	\$ 1,532,428	\$ 1,602,532	\$ 1,608,296	\$ 1,655,502	\$ 1,690,029	\$ 1,728,656
Compensation - Actual Yearly Base Wages							
Executive	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Management	\$ 335,780.60	\$ 347,406	\$ 374,393	\$ 371,490.07	\$ 445,660.82	\$ 409,368.47	\$ 392,410.55
Non-Union	\$ 35,935.01	\$ 34,537	\$ 41,067	\$ 60,787.05	\$ 35,282.99	\$ 38,123.31	\$ 42,127.64
Union	\$ 935,966.42	\$ 1,016,991	\$ 1,049,375	\$ 1,035,526.80	\$ 1,057,266.85	\$ 1,102,551.55	\$ 1,064,487.74
Total	\$ 1,307,682.03	\$ 1,398,934.63	\$ 1,464,835.57	\$ 1,467,803.92	\$ 1,538,210.66	\$ 1,550,043.33	\$ 1,499,025.93
Compensation - Actual Yearly Overtime							
Executive	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Management	\$ 9,580.62	\$ 10,001	\$ 12,922	\$ 10,539.20	\$ 12,855.58	\$ 11,808.69	\$ 11,808.69
Non-Union	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Union	\$ 61,453.71	\$ 59,192	\$ 74,014	\$ 38,520.77	\$ 45,846.82	\$ 56,197.69	\$ 56,197.69
Total	\$ 71,034.33	\$ 69,193.00	\$ 86,936.00	\$ 49,059.97	\$ 58,702.40	\$ 68,006.38	\$ 68,006.38
Compensation - Actual Yearly Incentive Pay							
Executive							
Management							
Non-Union							
Union							
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Compensation - Actual Yearly Benefits							
Executive	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Management	\$ 23,155	\$ 28,345	\$ 29,362	\$ 28,286	\$ -	\$ 28,481	\$ 30,416
Non-Union	\$ 1,612	\$ 5,094	\$ 5,341	\$ 111	\$ 131	\$ 427	\$ 427
Union	\$ 117,009	\$ 100,055	\$ 102,994	\$ 112,095	\$ 89,972	\$ 111,078	\$ 86,197
Total	\$ 141,776	\$ 133,494	\$ 137,697	\$ 140,492	\$ 90,103	\$ 139,986	\$ 117,040
<b>Total Compensation</b>	\$ 1,446,234	\$ 1,522,240	\$ 1,591,850	\$ 1,608,074	\$ 1,655,109	\$ 1,689,175	\$ 1,727,802
<b>Total Compensation Charged to OM&amp;A</b>	\$ 1,171,450	\$ 1,293,904	\$ 1,273,480	\$ 1,366,863	\$ 1,241,332	\$ 1,317,557	\$ 1,382,242
<b>Total Compensation Capitalized</b>	\$ 274,784	\$ 228,336	\$ 318,370	\$ 241,211	\$ 413,777	\$ 371,619	\$ 345,560

#### Change in Employee Compensation & Benefits

#### 2009 Actual vs. 2008 Actual

#### **Management:**

Change in FTE: +1.0

Change in Wages: -\$2,903



1 In 2009 management received an increase ranging from approximately 3% - 9% or \$23,000 in  
2 total for all management. However, the Director of Finance Position was vacant in 2009 due to a  
3 maternity leave and a new Manager of Finance & Regulatory Affairs contract position was  
4 established. The approximate difference in salary between the Director position and Manager  
5 Position was \$26,000, resulting in an overall decrease of \$3,000.

6 **2010 Actual vs. 2009 Actual**

7 **Management:**

8 Change in FTE: N/C

9 Change in Wages: +\$74,171  
10

11 In 2010, E.L.K. extended the one year contract of the Manager of Finance & Regulatory Affairs  
12 due to the additional workload from the Green Energy Act and the MDM/R Time of Use process.  
13 The Director of Finance returned for the entire 2010 year. At the end of 2010, it was decided to  
14 make the Manager of Finance position a permanent position. General wages increased by  
15 2.75% after each employee's position was carefully reviewed and compared with various  
16 categories from the Mearie Management Survey as well as to the active collective agreement.  
17 Changes to management compensation, if any, are approved by the Board of Directors. As  
18 noted previously, E.L.K. does not offer any incentive or bonus compensation.

19 **2011 Actual vs. 2010 Actual**

20 **Management:**

21 Change in FTE: N/C

22 Change in Wages: -\$36,293

23 The small decrease is the result of the Director of Finance & Regulatory Affairs only working for  
24 four months in the year and reflects approximately  $\frac{1}{4}$  of the Director's salary. Management  
25 received an increase of 2.75%. It should be noted that the Director of Finance & Regulatory  
26 Affairs no longer works for E.L.K. effective April 2012 and currently this position is vacant.

27

28



**2012 Test vs. 2011 Actual**

**Management:**

Change in FTE: +1.0

Change in Wages: +\$96,000

E.L.K. is currently working on internal analysis and review of the company structure. The increase is attributable to pay increases and the replacement of the Director of Finance who left the company in 2011 as well as the addition of one new staff member, a financial analyst to assist with increased workloads due to Green Energy initiatives, managing the processes of both microFIT and FIT contracts, conservation tracking and reporting, assisting in the International Financial Reporting Standards conversion, and implementing and maintenance of time-of-use web presentment tools and the MDM/R daily process.

**Union:**

Change in FTE: None- over the entire course of 2006 through 2012.

Change in Wages through 2011 Actuals: +\$166,586

General wages increased by 3.25% each year for the 1<sup>st</sup> collective agreement and 2.75% each year for the 2<sup>nd</sup> collective agreement, corresponding to a total increase of 18% over the 2 agreements (\$168,473). The periods of the two collective agreements were from April 1, 2006 through March 31, 2010 and the second from April 1, 2010 expiring on March 31, 2014.

**OMERS Pension Expense and Post Retirement Benefits:**

**OMERS Pension Expense:**

E.L.K.'s employees are members of the Ontario Municipal Employees Retirement System ("OMERS"). Accordingly, E.L.K. has provided the OMERS pension premium/contributions (employee and employer) information for 2006 Actual, 2007 Actual, 2008 Actual, 2009 Actual, 2010 Actual, 2011 Actual and the 2012 Test Year in the table below. The 2012 Test Year data includes January through August data inclusive.



**Table 4.27**  
**Pension Premium Information**

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Test
OMERS Premiums Paid	\$ 184,545.66	\$ 200,891.58	\$ 207,911.38	\$ 195,787.60	\$ 212,274.40	\$ 253,711.88	\$ 195,412.88

**Post-Retirement Benefits - Liability:**

E.L.K. has provided post-retirement benefits accounting information as required and has included the change in Post-Retirement expense for 2006 Actual, 2007 Actual, 2008 Actual, 2009 Actual, 2010 Actual, 2011 Actual, and 2012 Test Year, in Table 4.28 below.



**Post-Retirement Benefits - Premiums:**

E.L.K. pays certain health, dental, and life insurance benefits on behalf of its retired employees. Actual premiums paid for 2006 Actual, 2007 Actual, 2008 Actual, 2009 Actual, 2010 Actual, 2011 Actual are shown in Table 4.28 below.

**Table 4.28**  
**Post-Retirement Benefit Information**

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual
Premium & Expenses Paid (Benefit Payments)	\$ 30,454	\$ 29,204	\$ 27,967	\$ 32,161	\$ 26,969	\$ 26,276
Change in Balance Sheet Asset (Change in Accrued Liability)	\$ 4,836	\$ 15,282	\$ 16,023	\$ 333	\$ 393	\$ 1,281
<b>Total Post-Employment Benefit Expense</b>	<b>\$ 35,290</b>	<b>\$ 44,486</b>	<b>\$ 43,990</b>	<b>\$ 32,494</b>	<b>\$ 27,362</b>	<b>\$ 27,557</b>



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**Appendix 4-B**  
**E.L.K. Valuation**



# K-W ACTUARIAL SERVICES INC.

640 Riverbend Drive  
Kitchener ON N2K 3S2

Phone: (519) 579-1255  
Fax: (519) 579-5010

February 24, 2012

Mark Danelon  
Manager, Finance & Regulatory Affairs  
E.L.K. Energy Inc.  
172 Forest Avenue  
Essex ON N8M 3E4

**via email only**

Dear Mark:

**Re: E.L.K. Energy Post-Employment Benefits Accounting at December 31, 2011**

In response to your request, we have completed an analysis of the period ended December 31, 2011 expense for the company's life and health plans. A full valuation was performed effective December 31, 2010 and results have been extrapolated to December 31, 2011.

## **Premiums**

The premiums (excluding provincial sales taxes) applied for various benefit provisions have been provided by E.L.K. Energy, as follows:

	Health		Dental	
	Single	Family	Single	Family
<b>Class 1 and 10</b>				
January 1, 2011	66.96	171.51	45.20	159.63
January 1, 2012	75.00	192.09	40.68	143.67
<b>Class 9</b>				
January 1, 2011	53.97	137.60	34.53	122.00
January 1, 2012	60.00	153.66	31.08	109.80



**Data**

The member counts at the last report (full valuation) and this report (extrapolation) are summarized in the following table.

	<b>Active Employees</b>	<b>Retirees</b>
<b>January 1, 2011</b>	20	8
<b>January 1, 2012</b>	20	8

**Insurance Plan**

Benefits are payable to future retirees provided they retire from active service and have at least 15 years of service with the company.

Life insurance benefits are provided to current retirees; future retirees will not be provided with life insurance benefits.

The health insurance program provides extended health insurance, dental insurance, and vision benefits. Current retirees are covered for various periods (some for life). For future retirees, extended health insurance benefits will cease at age 65; survivor's benefits are provided with respect to two currently retired employees.

**Confirmations**

We have been engaged to prepare actuarial valuations for E.L.K Energy's post-employment benefits plan. We confirm that:

- a) The valuation regarding the recognition of employee future benefit obligation through December 31, 2011 is in accordance with CICA 3461.
- b) The valuation has been performed in accordance with the Canadian Institute of Actuaries (CIA) standards of practice.
- c) The valuation has been performed using the discount rate determined in accordance with CICA 3461 and best estimate assumptions determined by management in consultation with our office.
- d) We have used a materiality level of \$25,000 in dealing with errors or changes in principle and the application thereof.
- e) Our calculations include all employee future benefit plans of the Company required to be included in the calculations for which we have been retained. No changes in plan provisions have been brought to our attention that have occurred in the period from the



valuation date up to the date of this report that would have a material impact on the results of this report.

- f) The extrapolation is accurate and properly reflects the effect of all events and changes that have been brought to our attention by management
- g) No matters have come to our attention which occurred in the period from the effective date of the report (December 31, 2011) to the date of the completion of this report which would have a material effect on our calculations

### **Assumptions/Method**

The significant actuarial assumptions used in the calculations are as follows:

- the date of all calculations is December 31, 2011
- a 4.25% discount rate is used to establish liabilities at December 31, 2011; a rate of 5.00% was used at December 31, 2010 and for extrapolation during the period ending December 31, 2011
- no assets have or are expected to be accumulated for the plan
- salary growth is not anticipated, as benefits are not salary related
- no employee contributions are to be made to the plan; the value of benefits funded by plan members is excluded from the calculated liabilities (i.e. only the employer's share of the cost of benefits is considered)
- the 1994 Uninsured Pensioner mortality table projected to 2015 is used
- termination of employment is based on the Ontario Light Scale (sample rates: 0.100 at age 25, 0.056 at age 30, 0.032 at age 35, 0.022 at age 40, 0.017 at age 45, 0.012 at age 50), with no termination after age 54
- retirement at the later of age 60 and the age at which benefits become available under the plan is presumed
- inflation of 3.0% per year is assumed
- health care trend rates of 8.2% in the first year after the valuation, reducing by 0.6% per year until an ultimate rate of inflation plus 1% (i.e. 4%) is attained
- dental care trend rate of 4%
- a life insurance settlement expense of \$500 per policy is assumed
- the value of projected benefits is prorated over the attribution period to determine the amount of expense to charge to various periods. The accrued obligation represents the present value of benefits assigned to periods prior to the valuation date.
- Amortizations are determined using a straight line method over the expected average future service period of active employees



- The attribution method is based on prorating benefits over each employee's period of service to the age at which the employee is eligible for an unreduced OMERS pension.
- The valuation allowance is zero.
- It is assumed that current marital status will be in place at each employee's retirement.

Should you require additional information or additional calculations, please contact us.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Harish Pawagi', with a long, sweeping horizontal stroke extending to the right.

Harish Pawagi

Fellow, Society of Actuaries

Fellow, Canadian Institute of Actuaries

Att.



# **E.L.K. Energy Post-Employment Benefits**

<b>Fiscal period</b>	<b>2010</b>	<b>2011</b>
<b>Months in period</b>	<b>12</b>	<b>12</b>
<b>Discount Rate</b>		
<b>At start of period</b>	<b>5.50%</b>	<b>5.00%</b>
<b>At end of period</b>	<b>5.00%</b>	<b>4.25%</b>
<b>Interest rate on assets</b>	0.00%	0.00%
<b>Salary Growth assumption</b>	N/A	N/A
<b>YMPE Growth assumption</b>	N/A	N/A
<b>CPI increase assumption</b>	3.00%	3.00%
<b>Termination rates used</b>	Yes	Yes
<b>Retirement Age</b>	60/URA	60/URA
<b>Health Care Initial Trend Rate</b>	8.2%	8.2%
<b>Ultimate Trend Rate/Dental Trend Rate</b>	4.0%	4.0%
<b>EARSL Period</b>	12.3	11.3
<b>Number of active employees</b>	20	20
<b>Number of retirees</b>	8	8

## **Reconcile Obligation**

Obligation at start of period	525,052	524,597
Change in obligation on revaluation	0	0
Plan improvements in period	0	0
Current service accrual cost	7,867	11,420
Member contributions	0	0
Benefit payments	(26,969)	(26,276)
Interest on obligation	<u>28,353</u>	<u>25,858</u>
Obligation at end of period	534,303	535,599
Actual obligation at end of period	<u>524,597</u>	<u>546,879</u>
Total (Gains) & Losses	(9,706)	11,280

## **Reconcile Plan Funds**

Fund at start of period	0	0
Company contributions	26,969	26,276
Benefit payments	(26,969)	(26,276)
Interest on fund	<u>0</u>	<u>0</u>
Expected fund at end of period	0	0
Actual fund at end of period	<u>0</u>	<u>0</u>
(Gains) & Losses	0	0



# **E.L.K. Energy Post-Employment Benefits**

<b>Fiscal period</b>	<b>2010</b>	<b>2011</b>
<b>Expense</b>		
Current service cost	7,867	11,420
Interest on obligation	28,353	25,858
Interest on assets	0	0
Amortize transition amount	0	0
Amortize plan improvements	0	0
Amortize (gains) and losses	<u>(8,858)</u>	<u>(9,721)</u>
Expense	27,362	27,557
<b>Unamortized (Gains) &amp; Losses</b>		
10% Window	52,505	52,460
Unamortized (gain)/loss at start of period	(161,461)	(162,309)
Restatement of Liability	0	0
(Gain)/Loss in period	(9,706)	11,280
Amortization in period	(8,858)	(9,721)
Unamortized (gain)/loss at end of period	(162,309)	(141,308)
<b>Balance Sheet Asset (Liability)</b>		
Asset/(Liability) at start of period	(686,513)	(686,906)
Restatement of Pension Liability	0	0
Income/(Expense) in period	(27,362)	(27,557)
Company contributions	<u>26,969</u>	<u>26,276</u>
Asset/(Liability) at end of period	(686,906)	(688,187)
<b>Reconcile Balance Sheet Asset to Funded Status</b>		
Funded status	(524,597)	(546,879)
Unamortized transition amount	0	0
Unamortized prior service costs	0	0
Unamortized gains & (losses)	<u>162,309</u>	<u>141,308</u>
Balance Sheet Asset/(Liability)	(686,906)	(688,187)
<b>Impact of 1% change in health insurance trend rates</b>		
Change in obligation for 1% increase in trend rates		50,000
Change in obligation for 1% decrease in trend rates		(44,000)



**DEPRECIATION, AMORTIZATION AND DEPLETION:**

Amortization on capital assets is calculated as follows:

- At E.L.K. Property, Plant and Equipment are stated at cost. Buildings, plant and equipment and the transmission and distribution system are amortized on the straight-line basis over the estimated remaining useful life of the assets at the end of the previous year at rates suggested by the Ontario Energy Board. These rates of amortization range from 2% to 25%; as per OEB guidelines, E.L.K. uses the half-year rule when accounting for amortization expense
- Three utilities amalgamated to create E.L.K. pursuant to the *Energy Competition Act, 1998*, on January 6, 2000. E.L.K. is the successor corporation to the Hydro-Electric Commission for the Town of Essex, the Corporation of the Town of Lakeshore Hydro-Electric Commission, and the Kingsville Hydro Electric Commission. At the time of amalgamation the closing net book value of fixed assets was used as the new opening balance of gross fixed assets. These assets were then depreciated based on the aforementioned policy. These rates are reflected in the tables that follow.



1

		AMORTIZATION EXPENSE SUMMARY						
Account	Description	2006	2007	2008	2009	2010	2011	2012
1805	Land							
1808	Buildings							
1810	Leasehold Improvements							
1815	Transformer Station Equipment >50 kV							
1820	Distribution Station Equipment <50 kV	62	62	(1,332)	62	62	62	62
1825	Storage Battery Equipment							
1830	Poles, Towers & Fixtures	18,332	20,827	24,782	28,042	31,404	34,542	35,984
1835	Overhead Conductors & Devices	213,859	217,489	223,745	229,942	235,255	242,162	246,825
1840	Underground Conduit	22,160	26,322	32,187	39,184	44,300	48,414	54,069
1845	Underground Conductors & Devices	233,221	241,944	249,042	254,396	261,540	269,279	283,034
1850	Line Transformers	148,840	159,714	174,090	181,345	186,125	189,997	199,705
1855	Services (Overhead and Underground)	11,191	14,715	18,477	21,492	23,854	26,601	29,766
1860	Meters	1,041	33,994	42,147	45,490	8,509	9,120	9,635
1860	Meters (Smart Meters)							105,478
1905	Land	-	-	0	-	-	-	-
1906	Land Rights						-	-
1908	Buildings & Fixtures	17,023	17,598	18,288	18,403	14,368	14,399	14,574
1910	Leasehold Improvements							
1915	Office Furniture & Equipment	6,396	7,169	7,546	7,913	8,954	8,450	7,102
1920	Computer Equipment - Hardware	22,231	25,802	31,342	27,010	18,536	16,001	11,688
1925	Computer Software	8,645	7,481	24,997	41,088	38,005	36,405	43,489
1930	Transportation Equipment	40,043	71,291	92,314	87,689	86,859	82,285	88,715
1935	Stores Equipment							
1940	Tools, Shop & Garage Equipment	6,418	7,432	10,001	12,280	12,635	12,685	13,909
1945	Measurement & Testing Equipment							
1950	Power Operated Equipment							
1955	Communications Equipment	1,517	-	1,646	1,647	2,006	1,972	1,545
1960	Miscellaneous Equipment							
1975	Load Management Controls Utility Premises							
1980	System Supervisor Equipment							
1985	Miscellaneous Fixed Assets	-	-	-	-	-	-	-
1995	Contributions & Grants	(108,320)	(125,255)	(137,154)	(143,572)	(148,055)	(152,576)	(170,474)
	Total	642,658	726,586	812,117	852,414	824,357	839,799	975,107

2

3

4 Details of E.L.K.'s depreciation by account number are provided in the Fixed Asset Continuity  
5 Schedule in Exhibit 2, Tab 2, Schedule 1. Below are tables that represent E.L.K.'s depreciation  
6 expense from 2006 through 2012 inclusive.



Table 4.29

Depreciation Expense - 2006

Account	Description	Opening Balance	Less Fully Depreciated	Net for Depreciation	Additions	Total for Depreciation	Years	Depreciation Rate	Depreciation Expense
		(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + ½ x (d) 2	(f)	(g) = 1 / (f)	(h) = (e) / (f)
1805	Land	2,112		2,112	-	2,112			
1808	Buildings	-		-	-	-			
1810	Leasehold Improvements	-		-	-	-			
1815	Transformer Station Equipment >50 kV	-		-	-	-			
1820	Distribution Station Equipment <50 kV	142,098	140,549	1,549	-	1,549	25	4%	62
1825	Storage Battery Equipment	-		-	-	-			
1830	Poles, Towers & Fixtures	444,430	1	444,429	27,726	458,292	25	4%	18,332
1835	Overhead Conductors & Devices	5,439,115	128,695	5,310,421	72,103	5,346,472	25	4%	213,859
1840	Underground Conduit	488,017	0	488,017	131,980	554,007	25	4%	22,160
1845	Underground Conductors & Devices	6,156,447	429,880	5,726,567	207,935	5,830,534	25	4%	233,221
1850	Line Transformers	4,411,294	718,546	3,692,748	56,485	3,720,990	25	4%	148,840
1855	Services (Overhead and Underground)	235,737	(0)	235,737	88,092	279,783	25	4%	11,191
1860	Meters	879,822	879,822	0	52,061	26,031	25	4%	1,041
1905	Land	154,265		154,265	17,500	163,015			
1906	Land Rights	2,725	2,725	-	-	-	50	2%	-
1908	Buildings & Fixtures	791,547	621,316	170,231	-	170,231	10	10%	17,023
1910	Leasehold Improvements	-		-	-	-			
1915	Office Furniture & Equipment	199,499	140,521	58,978	9,954	63,955	10	10%	6,396
1920	Computer Equipment - Hardware	277,478	168,312	109,166	3,980	111,155	5	20%	22,231
1925	Computer Software	57,700	14,477	43,223	-	43,223	5	20%	8,645
1930	Transportation Equipment	1,393,825	1,081,529	312,296	16,096	320,344	8	13%	40,043
1935	Stores Equipment	-		-	-	-			
1940	Tools, Shop & Garage Equipment	304,044	243,996	60,048	8,255	64,176	10	10%	6,418
1945	Measurement & Testing Equipment	-		-	-	-			
1950	Power Operated Equipment	-		-	-	-			
1955	Communications Equipment	22,009	8,136	13,873	2,595	15,171	10	10%	1,517
1960	Miscellaneous Equipment	-		-	-	-			
1975	Load Management Controls Utility Premises	-		-	-	-			
1980	System Supervisor Equipment	-		-	-	-			
1985	Miscellaneous Fixed Assets	-	-	-	-	-	10	10%	-
1995	Contributions & Grants	(2,473,860)	38,145	(2,512,005)	(391,998)	(2,708,004)	25	4%	(108,320)
	<b>Total</b>	<b>18,928,303</b>	<b>4,616,648</b>	<b>14,311,655</b>	<b>302,763</b>	<b>14,463,037</b>			<b>642,658</b>



Table 4.30

Depreciation Expense – 2007

Account	Description	Opening Balance	Less Fully Depreciated	Net for Depreciation	Additions	Total for Depreciation	Years	Depreciation Rate	Depreciation Expense
		(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + ½ x (d) 2	(f)	(g) = 1 / (f)	(h) = (e) / (f)
1805	Land	2,112		2,112	-	2,112			
1808	Buildings	-		-	-	-			
1810	Leasehold Improvements	-		-	-	-			
1815	Transformer Station Equipment >50 kV	-		-	-	-			
1820	Distribution Station Equipment <50 kV	142,098	140,549	1,549	-	1,549	25	4%	62
1825	Storage Battery Equipment	-		-	-	-			
1830	Poles, Towers & Fixtures	472,155	1	472,155	97,064	520,687	25	4%	20,827
1835	Overhead Conductors & Devices	5,511,219	128,695	5,382,524	109,425	5,437,237	25	4%	217,489
1840	Underground Conduit	619,997	0	619,997	76,104	658,049	25	4%	26,322
1845	Underground Conductors & Devices	6,364,382	429,880	5,934,501	228,187	6,048,595	25	4%	241,944
1850	Line Transformers	4,467,779	718,546	3,749,233	487,211	3,992,838	25	4%	159,714
1855	Services (Overhead and Underground)	323,829	0	323,829	88,113	367,885	25	4%	14,715
1860	Meters	931,884	220,256	711,627	276,450	849,853	25	4%	33,994
1905	Land	171,765		171,765	-	171,765			
1906	Land Rights	2,545	2,545	-	-	-	50	2%	-
1908	Buildings & Fixtures	791,547	644,309	147,238	57,481	175,979	10	10%	17,598
1910	Leasehold Improvements	-		-	-	-			
1915	Office Furniture & Equipment	209,453	140,521	68,932	5,514	71,689	10	10%	7,169
1920	Computer Equipment - Hardware	281,457	176,018	105,439	47,141	129,010	5	20%	25,802
1925	Computer Software	57,700	63,139	(5,439)	85,691	37,407	5	20%	7,481
1930	Transportation Equipment	1,409,920	1,081,529	328,391	483,870	570,327	8	13%	71,291
1935	Stores Equipment	-		-	-	-			
1940	Tools, Shop & Garage Equipment	312,299	243,996	68,303	12,035	74,320	10	10%	7,432
1945	Measurement & Testing Equipment	-		-	-	-			
1950	Power Operated Equipment	-		-	-	-			
1955	Communications Equipment	24,604	24,604	-	-	-	10	10%	-
1960	Miscellaneous Equipment	-		-	-	-			
1975	Load Management Controls Utility Premises	-		-	-	-			
1980	System Supervisor Equipment	-		-	-	-			
1985	Miscellaneous Fixed Assets	-	-	-	-	-	10	10%	-
1995	Contributions & Grants	(2,865,858)	38,474	(2,904,332)	(454,086)	(3,131,376)	25	4%	(125,255)
	<b>Total</b>	<b>19,230,886</b>	<b>4,053,061</b>	<b>15,177,825</b>	<b>1,600,199</b>	<b>15,977,925</b>			<b>726,586</b>



Table 4.31

Depreciation Expense – 2008

Account	Description	Opening Balance	Less Fully Depreciated	Net for Depreciation	Additions	Total for Depreciation	Years	Depreciation Rate	Depreciation Expense
		(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + ½ x (d) 2	(f)	(g) = 1 / (f)	(h) = (e) / (f)
1805	Land	2,112		2,112	-	2,112			
1808	Buildings	-		-	-	-			
1810	Leasehold Improvements	-		-	-	-			
1815	Transformer Station Equipment >50 kV	-		-	-	-			
1820	Distribution Station Equipment <50 kV	142,098	175,398	(33,300)	-	(33,300)	25	4%	(1,332)
1825	Storage Battery Equipment	-		-	-	-			
1830	Poles, Towers & Fixtures	569,220	(125)	569,344	100,434	619,561	25	4%	24,782
1835	Overhead Conductors & Devices	5,620,644	128,301	5,492,343	202,574	5,593,630	25	4%	223,745
1840	Underground Conduit	696,101	(65)	696,166	217,031	804,681	25	4%	32,187
1845	Underground Conductors & Devices	6,592,568	429,789	6,162,780	126,543	6,226,052	25	4%	249,042
1850	Line Transformers	4,954,989	718,516	4,236,474	231,528	4,352,238	25	4%	174,090
1855	Services (Overhead and Underground)	411,941	(115)	412,056	99,753	461,933	25	4%	18,477
1860	Meters	1,208,334	220,237	988,097	131,151	1,053,673	25	4%	42,147
1905	Land	171,765		171,765	-	171,765			
1906	Land Rights	2,545	2,745	(200)	400	0	50	2%	0
1908	Buildings & Fixtures	849,028	671,901	177,127	11,500	182,877	10	10%	18,288
1910	Leasehold Improvements	-		-	-	-			
1915	Office Furniture & Equipment	214,967	140,521	74,446	2,025	75,459	10	10%	7,546
1920	Computer Equipment - Hardware	328,598	180,799	147,799	17,819	156,709	5	20%	31,342
1925	Computer Software	143,391	63,433	79,958	90,054	124,985	5	20%	24,997
1930	Transportation Equipment	1,735,619	1,028,764	706,855	63,307	738,508	8	13%	92,314
1935	Stores Equipment	-		-	-	-			
1940	Tools, Shop & Garage Equipment	316,333	235,996	80,338	39,335	100,005	10	10%	10,001
1945	Measurement & Testing Equipment	-		-	-	-			
1950	Power Operated Equipment	-		-	-	-			
1955	Communications Equipment	24,604	8,146	16,458	-	16,458	10	10%	1,646
1960	Miscellaneous Equipment	-		-	-	-			
1975	Load Management Controls Utility Premises	-		-	-	-			
1980	System Supervisor Equipment	-		-	-	-			
1985	Miscellaneous Fixed Assets	-	-	-	-	-	10	10%	-
1995	Contributions & Grants	(3,319,944)	41,057	(3,361,001)	(135,687)	(3,428,845)	25	4%	(137,154)
	<b>Total</b>	<b>20,664,914</b>	<b>4,045,298</b>	<b>16,619,617</b>	<b>1,197,767</b>	<b>17,218,500</b>			<b>812,117</b>



Table 4.32

Depreciation Expense – 2009

Account	Description	Opening Balance	Less Fully Depreciated	Net for Depreciation	Additions	Total for Depreciation	Years	Depreciation Rate	Depreciation Expense
		(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + ½ x (d) 2	(f)	(g) = 1 / (f)	(h) = (e) / (f)
1805	Land	2,112		2,112	-	2,112			
1808	Buildings	-		-	-	-			
1810	Leasehold Improvements	-		-	-	-			
1815	Transformer Station Equipment >50 kV	-		-	-	-			
1820	Distribution Station Equipment <50 kV	142,098	140,549	1,549	-	1,549	25	4%	62
1825	Storage Battery Equipment	-		-	-	-			
1830	Poles, Towers & Fixtures	669,654	(250)	669,903	62,309	701,058	25	4%	28,042
1835	Overhead Conductors & Devices	5,823,218	127,907	5,695,311	106,483	5,748,552	25	4%	229,942
1840	Underground Conduit	913,132	(130)	913,261	132,682	979,602	25	4%	39,184
1845	Underground Conductors & Devices	6,719,112	429,697	6,289,415	140,966	6,359,898	25	4%	254,396
1850	Line Transformers	5,186,517	718,485	4,468,032	131,201	4,533,632	25	4%	181,345
1855	Services (Overhead and Underground)	511,694	(230)	511,925	50,765	537,308	25	4%	21,492
1860	Meters	1,339,485	220,217	1,119,267	35,988	1,137,262	25	4%	45,490
1905	Land	171,765		171,765	-	171,765			
1906	Land Rights	2,945	2,945	-	-	-	50	2%	-
1908	Buildings & Fixtures	860,528	676,501	184,027	-	184,027	10	10%	18,403
1910	Leasehold Improvements	-		-	-	-			
1915	Office Furniture & Equipment	216,992	140,521	76,471	5,323	79,133	10	10%	7,913
1920	Computer Equipment - Hardware	346,418	215,481	130,936	8,228	135,050	5	20%	27,010
1925	Computer Software	233,445	30,697	202,748	5,387	205,442	5	20%	41,088
1930	Transportation Equipment	1,798,926	1,134,171	664,755	73,521	701,516	8	13%	87,689
1935	Stores Equipment	-		-	-	-			
1940	Tools, Shop & Garage Equipment	355,668	235,996	119,672	6,257	122,801	10	10%	12,280
1945	Measurement & Testing Equipment	-		-	-	-			
1950	Power Operated Equipment	-		-	-	-			
1955	Communications Equipment	24,604	8,136	16,468	-	16,468	10	10%	1,647
1960	Miscellaneous Equipment	-		-	-	-			
1975	Load Management Controls Utility Premises	-		-	-	-			
1980	System Supervisor Equipment	-		-	-	-			
1985	Miscellaneous Fixed Assets	-	-	-	-	-	10	10%	-
1995	Contributions & Grants	(3,455,631)	38,804	(3,494,435)	(189,711)	(3,589,291)	25	4%	(143,572)
	<b>Total</b>	<b>21,862,682</b>	<b>4,119,498</b>	<b>17,743,184</b>	<b>569,399</b>	<b>18,027,883</b>			<b>852,414</b>



Table 4.33

Depreciation Expense – 2010

Account	Description	Opening Balance	Less Fully Depreciated	Net for Depreciation	Additions	Total for Depreciation	Years	Depreciation Rate	Depreciation Expense
		(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + ½ x (d) 2	(f)	(g) = 1 / (f)	(h) = (e) / (f)
1805	Land	2,112		2,112	-	2,112			
1808	Buildings	-		-	-	-			
1810	Leasehold Improvements	-		-	-	-			
1815	Transformer Station Equipment >50 kV	-		-	-	-			
1820	Distribution Station Equipment <50 kV	142,098	140,549	1,549	-	1,549	25	4%	62
1825	Storage Battery Equipment	-		-	-	-			
1830	Poles, Towers & Fixtures	731,962	(250)	732,212	105,762	785,093	25	4%	31,404
1835	Overhead Conductors & Devices	5,929,700	127,907	5,801,794	159,165	5,881,376	25	4%	235,255
1840	Underground Conduit	1,045,814	(130)	1,045,943	123,094	1,107,490	25	4%	44,300
1845	Underground Conductors & Devices	6,860,078	429,697	6,430,381	216,251	6,538,507	25	4%	261,540
1850	Line Transformers	5,317,718	718,485	4,599,233	107,790	4,653,128	25	4%	186,125
1855	Services (Overhead and Underground)	562,460	(230)	562,690	67,317	596,349	25	4%	23,854
1860	Meters	1,375,473	1,175,814	199,659	26,120	212,720	25	4%	8,509
1905	Land	171,765		171,765	-	171,765			
1906	Land Rights	2,945	2,945	-	-	-	50	2%	-
1908	Buildings & Fixtures	860,528	717,006	143,522	319	143,681	10	10%	14,368
1910	Leasehold Improvements	-		-	-	-			
1915	Office Furniture & Equipment	222,316	143,075	79,240	20,593	89,537	10	10%	8,954
1920	Computer Equipment - Hardware	354,646	263,659	90,987	3,385	92,679	5	20%	18,536
1925	Computer Software	238,832	49,253	189,579	895	190,027	5	20%	38,005
1930	Transportation Equipment	1,872,447	1,177,577	694,871	-	694,871	8	13%	86,859
1935	Stores Equipment	-		-	-	-			
1940	Tools, Shop & Garage Equipment	361,925	236,986	124,939	2,828	126,353	10	10%	12,635
1945	Measurement & Testing Equipment	-		-	-	-			
1950	Power Operated Equipment	-		-	-	-			
1955	Communications Equipment	24,604	10,161	14,443	11,227	20,057	10	10%	2,006
1960	Miscellaneous Equipment	-		-	-	-			
1975	Load Management Controls Utility Premises	-		-	-	-			
1980	System Supervisor Equipment	-		-	-	-			
1985	Miscellaneous Fixed Assets	-	-	-	-	-	10	10%	-
1995	Contributions & Grants	(3,645,343)	38,804	(3,684,146)	(34,435)	(3,701,364)	25	4%	(148,055)
	<b>Total</b>	<b>22,432,081</b>	<b>5,231,308</b>	<b>17,200,773</b>	<b>810,311</b>	<b>17,605,928</b>			<b>824,357</b>



Table 4.34

Depreciation Expense – 2011

Account	Description	Opening Balance	Less Fully Depreciated	Net for Depreciation	Additions	Total for Depreciation	Years	Depreciation Rate	Depreciation Expense
		(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + ½ x (d) 2	(f)	(g) = 1 / (f)	(h) = (e) / (f)
1805	Land	2,112		2,112	-	2,112			
1808	Buildings	-		-	-	-			
1810	Leasehold Improvements	-		-	-	-			
1815	Transformer Station Equipment >50 kV	-		-	-	-			
1820	Distribution Station Equipment <50 kV	142,098	140,549	1,549	-	1,549	25	4%	62
1825	Storage Battery Equipment	-		-	-	-			
1830	Poles, Towers & Fixtures	837,724	(250)	837,974	51,131	863,540	25	4%	34,542
1835	Overhead Conductors & Devices	6,088,865	127,907	5,960,958	186,167	6,054,042	25	4%	242,162
1840	Underground Conduit	1,168,908	(130)	1,169,037	82,633	1,210,354	25	4%	48,414
1845	Underground Conductors & Devices	7,076,329	429,697	6,646,632	170,663	6,731,964	25	4%	269,279
1850	Line Transformers	5,425,508	718,485	4,707,022	85,816	4,749,931	25	4%	189,997
1855	Services (Overhead and Underground)	629,777	(230)	630,007	70,051	665,033	25	4%	26,601
1860	Meters	509,802	284,023	225,780	4,459	228,009	25	4%	9,120
1905	Land	171,765		171,765	-	171,765			
1906	Land Rights	2,945	2,945	-	-	-	50	2%	-
1908	Buildings & Fixtures	658,960	516,407	142,553	2,880	143,993	10	10%	14,399
1910	Leasehold Improvements	-		-	-	-			
1915	Office Furniture & Equipment	242,909	158,410	84,500	-	84,500	10	10%	8,450
1920	Computer Equipment - Hardware	357,976	279,467	78,509	2,992	80,005	5	20%	16,001
1925	Computer Software	239,727	57,700	182,027	-	182,027	5	20%	36,405
1930	Transportation Equipment	1,872,447	1,221,475	650,973	14,618	658,282	8	13%	82,285
1935	Stores Equipment	-		-	-	-			
1940	Tools, Shop & Garage Equipment	364,753	238,185	126,568	564	126,850	10	10%	12,685
1945	Measurement & Testing Equipment	-		-	-	-			
1950	Power Operated Equipment	-		-	-	-			
1955	Communications Equipment	35,831	16,106	19,725	-	19,725	10	10%	1,972
1960	Miscellaneous Equipment	-		-	-	-			
1975	Load Management Controls Utility Premises	-		-	-	-			
1980	System Supervisor Equipment	-		-	-	-			
1985	Miscellaneous Fixed Assets	-	-	-	-	-	10	10%	-
1995	Contributions & Grants	(3,679,777)	38,804	(3,718,581)	(191,644)	(3,814,403)	25	4%	(152,576)
	<b>Total</b>	<b>22,148,659</b>	<b>4,229,549</b>	<b>17,919,110</b>	<b>480,331</b>	<b>18,159,276</b>			<b>839,799</b>



Table 4.35

Depreciation Expense – 2012

Account	Description	Opening Balance	Less Fully Depreciated	Net for Depreciation	Additions	Total for Depreciation	Years	Depreciation Rate	Depreciation Expense
		(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + ½ x (d) 2	(f)	(g) = 1 / (f)	(h) = (e) / (f)
1805	Land	2,112		2,112	-	2,112			
1808	Buildings	-		-	-	-			
1810	Leasehold Improvements	-		-	-	-			
1815	Transformer Station Equipment >50 kV	-		-	-	-			
1820	Distribution Station Equipment <50 kV	142,098	140,549	1,549	-	1,549	25	4%	62
1825	Storage Battery Equipment	-		-	-	-			
1830	Poles, Towers & Fixtures	888,856	(250)	889,105	21,000	899,605	25	4%	35,984
1835	Overhead Conductors & Devices	6,275,032	127,907	6,147,126	47,000	6,170,626	25	4%	246,825
1840	Underground Conduit	1,251,541	(130)	1,251,671	200,100	1,351,721	25	4%	54,069
1845	Underground Conductors & Devices	7,246,993	429,697	6,817,296	517,100	7,075,846	25	4%	283,034
1850	Line Transformers	5,511,324	718,485	4,792,839	399,590	4,992,634	25	4%	199,705
1855	Services (Overhead and Underground)	699,828	(230)	700,058	88,200	744,158	25	4%	29,766
1860	Meters	514,261	284,023	230,239	21,260	240,869	25	4%	9,635
1860	Meters (Smart Meters)	1,574,204	(7,971)	1,582,175	-	1,582,175	15	7%	105,478
1905	Land	171,765		171,765	-	171,765			
1906	Land Rights	2,945	2,945	-	-	-	50	2%	-
1908	Buildings & Fixtures	661,840	523,351	138,489	14,500	145,739	10	10%	14,574
1910	Leasehold Improvements	-		-	-	-			
1915	Office Furniture & Equipment	242,909	173,142	69,767	2,500	71,017	10	10%	7,102
1920	Computer Equipment - Hardware	360,968	305,028	55,941	5,000	58,441	5	20%	11,688
1925	Computer Software	265,646	57,700	207,946	19,000	217,446	5	20%	43,489
1930	Transportation Equipment	1,886,565	1,221,468	665,098	89,250	709,723	8	13%	88,715
1935	Stores Equipment	-		-	-	-			
1940	Tools, Shop & Garage Equipment	365,317	238,725	126,592	25,000	139,092	10	10%	13,909
1945	Measurement & Testing Equipment	-		-	-	-			
1950	Power Operated Equipment	-		-	-	-			
1955	Communications Equipment	35,831	20,377	15,454	-	15,454	10	10%	1,545
1960	Miscellaneous Equipment	-		-	-	-			
1975	Load Management Controls Utility Premises	-		-	-	-			
1980	System Supervisor Equipment	-		-	-	-			
1985	Miscellaneous Fixed Assets	-	-	-	-	-	10	10%	-
1995	Contributions & Grants	(3,871,421)	38,804	(3,910,225)	(703,250)	(4,261,850)	25	4%	(170,474)
	<b>Total</b>	<b>24,228,613</b>	<b>4,273,619</b>	<b>19,954,994</b>	<b>746,250</b>	<b>20,328,119</b>			<b>975,107</b>



**TAX CALCULATIONS:**

Table 29 below provides a summary of 2006 Actual, 2007 Actual, 2008 Actual, 2009 Actual, 2010 Actual, 2011 Actual included in audited statements, and 2012 Test Year income taxes based on revised 2012 rates

**Summary of Income Taxes**  
**Table**  
**4.39**

Description	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Test
Income Taxes	\$ 637,939	\$ 497,442	\$ 703,229	\$ 765,068	\$ 266,519	\$ 216,787	\$ 238,598
Ontario Capital Tax	\$ 22,361	\$ 20,779	\$ 10,236	\$ 3,020	\$ 2,116	\$ -	\$ -
<b>Total Taxes</b>	<b>\$ 660,300</b>	<b>\$ 518,221</b>	<b>\$ 713,465</b>	<b>\$ 768,088</b>	<b>\$ 268,635</b>	<b>\$ 216,787</b>	<b>\$ 238,598</b>

E.L.K.'s detailed tax calculations using the most recent tax rates are provided in the following Table 30.



**Table 4.40**  
**Tax Calculations**

Item	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Test
<b>Accounting Net Income</b>	<b>1,171,796</b>	<b>737,512</b>	<b>1,231,525</b>	<b>983,399</b>	<b>536,080</b>	<b>316,741</b>	<b>722,545</b>
<u>Additions:</u>							
Provision for income taxes	559,840	594,125	815,549	562,106	295,495	216,887	-
Amortization of tangible assets	642,658	726,586	813,512	852,414	824,357	839,799	975,107
Reserves at End of Year on lines 270 and 275 S13	-	-	1,147,577	2,425,215	1,494,533	3,208,673	2,027,261
Reserves from Financial Statements - balance end of year	654,875	1,817,734	2,158,769	3,819,852	3,895,579	2,715,448	687,547
Charitable Donations and gifts S2					50	25	
Realized Income from Deferred Credit Accounts							47,863
Non deductible meals and entertainment			859	1,715	1,412	442	
Taxable Capital Gains	8,910	10,600	-	-	-	-	-
Financing fees deducted in books				17,500			
Smart Meter Revenue				123,767	77,249	177,653	
Unrealized loss on investment			40,251		206	10,914	
Regulatory Liabilities	-	-	-	-	-	-	-
<u>Deductions:</u>							
Capital cost allowance from Schedule 8	535,958	632,770	782,063	751,488	694,176	763,427	862,566
Gain on disposal of assets per financial statements	17,820	21,200			58,654		
Reserves at End of Year - Post-Employment Benefits	-	-	-	-	-	-	-
Unrealized gain on investment	-	11,845	-	2,672	-	-	-
Cumulative Eligible Capital Deduction	42,162	39,211	36,466	33,735	31,552	29,344	27,290
Other Reserves on line 280 from S13		1,147,577	1,472,589	2,447,159	3,208,673	2,027,261	1,808,053
Reserves from Financial Statements - balance beginning of year	650,037	654,875	1,817,734	3,797,575	2,181,046	3,895,579	688,187
Miscellaneous deduction	24,713			3,500	3,500	3,500	
Capital Tax in Provision	-	-	-	-	-	-	-
Prior Period Adjustment	-	-	-	-	-	-	-
<b>Total Tax Adjustments to Accounting Income</b>	<b>595,593</b>	<b>641,567</b>	<b>867,665</b>	<b>766,440</b>	<b>411,280</b>	<b>450,730</b>	<b>351,682</b>
<b>Income for Tax Purposes</b>	<b>1,767,389</b>	<b>1,379,079</b>	<b>2,099,190</b>	<b>1,749,839</b>	<b>947,360</b>	<b>767,471</b>	<b>1,074,227</b>
Tax Rate Reflecting Tax Credits (Federal + Provincial)	36.09%	36.07%	33.50%	43.72%	28.13%	28.25%	22.21%
<b>Income Taxes</b>	<b>637,939</b>	<b>497,442</b>	<b>703,229</b>	<b>765,068</b>	<b>266,519</b>	<b>216,787</b>	<b>238,598</b>
<u>Capital Tax Calculation:</u>							
Total Rate Base	-	-	-	-	-	-	-
Reduction	7,500,000	12,500,000	15,000,000	14,847,434	15,000,000	-	-
Rate	0.300%	0.285%	0.23%	0.225%	0.15%		
<b>Capital Tax</b>	<b>22,361</b>	<b>20,779</b>	<b>10,236</b>	<b>3,020</b>	<b>2,116</b>	<b>-</b>	<b>-</b>



# CAPITAL COST ALLOWANCE:

E.L.K is providing Capital Cost Allowance continuity schedules for the 2011 Actual Year and the 2012 Test Year as follows:

## 2011 CCA / UCC Continuity Schedule

Class	Class Description	UCC Prior Year Ending Balance	Less: Non-Distribution Portion	Less: Disallowed FMV Increm	UCC Bridge Year Opening Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule (1/2 Additions Less Disposals)	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	Distribution System - 1988 to 22-Feb-2005	6,982,448	0	0	6,982,448	2,880	0	6,985,328	1,440	6,983,888	4%	279,356	6,705,972
2	Distribution System - pre 1988	0	0	0	0	0	0	0	0	0	6%	0	0
6	Buildings (No footings below ground)	0	0	0	0	0	0	0	0	0	10%	0	0
8	General Office/Stores Equip	362,516	0	0	362,516	1,079,253	500	1,441,269	539,377	901,893	20%	180,379	1,260,891
10	Computer Hardware/ Vehicles	69,874	0	0	69,874	0	0	69,874	0	69,874	30%	20,962	48,912
10.1	Certain Automobiles	0	0	0	0	0	0	0	0	0	30%	0	0
12	Computer Software	0	0	0	0	564	0	564	282	282	100%	282	282
3		0	0	0	0	0	0	0	0	0	5%	0	0
13.3	Lease #3	0	0	0	0	0	0	0	0	0		0	0
13.4	Lease #4	0	0	0	0	0	0	0	0	0		0	0
14	Franchise	0	0	0	0	0	0	0	0	0		0	0
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	0	0	0	0	0	0	0	0	0	8%	0	0
43.1	Certain Energy-Efficient Electrical Generating Equipment	0	0	0	0	0	0	0	0	0	30%	0	0
45	Computers & Systems Hardware acq'd post Mar 22/04	1,589	0	0	1,589	0	0	1,589	0	1,589	45%	715	874
50	Computers & Systems Hardware acq'd post Mar 19/07	5,995	0	0	5,995	2,992	0	8,987	1,496	7,491	55%	4,120	4,867
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	0	0	0	0	0	0	0	0	0	30%	0	0
47	Distribution System - post 22-Feb-2005	3,237,007	0	0	3,237,007	459,278	0	3,696,285	229,639	3,466,646	8%	277,332	3,418,953
	<b>SUB-TOTAL - UCC</b>	<b>10,659,429</b>	<b>0</b>	<b>0</b>	<b>10,659,429</b>	<b>1,544,967</b>	<b>500</b>	<b>12,203,896</b>	<b>772,234</b>	<b>11,431,663</b>		<b>763,145</b>	<b>11,440,751</b>
						-1,064,636	0						
CEC	Goodwill	0	0	0	0								
CEC	Land Rights	0	0	0	0								
CEC	FMV Bump-up	0	0	0	0								
	<b>SUB-TOTAL - CEC</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>								



## 2011 CEC Continuity Schedule

Cumulative Eligible Capital Calculation			
Cumulative Eligible Capital			419,194
<b>Additions:</b>			
Cost of Eligible Capital Property Acquired during the year	0		
Other Adjustments	0		
Subtotal	0 x 3/4 =	0	
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday December 31, 2002	0 x 1/2 =	0	
		0	419,194
Amount transferred on amalgamation or wind-up of subsidiary	0		0
Subtotal			419,194
<b>Deductions:</b>			
Projected proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during the year			
Other Adjustments	0		
Subtotal	0 x 3/4 =	0	419,194
Cumulative Eligible Capital Balance			419,194
CEC Deduction	7%		29,344
Cumulative Eligible Capital - Closing Balance			389,850



## 2012 CCA / UCC Continuity Schedule

Class	Class Description	UCC Prior Year Ending Balance	Less: Non-Distribution Portion	Less: Disallowed FMV Increment	UCC Bridge Year Opening Balance	Additions	Dispositions	UCC Before 1/2 Yr Adjustment	1/2 Year Rule (1/2 Additions Less Disposals)	Reduced UCC	Rate %	CCA	UCC Ending Balance
1	Distribution System - 1988 to 22-Feb-2005	6,705,972	0	0	6,705,972	0	0	6,705,972	0	6,705,972	4%	268,239	6,437,734
2	Distribution System - pre 1988	0	0	0	0	0	0	0	0	0	6%	0	0
6	Buildings (No footings below ground)	0	0	0	0	0	0	0	0	0	10%	0	0
8	General Office/Stores Equip	1,260,891	0	0	1,260,891	27,500	0	1,288,391	13,750	1,274,641	20%	254,928	1,033,462
10	Computer Hardware/ Vehicles	48,912	0	0	48,912	94,250	0	143,162	47,125	96,037	30%	28,811	114,351
10.1	Certain Automobiles	0	0	0	0	0	0	0	0	0	30%	0	0
12	Computer Software	282	0	0	282	19,000	0	19,282	9,500	9,782	100%	9,782	9,500
3		0	0	0	0	0	0	0	0	0	5%	0	0
		0	0	0	0	0	0	0	0	0	0%	0	0
13.3	Lease # 3	0	0	0	0	0	0	0	0	0		0	0
13.4	Lease # 4	0	0	0	0	0	0	0	0	0		0	0
14	Franchise	0	0	0	0	0	0	0	0	0		0	0
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	0	0	0	0	0	0	0	0	0	8%	0	0
43.1	Certain Energy-Efficient Electrical Generating Equipment	0	0	0	0	0	0	0	0	0	30%	0	0
45	Computers & Systems Hardware acq'd post Mar 22/04	874	0	0	874	0	0	874	0	874	45%	393	481
50	Computers & Systems Hardware acq'd post Mar 19/07	4,867	0	0	4,867	0	0	4,867	0	4,867	55%	2,677	2,190
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	0	0	0	0	0	0	0	0	0	30%	0	0
47	Distribution System - post 22-Feb-2005	3,418,953			3,418,953	605,500	0	4,024,453	302,750	3,721,703	8%	297,736	3,726,717
	<b>SUB-TOTAL - UCC</b>	<b>11,440,751</b>	<b>0</b>	<b>0</b>	<b>11,440,751</b>	<b>746,250</b>	<b>0</b>	<b>12,187,001</b>	<b>373,125</b>	<b>11,813,876</b>		<b>862,566</b>	<b>11,324,435</b>
						0	0						
CEC	Goodwill	0	0	0	0								
CEC	Land Rights	0	0	0	0								
CEC	FMV Bump-up	0	0	0	0								
	<b>SUB-TOTAL - CEC</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>								



## 2012 CEC Continuity Schedule

Cumulative Eligible Capital Calculation				
Cumulative Eligible Capital				389,850
<b>Additions:</b>				
Cost of Eligible Capital Property Acquired during the year	0			
Other Adjustments	0			
Subtotal	0 x 3/4 =	0		
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday December	0 x 1/2 =	0		
		0		389,850
Amount transferred on amalgamation or wind-up of subsidiary	0			0
Subtotal				389,850
<b>Deductions:</b>				
Projected proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during the year				
Other Adjustments	0			
Subtotal	0 x 3/4 =	0		389,850
Cumulative Eligible Capital Balance				389,850
CEC Deduction	7%			27,290
Cumulative Eligible Capital - Closing Balance				362,561



1  
2  
3  
4

**Appendix 4-C**  
**2011 Federal and Ontario Tax Return**



**E.L.K. Energy Inc.**

**Corporate Income Tax Filing Instructions**

**2011 Taxation Year**

We enclose the following income tax returns of E.L.K. Energy Inc. (the "Company") for the period ended December 31, 2011:

- ☒ *T2 Corporations Income Tax Return* (Federal), with financial statements attached.
- ☒ One copy of the federal and any applicable provincial return(s) for your files
- ☒ Instalment Schedules

We have prepared these returns based on our understanding of the information provided to us by the Company and we recommend that you review the returns to ensure that all of the relevant facts are properly disclosed. When you are satisfied that the returns are in order, one copy of each return should be retained for your records (the copy stamped "Client Copy") and the remaining copies should be completed by an authorized signing officer of the Company and filed as described below.

***T2 - CORPORATION INCOME TAX RETURN (FEDERAL)***

***Signature***

 The certification section at the bottom of page 8 should be completed and signed.

***Refund***

A refund of \$**x** is claimed and therefore no amount is payable for the **2011** taxation year.

***Mailing***

- ☐ One copy of the *T2 Corporations Income Tax Return* (and any required federal forms, Form RC 59, etc) should be sent along with a copy of the financial statements to the Ontario Ministry of Finance, Client Account and Services Branch, 33 King St. W., PO Box 622, Oshawa, ON L1H 1H6, Attention: Ms. Maria Belmonte, no later than June 30, 2011.

**FEDERAL/ONTARIO CORPORATE TAX HARMONIZATION**

Ontario corporate income taxes were once again calculated this year using the harmonized federal/Ontario T2 Corporation Income Tax Return. You may recall that, under the harmonization legislation, Ontario tax attributes balances had to be adjusted to their federal balances to determine whether a transitional debit (payable) or credit (receivable) exists as a result of the harmonization.



In the case of E.L.K. Energy Inc., the harmonization of federal and Ontario corporate income taxes resulted in a transitional balance of \$Nil at harmonization. The corporation's nil Ontario transitional balance indicates there was no difference between the various federal and Ontario tax attribute balances at harmonization. As a result, the federal/Ontario corporate tax harmonization has resulted in no tax cost or savings to the corporation.

## **PROPOSED TAX CHANGES**

The corporation's tax return(s) have been prepared taking into account certain proposals to amend the federal and provincial tax statutes which have been publicly announced to date in budgets and other government releases as being applicable to the corporation's current taxation year, even though the proposals may not yet be enacted. If the proposed amendments are not enacted as announced, these tax returns could be reassessed and may result in an underpayment of tax, and possible interest and penalties. If you receive an assessment or reassessment for these tax returns that does not agree with the returns filed, it is important that you notify us so that we can determine if any action needs to be taken.

## **INSTALMENTS**

We have prepared and enclose an estimate of tax instalments as applicable for the Company for the taxation year ending on December 31, 2011. These include instalments for federal income tax and for provincial income and capital taxes. The amounts were computed with reference to the Company's taxable income, taxable capital and income taxes payable for prior years. If during the year it is evident that the taxable income or taxable capital for the current year will be substantially less than for the previous taxation year, your instalments may be recalculated. Overpaid instalments may, in certain circumstances, be transferred to other accounts or applied to other liabilities such as payroll withholdings. Please call your KPMG advisor in order that we may determine what course of action should be taken.

As a consequence of the Ontario/federal corporate tax harmonization, the combined Ontario and federal corporation tax instalment payments for the taxation years ending in 2009 or later must be sent to the CRA.

In order to avoid interest charges, the tax authorities must receive the instalment payments no later than the date indicated on the attached schedule.

## **NOTICES OF ASSESSMENT**

If your Company receives a Notice of Assessment which does not agree with a return as prepared by us, please contact us so that we can determine whether any action should be taken. The Company has only a limited number of days (90 days in the case of federal and Ontario) from the date of mailing of the Assessment in which to object. Failure to respond within the prescribed time limit will cause the Company to lose its right to object to the Assessment.



Canada Revenue  
Agency Agence du revenu  
du Canada**Business Consent form**

Complete this form to consent to the release of confidential information about your program account(s) to the representative named below, or to cancel consent for an existing representative. **Send this completed form to your tax centre (see Instructions).** Make sure you complete this form correctly, since we cannot change the information that you provided. You can also give **or** cancel consent by providing the requested information online through My Business Account at **www.cra.gc.ca/mybusinessaccount**.

**Note:** Read all the instructions on the first page before completing this form.

**Part 1 – Business information**

Complete this part to identify your business (all fields have to be completed)

Business name: E.L.K. Energy Inc.

BN: 866567787 Telephone number: (519) 776-5291

**Part 2 – Authorize a representative – Complete either part a) or b)****a) Authorize access by telephone, fax, mail or in person by appointment**

If you are giving consent for an individual, enter that person's full name. If you are giving consent to a firm, enter the name and BN of the firm. If you want us to deal with a specific individual in that firm, enter **both** the individual's name and the firm's name and BN. If you do not identify an individual of the firm, then you are giving us consent to deal with anyone from that firm.

**Note:** If you are authorizing a representative (individual or firm) who is not registered with the "Represent a Client" service, the phone number is required.

Name of Individual: \_\_\_\_\_

Name of Firm: \_\_\_\_\_

Telephone number: \_\_\_\_\_ Extension: \_\_\_\_\_ BN:                     

**or**

**b) Authorize online access (includes access by telephone, fax, mail or by appointment)**

You can authorize your representative to deal with us through our online service for representatives. The BN must be registered with the "Represent a Client" service to be an online representative. **Our online service does not have a year-specific option, so your representative will have access to all years.** Please enter the name and RepID of the individual or the name of the group and GroupID **or** name and BN of the firm.

Name of individual: \_\_\_\_\_ **and** RepID:                     

**or**

Name of group: \_\_\_\_\_ **and** GroupID: G

**or**

Name of firm: KPMG LLP **and** BN: 122363153

Telephone number: (519) 251-3500 Extension: \_\_\_\_\_

**Part 3 – Select the program accounts, years and authorization level****a) Program Accounts** — Select the program accounts the above individual or firm is authorized to access (tick only box A **or** B).

A. ☒ This authorization applies to all program accounts and all years.

Expiry date:                     

**and**

**Authorization level (tick level 1 or 2)**

☒ Level 1 lets CRA disclose information only on your program account(s); **or**

☐ Level 2 lets CRA disclose information **and** accept changes to your program account(s).

**or**

B. ☐ This authorization applies only to program accounts and periods listed in Part 3b). If you ticked this option, you must complete 3b).



**Business Consent form****Part 3 – Select the program accounts, years and authorization level (continued)**

**b) Details of program accounts and fiscal periods** — Complete this area only if you ticked box B in Part 3a) on page 1.

If you ticked box B in part 3a), you have to provide at least one program identifier. You can then tick the box "All program accounts" for that program identifier **or** enter a reference number. Provide the authorization level (tick **either** box 1 to allow the CRA to disclose information **or** box 2 to disclose information **and** accept changes to your program account).

You can also tick the box "All years" to allow unlimited tax year access **or** enter a specific fiscal period (specific period authorization **is not available** for online access). You can also enter an expiry date to automatically cancel authorization. If more authorizations or more than four program identifiers are needed, complete another Form RC59.

Program identifier	All program accounts	Reference number	Authorization level	All years	or	Specific fiscal period (not available for online access)	Expiry date
			1      2			Year-end	
<input type="text"/>	<input type="checkbox"/> <b>or</b> <input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>or</b>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="checkbox"/> <b>or</b> <input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>or</b>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="checkbox"/> <b>or</b> <input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>or</b>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="checkbox"/> <b>or</b> <input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>or</b>	<input type="text"/>	<input type="text"/>

**Part 4 – Cancel one or more authorizations**

Complete this part **only** to cancel authorization(s)

A. ☐ Cancel **all** authorizations.

B. ☐ Cancel authorization for the individual, group, or firm identified below.

C. ☐ Cancel authorization for specific program account(s) \_\_\_\_\_

Name of individual: \_\_\_\_\_ and RepID:

**or**

Name of group: \_\_\_\_\_ and GroupID:

**or**

Name of firm: \_\_\_\_\_ and BN:

Telephone number: \_\_\_\_\_

**Part 5 – Certification**

This form has to be signed by an authorized person of the business such as an owner, a partner of a partnership, a director of a corporation, an officer of a non-profit organization or a trustee of an estate.

By signing and dating this form, you authorize the CRA to deal with the individual, group, or firm listed in Part 2 of this form or cancel the authorizations listed in Part 4.

First name: MICHAEL Last name: AUDET

Sign here:  \_\_\_\_\_ Date: 2012-05-04

This form will not be processed unless it is signed and dated by an authorized person of the business.



# Federal Tax Instalments

## Federal tax instalments

For the taxation year ended 2012-12-31

The following is a list of federal instalments payable for the current taxation year. The last column indicates the instalments payable to Revenue Canada. The instalments are due no later than on the dates indicated, otherwise non-deductible interest will be charged. A cheque or money order should be made payable to the Receiver General. Payment may be made by cheque or money order payable to the Receiver General either to an authorized financial institution or filed with **the appropriate remittance voucher to the following address:**

**Canada Revenue Agency**  
**875 Heron Road**  
**Ottawa ON K1A 1B1**

Note that you may also be able to pay by telephone or Internet banking. For more information, consult the *Corporation Instalment Guide*.

## Monthly instalment workchart

Date	Monthly tax instalments	Instalments paid	Cumulative difference	Instalments payable
2012-01-31	18,066			18,066
2012-02-29	18,066			18,066
2012-03-31	18,066			18,066
2012-04-30	18,066			18,066
2012-05-31	18,066			18,066
2012-06-30	18,066			18,066
2012-07-31	18,066			18,066
2012-08-31	18,066			18,066
2012-09-30	18,066			18,066
2012-10-31	18,066			18,066
2012-11-30	18,066			18,066
2012-12-31	18,061			18,061
<b>Total</b>	<b>216,787</b>			<b>216,787</b>



Canada Revenue  
Agency Agence du revenu  
du Canada**T2 CORPORATION INCOME TAX RETURN****200**

This form serves as a federal, provincial, and territorial corporation income tax return, unless the corporation is located in Quebec or Alberta. If the corporation is located in one of these provinces, you have to file a separate provincial corporation return.

Parts, sections, subsections, paragraphs, and subparagraphs mentioned on this return refer to the federal *Income Tax Act*. This return may contain changes that had not yet become law at the time of printing.

Send one completed copy of this return, including schedules and the *General Index of Financial Information* (GIFI), to your tax centre or tax services office. You have to file the return within six months after the end of the corporation's tax year.

For more information see [www.cra.gc.ca](http://www.cra.gc.ca) or Guide T4012, *T2 Corporation – Income Tax Guide*.

**055 Do not use this area****Identification****Business Number (BN)** . . . . . **001** 86656 7787 RC0001**Corporation's name****002** E.L.K. Energy Inc.**Address of head office**Has this address changed since the last time we were notified? . . . . . **010** 1 Yes ☐ 2 No ☒(If **yes**, complete lines 011 to 018.)**011** 172 Forest Avenue**012**

City Province, territory, or state

**015** Essex**016** ON

Country (other than Canada) Postal code/Zip code

**017** **018** N8M 3E4**Mailing address (if different from head office address)**Has this address changed since the last time we were notified? . . . . . **020** 1 Yes ☐ 2 No ☒(If **yes**, complete lines 021 to 028.)**021** c/o**022****023**

City Province, territory, or state

**025** Essex**026** ON

Country (other than Canada) Postal code/Zip code

**027** **028** N8M 3E4**Location of books and records**Has the location of books and records changed since the last time we were notified? . . . . . **030** 1 Yes ☐ 2 No ☒(If **yes**, complete lines 031 to 038.)**031** 172 Forest Avenue**032**

City Province, territory, or state

**035** Essex**036** ON

Country (other than Canada) Postal code/Zip code

**037** **038** N8M 3E4**040 Type of corporation at the end of the tax year**

- 1 ☐ Canadian-controlled private corporation (CCPC) 4 ☐ Corporation controlled by a public corporation
- 2 ☐ Other private corporation 5 ☒ Other corporation (specify, below)

- 3 ☐ Public corporation Utility-MEU

If the type of corporation changed during the tax year, provide the effective date of the change.

**043** YYYY MM DD**To which tax year does this return apply?**

Tax year start Tax year-end  
**060** 2011-01-01 **061** 2011-12-31  
YYYY MM DD YYYY MM DD

Has there been an acquisition of control to which subsection 249(4) applies since the previous tax year? . . . . . **063** 1 Yes ☐ 2 No ☒

If **yes**, provide the date control was acquired . . . . . **065** YYYY MM DD

**Is the date on line 061 a deemed tax year-end in accordance with:**

subparagraph 88(2)(a)(iv)? . . . . . **064** 1 Yes ☐ 2 No ☒  
subsection 249(3.1)? . . . . . **066** 1 Yes ☐ 2 No ☒

**Is the corporation a professional corporation that is a member of a partnership?** . . . . . **067** 1 Yes ☐ 2 No ☒

**Is this the first year of filing after:**  
Incorporation? . . . . . **070** 1 Yes ☐ 2 No ☒  
Amalgamation? . . . . . **071** 1 Yes ☐ 2 No ☒

If **yes**, complete lines 030 to 038 and attach Schedule 24.

**Has there been a wind-up of a subsidiary under section 88 during the current tax year?** . . . . . **072** 1 Yes ☐ 2 No ☒  
If **yes**, complete and attach Schedule 24.

**Is this the final tax year before amalgamation?** . . . . . **076** 1 Yes ☐ 2 No ☒

**Is this the final return up to dissolution?** . . . . . **078** 1 Yes ☐ 2 No ☒

**If an election was made under section 261, state the functional currency used** . . . . . **079**

**Is the corporation a resident of Canada?**  
**080** 1 Yes ☒ 2 No ☐ If **no**, give the country of residence on line 081 and complete and attach Schedule 97.

**081**  
**Is the non-resident corporation claiming an exemption under an income tax treaty?** . . . . . **082** 1 Yes ☐ 2 No ☒  
If **yes**, complete and attach Schedule 91.

**If the corporation is exempt from tax under section 149, tick one of the following boxes:**

- 085** 1 ☐ Exempt under paragraph 149(1)(e) or (l)  
2 ☐ Exempt under paragraph 149(1)(j)  
3 ☐ Exempt under paragraph 149(1)(t)  
4 ☐ Exempt under other paragraphs of section 149

**Do not use this area****095****096**



**Attachments****Financial statement information:** Use GIFL schedules 100, 125, and 141.**Schedules** – Answer the following questions. For each **yes** response, **attach** the schedule to the T2 return, unless otherwise instructed.

	Yes	Schedule
Is the corporation related to any other corporations?	<b>150</b> <input checked="" type="checkbox"/>	9
Is the corporation an associated CCPC?	<b>160</b> <input type="checkbox"/>	23
Is the corporation an associated CCPC that is claiming the expenditure limit?	<b>161</b> <input type="checkbox"/>	49
Does the corporation have any non-resident shareholders?	<b>151</b> <input type="checkbox"/>	19
Has the corporation had any transactions, including section 85 transfers, with its shareholders, officers, or employees, other than transactions in the ordinary course of business? Exclude non-arm's length transactions with non-residents	<b>162</b> <input type="checkbox"/>	11
If you answered <b>yes</b> to the above question, and the transaction was between corporations not dealing at arm's length, were all or substantially all of the assets of the transferor disposed of to the transferee?	<b>163</b> <input type="checkbox"/>	44
Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada?	<b>164</b> <input type="checkbox"/>	14
Is the corporation claiming a deduction for payments to a type of employee benefit plan?	<b>165</b> <input type="checkbox"/>	15
Is the corporation claiming a loss or deduction from a tax shelter acquired after August 31, 1989?	<b>166</b> <input type="checkbox"/>	T5004
Is the corporation a member of a partnership for which a partnership identification number has been assigned?	<b>167</b> <input type="checkbox"/>	T5013
Was the resident corporation the beneficiary of a non-resident discretionary trust or did it make a contribution to a non-resident discretionary trust at any time during the tax year?	<b>168</b> <input type="checkbox"/>	22
Did the corporation have any foreign affiliates during the year?	<b>169</b> <input type="checkbox"/>	25
Has the corporation made any payments to non-residents of Canada under subsections 202(1) and/or 105(1) of the federal <i>Income Tax Regulations</i> ?	<b>170</b> <input type="checkbox"/>	29
Has the corporation had any non-arm's length transactions with a non-resident?	<b>171</b> <input type="checkbox"/>	T106
For private corporations: Does the corporation have any shareholders who own 10% or more of the corporation's common and/or preferred shares?	<b>173</b> <input checked="" type="checkbox"/>	50
Has the corporation made payments to, or received amounts from, a retirement compensation plan arrangement during the year?	<b>172</b> <input type="checkbox"/>	
Is the net income/loss shown on the financial statements different from the net income/loss for income tax purposes?	<b>201</b> <input checked="" type="checkbox"/>	1
Has the corporation made any charitable donations; gifts to Canada, a province, or a territory; gifts of cultural or ecological property; or gifts of medicine?	<b>202</b> <input checked="" type="checkbox"/>	2
Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund?	<b>203</b> <input checked="" type="checkbox"/>	3
Is the corporation claiming any type of losses?	<b>204</b> <input type="checkbox"/>	4
Is the corporation claiming a provincial or territorial tax credit or does it have a permanent establishment in more than one jurisdiction?	<b>205</b> <input type="checkbox"/>	5
Has the corporation realized any capital gains or incurred any capital losses during the tax year?	<b>206</b> <input type="checkbox"/>	6
i) Is the corporation claiming the small business deduction and reporting income from: a) property (other than dividends deductible on line 320 of the T2 return), b) a partnership, c) a foreign business, or d) a personal services business; or	<b>207</b> <input type="checkbox"/>	7
ii) does the corporation have aggregate investment income at line 440?	<b>208</b> <input checked="" type="checkbox"/>	8
Does the corporation have any property that is eligible for capital cost allowance?	<b>210</b> <input checked="" type="checkbox"/>	10
Does the corporation have any property that is eligible capital property?	<b>212</b> <input type="checkbox"/>	12
Does the corporation have any resource-related deductions?	<b>213</b> <input checked="" type="checkbox"/>	13
Is the corporation claiming deductible reserves?	<b>216</b> <input type="checkbox"/>	16
Is the corporation claiming a patronage dividend deduction?	<b>217</b> <input type="checkbox"/>	17
Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction?	<b>218</b> <input type="checkbox"/>	18
Is the corporation an investment corporation or a mutual fund corporation?	<b>220</b> <input type="checkbox"/>	20
Is the corporation carrying on business in Canada as a non-resident corporation?	<b>221</b> <input type="checkbox"/>	21
Is the corporation claiming any federal or provincial foreign tax credits, or any federal or provincial logging tax credits?	<b>227</b> <input type="checkbox"/>	27
Does the corporation have any Canadian manufacturing and processing profits?	<b>231</b> <input type="checkbox"/>	31
Is the corporation claiming an investment tax credit?	<b>232</b> <input type="checkbox"/>	T661
Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures?	<b>233</b> <input checked="" type="checkbox"/>	
Is the total taxable capital employed in Canada of the corporation and its related corporations over \$10,000,000?	<b>234</b> <input checked="" type="checkbox"/>	
Is the total taxable capital employed in Canada of the corporation and its associated corporations over \$10,000,000?	<b>237</b> <input type="checkbox"/>	37
Is the corporation claiming a surtax credit?	<b>238</b> <input type="checkbox"/>	38
Is the corporation subject to gross Part VI tax on capital of financial institutions?	<b>242</b> <input type="checkbox"/>	42
Is the corporation claiming a Part I tax credit?	<b>243</b> <input type="checkbox"/>	43
Is the corporation subject to Part IV.1 tax on dividends received on taxable preferred shares or Part VI.1 tax on dividends paid?	<b>244</b> <input type="checkbox"/>	45
Is the corporation agreeing to a transfer of the liability for Part VI.1 tax?	<b>249</b> <input type="checkbox"/>	46
Is the corporation subject to Part II - Tobacco Manufacturers' surtax?		
For financial institutions: Is the corporation a member of a related group of financial institutions with one or more members subject to gross Part VI tax?	<b>250</b> <input type="checkbox"/>	39
Is the corporation claiming a Canadian film or video production tax credit refund?	<b>253</b> <input type="checkbox"/>	T1131
Is the corporation claiming a film or video production services tax credit refund?	<b>254</b> <input type="checkbox"/>	T1177
Is the corporation subject to Part XIII.1 tax? (Show your calculations on a sheet that you identify as Schedule 92.)	<b>255</b> <input type="checkbox"/>	92



**Attachments – continued from page 2**

	Yes	Schedule
Did the corporation have any foreign affiliates that are not controlled foreign affiliates?	<b>256</b>	T1134-A
Did the corporation have any controlled foreign affiliates?	<b>258</b>	T1134-B
Did the corporation own specified foreign property in the year with a cost amount over \$100,000?	<b>259</b>	T1135
Did the corporation transfer or loan property to a non-resident trust?	<b>260</b>	T1141
Did the corporation receive a distribution from or was it indebted to a non-resident trust in the year?	<b>261</b>	T1142
Has the corporation entered into an agreement to allocate assistance for SR&ED carried out in Canada?	<b>262</b>	T1145
Has the corporation entered into an agreement to transfer qualified expenditures incurred in respect of SR&ED contracts?	<b>263</b>	T1146
Has the corporation entered into an agreement with other associated corporations for salary or wages of specified employees for SR&ED?	<b>264</b>	T1174
Did the corporation pay taxable dividends (other than capital gains dividends) in the tax year?	<b>265</b> <input checked="" type="checkbox"/>	55
Has the corporation made an election under subsection 89(11) not to be a CCPC?	<b>266</b>	T2002
Has the corporation revoked any previous election made under subsection 89(11)?	<b>267</b>	T2002
Did the corporation (CCPC or deposit insurance corporation (DIC)) pay eligible dividends, or did its general rate income pool (GRIP) change in the tax year?	<b>268</b>	53
Did the corporation (other than a CCPC or DIC) pay eligible dividends, or did its low rate income pool (LRIP) change in the tax year?	<b>269</b>	54

**Additional information**

Did the corporation use the International Financial Reporting Standards (IFRS) when it prepared its financial statements?	<b>270</b>	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Is the corporation inactive?	<b>280</b>	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
What is the corporation's main revenue-generating business activity? . . . . . 335920 Communication and Energy Wire and Cable Manufacturing CAN			
Specify the principal product(s) mined, manufactured, sold, constructed, or services provided, giving the approximate percentage of the total revenue that each product or service represents.	<b>284</b> Electricity distribution	<b>285</b> 100.000 %	
	<b>286</b>	<b>287</b> %	
	<b>288</b>	<b>289</b> %	
Did the corporation immigrate to Canada during the tax year?	<b>291</b>	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Did the corporation emigrate from Canada during the tax year?	<b>292</b>	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Do you want to be considered as a quarterly instalment remitter if you are eligible?	<b>293</b>	1 Yes <input type="checkbox"/>	2 No <input type="checkbox"/>
If the corporation was eligible to remit instalments on a quarterly basis for part of the tax year, provide the date the corporation ceased to be eligible	<b>294</b>	YYYY MM DD	
If the corporation's major business activity is construction, did you have any subcontractors during the tax year?	<b>295</b>	1 Yes <input type="checkbox"/>	2 No <input type="checkbox"/>

**Taxable income**

Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFL.	<b>300</b>	767,471	A
<b>Deduct:</b> Charitable donations from Schedule 2	<b>311</b>	25	
Gifts to Canada, a province, or a territory from Schedule 2	<b>312</b>		
Cultural gifts from Schedule 2	<b>313</b>		
Ecological gifts from Schedule 2	<b>314</b>		
Gifts of medicine from Schedule 2	<b>315</b>		
Taxable dividends deductible under section 112 or 113, or subsection 138(6) from Schedule 3	<b>320</b>		
Part VI.1 tax deduction*	<b>325</b>		
Non-capital losses of previous tax years from Schedule 4	<b>331</b>		
Net capital losses of previous tax years from Schedule 4	<b>332</b>		
Restricted farm losses of previous tax years from Schedule 4	<b>333</b>		
Farm losses of previous tax years from Schedule 4	<b>334</b>		
Limited partnership losses of previous tax years from Schedule 4	<b>335</b>		
Taxable capital gains or taxable dividends allocated from a central credit union	<b>340</b>		
Prospector's and grubstaker's shares	<b>350</b>		
Subtotal		25	B
Subtotal (amount A minus amount B) (if negative, enter "0")		767,446	C
<b>Add:</b> Section 110.5 additions or subparagraph 115(1)(a)(vii) additions	<b>355</b>		D
<b>Taxable income</b> (amount C plus amount D)	<b>360</b>	767,446	
Income exempt under paragraph 149(1)(t)	<b>370</b>		
<b>Taxable income</b> for a corporation with exempt income under paragraph 149(1)(t) (line 360 minus line 370)		767,446	Z

\* This amount is equal to 3.2 times the Part VI.1 tax payable at line 724 on page 8.



**Small business deduction****Canadian-controlled private corporations (CCPCs) throughout the tax year**

Income from active business carried on in Canada from Schedule 7	400	A
Taxable income from line 360 on page 3, <b>minus</b> 10/3 of the amount on line 632* on page 7, <b>minus</b> 1/(0.38 - X**) 3.77358 times the amount on line 636*** on page 7, and <b>minus</b> any amount that, because of federal law, is exempt from Part I tax	405	B
Business limit (see notes 1 and 2 below)	410	C

**Notes:**

- For CCPCs that are not associated, enter \$ 500,000 on line 410. However, if the corporation's tax year is less than 51 weeks, prorate this amount by the number of days in the tax year divided by 365, and enter the result on line 410.
- For associated CCPCs, use Schedule 23 to calculate the amount to be entered on line 410.

**Business limit reduction:**

Amount C	x	415 ****	D	=		E
			11,250			
Reduced business limit (amount C <b>minus</b> amount E) (if negative, enter "0")					425	F

**Small business deduction**

Amount A, B, C, or F, whichever is the least	x	17 %	=	430	G
Enter amount G on line 1 on page 7.					

\* Calculate the amount of foreign non-business income tax credit deductible on line 632 without reference to the refundable tax on the CCPC's investment income (line 604) and without reference to the corporate tax reductions under section 123.4.

\*\* General rate reduction percentage for the tax year. It has to be pro-rated.

\*\*\* Calculate the amount of foreign business income tax credit deductible on line 636 without reference to the corporate tax reductions under section 123.4.

**\*\*\*\* Large corporations**

- If the corporation is not associated with any corporations in both the current and previous tax years, the amount to be entered on line 415 is: (Total taxable capital employed in Canada for the **prior year** minus \$10,000,000) x 0.225%.
- If the corporation is not associated with any corporations in the current tax year, but was associated in the previous tax year, the amount to be entered on line 415 is: (Total taxable capital employed in Canada for the **current year** minus \$10,000,000) x 0.225%.
- For corporations associated in the current tax year, see Schedule 23 for the special rules that apply.



**Canadian-controlled private corporations throughout the tax year**

Enter amount M on line 638 on page 7.

\* Except for a corporation that is, throughout the year, a cooperative corporation (within the meaning assigned by subsection 136(2)) or a credit union.

**Do not complete this area if you are a Canadian-controlled private corporation, an investment corporation, a mortgage investment corporation, a mutual fund corporation, or any corporation with taxable income that is not subject to the corporation tax rate of 38%.**

Taxable income from page 3 (line 360 or amount Z, whichever applies)					767,446	N	
Lesser of amounts V and Y (line Z1) from Part 9 of Schedule 27					O		
Amount QQ from Part 13 of Schedule 27					P		
Amount used to calculate the credit union deduction from Schedule 17					Q		
Total of amounts O to Q						R	
Amount N minus amount R (if negative, enter "0")					767,446	S	
Amount S	767,446	x	Number of days in the tax year after December 31, 2008, and before January 1, 2010	365	x	9 % =	T
Amount S	767,446	x	Number of days in the tax year after December 31, 2009, and before January 1, 2011	365	x	10 % =	U
Amount S	767,446	x	Number of days in the tax year after December 31, 2010, and before January 1, 2012	365	x	11.5 % =	V
Amount S	767,446	x	Number of days in the tax year after December 31, 2011	365	x	13 % =	W
<b>General tax reduction</b> – Total of amounts T to W					88,256	X	
Enter amount X on line 639 on page 7.							



**Refundable portion of Part I tax****Canadian-controlled private corporations throughout the tax year**

Aggregate investment income . . . . . **440** x 26 2 / 3 % = . . . . . A  
from Schedule 7

Foreign non-business income tax credit from line 632 on page 7 . . . . .

**Deduct:**

Foreign investment income . . . . . **445** x 9 1 / 3 % = . . . . .  
from Schedule 7 (if negative, enter "0") **B**

Amount A **minus** amount B (if negative, enter "0") . . . . . **C**

Taxable income from line 360 on page 3 . . . . .

**Deduct:**

Amount from line 400, 405, 410, or 425 on page 4,  
whichever is the least . . . . .

Foreign non-business  
income tax credit  
from line 632 on page 7 . . . . . x 25 / 9 = . . . . .

Foreign business income  
tax credit from line 636 on  
page 7 . . . . . x 1(0.38 - X\*)  
3.77358 = . . . . .

x 26 2 / 3 % = . . . . . **D**

Part I tax payable minus investment tax credit refund (line 700 **minus** line 780 from page 8) . . . . . **E**

**Refundable portion of Part I tax** – Amount C, D, or E, whichever is the least . . . . . **450** **F**

\* General rate reduction percentage for the tax year. It has to be pro-rated.

**Refundable dividend tax on hand**

Refundable dividend tax on hand at the end of the previous tax year . . . . . **460**

**Deduct:** Dividend refund for the previous tax year . . . . . **465**

**Add the total of:**

Refundable portion of Part I tax from line 450 above . . . . .

Total Part IV tax payable from Schedule 3 . . . . .

Net refundable dividend tax on hand transferred from a predecessor corporation on  
amalgamation, or from a wound-up subsidiary corporation . . . . . **480**

**Refundable dividend tax on hand at the end of the tax year** – Amount G **plus** amount H . . . . . **485**

**Dividend refund****Private and subject corporations at the time taxable dividends were paid in the tax year**

Taxable dividends paid in the tax year from line 460 on page 2 of Schedule 3 . . . . . 265,800 x 1 / 3 88,600 **I**

Refundable dividend tax on hand at the end of the tax year from line 485 above . . . . . **J**

**Dividend refund** – Amount I or J, whichever is less (enter this amount on line 784 on page 8) . . . . .



**Part I tax**

<b>Base amount of Part I tax</b> – Taxable income from page 3 (line 360 or amount Z, whichever applies) multiplied by	38 %	<b>550</b>	291,629	A
<b>Recapture of investment tax credit from Schedule 31</b>		<b>602</b>		B
<b>Calculation for the refundable tax on the Canadian-controlled private corporation's (CCPC) investment income</b> (if it was a CCPC throughout the tax year)				
Aggregate investment income from line 440 on page 6			i	
Taxable income from line 360 on page 3				
<b>Deduct:</b>				
Amount from line 400, 405, 410, or 425 on page 4, whichever is the least				
Net amount			ii	
<b>Refundable tax on CCPC's investment income</b> – 6 2 / 3 % of whichever is less: amount i or ii		<b>604</b>		C
			Subtotal (add lines A to C)	291,629 D
<b>Deduct:</b>				
Small business deduction from line 430 on page 4			1	
Federal tax abatement	<b>608</b>	76,745		
Manufacturing and processing profits deduction from Schedule 27	<b>616</b>			
Investment corporation deduction	<b>620</b>			
Taxed capital gains <b>624</b>				
Additional deduction – credit unions from Schedule 17	<b>628</b>			
Federal foreign non-business income tax credit from Schedule 21	<b>632</b>			
Federal foreign business income tax credit from Schedule 21	<b>636</b>			
General tax reduction for CCPCs from amount M on page 5	<b>638</b>			
General tax reduction from amount X on page 5	<b>639</b>	88,256		
Federal logging tax credit from Schedule 21	<b>640</b>			
Federal qualifying environmental trust tax credit	<b>648</b>			
Investment tax credit from Schedule 31	<b>652</b>			
		Subtotal	165,001	E
<b>Part I tax payable</b> – Line D minus line E			126,628	F
Enter amount F on line 700 on page 8.				



**Summary of tax and credits****Federal tax**

Part I tax payable from page 7	700	126,628
Part II surtax payable from Schedule 46	708	
Part III.1 tax payable from Schedule 55	710	
Part IV tax payable from Schedule 3	712	
Part IV.1 tax payable from Schedule 43	716	
Part VI tax payable from Schedule 38	720	
Part VI.1 tax payable from Schedule 43	724	
Part XIII.1 tax payable from Schedule 92	727	
Part XIV tax payable from Schedule 20	728	

Total federal tax 126,628

**Add provincial or territorial tax:**Provincial or territorial jurisdiction . . . **750** ON  
(if more than one jurisdiction, enter "multiple" and complete Schedule 5)Net provincial or territorial tax payable (except Quebec and Alberta) . . . **760** 90,159Provincial tax on large corporations (Nova Scotia Schedule 342) . . . **765**

90,159 ▶ 90,159

**Deduct other credits:**Investment tax credit refund from Schedule 31 . . . **780**Dividend refund from page 6 . . . **784**Federal capital gains refund from Schedule 18 . . . **788**Federal qualifying environmental trust tax credit refund . . . **792**Canadian film or video production tax credit refund (Form T1131) . . . **796**Film or video production services tax credit refund (Form T1177) . . . **797**Tax withheld at source . . . **800**Total payments on which tax has been withheld . . . **801**Provincial and territorial capital gains refund from Schedule 18 . . . **808**Provincial and territorial refundable tax credits from Schedule 5 . . . **812**Tax instalments paid . . . **840** 564,444Total credits **890** 564,444 ▶ 564,444 BRefund code **894** 1 Overpayment 347,657

Balance (line A minus line B) -347,657

**Direct deposit request**

To have the corporation's refund deposited directly into the corporation's bank account at a financial institution in Canada, or to change banking information you already gave us, complete the information below:

☐ Start ☐ Change information **910**

Branch number

**914** Institution number **918** Account number

If the corporation is a Canadian-controlled private corporation throughout the tax year, does it qualify for the one-month extension of the date the balance of tax is due?

If the result is negative, you have an **overpayment**.  
If the result is positive, you have a **balance unpaid**.  
Enter the amount on whichever line applies.

Generally, we do not charge or refund a difference of \$2 or less.

Balance unpaid . . . ▶

Enclosed payment **898**. . . **896** 1 Yes ☐ 2 No ☒

PREPARED SOLELY FOR INCOME TAX PURPOSES WITHOUT AUDIT OR REVIEW FROM INFORMATION PROVIDED BY THE TAXPAYER.

**Certification**I, **950** AUDET**951** MICHAEL**954** CHIEF EXECUTIVE OFFICER

Last name in block letters

First name in block letters

Position, office, or rank

I am an authorized signing officer of the corporation. I certify that I have examined this return, including accompanying schedules and statements, and that the information given on this return is, to the best of my knowledge, correct and complete. I also certify that the method of calculating income for this tax year is consistent with that of the previous tax year except as specifically disclosed in a statement attached to this return.

**955** 2012-05-04  
Date (yyyy/mm/dd)

Signature of the authorized signing officer of the corporation

**956** (519) 776-5291  
Telephone numberIs the contact person the same as the authorized signing officer? If **no**, complete the information below . . . **957** 1 Yes ☒ 2 No ☐**958** Name in block letters**959** Telephone number**Language of correspondence – Langue de correspondance**Indicate your language of correspondence by entering **1** for English or **2** for French.  
Indiquez votre langue de correspondance en inscrivant **1** pour anglais ou **2** pour français.**990** 1



Form identifier 100

**GENERAL INDEX OF FINANCIAL INFORMATION – GIF1**

Name of corporation	Business Number	Tax year end Year Month Day
E.L.K. Energy Inc.	86656 7787 RC0001	2011-12-31

**Balance sheet information**

Account	Description	GIFI	Current year	Prior year
<b>Assets</b>				
	Total current assets . . . . .	<b>1599</b> +	10,594,092	10,708,437
	Total tangible capital assets . . . . .	<b>2008</b> +	22,628,508	22,148,676
	Total accumulated amortization of tangible capital assets . . . . .	<b>2009</b> –	14,871,786	14,031,987
	Total intangible capital assets . . . . .	<b>2178</b> +		
	Total accumulated amortization of intangible capital assets . . . . .	<b>2179</b> –		
	Total long-term assets . . . . .	<b>2589</b> +	2,191,064	3,291,253
	* Assets held in trust . . . . .	<b>2590</b> +		
	<b>Total assets</b> (mandatory field) . . . . .	<b>2599</b> =	<u>20,541,878</u>	<u>22,116,379</u>
<b>Liabilities</b>				
	Total current liabilities . . . . .	<b>3139</b> +	5,892,141	6,828,141
	Total long-term liabilities . . . . .	<b>3450</b> +	7,855,059	8,544,501
	* Subordinated debt . . . . .	<b>3460</b> +		
	* Amounts held in trust . . . . .	<b>3470</b> +		
	<b>Total liabilities</b> (mandatory field) . . . . .	<b>3499</b> =	<u>13,747,200</u>	<u>15,372,642</u>
<b>Shareholder equity</b>				
	<b>Total shareholder equity</b> (mandatory field) . . . . .	<b>3620</b> +	6,794,678	6,743,737
	<b>Total liabilities and shareholder equity</b> . . . . .	<b>3640</b> =	<u>20,541,878</u>	<u>22,116,379</u>
<b>Retained earnings</b>				
	<b>Retained earnings/deficit – end</b> (mandatory field) . . . . .	<b>3849</b> =	<u>392,203</u>	<u>341,262</u>

\* Generic item

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**GENERAL INDEX OF FINANCIAL INFORMATION – GIFI**

Form identifier 125

Name of corporation	Business Number	Tax year end Year Month Day
E.L.K. Energy Inc.	86656 7787 RC0001	2011-12-31

**Income statement information**

Description	GIFI
Operating name . . . . .	<b>0001</b> _____
Description of the operation . . . . .	<b>0002</b> _____
Sequence Number . . . . .	<b>0003</b> 01

Account	Description	GIFI	Current year	Prior year
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**Income statement information**

Total sales of goods and services . . . . .	<b>8089</b> +	23,047,430	23,140,408
Cost of sales . . . . .	<b>8518</b> -	20,088,089	19,951,904
<b>Gross profit/loss</b> . . . . .	<b>8519</b> =	2,959,341	3,188,504
Cost of sales . . . . .	<b>8518</b> +	20,088,089	19,951,904
Total operating expenses . . . . .	<b>9367</b> +	3,553,154	3,196,219
<b>Total expenses (mandatory field)</b> . . . . .	<b>9368</b> =	23,641,243	23,148,123
Total revenue (mandatory field) . . . . .	<b>8299</b> +	24,174,871	23,979,698
Total expenses (mandatory field) . . . . .	<b>9368</b> -	23,641,243	23,148,123
<b>Net non-farming income</b> . . . . .	<b>9369</b> =	533,628	831,575

**Farming income statement information**

Total farm revenue (mandatory field) . . . . .	<b>9659</b> +		
Total farm expenses (mandatory field) . . . . .	<b>9898</b> -		
<b>Net farm income</b> . . . . .	<b>9899</b> =		

<b>Net income/loss before taxes and extraordinary items</b> . . . . .	<b>9970</b> =	533,628	831,575
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<b>Total other comprehensive income</b> . . . . .	<b>9998</b> =		
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**Extraordinary items and income (linked to Schedule 140)**

Extraordinary item(s) . . . . .	<b>9975</b> -		
Legal settlements . . . . .	<b>9976</b> -		
Unrealized gains/losses . . . . .	<b>9980</b> +		
Unusual items . . . . .	<b>9985</b> -		
Current income taxes . . . . .	<b>9990</b> -	216,887	295,495
Deferred income tax provision . . . . .	<b>9995</b> -		
Total – Other comprehensive income . . . . .	<b>9998</b> +		
<b>Net income/loss after taxes and extraordinary items (mandatory field)</b> . . . . .	<b>9999</b> =	316,741	536,080

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**NOTES CHECKLIST**

Name of corporation E.L.K. Energy Inc.	Business Number 86656 7787 RC0001	Tax year-end Year Month Day 2011-12-31
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- Parts 1, 2, and 3 of this schedule must be completed from the perspective of the person (referred to in these parts as the "accountant") who prepared or reported on the financial statements.
- For more information, see Guide RC4088, *General Index of Financial Information (GIFI)* and Guide T4012, *T2 Corporation – Income Tax Guide*.
- Complete this schedule and include it with your T2 return along with the other GIFI schedules.

If the person preparing the tax return is not the accountant referred to above, they must still complete Parts 1, 2, 3, and 4, as applicable.

**Part 1 – Information on the accountant who prepared or reported on the financial statements**

Does the accountant have a professional designation? . . . . . **095** 1 Yes ☒ 2 No ☐

Is the accountant connected\* with the corporation? . . . . . **097** 1 Yes ☐ 2 No ☒

\* A person connected with a corporation can be: (i) a shareholder of the corporation who owns more than 10% of the common shares; (ii) a director, an officer, or an employee of the corporation; or (iii) a person not dealing at arm's length with the corporation.

**Note:** If the accountant does not have a professional designation **or** is connected to the corporation, you do not have to complete Parts 2 and 3 of this schedule. However, you do have to complete Part 4, as applicable.

**Part 2 – Type of involvement with the financial statements**

Choose the option that represents the highest level of involvement of the accountant: **198**

Completed an auditor's report . . . . . 1 ☒

Completed a review engagement report . . . . . 2 ☐

Conducted a compilation engagement . . . . . 3 ☐

**Part 3 – Reservations**

If you selected option "1" or "2" under **Type of involvement with the financial statements** above, answer the following question:

Has the accountant expressed a reservation? . . . . . **099** 1 Yes ☐ 2 No ☒

**Part 4 – Other information**

If you have a professional designation and are not the accountant associated with the financial statements in Part 1 above, choose one of the following options:

Prepared the tax return (financial statements prepared by client) . . . . . **110** 1 ☐

Prepared the tax return and the financial information contained therein (financial statements have not been prepared) . . . . . 2 ☐

Were notes to the financial statements prepared? . . . . . **101** 1 Yes ☒ 2 No ☐

If **yes**, complete lines 104 to 107 below:

Are subsequent events mentioned in the notes? . . . . . **104** 1 Yes ☐ 2 No ☒

Is re-evaluation of asset information mentioned in the notes? . . . . . **105** 1 Yes ☐ 2 No ☒

Is contingent liability information mentioned in the notes? . . . . . **106** 1 Yes ☒ 2 No ☐

Is information regarding commitments mentioned in the notes? . . . . . **107** 1 Yes ☐ 2 No ☒

Does the corporation have investments in joint venture(s) or partnership(s)? . . . . . **108** 1 Yes ☐ 2 No ☒



**Part 4 – Other information (continued)****Impairment and fair value changes**

In any of the following assets, was an amount recognized in net income or other comprehensive income (OCI) as a result of an impairment loss in the tax year, a reversal of an impairment loss recognized in a previous tax year, or a change in fair value during the tax year? . . . . .

**200** 1 Yes ☐ 2 No ☒

If **yes**, enter the amount recognized:

		In net income Increase (decrease)	In OCI Increase (decrease)
Property, plant, and equipment . . . . .	<b>210</b>		<b>211</b>
Intangible assets . . . . .	<b>215</b>		<b>216</b>
Investment property . . . . .	<b>220</b>		
Biological assets . . . . .	<b>225</b>		
Financial instruments . . . . .	<b>230</b>		<b>231</b>
Other . . . . .	<b>235</b>		<b>236</b>

**Financial instruments**

Did the corporation derecognize any financial instrument(s) during the tax year? . . . . . **250** 1 Yes ☐ 2 No ☒

Did the corporation apply hedge accounting during the tax year? . . . . . **255** 1 Yes ☐ 2 No ☒

Did the corporation discontinue hedge accounting during the tax year? . . . . . **260** 1 Yes ☐ 2 No ☒

**Adjustments to opening equity**

Was an amount included in the opening balance of retained earnings or equity, in order to correct an error, to recognize a change in accounting policy, or to adopt a new accounting standard in the current tax year? . . . . .

**265** 1 Yes ☐ 2 No ☒

If **yes**, you have to maintain a separate reconciliation.



**NET INCOME (LOSS) FOR INCOME TAX PURPOSES****SCHEDULE 1**

Corporation's name E.L.K. Energy Inc.	Business Number 86656 7787 RC0001	Tax year end Year Month Day 2011-12-31
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- The purpose of this schedule is to provide a reconciliation between the corporation's net income (loss) as reported on the financial statements and its net income (loss) for tax purposes. For more information, see the T2 *Corporation Income Tax Guide*.
- Sections, subsections, and paragraphs referred to on this schedule are from the *Income Tax Act*.

Amount calculated on line 9999 from Schedule 125 ..... 316,741 A

**Add:**

Provision for income taxes – current	101	216,887	
Amortization of tangible assets	104	839,799	
Charitable donations and gifts from Schedule 2	112	25	
Non-deductible meals and entertainment expenses	121	442	
Other reserves on lines 270 and 275 from Schedule 13	125	3,208,673	
Reserves from financial statements – balance at the end of the year	126	2,715,448	
Subtotal of additions		6,981,274	6,981,274

**Other additions:****Miscellaneous other additions:**

600 Smart Meter Revenue	290	177,653	
604 Unrealized loss on investment		10,914	
Total	294	10,914	
Subtotal of other additions	199	188,567	188,567
<b>Total additions</b>	<b>500</b>	<b>7,169,841</b>	<b>7,169,841</b>

**Deduct:**

Capital cost allowance from Schedule 8	403	763,427	
Cumulative eligible capital deduction from Schedule 10	405	29,344	
Other reserves on line 280 from Schedule 13	413	2,027,261	
Reserves from financial statements – balance at the beginning of the year	414	3,895,579	
Subtotal of deductions		6,715,611	6,715,611

**Other deductions:****Miscellaneous other deductions:**

700 20(1)(e) deduction	390	3,500	
704			
Total	394		
Subtotal of other deductions	499	3,500	3,500
<b>Total deductions</b>	<b>510</b>	<b>6,719,111</b>	<b>6,719,111</b>

**Net income (loss) for income tax purposes** – enter on line 300 of the T2 return ..... **767,471**



**CHARITABLE DONATIONS AND GIFTS**

Name of corporation	Business Number	Tax year-end Year Month Day
E.L.K. Energy Inc.	86656 7787 RC0001	2011-12-31

- For use by corporations to claim any of the following:
  - charitable donations;
  - gifts to Canada, a province, or a territory;
  - gifts of certified cultural property;
  - gifts of certified ecologically sensitive land; or
  - additional deduction for gifts of medicine.
- The donations and gifts are eligible for a five-year carryforward.
- Use this schedule to show a credit transfer following an amalgamation or the wind-up of a subsidiary as described under subsections 87(1) and 88(1) of the *Income Tax Act*.
- For donations and gifts made after March 22, 2004, subsection 110.1(1.2) of the *Income Tax Act* provides as follows:
  - Where a particular corporation has undergone an acquisition of control, for tax years that end on or after the acquisition of control, no corporation can claim a deduction for a gift made by the particular corporation to a qualified donee before the acquisition of control
  - If a particular corporation makes a gift to a qualified donee pursuant to an arrangement under which both the gift and the acquisition of control is expected, no corporation can claim a deduction for the gift unless the person acquiring control of the particular corporation is the qualified donee.
- Under proposed changes, the eligible amount of a charitable gift is the amount by which the fair market value of the gift exceeds the amount of an advantage, if any, for the gift.
- Under proposed changes, a gift of medicine made after March 18, 2007, to qualifying organizations for activities outside of Canada, may be eligible for an additional deduction if the gift is an eligible medical gift. This additional deduction is calculated in Part 6.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- For more information, see the *T2 Corporation – Income Tax Guide*.

**Part 1 – Charitable donations**

Charity/Recipient	Amount (\$100 or more only)		
		Subtotal	
	<b>Add:</b> Total donations of less than \$100 each		25
	Total donations in current tax year		25

	Federal	Québec	Alberta
Charitable donations at the end of the previous tax year			
<b>Deduct:</b> Charitable donations expired after five tax years*	239		
Charitable donations at the beginning of the tax year	240		
<b>Add:</b>			
Charitable donations transferred on an amalgamation or the wind-up of a subsidiary	250		
Total current-year charitable donations made (enter this amount on line 112 of Schedule 1)	210	25	
	Subtotal (line 250 plus line 210)	25	25
<b>Deduct:</b> Adjustment for an acquisition of control (for donations made after March 22, 2004)	255		
Total charitable donations available	25	25	25
<b>Deduct:</b> Amount applied against taxable income (cannot be more than amount K in Part 2) (enter this amount on line 311 of the T2 return)	260	25	25
Charitable donations closing balance	280		

\* For the federal and Alberta, the gifts expire after five tax years. For Québec, gifts made in a tax year that ended before March 24, 2006, expire after five tax years and gifts made in a tax year that ended after March 23, 2006, expire after twenty tax years.



**Amounts carried forward – Charitable donations**

Year of origin:		Federal	Québec	Alberta
1 <sup>st</sup> prior year	2010-12-31			
2 <sup>nd</sup> prior year	2009-12-31			
3 <sup>rd</sup> prior year	2009-01-30			
4 <sup>th</sup> prior year	2008-12-31			
5 <sup>th</sup> prior year	2007-12-31			
6 <sup>th</sup> prior year*	2006-12-31			
7 <sup>th</sup> prior year	2005-12-31			
8 <sup>th</sup> prior year	2004-12-31			
9 <sup>th</sup> prior year	2003-12-31			
10 <sup>th</sup> prior year	2002-12-31			
11 <sup>th</sup> prior year	2001-12-31			
12 <sup>th</sup> prior year	2001-09-30			
13 <sup>th</sup> prior year	2000-09-30			
14 <sup>th</sup> prior year	1999-09-30			
15 <sup>th</sup> prior year	1998-09-30			
16 <sup>th</sup> prior year	1997-09-30			
17 <sup>th</sup> prior year	1996-09-30			
18 <sup>th</sup> prior year	1995-09-30			
19 <sup>th</sup> prior year	1994-09-30			
20 <sup>th</sup> prior year	1993-09-30			
21 <sup>st</sup> prior year*	1992-09-30			
<b>Total (to line A)</b>				

\* For the federal and Alberta, the 6<sup>th</sup> prior year gifts expire in the current year. For Québec, the 6<sup>th</sup> prior year gifts made in a tax year that ended before March 24, 2006, expire in the current year and the 21<sup>st</sup> prior year gifts made in a tax year that ended after March 23, 2006, expire in the current year.

**Part 2 – Calculation of the maximum allowable deduction for charitable donations**

Net income for tax purposes* <b>multiplied by</b> 75 %		575,603	B
Taxable capital gains arising in respect of gifts of capital property included in Part 1**	225	C	
Taxable capital gain in respect of deemed gifts of non-qualifying securities per subsection 40(1.01)	227	D	
The amount of the recapture of capital cost allowance in respect of charitable gifts	230		
Proceeds of disposition, less outlays and expenses**	E		
Capital cost**	F		
Amount E or F, whichever is less	235		
Amount on line 230 or 235, whichever is less	G		
Subtotal (add amounts C, D, and G)	H		
Amount H <b>multiplied by</b> 25 %	I		
Subtotal (amount B <b>plus</b> amount I)	575,603	J	
<b>Maximum allowable deduction for charitable donations</b> (enter amount A from Part 1, amount J, or net income for tax purposes, whichever is less)		25	K

\* For credit unions, this amount is before the deduction of payments pursuant to allocations in proportion to borrowing and bonus interest.

\*\* This amount must be prorated by the following calculation: eligible amount of the gift **divided by** the proceeds of disposition of the gift.



**Part 3 – Gifts to Canada, a province, or a territory**

Gifts to Canada, a province, or a territory at the end of the previous tax year	.....		
<b>Deduct:</b> Gifts to Canada, a province, or a territory expired after five tax years	.....	<b>339</b>	
Gifts to Canada, a province, or a territory at the beginning of the tax year	.....	<b>340</b>	
<b>Add:</b> Gifts to Canada, a province, or a territory transferred on an amalgamation or the windup of a subsidiary	.....	<b>350</b>	
Total current-year gifts made to Canada, a province, or a territory*	.....	<b>310</b>	
		Subtotal (line 350 <b>plus</b> line 310)	
<b>Deduct:</b> Adjustment for an acquisition of control (for gifts made after March 22, 2004)	.....	<b>355</b>	
Total gifts to Canada, a province, or a territory available	.....		
<b>Deduct:</b> Amount applied against taxable income (enter this amount on line 312 of the T2 return).	.....	<b>360</b>	
Gifts to Canada, a province, or a territory closing balance	.....	<b>380</b>	

\* Not applicable for gifts made after February 18, 1997, unless a written agreement was made before this date. If no written agreement exists, enter the amount on line 210 and complete Part 2.

**Part 4 – Gifts of certified cultural property**

	Federal	Québec	Alberta
Gifts of certified cultural property at the end of the previous tax year	.....		
<b>Deduct:</b> Gifts of certified cultural property expired after five tax years*	..... <b>439</b>		
Gifts of certified cultural property at the beginning of the tax year	..... <b>440</b>		
<b>Add:</b> Gifts of certified cultural property transferred on an amalgamation or the windup of a subsidiary	..... <b>450</b>		
Total current-year gifts of certified cultural property	..... <b>410</b>		
		Subtotal (line 450 <b>plus</b> line 410)	
<b>Deduct:</b> Adjustment for an acquisition of control (for gifts made after March 22, 2004)	..... <b>455</b>		
Total gifts of certified cultural property available	.....		
<b>Deduct:</b> Amount applied against taxable income (enter this amount on line 313 of the T2 return)	..... <b>460</b>		
Gifts of certified cultural property closing balance	..... <b>480</b>		

\* For the federal and Alberta, the gifts expire after five tax years. For Québec, gifts made in a tax year that ended before March 24, 2006, expire after five tax years and gifts made in a tax year that ended after March 23, 2006, expire after twenty tax years.

**Amount carried forward – Gifts of certified cultural property**

	Federal	Québec	Alberta
Year of origin:			
1 <sup>st</sup> prior year	..... 2010-12-31		
2 <sup>nd</sup> prior year	..... 2009-12-31		
3 <sup>rd</sup> prior year	..... 2009-01-30		
4 <sup>th</sup> prior year	..... 2008-12-31		
5 <sup>th</sup> prior year	..... 2007-12-31		
6 <sup>th</sup> prior year*	..... 2006-12-31		
7 <sup>th</sup> prior year	..... 2005-12-31		
8 <sup>th</sup> prior year	..... 2004-12-31		
9 <sup>th</sup> prior year	..... 2003-12-31		
10 <sup>th</sup> prior year	..... 2002-12-31		
11 <sup>th</sup> prior year	..... 2001-12-31		
12 <sup>th</sup> prior year	..... 2001-09-30		
13 <sup>th</sup> prior year	..... 2000-09-30		
14 <sup>th</sup> prior year	..... 1999-09-30		
15 <sup>th</sup> prior year	..... 1998-09-30		
16 <sup>th</sup> prior year	..... 1997-09-30		
17 <sup>th</sup> prior year	..... 1996-09-30		
18 <sup>th</sup> prior year	..... 1995-09-30		
19 <sup>th</sup> prior year	..... 1994-09-30		
20 <sup>th</sup> prior year	..... 1993-09-30		
21 <sup>st</sup> prior year*	..... 1992-09-30		
<b>Total</b>	.....		

\* For the federal and Alberta, the 6<sup>th</sup> prior year gifts expire in the current year. For Québec, the 6<sup>th</sup> prior year gifts made in a tax year that ended before March 24, 2006, expire in the current year and the 21<sup>st</sup> prior year gifts made in a tax year that ended after March 23, 2006, expire in the current year.



**Part 5 – Gifts of certified ecologically sensitive land**

	Federal	Québec	Alberta
Gifts of certified ecologically sensitive land at the end of the previous tax year . . . . .			
<b>Deduct:</b> Gifts of certified ecologically sensitive land expired after five tax years* . . . . .	<b>539</b>		
Gifts of certified ecologically sensitive land at the beginning of the tax year . . . . .	<b>540</b>		
<b>Add:</b> Gifts of certified ecologically sensitive land transferred on an amalgamation or the windup of a subsidiary . . . . .	<b>550</b>		
Total current-year gifts of certified ecologically sensitive land . . . . .	<b>510</b>		
Subtotal (line 550 plus line 510)			
<b>Deduct:</b> Adjustment for an acquisition of control (for gifts made after March 22, 2004) . . . . .	<b>555</b>		
Total gifts of certified ecologically sensitive land available . . . . .			
<b>Deduct:</b> Amount applied against taxable income (enter this amount on line 314 of the T2 return) . . . . .	<b>560</b>		
Gifts of certified ecologically sensitive land closing balance . . . . .	<b>580</b>		

\* For the federal and Alberta, the gifts expire after five tax years. For Québec, gifts made in a tax year that ended before March 24, 2006, expire after five tax years and gifts made in a tax year that ended after March 23, 2006, expire after twenty tax years.

**Amounts carried forward – Gifts of certified ecologically sensitive land**

	Federal	Québec	Alberta
Year of origin:			
1 <sup>st</sup> prior year . . . . . 2010-12-31			
2 <sup>nd</sup> prior year . . . . . 2009-12-31			
3 <sup>rd</sup> prior year . . . . . 2009-01-30			
4 <sup>th</sup> prior year . . . . . 2008-12-31			
5 <sup>th</sup> prior year . . . . . 2007-12-31			
6 <sup>th</sup> prior year* . . . . . 2006-12-31			
7 <sup>th</sup> prior year . . . . . 2005-12-31			
8 <sup>th</sup> prior year . . . . . 2004-12-31			
9 <sup>th</sup> prior year . . . . . 2003-12-31			
10 <sup>th</sup> prior year . . . . . 2002-12-31			
11 <sup>th</sup> prior year . . . . . 2001-12-31			
12 <sup>th</sup> prior year . . . . . 2001-09-30			
13 <sup>th</sup> prior year . . . . . 2000-09-30			
14 <sup>th</sup> prior year . . . . . 1999-09-30			
15 <sup>th</sup> prior year . . . . . 1998-09-30			
16 <sup>th</sup> prior year . . . . . 1997-09-30			
17 <sup>th</sup> prior year . . . . . 1996-09-30			
18 <sup>th</sup> prior year . . . . . 1995-09-30			
19 <sup>th</sup> prior year . . . . . 1994-09-30			
20 <sup>th</sup> prior year . . . . . 1993-09-30			
21 <sup>st</sup> prior year* . . . . . 1992-09-30			
<b>Total</b> . . . . .			

\* For the federal and Alberta, the 6<sup>th</sup> prior year gifts expire in the current year. For Québec, the 6<sup>th</sup> prior year gifts made in a tax year that ended before March 24, 2006, expire in the current year and the 21<sup>st</sup> prior year gifts made in a tax year that ended after March 23, 2006, expire in the current year.



**Part 6 – Additional deduction for gifts of medicine**

	Federal	Québec	Alberta
Additional deduction for gifts of medicine at the end of the previous tax year . . . . .			
<b>Deduct:</b> Additional deduction for gifts of medicine expired after five tax years . . . . .	<b>639</b>		
Additional deduction for gifts of medicine at the beginning of the tax year . . . . .	<b>640</b>		
<b>Add:</b> Additional deduction for gifts of medicine transferred on an amalgamation or the wind-up of a subsidiary . . . . .	<b>650</b>		
Additional deduction for gifts of medicine for the current year:			
Proceeds of disposition . . . . .	<b>602</b>	1	1
Cost of gifts of medicine . . . . .	<b>601</b>	2	2
Subtotal (line 1 <b>minus</b> line 2)	3	3	3
Line 3 <b>multiplied by</b> 50 % . . . . .	4	4	4
Eligible amount of gifts	<b>600</b>	5	5
Federal A _____ x $\left( \frac{B}{C} \right)$ = Additional deduction for gifts of medicine for the current year	<b>610</b>		
Québec A _____ x $\left( \frac{B}{C} \right)$ = Additional deduction for gifts of medicine for the current year			
Alberta A _____ x $\left( \frac{B}{C} \right)$ = Additional deduction for gifts of medicine for the current year			
where: <b>A</b> is the <b>lesser</b> of line 2 and line 4 <b>B</b> is the eligible amount of gifts (line 600) <b>C</b> is the proceeds of disposition (line 602)			
Subtotal (line 650 <b>plus</b> line 610)			
<b>Deduct:</b> Adjustment for an acquisition of control . . . . .	<b>655</b>		
Total additional deduction for gifts of medicine available . . . . .			
<b>Deduct:</b> Amount applied against taxable income (enter this amount on line 315 of the T2 return) . . . . .	<b>660</b>		
Additional deduction for gifts of medicine closing balance . . . . .	<b>680</b>		

**Amounts carried forward – Additional deduction for gifts of medicine**

	Federal	Québec	Alberta
Year of origin:			
1 <sup>st</sup> prior year . . . . . 2010-12-31			
2 <sup>nd</sup> prior year . . . . . 2009-12-31			
3 <sup>rd</sup> prior year . . . . . 2009-01-30			
4 <sup>th</sup> prior year . . . . . 2008-12-31			
5 <sup>th</sup> prior year . . . . . 2007-12-31			
6 <sup>th</sup> prior year* . . . . . 2006-12-31			
<b>Total</b> . . . . .			

\* These donations expired in the current year.



**Québec – Gifts of musical instruments**

Gifts of musical instruments at the end of the previous tax year	_____	A
<b>Deduct:</b> Gifts of musical instruments expired after twenty tax years	_____	B
Gifts of musical instruments at the beginning of the tax year	=====	C
<b>Add:</b>		
Gifts of musical instruments transferred on an amalgamation or the wind-up of a subsidiary	_____	D
Total current-year gifts of musical instruments	_____	E
	Subtotal (line D <b>plus</b> line E)	F
<b>Deduct:</b> Adjustment for an acquisition of control	_____	G
Total gifts of musical instruments available	_____	H
<b>Deduct:</b> Amount applied against taxable income	_____	I
Gifts of musical instruments closing balance	=====	J

**Amounts carried forward – Gifts of musical instruments**

Year of origin:		Québec
1 <sup>st</sup> prior year	2010-12-31	_____
2 <sup>nd</sup> prior year	2009-12-31	_____
3 <sup>rd</sup> prior year	2009-01-30	_____
4 <sup>th</sup> prior year	2008-12-31	_____
5 <sup>th</sup> prior year	2007-12-31	_____
6 <sup>th</sup> prior year*	2006-12-31	_____
7 <sup>th</sup> prior year	2005-12-31	_____
8 <sup>th</sup> prior year	2004-12-31	_____
9 <sup>th</sup> prior year	2003-12-31	_____
10 <sup>th</sup> prior year	2002-12-31	_____
11 <sup>th</sup> prior year	2001-12-31	_____
12 <sup>th</sup> prior year	2001-09-30	_____
13 <sup>th</sup> prior year	2000-09-30	_____
14 <sup>th</sup> prior year	1999-09-30	_____
15 <sup>th</sup> prior year	1998-09-30	_____
16 <sup>th</sup> prior year	1997-09-30	_____
17 <sup>th</sup> prior year	1996-09-30	_____
18 <sup>th</sup> prior year	1995-09-30	_____
19 <sup>th</sup> prior year	1994-09-30	_____
20 <sup>th</sup> prior year	1993-09-30	_____
21 <sup>st</sup> prior year*	1992-09-30	_____
<b>Total</b>		=====

\* These gifts expired in the current year.

Canada



Canada Revenue  
Agency Agence du revenu  
du Canada**DIVIDENDS RECEIVED, TAXABLE DIVIDENDS PAID, AND  
PART IV TAX CALCULATION****SCHEDULE 3**

Name of corporation	Business Number	Tax year-end Year Month Day
E.L.K. Energy Inc.	86656 7787 RC0001	2011-12-31

- This schedule is for the use of any corporation to report:
  - non-taxable dividends under section 83;
  - deductible dividends under subsection 138(6);
  - taxable dividends deductible from income under section 112, subsection 113(2) and paragraphs 113(1)(a), (b) or (d); or
  - taxable dividends paid in the tax year that qualify for a dividend refund.
- The calculations in this schedule apply only to private or subject corporations.
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the federal *Income Tax Act*.
- A recipient corporation is connected with a payer corporation at any time in a tax year, if at that time the recipient corporation:
  - controls the payer corporation, other than because of a right referred to in paragraph 251(5)(b); or
  - owns more than 10% of the issued share capital (with full voting rights), and shares that have a fair market value of more than 10% of the fair market value of all shares of the payer corporation.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- "X" under column A if dividend received from a foreign source (connected corporation only).
- Enter in column F1, the amount of dividends received reported in column 240 that are eligible.
- Under column F2, enter the code that applies to the deductible taxable dividend.

**Part 1 – Dividends received in the tax year****Do not include dividends received from foreign non-affiliates.**

		Complete if payer corporation is connected			
Name of payer corporation (from which the corporation received the dividend)	A	B Enter 1 if payer corporation is connected	C Business Number of connected corporation	D Tax year-end of the payer corporation in which the sections 112/113 and subsection 138(6) dividends in column F were paid YYYY/MM/DD	E Non-taxable dividend under section 83
<b>200</b>		<b>205</b>	<b>210</b>	<b>220</b>	<b>230</b>
<b>Total</b> (enter on line 402 of Schedule 1)					

**Note:** If your corporation's tax year-end is different than that of the connected payer corporation, your corporation could have received dividends from more than one tax year of the payer corporation. If so, use a separate line to provide the information for each tax year of the payer corporation.

			Complete if payer corporation is connected		
F Taxable dividends deductible from taxable income under section 112, subsections 113(2) and 138(6), and paragraphs 113(1)(a), (b), or (d)*	F1 Eligible dividends (included in column F)	F2	G Total taxable dividends paid by connected payer corporation (for tax year in column D)	H Dividend refund of the connected payer corporation (for tax year in column D)**	I Part IV tax before deductions F x 1 / 3 ***
<b>240</b>			<b>250</b>	<b>260</b>	<b>270</b>

**Total** (enter the amount from column F on line 320 of the T2 return and amount J in Part 2)

\* If taxable dividends are received, enter the amount in column 240, but if the corporation is not subject to Part IV tax (such as a public corporation other than a subject corporation as defined in subsection 186(3)), enter "0" in column 270. Life insurers are not subject to Part IV tax on subsection 138(6) dividends.

\*\* If the connected payer corporation's tax year ends after the corporation's balance-due day for the tax year (two or three months, as applicable), you have to estimate the payer's dividend refund when you calculate the corporation's Part IV tax payable.

\*\*\* For dividends received from connected corporations: Part IV tax =  $\frac{\text{Column F} \times \text{Column H}}{\text{Column G}}$



**Part 2 – Calculation of Part IV tax payable**

Part IV tax before deductions (amount J in Part 1) .....

**Deduct:**

Part IV.I tax payable on dividends subject to Part IV tax ..... **320**

Subtotal .....

**Deduct:**

Current-year non-capital loss claimed to reduce Part IV tax ..... **330**

Non-capital losses from previous years claimed to reduce Part IV tax ..... **335**

Current-year farm loss claimed to reduce Part IV tax ..... **340**

Farm losses from previous years claimed to reduce Part IV tax ..... **345**

Total losses applied against Part IV tax ..... x 1 / 3 = .....

Part IV tax payable (enter amount on line 712 of the T2 return) ..... **360**

**Part 3 – Taxable dividends paid in the tax year that qualify for a dividend refund**

A	B	C	D	D1
Name of connected recipient corporation	Business Number	Tax year end of connected recipient corporation in which the dividends in column D were received YYYY/MM/DD	Taxable dividends paid to connected corporations	Eligible dividends (included in column D)
<b>400</b>	<b>410</b>	<b>420</b>	<b>430</b>	
1 Town of Essex	NR	2011-12-31	265,800	

**Note**

If your corporation's tax year-end is different than that of the connected recipient corporation, your corporation could have paid dividends in more than one tax year of the recipient corporation. If so, use a separate line to provide the information for each tax year of the recipient corporation.

**Total** 265,800

Total taxable dividends paid in the tax year to other than connected corporations ..... **450**

Eligible dividends (included in line 450) ..... 450a .....

Total taxable dividends paid in the tax year that qualify for a dividend refund  
(total of column D above **plus** line 450) ..... **460** 265,800

**Part 4 – Total dividends paid in the tax year**

Complete this part if the total taxable dividends paid in the tax year that qualify for a dividend refund (line 460 above) is different from the total dividends paid in the tax year.

Total taxable dividends paid in the tax year for the purposes of a dividend refund (from above) ..... 265,800

Other dividends paid in the tax year (total of 510 to 540) ..... **500** 265,800

Total dividends paid in the tax year .....

**Deduct:**

Dividends paid out of capital dividend account ..... **510**

Capital gains dividends ..... **520**

Dividends paid on shares described in subsection 129(1.2) ..... **530**

Taxable dividends paid to a controlling corporation that was bankrupt  
at any time in the year ..... **540**

Subtotal ..... ▶ .....

Total taxable dividends paid in the tax year that qualify for a dividend refund ..... 265,800



**CAPITAL COST ALLOWANCE (CCA)**

Name of corporation E.L.K. Energy Inc.	Business Number 86656 7787 RC0001	Tax year end Year Month Day 2011-12-31
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For more information, see the section called "Capital Cost Allowance" in the *T2 Corporation Income Tax Guide*.

Is the corporation electing under regulation 1101(5q)? **101** 1 Yes ☐ 2 No ☒

1 Class number (See Note)	Description	2 Undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of last year)	3 Cost of acquisitions during the year (new property must be available for use)*	4 Net adjustments**	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5)***	7 Reduced undepreciated capital cost	8 CCA rate % ****	9 Recapture of capital cost allowance (line 107 of Schedule 1)	10 Terminal loss (line 404 of Schedule 1)	11 Capital cost allowance (for declining balance method, column 7 multiplied by column 8, or a lower amount) (line 403 of Schedule 1) *****	12 Undepreciated capital cost at the end of the year (column 6 plus column 7 minus column 11)
<b>200</b>		<b>201</b>	<b>203</b>	<b>205</b>	<b>207</b>	<b>211</b>		<b>212</b>	<b>213</b>	<b>215</b>	<b>217</b>	<b>220</b>
1. 1		6,982,448	2,880		0	1,440	6,983,888	4	0	0	279,356	6,705,972
2. 8		362,516	14,618		500	7,059	369,575	20	0	0	73,915	302,719
3. 8	Smart meters not included in NB		1,064,635		0	532,318	532,317	20	0	0	106,463	958,172
4. 10		69,874			0		69,874	30	0	0	20,962	48,912
5. 12	Tools, shop, and garage equipment		564		0		564	100	0	0	564	
6. 45		1,589			0		1,589	45	0	0	715	874
7. 47	Electrical Distribution and Transm	3,237,007	459,278		0	229,639	3,466,646	8	0	0	277,332	3,418,953
8. 50		5,995	2,992		0	1,496	7,491	55	0	0	4,120	4,867
<b>Totals</b>		<b>10,659,429</b>	<b>1,544,967</b>		<b>500</b>	<b>771,952</b>	<b>11,431,944</b>				<b>763,427</b>	<b>11,440,469</b>

**Note:** Class numbers followed by a letter indicate the basic rate of the class taking into account the additional deduction allowed.

Class 1a: 4% + 6% = 10% (class 1 to 10%), class 1b: 4% + 2% = 6% (class 1 to 6%).

\* Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule, see Regulation 1100(2) and (2.2).

\*\* Include amounts transferred under section 85, or on amalgamation and winding-up of a subsidiary. See the *T2 Corporation Income Tax Guide* for other examples of adjustments to include in column 4.

\*\*\* The net cost of acquisitions is the cost of acquisitions (column 3) **plus** or **minus** certain adjustments from column 4. For exceptions to the 50% rule, see Interpretation Bulletin IT-285, *Capital Cost Allowance – General Comments*.

\*\*\*\* Enter a rate only, if you are using the declining balance method. For any other method (for example the straight-line method, where calculations are always based on the cost of acquisitions), enter N/A. Then enter the amount you are claiming in column 11.

\*\*\*\*\* If the tax year is shorter than 365 days, prorate the CCA claim. Some classes of property do not have to be prorated. See the *T2 Corporation Income Tax Guide* for more information.



**SCHEDULE 9****RELATED AND ASSOCIATED CORPORATIONS**

Name of corporation E.L.K. Energy Inc.	Business Number 86656 7787 RC0001	Tax year end Year Month Day 2011-12-31
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- Complete this schedule if the corporation is related to or associated with at least one other corporation.
- For more information, see the *T2 Corporation Income Tax Guide*.

	Name <b>100</b>	Country of residence (other than Canada) <b>200</b>	Business number (see note 1) <b>300</b>	Relationship code (see note 2) <b>400</b>	Number of common shares you own <b>500</b>	% of common shares you own <b>550</b>	Number of preferred shares you own <b>600</b>	% of preferred shares you own <b>650</b>	Book value of capital stock <b>700</b>
1.	E.L.K. Solutions Inc.		86487 7519 RC0001	2	10,000	100.000			100
2.	The Corporation of the Town of Ess		NR	1	30,000	100.000			2,000,100

Note 1: Enter "NR" if the corporation is not registered or does not have a business number.

Note 2: Enter the code number of the relationship that applies from the following order: 1 - Parent 2 - Subsidiary 3 - Associated 4 - Related but not associated



**CUMULATIVE ELIGIBLE CAPITAL DEDUCTION**

Name of corporation E.L.K. Energy Inc.	Business Number 86656 7787 RC0001	Tax year end Year Month Day 2011-12-31
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- For use by a corporation that has eligible capital property. For more information, see the *T2 Corporation Income Tax Guide*.
- A separate cumulative eligible capital account must be kept for each business.

**Part 1 – Calculation of current year deduction and carry-forward**

<b>Cumulative eligible capital - Balance at the end of the preceding taxation year</b> (if negative, enter "0")	<b>200</b>	419,194	A
<b>Add:</b>			
Cost of eligible capital property acquired during the taxation year	<b>222</b>		
Other adjustments	<b>226</b>		
Subtotal (line 222 plus line 226)		x 3 / 4 =	B
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an eligible capital property to the corporation after December 20, 2002	<b>228</b>	x 1 / 2 =	C
amount B minus amount C (if negative, enter "0")			D
Amount transferred on amalgamation or wind-up of subsidiary	<b>224</b>		E
Subtotal (add amounts A, D, and E)	<b>230</b>	419,194	F
<b>Deduct:</b>			
Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year	<b>242</b>		G
The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7)	<b>244</b>		H
Other adjustments	<b>246</b>		I
(add amounts G, H, and I)		x 3 / 4 =	J
<b>Cumulative eligible capital balance</b> (amount F minus amount J)		419,194	K
(if amount K is negative, enter "0" at line M and proceed to Part 2)			
Cumulative eligible capital for a property no longer owned after ceasing to carry on that business	<b>249</b>		
amount K		419,194	
less amount from line 249			
<b>Current year deduction</b>		419,194 x 7.00 % =	29,344 *
(line 249 plus line 250) (enter this amount at line 405 of Schedule 1)		29,344	L
<b>Cumulative eligible capital – Closing balance</b> (amount K minus amount L) (if negative, enter "0")	<b>300</b>	389,850	M

\* You can claim any amount up to the maximum deduction of 7%. The deduction may not exceed the maximum amount prorated by the number of days in the taxation year divided by 365.



**Part 2 – Amount to be included in income arising from disposition**

(complete this part only if the amount at line K is negative)

Amount from line K (show as positive amount)	_____	N
Total of cumulative eligible capital (CEC) deductions from income for taxation years beginning after June 30, 1988	<b>400</b> _____	1
Total of all amounts which reduced CEC in the current or prior years under subsection 80(7)	<b>401</b> _____	2
Total of CEC deductions claimed for taxation years beginning before July 1, 1988	<b>402</b> _____	3
Negative balances in the CEC account that were included in income for taxation years beginning before July 1, 1988	<b>408</b> _____	4
Line 3 minus line 4 (if negative, enter "0")	_____ ▶	5
Total of lines 1, 2 and 5	_____	6
Amounts included in income under paragraph 14(1)(b), as that paragraph applied to taxation years ending after June 30, 1988 and before February 28, 2000, to the extent that it is for an amount described at line 400	_____	7
Amounts at line T from Schedule 10 of previous taxation years ending after February 27, 2000	_____	8
Subtotal (line 7 plus line 8)	<b>409</b> _____ ▶	9
Line 6 minus line 9 (if negative, enter "0")	_____ ▶	O
Line N minus line O (if negative, enter "0")	_____	P
	Line 5 _____ x 1 / 2 =	Q
Line P minus line Q (if negative, enter "0")	_____	R
	Amount R _____ x 2 / 3 =	S
Amount N or amount O, whichever is less	_____	T
<b>Amount to be included in income</b> (amount S plus amount T) (enter this amount on line 108 of Schedule 1)	<b>410</b> _____	



**CONTINUITY OF RESERVES**

Name of corporation E.L.K. Energy Inc.	Business number 86656 7787 RC0001	Tax year end Year Month Day 2011-12-31
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- For use by corporations to provide a continuity of all reserves claimed which are allowed for tax purposes.
- File one completed copy of this schedule with the corporation's *T2 Corporation Income Tax Return*.
- For more information, see the *T2 Corporation Income Tax Guide*.

**Part 1 – Capital gains reserves**

Description of property	Balance at the beginning of the year \$	Transfer on an amalgamation or the wind-up of a subsidiary \$	Add \$	Deduct \$	Balance at the end of the year \$
<b>001</b>	<b>002</b>	<b>003</b>			<b>004</b>
1					
<b>Totals</b>	<b>008</b>	<b>009</b>			<b>010</b>

The amount from line 008 **plus** the amount from line 009 should be entered on line 880 of Schedule 6, *Summary of Dispositions of Capital Property*. The amount from line 010 should be entered on line 885 of Schedule 6.

**Part 2 – Other reserves**

Description	Balance at the beginning of the year \$	Transfer on an amalgamation or the wind-up of a subsidiary \$	Add \$	Deduct \$	Balance at the end of the year \$
Reserve for doubtful debts <input checked="" type="checkbox"/>	<b>110</b> 359,988	<b>115</b>	639,298	359,988	<b>120</b> 639,298
Reserve for undelivered goods and services not rendered <input checked="" type="checkbox"/>	<b>130</b> 2,848,685	<b>135</b>	1,387,963	2,848,685	<b>140</b> 1,387,963
Reserve for prepaid rent <input type="checkbox"/>	<b>150</b>	<b>155</b>			<b>160</b>
Reserve for refundable containers <input type="checkbox"/>	<b>190</b>	<b>195</b>			<b>200</b>
Reserve for unpaid amounts <input type="checkbox"/>	<b>210</b>	<b>215</b>			<b>220</b>
Other tax reserves <input type="checkbox"/>	<b>230</b>	<b>235</b>			<b>240</b>
<b>Totals</b>	<b>270</b> 3,208,673	<b>275</b>	2,027,261	3,208,673	<b>280</b> 2,027,261

Enter "X" in the column above if the tax reserve has also been reported on the corporation's financial statements. This allows offsetting entries on Schedule 1, resulting in a zero effect on net income for tax purposes.

The amount from line 270 **plus** the amount from line 275 should be entered on line 125 of Schedule 1, *Net Income (Loss) for Income Tax Purposes*, as an addition. The amount from line 280 should be entered on line 413 of Schedule 1 as a deduction.



# Continuity of financial statement reserves (not deductible)

## Financial statement reserves (not deductible)

	Description	Balance at the beginning of the year	Transfer on an amalgamation or the wind-up of a subsidiary	Add	Deduct	Balance at the end of the year
1	Employee Future Benefits	686,906		1,281		688,187
2						
	Reserves from Part 2 of Schedule 13	3,208,673		2,027,261	3,208,673	2,027,261
	<b>Totals</b>	3,895,579		2,028,542	3,208,673	2,715,448

The total opening balance plus the total transfers should be entered on line 414 of Schedule 1 as a deduction.  
The total closing balance should be entered on line 126 of Schedule 1 as an addition.



**SCHEDULE 50****SHAREHOLDER INFORMATION**

Name of corporation	Business Number	Tax year end Year Month Day
E.L.K. Energy Inc.	86656 7787 RC0001	2011-12-31

All private corporations must complete this schedule for any shareholder who holds 10% or more of the corporation's common and/or preferred shares.

		Provide only one number per shareholder				
	Name of shareholder (after name, indicate in brackets if the shareholder is a corporation, partnership, individual, or trust)	Business Number (If a corporation is not registered, enter "NR")	Social insurance number	Trust number	Percentage common shares	Percentage preferred shares
	100	200	300	350	400	500
1	The Corporation of the Town of Essex	NR			100.000	
2						
3						
4						
5						
6						
7						
8						
9						
10						



**PART III.1 TAX ON EXCESSIVE ELIGIBLE DIVIDEND DESIGNATIONS**

Name of corporation	Business Number	Tax year-end Year Month Day
E.L.K. Energy Inc.	86656 7787 RC0001	2011-12-31

- Every corporation resident in Canada that pays a taxable dividend (other than a capital gains dividend within the meaning assigned by subsection 130.1(4) or 131(1)) in the tax year must file this schedule.
- Canadian-controlled private corporations (CCPC) and deposit insurance corporations (DIC) must complete Part 1 of this schedule. All other corporations must complete Part 2.
- Every corporation that has paid an eligible dividend must also file Schedule 53, *General Rate Income Pool (GRIP) Calculation*, or Schedule 54, *Low Rate Income Pool (LRIP) Calculation*, whichever is applicable.
- File the completed schedules with your *T2 Corporation Income Tax Return* no later than six months from the end of the tax year.
- Parts, subsections, and paragraphs mentioned in this schedule refer to the federal *Income Tax Act*.
- Subsection 89(1) defines the terms eligible dividend, excessive eligible dividend designation, general rate income pool (GRIP), and low rate income pool (LRIP).
- The calculations in Part 1 and Part 2 do not apply if the excessive eligible dividend designation arises from the application of paragraph (c) of the definition of excessive eligible dividend designation in subsection 89(1). This paragraph applies when an eligible dividend is paid to artificially maintain or increase the GRIP or to artificially maintain or decrease the LRIP.

**Do not use this area****Part 1 – Canadian-controlled private corporations and deposit insurance corporations**

Taxable dividends paid in the tax year <b>not included</b> in Schedule 3	.....	_____
Taxable dividends paid in the tax year <b>included</b> in Schedule 3	.....	_____
Total taxable dividends paid in the tax year	.....	<b>100</b> _____
Total eligible dividends paid in the tax year	.....	<b>150</b> _____
GRIP at the end of the tax year (line 590 on Schedule 53) (if negative, enter "0")	.....	<b>160</b> _____
Excessive eligible dividend designation (line 150 <b>minus</b> line 160)	.....	===== A
<b>Part III.1 tax on excessive eligible dividend designations – CCPC or DIC</b> * (amount A <b>multiplied by</b>	20 %)	..... <b>190</b> =====

Enter the amount from line 190 on line 710 of the T2 return.

**Part 2 – Other corporations**

Taxable dividends paid in the tax year <b>not included</b> in Schedule 3	.....	_____
Taxable dividends paid in the tax year <b>included</b> in Schedule 3	.....	265,800
Total taxable dividends paid in the tax year	.....	<b>200</b> 265,800
Total excessive eligible dividend designations in the tax year (amount from line A of Schedule 54)	.....	===== B
<b>Part III.1 tax on excessive eligible dividend designations – Other corporations</b> * (amount B <b>multiplied by</b>	20 %)	..... <b>290</b> =====

Enter the amount from line 290 on line 710 of the T2 return.

\* You can elect to treat all or part of your excessive eligible dividend designation as a separate taxable dividend in order to eliminate or reduce the Part III.1 tax otherwise payable. You must file the election on or before the day that is 90 days **after** the day the notice of assessment for Part III.1 tax was sent. We will accept an election before the assessment of the tax. For more information on how to make this election, go to [www.cra.gc.ca/eligibledividends](http://www.cra.gc.ca/eligibledividends).



**ONTARIO CORPORATION TAX CALCULATION**

Name of corporation	Business Number	Tax year-end Year Month Day
E.L.K. Energy Inc.	86656 7787 RC0001	2011-12-31

- Use this schedule if the corporation had a permanent establishment (as defined in section 400 of the federal *Income Tax Regulations*) in Ontario at any time in the tax year and had Ontario taxable income in the year.
- All legislative references on this schedule are to the federal *Income Tax Act* and *Income Tax Regulations*.
- This schedule is a worksheet only and does not have to be filed with your *T2 Corporation Income Tax Return*.

**Part 1 – Calculation of Ontario basic rate of tax for the year**

Number of days in the tax year before July 1, 2010		x	14.00 %	=	% A1
Number of days in the tax year	365				
Number of days in the tax year after June 30, 2010, and before July 1, 2011	181	x	12.00 %	=	5.95068 % A2
Number of days in the tax year	365				
Number of days in the tax year after June 30, 2011, and before July 1, 2012	184	x	11.50 %	=	5.79726 % A3
Number of days in the tax year	365				
Number of days in the tax year after June 30, 2012, and before July 1, 2013		x	11.00 %	=	% A4
Number of days in the tax year	365				
Number of days in the tax year after June 30, 2013		x	10.00 %	=	% A5
Number of days in the tax year	365				

**Ontario basic rate of tax for the year** (total of rates A1 to A5) 11.74794 ► 11.74794 % A6

**Part 2 – Calculation of Ontario basic income tax**

Ontario taxable income \* 767,446 B

**Ontario basic income tax:** amount B multiplied by Ontario basic rate of tax for the year (rate A6 from Part 1) 90,159 C

If the corporation has a permanent establishment in more than one jurisdiction, or is claiming an Ontario tax credit, in addition to Ontario basic income tax, or has Ontario corporate minimum tax, Ontario special additional tax on life insurance corporations or Ontario capital tax payable, enter amount C on line 270 of Schedule 5, *Tax Calculation Supplementary – Corporations*. Otherwise, enter it on line 760 of the T2 return.

\* If the corporation has a permanent establishment only in Ontario, enter the amount from line 360 or line Z, whichever applies, of the T2 return. Otherwise, enter the taxable income allocated to Ontario from column F in Part 1 of Schedule 5.



Complete this part if the corporation claimed the federal small business deduction under subsection 125(1) or would have claimed it if subsection 125(5.1) had not been applicable in the tax year.

$$\times \frac{500,000}{500,000} = \underline{\hspace{2cm}} 3$$

line 4 on page 4 of the T2 return \*

\*\*\* Includes the offshore jurisdictions for Nova Scotia and Newfoundland and Labrador.



**Part 4 – Calculation of surtax re Ontario small business deduction**

Complete this part if the corporation is claiming the OSBD and its adjusted taxable income, **plus** the adjusted taxable income of each corporation with which the corporation was associated during its tax year, is greater than \$500,000. If the corporation is a member of an associated group, complete Schedule 501, *Ontario Adjusted Taxable Income of Associated Corporations to Determine Surtax re Ontario Small Business Deduction*.

**Note:** For days in the tax year after June 30, 2010, the small business surtax rate is 0%. You do not have to complete this part if the corporation's tax year begins after June 30, 2010.

Adjusted taxable income \* ..... I  
 Adjusted taxable income of all associated corporations (amount from line 500 of Schedule 501) ..... J  
 Aggregate adjusted taxable income (amount I **plus** amount J) ..... **K**

**Deduct:**

Ontario business limit ..... 500,000  
 Subtotal (amount K **minus** Ontario business limit) (if negative, enter "0" on this line and on line P) ..... **L**

Small business surtax rate for the year:

$\frac{\text{Number of days in the tax year before July 1, 2010}}{\text{Number of days in the tax year}} \times 4.25\% = \frac{\quad}{365} \% \text{ M}$

Amount L x % on line M = ..... **N**

Amount N x Ontario small business income (amount F from Part 3) ..... **O**  
 $\frac{\quad}{500,000} \times \frac{\quad}{500,000}$

**Surtax re Ontario small business deduction:** lesser of amount O and OSBD (amount H from Part 3) ..... **P**

Enter amount P on line 272 of Schedule 5.

\* Adjusted taxable income is equal to the corporation's taxable income or taxable income earned in Canada for the year **plus** the amount of the corporation's adjusted Crown royalties for the year **minus** the amount of the corporation's notional resource allowance for the year (from Schedule 504, *Ontario Resource Tax Credit and Ontario Additional Tax re Crown Royalties*).

If the tax year of the corporation is less than 51 weeks, **multiply** the adjusted taxable income of the corporation for the year by 365 and **divide** by the number of days in the tax year.

**Part 5 – Ontario adjusted small business income**

Complete this part if the corporation was a Canadian-controlled private corporation throughout the tax year and is claiming the Ontario tax credit for manufacturing and processing or the Ontario credit union tax reduction.

Lesser of amount D and amount b from Part 3 ..... **Q**

Surtax payable (amount P from Part 4) ..... = ..... **R**  
 Ontario domestic factor (amount E from Part 3) x OSBD rate (rate G6 from Part 3)  $\frac{\quad}{7.24795\%}$

**Note:** Enter "0" on line R for tax years beginning after June 30, 2010.

**Ontario adjusted small business income** (amount Q **minus** amount R) (if negative, enter "0") ..... **S**

Enter amount S on line U in Part 6 or on line B in Part 2 of Schedule 502, *Ontario Tax Credit for Manufacturing and Processing*, whichever applies.



**Part 6 – Calculation of credit union tax reduction**

Complete this part and Schedule 17, *Credit Union Deductions*, if the corporation was a credit union throughout the tax year.

Amount D from Part 3 of Schedule 17 . . . . . \_\_\_\_\_ T

**Deduct:**

Ontario adjusted small business income (amount S from Part 5) . . . . . \_\_\_\_\_ U

Subtotal (amount T **minus** amount U) (if negative, enter "0") . . . . . \_\_\_\_\_ V

OSBD rate for the year (rate G6 from Part 3) . . . . . 7.24795 %

Amount V **multiplied** by the OSBD rate for the year . . . . . \_\_\_\_\_ W

Ontario domestic factor (amount E from Part 3) . . . . . 1.00000 X

**Ontario credit union tax reduction** (amount W **multiplied** by amount X) . . . . . \_\_\_\_\_ Y

Enter amount Y on line 410 of Schedule 5.



**CORPORATIONS INFORMATION ACT ANNUAL RETURN FOR ONTARIO CORPORATIONS**

Name of corporation	Business Number	Tax year-end Year Month Day
E.L.K. Energy Inc.	86656 7787 RC0001	2011-12-31

- This schedule should be completed by a corporation that is incorporated, continued, or amalgamated in Ontario and subject to the Ontario *Business Corporations Act* (BCA) or Ontario *Corporations Act* (CA), except for registered charities under the federal *Income Tax Act*. This completed schedule serves as a *Corporations Information Act* Annual Return under the *Ontario Corporations Information Act*.
- Complete parts 1 to 4. Complete parts 5 to 7 only to report change(s) in the information recorded on the Ontario Ministry of Government Services (MGS) public record.
- This schedule must set out the required information for the corporation as of the date of delivery of this schedule.
- A completed Ontario *Corporations Information Act* Annual Return must be delivered within six months after the end of the corporation's tax year-end. The MGS considers this return to be delivered on the date that it is filed with the Canada Revenue Agency (CRA) together with the corporation's income tax return.
- It is the corporation's responsibility to ensure that the information shown on the MGS public record is accurate and up-to-date. To review the information shown for the corporation on the public record maintained by the MGS, obtain a Corporation Profile Report. Visit [www.ServiceOntario.ca](http://www.ServiceOntario.ca) for more information.
- This schedule contains non-tax information collected under the authority of the Ontario *Corporations Information Act*. This information will be sent to the MGS for the purposes of recording the information on the public record maintained by the MGS.

**Part 1 – Identification**

<b>100</b> Corporation's name (exactly as shown on the MGS public record)	E.L.K. Energy Inc.		
Jurisdiction incorporated, continued, or amalgamated, whichever is the most recent	<b>110</b> Date of incorporation or amalgamation, whichever is the most recent	Year Month Day	<b>120</b> Ontario Corporation No.
Ontario		2000-01-06	1395434

**Part 2 – Head or registered office address (P.O. box not acceptable as stand-alone address)**

<b>200</b> Care of (if applicable)			
<b>210</b> Street number	<b>220</b> Street name/Rural route/Lot and Concession number	<b>230</b> Suite number	
172	Forest Avenue		
<b>240</b> Additional address information if applicable (line 220 must be completed first)			
<b>250</b> Municipality (e.g., city, town)	<b>260</b> Province/state	<b>270</b> Country	<b>280</b> Postal/zip code
Essex	ON	CA	N8M 3E4

**Part 3 – Change identifier**

Have there been any changes in any of the information most recently filed for the public record maintained by the MGS for the corporation with respect to names, addresses for service, and the date elected/appointed and, if applicable, the date the election/appointment ceased of the directors and five most senior officers, or with respect to the corporation's mailing address or language of preference? To review the information shown for the corporation on the public record maintained by the MGS, obtain a Corporation Profile Report. For more information, visit [www.ServiceOntario.ca](http://www.ServiceOntario.ca).

- 300** ☐ 1 If there have been no changes, enter 1 in this box and then go to "Part 4 – Certification."  
☐ 2 If there are changes, enter 2 in this box and complete the applicable parts on the next page, and then go to "Part 4 – Certification."

**Part 4 – Certification**

I certify that all information given in this *Corporations Information Act* Annual Return is true, correct, and complete.

<b>450</b> AUDET	<b>451</b> MICHAEL
Last name	First name
<b>454</b> _____,	
Middle name(s)	

- 460** ☐ 2 Please enter one of the following numbers in this box for the above-named person: 1 for director, 2 for officer, or 3 for other individual having knowledge of the affairs of the corporation. If you are a director and officer, enter 1 or 2.

Note: Sections 13 and 14 of the Ontario *Corporations Information Act* provide penalties for making false or misleading statements or omissions.



Complete the applicable parts to report changes in the information recorded on the MGS public record.

### Part 5 – Mailing address

<b>500</b>	<input type="checkbox"/>	Please enter one of the following numbers in this box:		
		1 - Show no mailing address on the MGS public record. 2 - The corporation's mailing address is the same as the head or registered office address in Part 2 of this schedule. 3 - The corporation's complete mailing address is as follows:		
<b>510</b>	Care of (if applicable)			
<b>520</b>	Street number	<b>530</b>	Street name/Rural route/Lot and Concession number	<b>540</b> Suite number
<b>550</b>	Additional address information if applicable (line 530 must be completed first)			
<b>560</b>	Municipality (e.g., city, town)	<b>570</b>	Province/state	<b>580</b> Country
				<b>590</b> Postal/zip code

### Part 6 – Language of preference

<b>600</b>	<input type="checkbox"/>	Indicate your language of preference by entering <b>1</b> for English or <b>2</b> for French. This is the language of preference recorded on the MGS public record for communications with the corporation. It may be different from line 990 on the T2 return.
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<b>Exhibit</b>	<b>Tab</b>	<b>Schedule</b>	<b>Appendix</b>	<b>Contents</b>
<b>5 – Cost of Capital and Rate of Return</b>				
	1	1		Overview
	1	2		Deemed Capital Structure
	1		5-A	Terms and Conditions of Debt Instruments



**OVERVIEW:**

The purpose of this evidence is to summarize the method and cost of financing capital requirements for the 2012 Test Year.

**Capital Structure:**

E.L.K. has a current deemed capital structure of 60% debt with a return of 7.25%, and 40% equity with a return of 9.00% as approved in the Board's Decision on E.L.K's 2006 rate application (EB-2005-0358).

E.L.K. has prepared the current Application with a deemed capital structure of 56% Long Term Debt with a return of 2.71%, 4% Short Term Debt with a return of 2.08%, and 40% Equity with a return of 9.12%.

**Return on Equity:**

E.L.K is requesting a return on equity ("ROE") for the 2012 Test Year of 9.12% in accordance with the Cost of Capital Parameter Updates for 2012 Cost of Service Applications issued by the Board on March 2, 2012

**COST OF DEBT:**

**Long Term Debt**

E.L.K. is requesting a return on Long Term Debt for the 2012 Test Year of 2.71%. E.L.K. has a demand promissory note of \$1,900,000 with the Town of Essex. Consistent with the Board's practice in previous cost of service applications, for the purposes of this Application the rate of return on the promissory note is set at 4.41%. This rate is consistent with the deemed Long Term Debt rate outlined in the Cost of Capital Parameter Updates for 2012 Cost of Service Applications issued by the Board on March 2, 2012.

In addition, E.L.K. has a \$5,600,000 loan with TD Commercial Banking with an assumed one year rate of 2.14% which was the applicable rate of return at the time the Application was prepared. The following table shows the weighted average debt rate of these two instruments is 2.71%.



Debt Holder	Principal	Rate%	Interest Cost
Town of Essex	\$1,900,000	4.41%	\$83,790
TD Commercial Banking	\$5,600,000	2.14%	\$119,616
Total	\$7,500,000	2.71%	\$203,406

1

2 The terms and conditions for each of these debt instruments are provided in Appendix 5-A.

3 **Short Term Debt**

4 E.L.K. is requesting a return on Short Term Debt for the 2012 Test year of 2.08% in accordance  
5 with the Cost of Capital Parameter Updates for 2012 Cost of Service Applications issued by the  
6 Board on March 2, 2012.

7 **Rate Base and Rate of Return**

8 The following table details E.L.K.'s rate base, deemed debt/equity ratios and deemed rates of  
9 return from 2006 to 2012.



**DEEMED CAPITAL STRUCTURE -2006 to 2012**

<b>Deemed Capital Structure for 2006</b>				
<b>Description</b>	<b>\$</b>	<b>% of Rate Base</b>	<b>Rate of Return</b>	<b>Return</b>
Long Term Debt	5,112,673	50.00%	7.25%	370,669
Unfunded Short Term Debt				
Total Debt	5,112,673	50.00%		370,669
Common Share Equity	5,112,673	50.00%	9.00%	460,141
Total equity	5,112,673	50.00%		460,141
Total Rate Base	10,225,347	100.00%	8.13%	830,809

<b>Deemed Capital Structure for 2007</b>				
<b>Description</b>	<b>\$</b>	<b>% of Rate Base</b>	<b>Rate of Return</b>	<b>Return</b>
Long Term Debt	5,530,062	50.00%	7.25%	400,929
Unfunded Short Term Debt				
Total Debt	5,530,062	50.00%		400,929
Common Share Equity	5,530,062	50.00%	9.00%	497,706
Total equity	5,530,062	50.00%		497,706
Total Rate Base	11,060,124	100.00%	8.13%	898,635

<b>Deemed Capital Structure for 2008</b>				
<b>Description</b>	<b>\$</b>	<b>% of Rate Base</b>	<b>Rate of Return</b>	<b>Return</b>
Long Term Debt	6,083,598	53.30%	7.25%	441,061
Unfunded Short Term Debt				
Total Debt	6,083,598	53.30%		441,061
Common Share Equity	5,330,282	46.70%	9.00%	479,725
Total equity	5,330,282	46.70%		479,725
Total Rate Base	11,413,880	100.00%	8.07%	920,786

<b>Deemed Capital Structure for 2009</b>				
<b>Description</b>	<b>\$</b>	<b>% of Rate Base</b>	<b>Rate of Return</b>	<b>Return</b>
Long Term Debt	6,355,618	56.70%	7.25%	460,782
Unfunded Short Term Debt				
Total Debt	6,355,618	56.70%		460,782
Common Share Equity	4,853,585	43.30%	9.00%	436,823
Total equity	4,853,585	43.30%		436,823
Total Rate Base	11,209,204	100.00%	8.01%	897,605



1

Deemed Capital Structure for 2010				
Description	\$	% of Rate Base	Rate of Return	Return
Long Term Debt	6,979,121	60.00%	7.25%	505,986
Unfunded Short Term Debt		0.00%	0.00%	0
Total Debt	6,979,121	60.00%		505,986
Common Share Equity	4,652,747	40.00%	9.00%	418,747
Total equity	4,652,747	40.00%		418,747
Total Rate Base	11,631,868	100.00%	7.95%	924,733

Deemed Capital Structure for 2011				
Description	\$	% of Rate Base	Rate of Return	Return
Long Term Debt	6,789,508	60.00%	7.25%	492,239
Unfunded Short Term Debt	0	0.00%	0.00%	0
Total Debt	6,789,508	60.00%		492,239
Common Share Equity	4,526,339	40.00%	9.00%	407,371
Total equity	4,526,339	40.00%		407,371
Total Rate Base	11,315,847	100.00%	7.95%	899,610

Deemed Capital Structure for 2012				
Description	\$	% of Rate Base	Rate of Return	Return
Long Term Debt	7,429,012	56.00%	2.71%	201,481
Unfunded Short Term Debt	530,644	4.00%	2.08%	11,037
Total Debt	7,959,656	60.00%		212,518
Common Share Equity	5,306,437	40.00%	9.12%	483,947
Total equity	5,306,437	40.00%		483,947
Total Rate Base	13,266,094	100.00%	5.25%	696,465

2



**Appendix 5-A : E.L.K. Debt Instruments – Terms & Conditions**

**Original Terms and Conditions Town of Essex Debt**

*Essex*

**DEMAND PROMISSORY NOTE**

**Cdn.\$2,470,000.00**

**Date: October 23, 2002**

The undersigned, for value received, hereby acknowledges itself indebted to and promises to pay on demand therefor to or to the order of The Corporation of the Town of Essex (the "Lender"), at 33 Talbot Street South, Essex, Ontario, N8M 1A8, or such other address within the Province of Ontario as the Lender may specify from time to time, the principal sum of Two Million, Four Hundred and Seventy-Thousand Dollars and 00/100 Cents (\$2,470,000.00) of lawful money of Canada, and to pay simple interest on such principal sum outstanding from time to time at the fixed rate of 7.25% per annum, calculated yearly from the date of this promissory note and to pay interest on amounts in default hereunder both before and after judgement at the same rate.

Subject to the provisions of the Shareholders Agreement (as defined below), interest shall be paid on each anniversary of the date of this promissory note (provided that if any such day is not a day on which banks are open for business in Windsor, Ontario, on the immediately following day on which banks are open for business in Windsor, Ontario) in respect of which such interest has accrued.

Demand for payment hereunder shall be made by notice in writing to the undersigned at the last known address of the undersigned setting out details of the amount outstanding and the appropriate method of payment. Any amounts owing hereunder shall be due and payable seven (7) days after demand therefor. Upon demand being made hereunder, any interest then accrued whether or not due and payable shall be deemed to be due and payable.

The undersigned hereby waives diligence, presentment for payment, notice of non-payment, and notice of protest of this promissory note, and all other notices in connection with the delivery, acceptance, performance, or enforcement of, or default under this promissory note, and waives diligence in collection on bringing suit with respect to this promissory note.

This promissory note shall not be assignable, transferable and negotiable by the Lender in whole or in part, except in accordance with the terms and conditions of that certain amended and restated shareholders agreement governing the business and affairs of the undersigned dated October 21, 2002 (the "Shareholders Agreement").

Demand may be made under this promissory note, and payments shall be made under this promissory note, only in accordance with sections 2.10 and 2.11 of the Shareholders Agreement.

This promissory note and every part hereof shall be binding upon the undersigned and its successors and permitted assigns, and shall enure to the benefit of, and be enforceable by, the Lender and any of its successors and permitted assigns.

The undersigned hereby agrees to pay any and all costs and expenses, including legal costs on a solicitor and his own client basis, paid or incurred by the Lender in connection with the enforcement of a default under this promissory note, including without limitation, collecting amounts payable under this promissory note after they shall become due and payable.



**Original Terms and Conditions TD Commercial Banking Loan (June 5, 2009) and Revised  
Amending Agreement (June 22, 2012)**



Windsor Commercial Banking Centre  
4520 Rhodes Drive, Unit 400  
Windsor, Ontario  
N8W 5C2  
Telephone No.: (519) 945-1092  
Fax No.: (519) 945-2442

June 5, 2009

**E.L.K. Energy Inc.**  
172 Forest Avenue  
Essex, Ontario, N8M 3E4

Attention: Michael Audet

We are pleased to offer the Borrower the following credit facilities (the "Facilities"), subject to the following terms and conditions.

**BORROWER**

**E.L.K. Energy Inc.** (herein called "the Borrower")

**LENDER**

**The Toronto-Dominion Bank** (the "Bank"), through its Windsor Commercial Banking Centre branch, in Windsor, Ontario.

**CREDIT LIMIT**

- 1) CDN \$8,000,000
- 2) CDN \$3,000,000
- 3) CDN \$732,855

**TYPE OF CREDIT  
AND BORROWING  
OPTIONS**

- 1,2) **Committed Revolving Facility** available at the Borrower's option by way of:
  - Fixed Rate Term Loan(s) in CDN\$
  - Floating Rate Term Loan(s) available by way of:
    - Prime Rate Based Loans in CDN\$ ("Prime Based Loans")
    - Bankers Acceptances in CDN\$ ("B/As")
- 3) The Bank will make the Facility available by way of:
  - Stand-by Letters of Guarantee in CDN\$ ("L/Gs")

**PURPOSE**

- 1) Finance a dividend declaration.
- 2) To finance capex.
- 3) Prudential requirements for IESO.

**TENOR**

- 1) Committed.
  - 2) Uncommitted until drawn.
  - 3) Uncommitted
-



**CONTRACTUAL  
TERM**

1,2) Up to 10 years from date of drawdown.

**RATE TERM  
(FIXED RATE  
TERM LOAN)**

1,2) Up to 10 years from date of drawdown.

**AMORTIZATION**

1,2) Up to 20 years from date of drawdown.

**INTEREST RATES  
AND FEES**

Advances shall bear interest and fees as follows:

**1, 2) Committed Revolving Facility:**

If 3 year Committed Term is selected:

- Fixed Rate Term Loan
  - Cost of Funds Based Loans: Cost of Funds for the Rate Term selected by the Borrower + 2.25% per annum, as set out in the Rate and Payment Terms Notice applicable to that Cost of Funds Based Loan
- Floating Rate Term Loans available by way of:
  - Prime Based Loans: Prime Rate + 0.75% per annum
  - B/As: Stamping Fee at 2.25% per annum

If 4 – 10 year Committed Term is selected:

- Fixed Rate Term Loan
  - Cost of Funds Based Loans: Cost of Funds for the Rate Term selected by the Borrower + 2.50% per annum, as set out in the Rate and Payment Terms Notice applicable to that Cost of Funds Based Loan
- Floating Rate Term Loans available by way of:
  - B/As: Stamping Fee at 2.50% per annum

**3) Letters of Credit:**

- L/C's: 0.25% per annum

For all Facilities, interest payments will be made in accordance with Schedule "A" attached hereto unless otherwise stated in this Letter or in the Rate and Payment Terms Notice applicable for a particular drawdown. Information on interest rate and fee definitions, interest rate calculations and payment is set out in the Schedule "A" attached hereto.

**ARRANGEMENT  
FEE**

**\$40,600** – Already paid.

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**COMMITMENT  
FEE**

On the third Business Day following the last Business Day of March, June, September, and December, in each year, the Borrower shall pay to the Bank a Commitment Fee for the Committed Revolving Facility in an amount equal to 15 basis points per annum calculated on the daily average amount of the undrawn portion of the Committed Revolving Facility during the quarter just ended.

**ADMINISTRATION  
FEE**

NIL

**RENEWAL FEE**

NIL

**DRAWDOWN**

- 1,2) Multiple draws upon satisfaction of the Disbursement Conditions.
- 3) Upon demand by beneficiary.

**REPAYMENT AND  
REDUCTION OF  
AMOUNT OF CREDIT  
FACILITY**

- 1,2) **3 Year Committed Facility:** Monthly interest only. All amounts outstanding to be repaid in full on or before the Contractual Term Maturity Date.

**4 -10 Year Committed Facility:** Repayment to be set based on a maximum 20 year amortization. All amounts outstanding will be repaid on or before the Contractual Term Maturity Date. The details of repayment and interest rate applicable to such drawdown will be set out in the "Rate and Payment Terms Notice" applicable to that drawdown. Amount repaid can be redrawn.

- 3) In full at maturity (maximum 12 month term) or upon draw down under Letters of Guarantee/Letters of Credit.

**PREPAYMENT**

- 1,2) **Floating Rate Term Loans** - Permitted in whole or in part at any time and not subject to any prepayment charge or penalty whatsoever. B/A's may not be prepaid.
- 1,2) **Fixed Rate Term Loans** - Permitted in whole or in part at any time, subject to payment of a prepayment penalty as set out in Section 4 of Schedule A. B/A's may not be prepaid.

**SECURITY**

The following security shall be provided, shall, unless otherwise indicated, support all present and future indebtedness and liability of the Borrower and the grantor of the security to the Bank including without limitation indebtedness and liability under guarantees, foreign exchange contracts, cash management products, and derivative contracts, shall be registered in first position, and shall be on the Bank's standard form, supported by resolutions and solicitor's opinion, all acceptable to the Bank:

**SECURITY ALREADY ON HAND**

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- 1) Assignment of Term Deposits and Credit Balances for \$926,286 (CAD) issued by E.L.K. Energy Inc. – To be released upon receipt of Security items #2, #3, and #4.

**SECURITY TO BE OBTAINED**

- 2) First position General Security Agreement issued by E.L.K. Energy Inc. with Resolution and Solicitor's Letter of Opinion.
- 3) Postponement and Assignment of Creditor's Claim for \$1,900,000 issued by The Corporation of the Town of Essex (the "Town of Essex Debt").
- 4) Evidence of Business Insurance issued by E.L.K. Energy Inc.

If a B/A is to be hedged by the Borrower with a Swap Transaction with the Bank:

- 5) An Executed ISDA Agreement, supported by a solicitor's letter of opinion.
- 6) A resolution authorizing the Borrower to enter into a Swap Transaction and the ISDA Agreement to incur the indebtedness hereunder.

All of the above security and guarantees shall be referred to collectively in this Agreement as "Bank Security". The Bank undertakes and agrees that in the event that the Borrower does not draw down under Facility 2 to finance equipment to be acquired in connection with the Smart Meter Initiative pursuant to the *Electricity Act* (Ontario) (including regulations enacted thereunder and any similar federal or provincial legislation, as each of the foregoing may be amended, restated or re-enacted from time to time), ("Smart Meter Equipment") that if another lender provides financing to the Borrower for the Smart Meter Equipment, the Bank (i) promptly upon request, **and the Borrower's presentation of an executed compliance certificate confirming compliance with all terms and conditions of credit on a pre and post drawdown basis,** will release and discharge its security interest in the Smart Meter Equipment, and (ii) notwithstanding any other provision hereof, consents to the grant of security in the Smart Meter Equipment in favour of the lender providing such financing to the Borrower for the Smart Meter Equipment (the Smart Meter Equipment so released from the Bank's security being referred to herein as the "Excluded Equipment").

**DISBURSEMENT  
CONDITIONS**

The obligation of the Bank to permit any drawdown hereunder is subject to the Standard Disbursement Conditions contained in Schedule "A" Plus:

Delivery to the Bank of the following, all of which must be satisfactory to the Bank:

- 1) All Security and Documentation to be on hand and in good order prior to funding.
  - 2) There is no material adverse change in the financial position condition and/or operations of the Borrower.
  - 3) Proforma Opening Balance Sheet of ELK Energy Inc. post dividend declaration (re: acquisition of shares by Town of Essex).
-



**Specific to Facility #2**

- 1) The borrower shall provide an executed compliance certificate confirming compliance with all terms and conditions on a pre and post drawdown basis.

**REPRESENTATIONS  
AND WARRANTIES**

All representations and warranties shall be deemed to be continually repeated so long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect. The Borrower makes the Standard Representations and Warranties set out in Schedule "A".

**POSITIVE  
COVENANTS**

So long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect, the Borrower will and will ensure that its subsidiaries will observe the Standard Positive Covenants set out in Schedule "A" Plus:

- 1) Compliance with all applicable environmental regulations at all times.
- 2) Compliance with all contractual obligations and laws, including payment of taxes, at all times.
- 3) Borrower remains in the regulated business of electricity distribution and maintaining all requisite licenses to do so.
- 4) Compliance with all terms of all licenses and immediately advise the Bank if OEB shall notify the Borrower of a default under a license or if the license is amended, cancelled, suspended, or revoked (any of such circumstances will be an event of default.)
- 5) Maintain adequate insurance including Liability coverage.
- 6) All existing indebtedness (beyond that permitted under financial covenants below) is held directly or indirectly on an unsecured basis with no acceleration restrictions outlined under Negative Covenants below.
- 7) Compliance with Affiliate Relationship Code.
- 8) File all OEB rate submissions as outlined in three year business plan.
- 9) Borrower to advise the bank, in advance, of any change in ownership and consent will not be reasonably withheld by the Bank.

**Reporting Covenants:**

- 1) The Borrower is to provide Audited annual financial statements within 120 days of each fiscal year end.
- 2) Borrower is to provide annual 3 year business plan within 120 days of each fiscal year end, including income statement, balance sheet, statement of changes in financial position, and capital expenditure schedule.
- 3) Borrower to provide most recent OEB rate submission and SQI (Service Quality Index), if applicable.

**NEGATIVE**

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#### COVENANTS

So long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect, the Borrower will and will ensure that its subsidiaries will observe the Standard Negative Covenants set out in Schedule "A". In addition the Borrower will not and will ensure that its subsidiaries will not:

- 1) No change in the status of the Borrower as a Local Distribution Company.
- 2) Distributions/Dividends are limited to {EBITDA-Interest-Cash Taxes-Unfunded Capital Expenditures (net of contributed capital)-Principal Payments on Long Term Debt (if any)}. Providing Interest Coverage Ratio is met, and no other default has occurred. Note: One-time exception permitted for the \$8,000,000 dividend that is to be financed by Facility #1.
- 3) No repayment of shareholder debt, beyond the permitted distributions outlined above, without the Bank's prior written consent.
- 4) No investments, mergers, amalgamations or consolidating without the Bank's prior consent.
- 5) Negative Pledge on assets, except with respect to the Excluded Equipment.
- 6) No additional debt, including guarantees (beyond that authorized under Permitted Liens, **subject to a maximum, in aggregate, of CAD\$3,500,000**) without the Bank's written consent.

#### PERMITTED LIENS

Permitted Liens as referred to in Schedule "A" are:

- a) For the Borrower: \$500,000 including any capital leases and Purchase Money Security Interest liens;
- b) Liens in respect to the Town of Essex Debt;
- c) Liens for taxes, assessments or governmental charges not due or delinquent or the validity of which are being contested in good faith;
- d) Liens for any judgements contested in good faith;
- e) Statutory liens
- f) Undetermined or inchoate liens which have not at such time been filed and are being contested in good faith;
- g) Warehouse, construction, carrier liens incurred in ordinary course of business; and
- h) Liens in respect of the Excluded Equipment, **subject to a maximum, in aggregate, of \$3,000,000.**

#### FINANCIAL COVENANTS

The Borrower agrees at all times to:

- a) Borrower is to maintain a Minimum Interest Coverage Ratio (ICR) of 1.50x. **(Tested Annually)**
-



ICR is defined as: (EBITDA -40% of CAPEX (net of contributed capital) – cash taxes/Total Cash Interest Expenses (i.e. net of accrual of any shareholder debt interest).

Note: If borrower elects to begin repayment of facility #1, the above covenant would be amended as follows:

*Borrower is to maintain a Minimum Debt Service Coverage of 1.20x, defined as: (EBITDA-40% of CAPEX (net of contributed capital)- cash taxes/Mandatory Principal Repayment + Total Cash Interest Expenses (i.e. net of accrual of any shareholder debt interest). (Tested on a Rolling 4 Quarter Basis)*

- b) Maintain a maximum Total Interest Bearing Debt to Capitalization ratio of 0.60x. **(Tested Annually)**

Total Interest bearing debt to include all interest bearing third party debt and unpostponed promissory notes.

Capitalization is defined as Total Interest Bearing Debt + Shareholder's Equity + Contributed Capital + Preference Share Capital – Goodwill – Intangibles.

#### **EVENTS OF DEFAULT**

The Bank may accelerate the payment of principal and interest under any committed credit facility hereunder and cancel any undrawn portion of any committed credit facility hereunder, at any time after the occurrence of any one of the Standard Events of Default contained in Schedule "A" Plus:

- 1) Any change in legislation or regulation of the electrical distribution business in Ontario which renders any material provision of this Agreement unenforceable.
- 2) Loss of OEB license.

For purposes of Section 10(h) in Schedule A, the Cross Default Threshold is \$500,000.

#### **ANCILLARY FACILITIES**

As at the date of this Agreement, the following uncommitted ancillary products are made available. These products may be subject to other agreements.

- 1) TD Visa Business card (or cards) for an aggregate amount of \$15,000.
- 2) Certain treasury products, such as interest rate swaps.

The Borrower agrees that treasury products will be used to hedge its risk and will not be used for speculative purposes.

#### **SCHEDULE "A" -**

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**STANDARD  
TERMS AND  
CONDITIONS**

Schedule "A" sets out the Standard Terms and Conditions ("Standard Terms and Conditions") which apply to these credit facilities. The Standard Terms and Conditions, including the defined terms set out therein, form part of this Agreement, unless this letter states specifically that one or more of the Standard Terms and Conditions do not apply or are modified.

We trust you will find these facilities helpful in meeting your ongoing financing requirements. We ask that if you wish to accept this offer of financing (which includes the Standard Terms and Conditions), please do so by signing and returning the attached duplicate copy of this letter to the undersigned. This offer will expire if not accepted in writing and received by the Bank on or before **June 30, 2009**.

Yours truly,

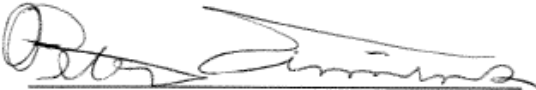
**THE TORONTO-DOMINION BANK**

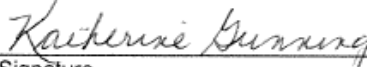
  
\_\_\_\_\_  
Marc Mundy  
Relationship Manager

  
\_\_\_\_\_  
Lou Di Pietro  
Manager, Commercial Credit

**TO THE TORONTO-DOMINION BANK:**

E.L.K. Energy Inc. hereby accepts the foregoing offer this 8<sup>th</sup> day of June, 2009.  
The Borrower confirms that, except as may be set out above, the credit facility(ies) detailed herein shall not be used by or on behalf of any third party.

  
\_\_\_\_\_  
Signature

  
\_\_\_\_\_  
Signature

PETER TIMMINS, CHAIR  
\_\_\_\_\_  
Print Name & Position

KATHERINE GUNNING, VICE-CHAIR  
\_\_\_\_\_  
Print Name & Position



**SCHEDULE A**  
**STANDARD TERMS AND CONDITIONS**

**1. INTEREST RATE DEFINITIONS**

Prime Rate means the rate of interest per annum (based on a 365/366 day year) established and reported by the Bank to the Bank of Canada from time to time as the reference rate of interest for determination of interest rates that the Bank charges to customers of varying degrees of creditworthiness in Canada for Canadian dollar loans made by it in Canada.

The Stamping Fee rate per annum for CDN\$ B/As is based on a 365/366 day year and the Stamping Fee is calculated on the Face Amount of each B/A presented to the Bank for acceptance. The Stamping Fee rate per annum for US\$ B/As is based on a 360 day year and the Stamping Fee is calculated on the Face Amount of each B/A presented to the Bank for acceptance.

LIBOR means the rate of interest per annum (based on a 360 day year) as determined by the Bank (rounded upwards, if necessary to the nearest whole multiple of 1/16th of 1%) at which the Bank may make available United States dollars which are obtained by the Bank in the Interbank Euro Currency Market, London, England at approximately 11:00 a.m. (Toronto time) on the second Business Day before the first day of, and in an amount similar to, and for the period similar to the interest period of, such advance.

USBR means the rate of interest per annum (based on a 365/366 day year) established by the Bank from time to time as the reference rate of interest for the determination of interest rates that the Bank charges to customers of varying degrees of creditworthiness for US dollar loans made by it in Canada.

Any interest rate based on a period less than a year expressed as an annual rate for the purposes of the Interest Act (Canada) is equivalent to such determined rate multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days in the period upon which it was based.

**2. INTEREST CALCULATION AND PAYMENT**

Interest on Prime Based Loans and USBR Loans is calculated daily and payable monthly in arrears based on the number of days the subject loan is outstanding unless otherwise provided in the Rate and Payment Terms Notice.

The Stamping Fee is calculated based on the amount and the term of the B/A and payable upon acceptance by the Bank of the B/A. The net proceeds received by the Borrower on a B/A advance will be equal to the Face Amount of the B/A discounted at the Bank's then prevailing B/A discount rate for CDN\$ B/As or US\$ B/As as the case may be, for the specified term of the B/A less the Stamping Fee.

Interest on LIBOR Loans is calculated and payable on the earlier of contract maturity or quarterly in arrears, for the number of days in the LIBOR interest period.

L/C and L/G fees are payable at the time set out in the Letter of Credit Indemnity Agreement applicable to the issued L/C or L/G.

Interest on Fixed Rate Term Loans is compounded monthly and payable monthly in arrears unless otherwise provided in the Rate and Payment Terms Notice.

Interest is payable both before and after maturity or demand, default and judgment.

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Each payment under this Agreement shall be applied first in payment of costs and expenses, then interest and fees and the balance, if any, shall be applied in reduction of principal.

All overdue amounts of principal and interest and all amounts outstanding in excess of the Credit Limit shall bear interest from the date on which the same became due or from when the excess was incurred, as the case may be, until the date of payment or until the date the excess is repaid at 21% per annum, or such lower interest rate if the Bank agrees to a lower interest rate in writing. Nothing in this clause shall be deemed to authorize the Borrower to incur loans in excess of the Credit Limit.

### **3. DRAWDOWN PROVISIONS**

#### **Prime Based and USBR Loans**

There is no minimum amount of drawdown by way of Prime Based Loans and USBR Loans, except as stated in the section of the Agreement titled "Business Credit Services Agreement", if that section of the Agreement has not been deleted. The Borrower shall provide the Bank with 3 Business Day's notice of a requested Prime Based Loan or USBR Loan over \$1,000,000.

#### **B/As**

The Borrower shall advise the Bank of the requested term or maturity date for B/As issued hereunder. The Bank shall have the discretion to restrict the term or maturity dates of B/As. In no event shall the term of the B/A exceed the Contractual Term Maturity Date. The minimum amount of a drawdown by way of B/As is \$1,000,000 and in multiples of \$100,000 thereafter. The Borrower shall provide the Bank with 3 Business Day's notice of a requested B/A drawdown.

The Borrower shall pay to the Bank the full amount of the B/A at the maturity date of the B/A.

The Borrower appoints the Bank as its attorney to and authorizes the Bank to (i) complete, sign, endorse, negotiate and deliver B/As on behalf of the Borrower in handwritten form, or by facsimile or mechanical signature or otherwise, (ii) accept such B/As, and (iii) purchase, discount, and/or negotiate B/As.

#### **LIBOR**

The Borrower shall advise the Bank of the requested LIBOR contract maturity period. The Bank shall have the discretion to restrict the LIBOR contract maturity. In no event shall the term of the LIBOR contract exceed the Contractual Term Maturity Date. The minimum amount of a drawdown by way of a LIBOR Loan is \$1,000,000, and shall be in multiples of \$100,000 thereafter. The Borrower will provide the Bank with 3 Business Day's notice of a requested LIBOR Loan.

#### **L/C and/or L/G**

The Bank shall have the discretion to restrict the maturity date of L/Gs or L/Cs.

#### **B/A - Prime Conversion**

The Borrower will provide the Bank with at least 3 Business Days notice of its intention either to convert a B/A to a Prime Based Loan or vice versa, failing which, the Bank may decline to accept such additional B/As or may charge interest on the amount of Prime Based Loans resulting from maturity of B/As at the rate of 115% of the rate applicable to Prime Based Loans for the 3 Business Day period immediately following such maturity. Thereafter, the rate shall revert to the rate applicable to Prime Based Loans.

#### **Notice**

Prior to each drawdown and at least 10 days prior to each Rate Term Maturity, the Borrower will advise the Bank of its selection of drawdown options from those made available by the Bank. The Bank will, after each drawdown, other than drawdowns by way of BA, LIBOR Loan or under the operating loan, send a Rate and Payment Terms Notice to the Borrower.

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#### **4. PREPAYMENT**

- (a) 10% Prepayment Option Chosen. If the Borrower has elected a 10% Prepayment Option for a Facility the following shall apply to all Fixed Rate Loans made under that Facility. Each calendar year, ("Year"), the Borrower may prepay in one lump sum, once each Year, an amount outstanding under a Fixed Rate Term Loan not exceeding 10% of the original amount of the Fixed Rate Term Loan being prepaid, upon payment of all interest accrued to the date of prepayment ("Prepayment Date") without paying any prepayment charge, provided that an Event of Default has not occurred. This privilege is not cumulative from Year to Year.
- (b) 10% Prepayment Option Not Chosen or Borrower Prepaying More than 10%. During each Year, the Borrower may, provided that an Event of Default has not occurred:
- (i) if it has not chosen the 10% Prepayment Option, prepay all or any part of the principal then outstanding under Fixed Rate Term Loans, or,
  - (ii) if it has chosen the 10% Prepayment Option, prepay more than 10% of the original amount of the Fixed Rate Term Loan being prepaid, in any Year,

in either case, upon payment of all interest accrued to the Prepayment Date and prepayment charges equal to the greater of:

- (a) three months' interest on the amount of the prepayment (and in the case where the Borrower has chosen the 10% Prepayment Option, the amount of prepayment is the amount of prepayment exceeding the 10% limit) using the interest rate applicable to the Fixed Rate Term Loan being prepaid; and
- (b) the Interest Rate Differential, being the amount by which:
- the total amount of interest on the amount of the prepayment using the interest rate applicable to the Fixed Rate Term Loan being prepaid calculated for the period of time equal to the Remaining Term, exceeds
  - the total amount of interest on the amount being prepaid using the interest rate applicable to a fixed rate term loan that the Bank would make to a borrower for a comparable facility on the Prepayment Date, calculated for the period of time from the Prepayment Date until the Rate Term Maturity Date for the Fixed Rate Term Loan being prepaid ("Remaining Term").

#### **5. STANDARD DISBURSEMENT CONDITIONS**

The obligation of the Bank to permit any drawdowns hereunder at any time is subject to the following conditions precedent:

- a) The Bank shall have received the following documents which shall be in form and substance satisfactory to the Bank:
- i) A copy of a duly executed resolution of the Board of Directors of the Borrower empowering the Borrower to enter into this Agreement;
  - ii) A copy of any necessary government approvals authorizing the Borrower to enter into this Agreement;
  - iii) All of the Bank Security and supporting resolutions and solicitors' letter of opinion required hereunder;
  - iv) The Borrower's compliance certificate certifying compliance with all terms and conditions hereunder;
  - v) all operation of account documentation; and
  - vi) For drawdowns under the Facility by way of L/C or L/G, the Bank's standard form Letter of Credit Indemnity Agreement
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- b) The representations and warranties contained in this Agreement are correct.
- c) No event has occurred and is continuing which constitutes an Event of Default or would constitute an Event of Default, but for the requirement that notice be given or time elapse or both.
- d) The Bank has received the arrangement fee payable hereunder (if any) and the Borrower has paid all legal and other expenses incurred by the Bank in connection with the Agreement or the Bank Security.

#### **6. STANDARD REPRESENTATIONS AND WARRANTIES**

The Borrower hereby represents and warrants, which representations and warranties shall be deemed to be continually repeated so long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect, that:

- a) The Borrower is a duly incorporated corporation, a limited partnership, partnership, or sole proprietorship, duly organized, validly existing and in good standing under the laws of the jurisdiction where the Branch/Centre is located and each other jurisdiction where the Borrower has property or assets or carries on business and the Borrower has adequate corporate power and authority to carry on its business, own property, borrow monies and enter into agreements therefore, execute and deliver the Agreement, the Bank Security, and documents required hereunder, and observe and perform the terms and provisions of this Agreement.
- b) There are no laws, statutes or regulations applicable to or binding upon the Borrower and no provisions in its charter documents or in any by-laws, resolutions, contracts, agreements, or arrangements which would be contravened, breached, violated as a result of the execution, delivery, performance, observance, of any terms of this Agreement.
- c) No Event of Default has occurred nor has any event occurred which, with the passage of time or the giving of notice, would constitute an Event of Default under this Agreement or which would constitute a default under any other agreement.
- d) There are no actions, suits or proceedings, including appeals or applications for review, or any knowledge of pending actions, suits, or proceedings against the Borrower and its subsidiaries, before any court or administrative agency which would result in any material adverse change in the property, assets, financial condition, business or operations of the Borrower.
- e) All material authorizations, approvals, consents, licenses, exemptions, filings, registrations and other requirements of governmental, judicial and public bodies and authorities required to carry on its business have been or will be obtained or effected and are or will be in full force and effect.
- f) The financial statements and forecasts delivered to the Bank fairly present the present financial position of the Borrower, and have been prepared by the Borrower and its auditors in accordance with Canadian Generally Accepted Accounting Principles consistently applied.
- g) All of the remittances required to be made by the Borrower to the federal government and all provincial and municipal governments have been made, are currently up to date and there are no outstanding arrears. Without limiting the foregoing, all employee source deductions (including income taxes, Employment Insurance and Canada Pension Plan), sales taxes (both provincial and federal), corporate income taxes, corporate capital taxes, payroll taxes and worker's compensation dues are currently paid and up to date.

#### **7. STANDARD POSITIVE COVENANTS**

So long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect, the Borrower will, and will ensure that its subsidiaries and each of the Guarantors will:

- a) Pay all amounts of principal, interest and fees on the dates, times and place specified herein, under the Rate and Payment Terms Notice, and under any other agreement between the Bank and the Borrower.
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- b) Advise the Bank of any change in the amount and the terms of any credit arrangement made with other lenders or any action taken by another lender to recover amounts outstanding with such other lender.
- c) Advise promptly after the happening of any event which will result in a material adverse change in the financial condition, business, operations, or prospects of the Borrower or the occurrence of any Event of Default or default under this Agreement or under any other agreement for borrowed money.
- d) Do all things necessary to maintain in good standing its corporate existence and preserve and keep all material agreements, rights, franchises, licenses, operations, contracts or other arrangements in full force and effect.
- e) Take all necessary actions to ensure that the Bank Security and its obligations hereunder will rank ahead of all other indebtedness of and all other security granted by the Borrower **except in respect of the Excluded Equipment**.
- f) Pay all taxes, assessments and government charges unless such taxes, assessments, or charges are being contested in good faith and appropriate reserves shall be made with funds set aside in a separate trust fund.
- g) Provide the Bank with information and financial data as it may request from time to time.
- h) Maintain property, plant and equipment in good repair and working condition.
- i) Inform the Bank of any actual litigation and furnish the Bank with copies of details of any litigation or other proceedings, which might materially affect the financial condition, business, operations, or prospects of the Borrower.
- j) Provide such additional security and documentation as may be required from time to time by the Bank or its solicitors.
- k) Continue to carry on the business currently being carried on by the Borrower its subsidiaries and each of the Guarantors at the date hereof.
- l) Maintain adequate insurance on all of its assets, undertakings, and business risks.
- m) Permit the Bank or its authorized representatives full and reasonable access to its premises, business, financial and computer records and allow the duplication or extraction of pertinent information therefrom and
- n) Comply with all applicable laws.

#### **8. STANDARD NEGATIVE COVENANTS**

So long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect, the Borrower will not and will ensure that its subsidiaries and each of the Guarantors will not:

- a) Create, incur, assume, or suffer to exist, any mortgage, deed of trust, pledge, lien, security interest, assignment, charge, or encumbrance (including without limitation, any conditional sale, or other title retention agreement, or finance lease) of any nature, upon or with respect to any of its assets or undertakings, now owned or hereafter acquired, except for those Permitted Liens, if any, set out in the Letter.
  - b) Create, incur, assume or suffer to exist any other indebtedness for borrowed money (except for Town of Essex Debt and indebtedness resulting from Permitted Liens, if any) or guarantee or act as surety or agree to indemnify the debts of any other Person.
  - c) Merge or consolidate with any other Person, or acquire all or substantially all of the shares, assets or business of any other Person.
  - d) Sell, lease, assign, transfer, convey or otherwise dispose of any of its now owned or hereafter acquired assets (including, without limitation, shares of stock and indebtedness of subsidiaries, receivables and leasehold interests), except for inventory and obsolete equipment and fixtures disposed of in the ordinary course of business.
  - e) Terminate or enter into a surrender of any lease of any property mortgaged under the Bank Security.
  - f) Cease to carry on the business currently being carried on by each of the Borrower, its subsidiaries, and the Guarantors at the date hereof.
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- g) Permit any change of ownership or change in the capital structure of the Borrower other than the incorporation of a holding company to hold all of the shares in the Borrower.

#### **9. ENVIRONMENTAL**

The Borrower represents and warrants (which representation and warranty shall continue throughout the term of this Agreement) that the business of the Borrower, its subsidiaries and each of the Guarantors is being operated in compliance with applicable laws and regulations respecting the discharge, omission, spill or disposal of any hazardous materials and that any and all enforcement actions in respect thereto have been clearly conveyed to the Bank.

The Borrower shall, at the request of the Bank from time to time, and at the Borrower's expense, obtain and provide to the Bank an environmental audit or inspection report of the property from auditors or inspectors acceptable to the Bank.

The Borrower hereby indemnifies the Bank, its officers, directors, employees, agents and shareholders, and agrees to hold each of them harmless from all loss, claims, damages and expenses (including legal and audit expenses) which may be suffered or incurred in connection with the indebtedness under this Agreement or in connection with the Bank Security.

#### **10. STANDARD EVENTS OF DEFAULT**

The Bank may accelerate the payment of principal and interest under any committed credit facility hereunder and cancel any undrawn portion of any committed credit facility hereunder, at any time after the occurrence of any one of the following Events of Default:

- a) Non-payment of principal outstanding under this Agreement when due or non-payment of interest or fees outstanding under this Agreement within 3 Business Days of when due.
  - b) If any representation, warranty or statement made hereunder or made in connection with the execution and delivery of this Agreement or the Bank Security is false or misleading at any time.
  - c) If there is a breach or non-performance or non-observance of any term or condition of this Agreement or the Bank Security and, if such default is capable to being remedied, the default continues unremedied for 5 Business Days after the occurrence.
  - d) If the Borrower, any one of its subsidiaries, or, if any of the Guarantors makes a general assignment for the benefit of creditors, files or presents a petition, makes a proposal or commits any act of bankruptcy, or if any action is taken for the winding up, liquidation or the appointment of a liquidator, trustee in bankruptcy, custodian, curator, sequestrator, receiver or any other officer with similar powers or if a judgment or order shall be entered by any court approving a petition for reorganization, arrangement or composition of or in respect of the Borrower, any of its subsidiaries, or any of the Guarantors or if the Borrower, any of its subsidiaries, or any of the Guarantors is insolvent or declared bankrupt other than any bankruptcy or insolvency proceeding instituted by a third party against the Undersigned which is being diligently contested by the Borrower in good faith and which shall have been vacated, lifted, discharged or stayed in within forty-five days after having been instituted.
  - e) If there exists a voluntary or involuntary suspension of business of the Borrower, any of its subsidiaries, or any of the Guarantors.
  - f) If action is taken by an encumbrancer against the Borrower, any of its subsidiaries, or any of the Guarantors to take possession of property or enforce proceedings against any assets.
  - g) If any final judgment for the payment of monies is made against the Borrower, any of its subsidiaries, or any of the Guarantors and it is not discharged within 30 days from the imposition of such judgment.
  - h) If there exists an event, the effect of which with lapse of time or the giving of notice, will constitute an event of default or a default under any other agreement for borrowed money in excess the Cross Default Threshold entered into by the Borrower, any of its subsidiaries, or any of the Guarantors.
-



- i) If the Bank Security is not enforceable or if any party to the Bank Security shall dispute or deny any liability or any of its obligations under the Bank Security.
- j) If, in the Bank's determination, a material adverse change occurs in the financial condition, business operations or prospects of the Borrower.

#### **11. ACCELERATION**

If the Bank accelerates the payment of principal and interest hereunder, the Borrower shall immediately pay to the Bank all amounts outstanding hereunder, including without limitation, the amount of unmatured B/As and LIBOR Loans and the amount of all drawn and undrawn L/Gs and L/Cs. All reasonable cost to the Bank of unwinding LIBOR Loans and all reasonable loss suffered by the Bank in re-employing amounts repaid will be paid by the Borrower.

#### **12. CURRENCY INDEMNITY**

US\$ loans must be repaid with US\$ and CDN\$ loans must be repaid with CDN\$ and the Borrower shall indemnify the Bank for any loss suffered by the Bank if US\$ loans are repaid with CDN\$ or vice versa, whether such payment is made pursuant to an order of a court or otherwise.

#### **13. TAXATION ON PAYMENTS**

All payments made by the Borrower to the Bank will be made free and clear of all present and future taxes (excluding the Bank's income taxes), withholdings or deductions of whatever nature. If these taxes, withholdings or deductions are required by applicable law and are made, the Borrower, shall, as a separate and independent obligation, pay to the Bank all additional amounts as shall fully indemnify the Bank from any such taxes, withholdings or deductions.

#### **14. REPRESENTATION**

No representation or warranty or other statement made by the Bank concerning any of the credit facilities shall be binding on the Bank unless made by it in writing as a specific amendment to this Agreement.

#### **15. ADDED COST**

If the introduction of or any change in any present or future law, regulation, treaty, official or unofficial directive, or regulatory requirement, (whether or not having the force of law) or in the interpretation or application thereof, relates to:

- i) the imposition or exemption of taxation of payments due to the Bank or on reserves or deemed reserves in respect of the undrawn portion of any Facility or loan made available hereunder; or,
- ii) any reserve, special deposit, regulatory or similar requirement against assets, deposits, or loans or other acquisition of funds for loans by the Bank; or,
- iii) the amount of capital required or expected to be maintained by the Bank as a result of the existence of the advances or the commitment made hereunder;

and the result of such occurrence is, in the sole determination of the Bank, to increase the cost of the Bank or to reduce the income received or receivable by the Bank hereunder, the Borrower shall, on demand by the Bank, pay to the Bank that amount which the Bank estimates will compensate it for such additional cost or reduction in income and the Bank's estimate shall be conclusive, absent manifest error.

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#### **16. EXPENSES**

The Borrower shall pay, within 5 Business Days following notification, all reasonable fees and expenses (including but not limited to all legal fees) incurred by the Bank in connection with the preparation, registration and ongoing administration of this Agreement and the Bank Security and with the enforcement of the Bank's rights and remedies under this Agreement and the Bank Security whether or not any amounts are advanced under the Agreement. These fees and expenses shall include, but not be limited, to all outside counsel fees and expenses and all in-house legal fees and expenses, if in-house counsel are used, and all outside professional advisory fees and expenses. The Borrower shall pay interest on unpaid amounts due pursuant to this paragraph at the All-In Rate plus 2% per annum.

#### **17. NON WAIVER**

Any failure by the Bank to object to or take action with respect to a breach of this Agreement or any Bank Security or upon the occurrence of an Event of Default shall not constitute a waiver of the Bank's right to take action at a later date on that breach. No course of conduct by the Bank will give rise to any reasonable expectation which is in any way inconsistent with the terms and conditions of this Agreement and the Bank Security or the Bank's rights thereunder.

#### **18. EVIDENCE OF INDEBTEDNESS**

The Bank shall record on its records the amount of all loans made hereunder, payments made in respect thereto, and all other amounts becoming due to the Bank under this Agreement. The Bank's records constitute, in the absence of manifest error, conclusive evidence of the indebtedness of the Borrower to the Bank pursuant to this Agreement.

The Borrower will sign the Bank's standard form Letter of Credit Indemnity Agreement for all L/Cs and L/Gs issued by the Bank.

With respect to chattel mortgages taken as Bank Security, this Agreement is the Promissory Note referred to in same chattel mortgage, and the indebtedness incurred hereunder is the true indebtedness secured by the chattel mortgage.

#### **19. ENTIRE AGREEMENTS**

This Agreement replaces any previous letter agreements dealing specifically with terms and conditions of the credit facilities described in the Letter. Agreements relating to other credit facilities made available by the Bank continue to apply for those other credit facilities. This Agreement, and if applicable, the Letter of Credit Indemnity Agreement, are the entire agreements relating to the Facilities described in this Agreement.

#### **20. ASSIGNMENT**

Prior to the occurrence of an Event of Default, the Bank shall not assign all or part of this Agreement except with the written consent of the Borrower. After the occurrence of an Event of Default the Bank may assign or grant participation in all or part of this Agreement or in any loan made hereunder without the Borrower's consent.

The Borrower may not assign or transfer all or any part of its rights or obligations under this Agreement.

#### **21. RELEASE OF INFORMATION**

The Borrower hereby irrevocably authorizes and directs the Borrower's accountant, (the "Accountant") to deliver all financial statements and other financial information concerning the Borrower to the Bank and agrees that the Bank and the Accountant may communicate directly with each other.

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## **22. FX CLOSE OUT**

The Borrower hereby acknowledges and agrees that in the event any of the following occur: (i) Default by the Borrower under any forward foreign exchange contract ("FX Contract"); (ii) Default by the Borrower in payment of monies owing by it to anyone, including the Bank; (iii) Default in the performance of any other obligation of the Borrower under any agreement to which it is subject; or (iv) the Borrower is adjudged to be or voluntarily becomes bankrupt or insolvent or admits in writing to its inability to pay its debts as they come due or has a receiver appointed over its assets, the Bank shall be entitled without advance notice to the Borrower to close out and terminate all of the outstanding FX Contracts entered into hereunder, using normal commercial practices employed by the Bank, to determine the gain or loss for each terminated FX contract. The Bank shall then be entitled to calculate a net termination value for all of the terminated FX Contracts which shall be the net sum of all the losses and gains arising from the termination of the FX Contracts which net sum shall be the "Close Out Value" of the terminated FX Contracts. The Borrower acknowledges that it shall be required to forthwith pay any positive Close Out Value owing to the Bank and the Bank shall be required to pay any negative Close Out Value owing to the Borrower, subject to any rights of set-off to which the Bank is entitled or subject.

## **23. SET-OFF**

In addition to and not in limitation of any rights now or hereafter granted under applicable law, the Bank may at any time and from time to time without notice to the Borrower or any other Person, any notice being expressly waived by the Borrower, set-off and compensate and apply any and all deposits, general or special, time or demand, provisional or final, matured or unmatured, in any currency, and any other indebtedness or amount payable by the Bank (irrespective of the place of payment or booking office of the obligation), to or for the credit or for the Borrower's account, including without limitation, any amount owed by the Bank to the Borrower under any FX Contract or other treasury or derivative product, against and on account of the indebtedness and liability under this Agreement notwithstanding that any of them are contingent or unmatured or in a different currency than the indebtedness and liability under this Agreement.

When applying a deposit or other obligation in a different currency than the indebtedness and liability under this Agreement to the indebtedness and liability under this Agreement, the Bank will convert the deposit or other obligation to the currency of the indebtedness and liability under this Agreement using the Bank's noon spot rate of exchange for the conversion of such currency.

## **24. USE OF INFORMATION**

The word "Information" means the Borrower's business and credit information and the Guarantor's personal, business and credit information. It includes information provided to the Bank by the Borrower and Guarantors, including through the products and services the Borrower and Guarantor(s) uses, and information obtained from others.

The Borrower and the Guarantor agree to the use of its Information as follows:

- (i) Use of Information - The Bank may use Information to establish and serve the Borrower as its customer, determine whether any products or services of the TD Bank Financial Group are suitable for the Borrower and offer them to the Borrower, or when required or permitted by law. The Bank may share Information within the TD Bank Financial Group where permitted by law;
- (ii) Collection and Use of Credit Information - THE BANK MAY OBTAIN INFORMATION FROM PARTIES OUTSIDE THE TD BANK FINANCIAL GROUP, INCLUDING THROUGH A CREDIT CHECK, AND VERIFY INFORMATION WITH THEM. THE BORROWER AND THE GUARANTOR AUTHORIZE THOSE PARTIES TO GIVE THE BANK INFORMATION. The Bank may disclose Information to other lenders and credit bureaus.

The Borrower and the Guarantor may obtain the Bank's Privacy Code - "Protecting Your Privacy" or review its options for refusing or withdrawing this consent, including its option not to be contacted about offers of products or services, by contacting the Branch or calling the Bank at 1-800-9TD BANK.

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## **25. MISCELLANEOUS**

- i) The Borrower has received a signed copy of this Agreement;
- ii) If more than one Person, firm or corporation signs this Agreement as the Borrower, each party is jointly and severally liable hereunder, and the Bank may require payment of all amounts payable under this Agreement from any one of them, or a portion from each, but the Bank is released from any of its obligations by performing that obligation to any one of them;
- iii) Accounting terms will (to the extent not defined in this Agreement) be interpreted in accordance with accounting principles established from time to time by the Canadian Institute of Chartered Accountants (or any successor) consistently applied, and all financial statements and information provided to the Bank will be prepared in accordance with those principles;
- iv) This Agreement is governed by the law of the Province or Territory where the Branch/Centre is located.
- v) Unless stated otherwise, all amounts referred to herein are in Canadian dollars

## **26. DEFINITIONS**

Capitalized Terms used in this Agreement shall have the following meanings:

**"All-In Rate"** means the greater of the Interest Rate that the Borrower pays for Prime Based Loans (which for greater certainty includes the percent per annum added to the Prime Rate) or the highest fixed rate paid for Fixed Rate Term Loans.

**"Agreement"** means the agreement between the Bank and the Borrower set out in the Letter and this Schedule "A" - Standard Terms and Conditions.

**"Business Day"** means any day (other than a Saturday or Sunday) that the Branch/Centre is open for business.

**"Branch/Centre"** means The Toronto-Dominion Bank branch or banking centre noted on the first page of the Letter, or such other branch or centre as may from time to time be designated by the Bank.

**"Contractual Term Maturity Date"** means the date set out in the Letter under the heading "Contractual Term".

**"Electricity Act"** means the *Electricity Act* (Ontario), including regulations enacted thereunder and any similar federal or provincial legislation, as each of the foregoing may be amended, restated or re-enacted from time to time.

**"Excluded Equipment"** has the meaning attributed to such term under the heading "Security To Be Obtained".

**"Face Amount"** means, in respect of:

- (i) a B/A, the amount payable to the holder thereof on its maturity;
- (ii) A L/C or L/G, the maximum amount payable to the beneficiary specified therein or any other Person to whom payments may be required to be made pursuant to such L/C or L/G.

**"Fixed Rate Term Loan"** means any drawdown in Canadian dollars under a Credit Facility at an interest rate which is fixed for a Rate Term at such rate as is determined by the Bank as its sole discretion.

**"Inventory Value"** means, at any time of determination, the total value (based on the lower of cost or market) of the Borrower's inventories that are subject to the Bank Security (other than (i) those inventories supplied by trade creditors who at that time have not been fully paid therefore and would have a right to repossess all or part of such inventories if the Borrower were then either bankrupt or in receivership, (ii) those inventories comprising work in process and (iii) those inventories that the Bank may from time to time designate in its sole discretion) minus the total amount of any claims, liens or encumbrances on those inventories having or purporting to have priority over the Bank.

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"*Letter*" means the letter from the Bank to the Borrower to which this Schedule "A" - Standard Terms and Conditions is attached.

"*Letter of Credit*" or "*L/C*" means a documentary letter of credit or similar instrument in form and substance satisfactory to the Bank.

"*Letter of Guarantee*" or "*L/G*" means a stand-by letter of guarantee or similar instrument in form and substance satisfactory to the Bank.

"*Person*" includes any individual, sole proprietorship, corporation, partnership, joint venture, trust, unincorporated association, association, institution, entity, party, or government (whether national, federal, provincial, state, municipal, city, county, or otherwise and including any instrumentality, division, agency, body, or department thereof).

"*Purchase Money Security Interest*" means a security interest on equipment which is granted to a lender or to the seller of such equipment in order to secure the purchase price of such equipment or a loan to acquire such equipment, provided that the amount secured by the security interest does not exceed the cost of the equipment, the Borrower provides written notice to the Bank prior to the creation of the security interest, and the creditor under the security interest has, if requested by the Bank, entered into an inter-creditor agreement with the Bank, in a format acceptable to the Bank.

"*Rate Term*" means that period of time as selected by the Borrower from the options offered to it by the Bank, during which a Fixed Rate Term Loan will bear a particular interest rate. If no Rate Term is selected, the Borrower will be deemed to have selected a Rate Term of 1 year.

"*Rate Term Maturity*" means the last day of a Rate Term which day may never exceed the Contractual Term Maturity Date.

"*Rate and Payment Terms Notice*" means the notice sent by the Bank setting out the interest rate and payment terms for a particular drawdown.

"*Receivable Value*" means, at any time of determination, the total value of those of the Borrower's trade accounts receivable that are subject to the Bank Security other than (i) those accounts then outstanding for 90 days, (ii) those accounts owing by Persons, firms or corporations affiliated with the Borrower, (iii) those accounts that the Bank may from time to time designate in its sole discretion, (iv) those accounts subject to any claim, liens, or encumbrance having or purporting to have priority over the Bank, (v) those accounts which are subject to a claim of set-off by the obligor under such account, MINUS the total amount of all claims, liens, or encumbrances on those receivables having or purporting to have priority over the Bank.

"*Receivables/Inventory Summary*" means a summary of the Customer's trade account receivables and inventories, in form as the Bank may require and certified by a senior officer/representative of the Borrower.

"*US\$ Equivalent*" means, on any date, the equivalent amount in United States Dollars after giving effect to a conversion of a specified amount of Canadian Dollars to United States Dollars at the Bank's noon spot rate of exchange for Canadian Dollars to United States Dollars established by the Bank for the day in question.

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**TD Commercial Banking**

Windsor Commercial Centre  
156 Ouellette Ave, Suite 200  
Windsor, ON  
N9A 1A4  
Telephone No.: 519 945-1937  
Fax No.: 519 945-2442

*Mailed  
June 29, 2012*

June 22, 2012

E.L.K. Energy Inc.  
172 Forest Ave, Essex, ON, N8M 3E4

The following amending agreement (the "Amending Agreement") amends the terms and conditions of the credit facilities (the "Facilities") provided to the Borrower pursuant to the Agreement dated June 5, 2009 and the subsequent Amending Agreement(s) dated May 17, 2011

**BORROWER**

E.L.K. Energy Inc. (the "Borrower")

**LENDER**

The Toronto-Dominion Bank (the "Bank"), through its Windsor Commercial Centre branch, in Windsor, ON.

**CREDIT LIMIT**

- 1) CAD ~~\$7,200,000~~ **\$5,600,000**
- 2) CAD ~~\$3,800,000~~ **\$5,400,000**
- 3) CAD ~~\$1,251,081~~ **\$1,455,626**

**CONTRACTUAL  
TERM**

- 1) 3 year committed term chosen maturing ~~June 12, 2012~~ **June 12, 2015**

**RATE TERM  
(FIXED RATE  
TERM LOAN)**

- 1) ~~Maturing June 14, 2014~~ Rate Term to be renewed at prevailing interest rates for 1 year following execution of this Amending Agreement.

**DRAWDOWN**

- 2) Multiple draws upon satisfaction of Disbursement Conditions. **In the event Facility #2 is drawn to repay outstanding on Facility #1, the resulting aggregated borrowing is to fall within a 20 year amortization.**

**DISBURSEMENT  
CONDITIONS**

Specific to Facility #3

- 1) **Increase and issuance of the incremental letter of credit is subject to execution of this Amending Agreement and internal board approval.**

**POSITIVE  
COVENANTS**

**Reporting Covenants**

- 2) ~~Borrower is to provide annual 3 year business plan within 120 days of each fiscal year end, including income statement, balance sheet, statement of changes in financial position, and capital expenditure schedule. Borrower is to provide a 1 year proposed budget within 120 days of each fiscal year end.~~



**FINANCIAL  
COVENANTS**

The Borrower agrees at all times to:

- a) ~~Borrower is to maintain a Minimum Interest Coverage Ratio (ICR) of 1.50x (Tested Annually)~~

~~ICR is defined as: (EBITDA - 40% of CAPEX (net of contributed capital) - cash taxes / Total Cash Interest Expenses (i.e. net of accrual of any shareholder debt interest))~~

~~Note: if borrower elects to begin repayment of facility #1, the above covenant would be amended as follows:~~

Borrower is to maintain a Minimum Debt Service Coverage of 1.20x defined as: (EBITDA - 40% of CAPEX (net of contributed capital) - cash taxes / Mandatory Principal Repayment + Total Cash Interest Expenses (i.e. net of accrual of any shareholder debt interest). (Tested on an annual basis Rolling 4 Quarter Basis)

**SCHEDULE "A" -  
STANDARD  
TERMS AND  
CONDITIONS**

Schedule "A" sets out the Standard Terms and Conditions ("Standard Terms and Conditions") which apply to these credit facilities. The Standard Terms and Conditions, including the defined terms set out therein, form part of this Agreement, unless this letter states specifically that one or more of the Standard Terms and Conditions do not apply or are modified.

We ask that the Borrower acknowledge agreement to these amendments by signing and returning the attached duplicate copy of this Amending Agreement to the undersigned on or before July 6, 2012.

Yours truly,  
**THE TORONTO-DOMINION BANK**

  
David Oehs  
Relationship Manager

  
Tim Kawalec  
Manager Commercial Credit

**TO THE TORONTO-DOMINION BANK:**

E.L.K. Energy Inc. hereby accepts the foregoing offer this 28<sup>th</sup> day of June, 2012. The Borrower confirms that, except as may be set out above, the credit facility(ies) detailed herein shall not be used by or on behalf of any third party.

  
Signature

RON McDERMOTT  
Print Name & Position  
Chair of the Board

  
Signature

Michael Audet, CEO  
Print Name & Position



Exhibit	Tab	Schedule	Appendix	Contents
<b>6 – Calculation of Revenue Deficiency or Surplus</b>				
	1	1		Revenue Deficiency - Overview
	1	2		Cost Drivers for Revenue Deficiency



**REVENUE DEFICIENCY - OVERVIEW:**

E.L.K.'s net revenue deficiency is \$547,231 and when grossed up for PILs E.L.K.'s revenue deficiency is \$703,483. This deficiency is calculated as the difference between the 2012 Test Year Revenue Requirement of \$4,539,680 and the Forecast 2012 Test Year Revenue, based on the 2011 approved rates, at \$3,836,197. Table 6-1 on the following page provides the revenue deficiency calculations.

**Revenue Requirement:**

E.L.K.'s Revenue Requirement consists of the following:

- Administrative & General, Billing & Collecting Expense
- Operation & Maintenance Expense
- Depreciation Expense
- Property Taxes
- PILs
- Deemed Interest & Return on Equity

E.L.K.'s revenue requirement is primarily received through electricity distribution rates and is offset by revenue from OEB-approved specific service charges, late payment charges, and other miscellaneous revenues.



**Table 6.1 Revenue Deficiency**

E.L.K. Energy Inc. Revenue Deficiency Determination		
Description	2012 Test Existing Rates	2012 Test - Required Revenue
<b>Revenue</b>		
Revenue Deficiency		703,483
Distribution Revenue	3,156,142	3,156,142
Other Operating Revenue (Net)	680,055	680,055
<b>Total Revenue</b>	<b>3,836,197</b>	<b>4,539,680</b>
<b>Costs and Expenses</b>		
Administrative & General, Billing & Collecting	1,860,472	1,860,472
Operation & Maintenance	746,000	746,000
Depreciation & Amortization	975,107	975,107
Property Taxes	23,000	23,000
Other - LEAP program	38	38
Deemed Interest	212,518	212,518
<b>Total Costs and Expenses</b>	<b>3,817,135</b>	<b>3,817,135</b>
<b>Utility Income Before Income Taxes</b>	<b>19,062</b>	<b>722,545</b>
<b>Income Taxes:</b>		
Corporate Income Taxes	82,346	238,598
<b>Total Income Taxes</b>	<b>82,346</b>	<b>238,598</b>
<b>Utility Net Income</b>	<b>-63,284</b>	<b>483,947</b>
<b>Capital Tax Expense Calculation:</b>		
Total Rate Base	13,266,094	13,266,094
Exemption	0	0
Deemed Taxable Capital	<b>13,266,094</b>	<b>13,266,094</b>
Ontario Capital Tax	0	0
<b>Income Tax Expense Calculation:</b>		
Accounting Income	19,062	722,545
Tax Adjustments to Accounting Income	351,682	351,682
<b>Taxable Income</b>	<b>370,744</b>	<b>1,074,227</b>
<b>Income Tax Expense</b>	<b>82,346</b>	<b>238,598</b>
<b>Tax Rate Reflecting Tax Credits</b>	<b>22.21%</b>	<b>22.21%</b>
<b>Actual Return on Rate Base:</b>		
Rate Base	13,266,094	13,266,094
Interest Expense	212,518	212,518
Net Income	-63,284	483,947
<b>Total Actual Return on Rate Base</b>	<b>149,234</b>	<b>696,465</b>
<b>Actual Return on Rate Base</b>	<b>1.12%</b>	<b>5.25%</b>
<b>Required Return on Rate Base:</b>		
Rate Base	13,266,094	13,266,094
<b>Return Rates:</b>		
Return on Debt (Weighted)	2.67%	2.67%
Return on Equity	9.12%	9.12%
Deemed Interest Expense	212,518	212,518
Return On Equity	483,947	483,947
<b>Total Return</b>	<b>696,465</b>	<b>696,465</b>
<b>Expected Return on Rate Base</b>	<b>5.25%</b>	<b>5.25%</b>
<b>Revenue Deficiency After Tax</b>	<b>547,231</b>	<b>0</b>
<b>Revenue Deficiency Before Tax</b>	<b>703,483</b>	<b>0</b>



## **COST DRIVERS ON REVENUE DEFICIENCY**

E.L.K. notes that there are four main contributors to the revenue deficiency of \$703,483 for the 2012 Test Year:

- The first results from increases in the 2012 revenue requirement from the inclusion of costs associated with smart meters in the 2012 rate base and OM&A expenses.
- The second relates to costs in 2012 for two additional staff members, being the replacement for the Director of Finance and one new staff position, a financial analyst, created to assist with increased work load due to Green Energy initiatives and the MDM/R process.
- The third reflects cost increases from 2010 in order to maintain the overhead and underground system.
- The fourth contributor is costs incurred by E.L.K. for assistance in the preparation and support of this application.

The following table outlines the costs associated with the four contributors. In total, they exceed the revenue deficiency.

Impact of smart meters on 2012 revenue requirement (2012 revenue requirement from smart meter model)	\$268,416
2012 Increase in payroll and benefits (Exhibit 4, Table 4.15 Cost Driver Table)	\$213,039
Change in overhead and underground maintenance expenses from 2011 to 2012 (Exhibit 4.15 Cost Driver Table)	\$177,296
¼ of the costs to prepare and support this application (Exhibit 4, Table 4.17 Regulatory Costs)	<u>\$73,175</u>
Total	\$731,926



Exhibit	Tab	Schedule	Appendix	Contents
7 – Cost Allocation	1	1		Cost Allocation Overview
	1	2		Summary of Results and Proposed Changes
			7-A	2012 Updated Cost Allocation Study

1

2



**COST ALLOCATION OVERVIEW:**

**Introduction:**

On September 29, 2006, the Board issued its directions on Cost Allocation Methodology for Electricity Distributors (the "Directions"). On November 15, 2006, the Board issued the Cost Allocation Information Filing Guidelines for Electricity Distributors ("the Guidelines"), the Cost Allocation Model (the "Model") and User Instructions (the "Instructions") for the Model. E.L.K. prepared a cost allocation information filing consistent with E.L.K.'s understanding of the Directions, the Guidelines, the Model and the Instructions.

One of the main objectives of the filing was to provide information on any apparent cross-subsidization among a distributor's rate classifications. It was felt that this would give an indication of cross-subsidization from one class to another and this information would be useful as a tool in future rate applications.

On September 2, 2010, the Board began a proceeding, EB-2010-0219, with the mandate to review and revise the existing Cost Allocation policy as needed. On March 31, 2011, the Report of the Board was released in relation to EB-2010-0219. In the letter accompanying the Report, the Board indicated that a Working Group would be formed to revise the original Cost Allocation Model to address the revision highlighted in the March 31<sup>st</sup> Report. On August 5, 2011, the Board released the new Cost Allocation model and instructed 2012 Cost of Service filers to use the revised model in their applications. In the March 31<sup>st</sup> Board Report, the Board stated that "default weighting factors should now be utilized only in exceptional circumstances". Distributors are therefore now expected to develop their own weighting factors.

For the purposes of this Application, E.L.K. has used the 2012 version of the cost allocation model and submitted the revised cost allocation study to reflect 2012 test year costs, customer numbers and demand values. The 2012 demand values are based on the weather normalized load forecast used to design rates. E.L.K. has developed weighting factors as outlined below based on discussions with staff experienced in the subject area.



1 **Services (Account 1855)**

<b>Table 7-1: Service Weighting Factors</b>	
Rate Class	Factor
Residential	1.0
General Service < 50 kW	1.9
General Service 50 to 4,999 kW	1.9
Street Lighting	0.7
Sentinel Lighting	0.8
Unmetered Scattered Load	0.7
Embedded Distributor (Hydro One)	0

2  
3 **Billing and Collection (Accounts 5315 – 5340, except 5335)**

<b>Table 7-2: Billing Weighting Factors</b>	
Rate Class	Factor
Residential	1.0
General Service < 50 kW	1.0
General Service 50 to 4,999 kW	18.0
Street Lighting	15.3
Sentinel Lighting	1.0
Unmetered Scattered Load	1.0
Embedded Distributor (Hydro One)	18.0

4  
5 **Meter Capital (Sheet I7.1)**

<b>Table 7-3: Meter Capital Installation Costs</b>	
Meter Type	Installation Cost per Meter
Smart Meter - Residential	\$77.13
Smart Meter - General Service < 50 kW	\$150.77
Demand with IT and Interval Capability - Secondary	\$2,100
Demand with IT and Interval Capability - Primary	\$10,000

6  
7 **Meter Reading (Sheet I7.2)**

<b>Table 7-4: Meter Reading Weighting Factor</b>	
Meter Type	Factor
Smart Meter	1
GS - Vehicle with other services	3
Interval Meter	49



## SUMMARY OF RESULTS AND PROPOSED CHANGES:

The data used in the updated cost allocation study is consistent with E.L.K.'s cost data that supports the proposed 2012 revenue requirement outlined in this Application. Consistent with the Guidelines, E.L.K.'s assets were broken out into primary and secondary distribution functions using breakout percentages consistent with the original cost allocation informational filing. The breakout of assets, capital contributions, depreciation, accumulated depreciation, customer data and load data by primary, line transformer and secondary categories were developed from the best data available to E.L.K., its engineering records, and its customer and financial information systems. The cost allocation study has been included in Appendix 7-A.

Capital contributions, depreciation and accumulated depreciation by USoA is consistent with the information provided in the 2012 continuity statement shown in Exhibit 2. The rate class customer data used in the updated cost allocation study is consistent with the 2012 customer forecast outlined in Exhibit 3. Except for the Embedded Distributor– Hydro One class, the load profiles for all other rate class are the same as those used in the original information filing but have been scaled to match the load forecast. The following table outlines the scaling factors used by rate class.

<b>Table 7-5: Load Profile Scaling Percentages</b>			
<b>Rate Class</b>	<b>2004 Weather Normal Values used in Original Filing (kWh)</b>	<b>2012 Weather Normal Values (KWh)</b>	<b>Scaling Factor</b>
<b>Residential</b>	75,584,844	93,093,255	123.2%
<b>General Service &lt; 50 kW</b>	45,080,345	31,699,824	70.3%
<b>General Service 50 to 4,999 kW</b>	69,650,366	71,176,063	102.2%
<b>Street Lighting</b>	2,268,132	1,916,371	84.5%
<b>Sentinel Lighting</b>	160,889	4,024	2.5%
<b>Unmetered Scattered Load</b>	283,513	187,863	66.3%
<b>Total</b>	<b>193,028,087</b>	<b>198,077,400</b>	<b>102.6%</b>



For the Embedded Distributor (Hydro One), the load data from the 2012 load forecast was used to define the 12 NCP and the 12 CP since it was assumed the Hydro One load would directly impact the system peak for E.L.K.. The 4 NCP and the 4 CP amounts are the 12 NCP and 12 CP values divided by 3. The 1 NCP and the 1 CP amounts are the 12 NCP and 12 CP values divided by 12.

The allocated cost by rate class from the original cost allocation study and the 2012 updated study are provided in the following Table 7-6.

<b>Table 7-6: Allocated Cost - (Consistent with Appendix 2-O: Allocated Costs)</b>				
<b>Rate Class</b>	<b>Original Cost Allocation Informational Filing</b>	<b>%</b>	<b>Cost Allocated in the 2012 Study</b>	<b>%</b>
<b>Residential</b>	\$1,974,479	56.1%	\$2,934,673	64.6%
<b>General Service &lt; 50 kW</b>	\$893,142	25.4%	\$670,596	14.8%
<b>General Service 50 to 4,999 kW</b>	\$625,968	17.8%	\$552,897	12.2%
<b>Street Lighting</b>	\$21,752	0.6%	\$195,061	4.3%
<b>Sentinel Lighting</b>	\$1,937	0.1%	\$607	0.0%
<b>Unmetered Scattered Load</b>	\$1,951	0.1%	\$4,807	0.1%
<b>Embedded Distributor - Hydro One</b>			\$181,038	4.0%
<b>Total</b>	\$3,519,229	100.0%	\$4,539,680	100.0%

The results of a cost allocation study are typically presented in the form of revenue-to-cost ratios. The ratio is shown by rate classification and is the percentage of distribution revenue collected by rate classification compared to the costs allocated to the classification. The percentage identifies the rate classifications that are being subsidized and those that are over-contributing. A percentage of less than 100% means the rate classification is under-contributing and is being subsidized by other classes of customers. A percentage of greater than 100% indicates the rate classification is over-contributing and is subsidizing other classes of customers.



In the March 31, 2011 Report of the Board on Cost Allocation released in relation to EB-2010-0219, the Board established what it considered to be the appropriate ranges of revenue-to-cost ratios. Those are summarized in Table 7-7 below. In addition, Table 7-7 provides E.L.K.'s revenue-to-cost ratios from its original cost allocation informational filing, the updated 2012 cost allocation study and the proposed 2012 to 2014 ratios.

Table 7-7 Revenue to Cost Ratios - (Consistent with Appendix 2-O: Revenue to Cost Ratios)							
Class	Original Cost Allocation Informational Filing	2012 Updated Cost Allocation Study	2012 Proposed Ratios	2013 Proposed Ratios	2014 Proposed Ratios	Board Targets Min to Max	
Residential	111.4%	102.4%	102.4%	102.4%	102.4%	85.0%	115.0%
General Service < 50 kW	28.7%	52.3%	80.0%	80.0%	80.0%	80.0%	120.0%
General Service 50 to 4,999 kW	169.6%	194.4%	120.0%	120.0%	120.0%	80.0%	120.0%
Street Lighting	12.8%	10.9%	76.6%	76.6%	76.6%	70.0%	120.0%
Sentinel Lighting	43.1%	20.4%	80.0%	80.0%	80.0%	80.0%	120.0%
Unmetered Scattered Load	896.5%	75.5%	80.0%	80.0%	80.0%	80.0%	120.0%
Embedded Distributor - Hydro One		46.6%	100.0%	100.0%	100.0%	85.0%	115.0%

E.L.K. is proposing in this Application to re-align its revenue-to-cost ratios by adjusting the allocations of revenue among rate classes in order to be within the Board's target range and to ensure the Embedded Distributor (Hydro One) is paying for 100% of the cost assigned to that class. In addition, an adjustment is made to increase the ratio for the Street Lighting class above the Board's minimum value of the target range in order to maintain revenue neutrality.

The following table 7-8 provides information on calculated class revenue. The resulting 2012 proposed base revenue will be the amount used in Exhibit 8 to design the proposed distribution charges in this Application



<b>Table 7-8 Calculated Class Revenue - (Consistent with Appendix 2-O: Calculated Class Revenue)</b>				
<b>Class</b>	<b>2012 Base Revenue at Existing Rates</b>	<b>2012 Proposed Base Revenue Allocated at Existing Rates Proportion</b>	<b>2012 Proposed Base Revenue</b>	<b>Miscellaneous Revenue</b>
<b>Residential</b>	\$2,074,165	\$2,536,483	\$2,536,483	\$468,428
<b>General Service &lt; 50 kW</b>	\$215,076	\$263,014	\$448,761	\$87,716
<b>General Service 50 to 4,999 kW</b>	\$811,082	\$991,866	\$580,640	\$82,837
<b>Street Lighting</b>	\$856	\$1,047	\$129,221	\$20,225
<b>Sentinel Lighting</b>	\$42	\$51	\$413	\$72
<b>Unmetered Scattered Load</b>	\$2,449	\$2,994	\$3,210	\$636
<b>Embedded Distributor - Hydro One</b>	\$52,472	\$64,168	\$160,897	\$20,141
<b>Total</b>	\$3,156,142	\$3,859,625	\$3,859,625	\$680,055

1

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## Appendix 7-A

### 2012 Updated Cost Allocation Study



#### 2012 COST ALLOCATION

E.L.K. Energy Inc.

EB-2011-0099

September 14, 2012

#### Sheet I6.1 Revenue Worksheet - Initial Application

Total kWhs from Load Forecast	241,074,182
Total kWhs from Load Forecast	296,166
Deficiency from RRWF	- 703,483
Miscellaneous Revenue	680,055

	ID	Total	1 Residential	2 GS <50	3 GS>50-Regular	7 Street Light	8 Sentinel	9 Unmetered Scattered Load	10 Embedded Distributor
<b>Billing Data</b>									
Forecast kWh	CEN	241,074,182	93,093,255	31,699,824	71,176,063	1,916,371	4,024	187,863	42,996,782
Forecast kW	CDEM	296,166			194,766	5,340	11		96,049
Forecast kW, included in CDEM, of customers receiving line transformer allowance		134,379			134,379				
Optional - Forecast kWh, included in CEN, from customers that receive a line transformation allowance on a kWh basis. In most cases this will not be applicable and will be left blank.		-							
kWh excluding kWh from Wholesale Market Participants	CEN EWMP	241,074,182	93,093,255	31,699,824	71,176,063	1,916,371	4,024	187,863	42,996,782
kWh - 30 year weather normalized amount		-	-	-	-	-	-	-	-
Existing Monthly Charge			\$11.13	\$11.06	\$441.33	\$0.01	\$0.40	\$5.54	\$842.45
Existing Distribution kWh Rate			\$0.0079	\$0.0017				\$0.0017	
Existing Distribution kW Rate					\$2.0370	\$0.0974	\$0.7508		\$0.1253
Existing TFOA Rate					\$0.80				
Additional Charges									
Distribution Revenue from Rates		\$2,236,769	\$2,074,165	\$215,076	\$891,709	\$856	\$42	\$2,449	\$52,472
Transformer Ownership Allowance		\$80,627	\$0	\$0	\$80,627	\$0	\$0	\$0	\$0
Net Class Revenue	CREV	\$3,156,142	\$2,074,165	\$215,076	\$972,336	\$856	\$42	\$2,449	\$52,472
<b>Data Mismatch Analysis</b>									
Revenue with 30 year weather normalized kWh		-	-	-	-	-	-	-	-

#### Weather Normalized Data from Hydro One

	Total	Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load	Embedded Distributor
kWh - 30 year weather normalized amount	-							
Loss Factor								





## 2012 COST ALLOCATION

E.L.K. Energy Inc.

EB-2011-0099

September 14, 2012

### Sheet I6.2 Customer Data Worksheet - Initial Application

			1	2	3	7	8	9	10
	ID	Total	Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load	Embedded Distributor
Billing Data									
Bad Debt 3 Year Historical Average	BDHA	\$254,920	\$253,277	\$1,643	\$0	\$0	\$0	\$0	\$0
Late Payment 3 Year Historical Average	LPHA	\$127,882	\$88,384	\$17,265	\$22,111	\$122			
Number of Bills	CNB	136,445	120,281	14,574	1,122	12	24	384	48
Number of Devices						2,801	7	32	
Number of Connections (Unmetered)	CCON	2,840				2,801	7	32	
Total Number of Customers	CCA	11,335	10,023	1,214	93				4
Bulk Customer Base	CCB	-							
Primary Customer Base	CCP	11,335	10,023	1,214	93				4
Line Transformer Customer Base	CCLT	11,321	10,023	1,214	83				-
Secondary Customer Base	CCS	11,277	10,023	1,214	39				-
Weighted - Services	CWCS	14,265	10,023	2,319	74	1,851	5	21	-
Weighted Meter -Capital	CWMC	1,149,454	773,152	183,101	193,200	-	-	-	-
Weighted Meter Reading	CWMR	11,563	10,023	1,214	325	-	-	-	-
Weighted Bills	CWNB	156,537	120,281	14,574	20,225	184	24	384	866

### Bad Debt Data

Historic Year: 2009	258,966	258,966									
Historic Year: 2010	193,279	188,350	4,929								
Historic Year: 2011	312,515	312,515									
Three-year average	254,920	253,277	1,643	-	-	-	-	-	-	-	-





## 2012 COST ALLOCATION

E.L.K. Energy Inc.

EB-2011-0099

September 14, 2012

### Sheet 18 Demand Data Worksheet - Initial Application

This is an input sheet for demand allocators.

CP TEST RESULTS	4 CP
NCP TEST RESULTS	4 NCP
Co-Incident Peak	Indicator
1 CP	CP 1
4 CP	CP 4
12 CP	CP 12
Non-co-Incident Peak	Indicator
1 NCP	NCP 1
4 NCP	NCP 4
12 NCP	NCP 12

			1	2	3	7	8	9	10
Customer Classes		Total	Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load	Embedded Distributor
CO-INCIDENT PEAK									
1 CP									
Transformation CP	TCP1	52,622	27,395	7,764	9,441	-	-	18	8,004
Bulk Delivery CP	BCP1	52,622	27,395	7,764	9,441	-	-	18	8,004
Total System CP	DCP1	52,622	27,395	7,764	9,441	-	-	18	8,004
4 CP									
Transformation CP	TCP4	193,207	87,327	32,507	41,287	-	-	70	32,016
Bulk Delivery CP	BCP4	193,207	87,327	32,507	41,287	-	-	70	32,016
Total System CP	DCP4	193,207	87,327	32,507	41,287	-	-	70	32,016
12 CP									
Transformation CP	TCP12	491,542	197,583	77,024	118,242	2,366	5	273	96,049
Bulk Delivery CP	BCP12	491,542	197,583	77,024	118,242	2,366	5	273	96,049
Total System CP	DCP12	491,542	197,583	77,024	118,242	2,366	5	273	96,049
NON CO-INCIDENT PEAK									
1 NCP									
Classification NCP from Load Data Provider									
DNCP1		82,017	27,395	11,012	15,122	446	1	36	8,004
Primary NCP	PNCP1	82,017	27,395	11,012	15,122	446	1	36	8,004
Line Transformer NCP	LYNCP1	44,846	27,395	11,012	5,955	446	1	36	
Secondary NCP	SNCP1	41,674	27,395	11,012	2,783	446	1	36	
4 NCP									
Classification NCP from Load Data Provider									
DNCP4		226,708	93,313	42,011	57,443	1,784	4	138	32,016
Primary NCP	PNCP4	226,708	93,313	42,011	57,443	1,784	4	138	32,016
Line Transformer NCP	LYNCP4	158,023	93,313	42,011	20,774	1,784	4	138	
Secondary NCP	SNCP4	146,958	93,313	42,011	9,707	1,784	4	138	
12 NCP									
Classification NCP from Load Data Provider									
DNCP12		573,997	215,807	97,176	159,443	5,333	11	378	96,049
Primary NCP	PNCP12	573,997	215,807	97,176	159,443	5,333	11	378	96,049
Line Transformer NCP	LYNCP12	387,940	215,807	97,176	49,435	5,333	11	378	
Secondary NCP	SNCP12	341,605	215,807	97,176	23,700	5,333	11	378	





## 2012 COST ALLOCATION

E.L.K. Energy Inc.

EB-2011-0099

September 14, 2012

### Sheet OI Revenue to Cost Summary Worksheet - Initial Application

#### Instructions:

Please see the first tab in this workbook for detailed instructions

#### Class Revenue, Cost Analysis, and Return on Rate Base

			1	2	3	7	8	9	10
Rate Base Assets		Total	Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load	Embedded Distributor
crev mi	Distribution Revenue at Existing Rates	\$3,156,142	\$2,074,165	\$215,076	\$811,082	\$856	\$42	\$2,449	\$52,472
	Miscellaneous Revenue (mi)	\$680,055	\$468,428	\$87,716	\$82,837	\$20,225	\$72	\$636	\$20,141
		Miscellaneous Revenue Input equals Output							
Total Revenue at Existing Rates		\$3,836,197	\$2,542,593	\$302,791	\$893,919	\$21,081	\$114	\$3,085	\$72,613
Factor required to recover deficiency (1 + D)		1.2229							
Distribution Revenue at Status Quo Rates		\$3,859,625	\$2,536,483	\$263,014	\$991,866	\$1,047	\$51	\$2,994	\$64,168
Miscellaneous Revenue (mi)		\$680,055	\$468,428	\$87,716	\$82,837	\$20,225	\$72	\$636	\$20,141
Total Revenue at Status Quo Rates		\$4,539,680	\$3,004,911	\$350,730	\$1,074,703	\$21,272	\$124	\$3,631	\$84,309
Expenses									
di cu ad dep INPUT INT	Distribution Costs (di)	\$706,000	\$388,389	\$126,579	\$93,838	\$51,020	\$134	\$779	\$45,261
	Customer Related Costs (cu)	\$815,064	\$690,260	\$57,920	\$63,047	\$483	\$63	\$1,012	\$2,278
	General and Administration (ad)	\$1,108,446	\$778,855	\$137,552	\$116,454	\$38,596	\$144	\$1,290	\$35,555
	Depreciation and Amortization (dep)	\$975,107	\$543,048	\$178,851	\$144,456	\$54,465	\$138	\$905	\$53,244
	PILs (INPUT)	\$238,598	\$136,291	\$43,301	\$34,473	\$12,885	\$33	\$209	\$11,406
	Interest	\$212,518	\$121,393	\$38,568	\$30,705	\$11,477	\$29	\$187	\$10,159
	Total Expenses	\$4,055,733	\$2,658,236	\$582,770	\$482,975	\$168,926	\$540	\$4,382	\$157,904
Direct Allocation		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NI	Allocated Net Income (NI)	\$483,947	\$276,438	\$87,826	\$69,922	\$26,135	\$67	\$425	\$23,134
	Revenue Requirement (includes NI)	\$4,539,680	\$2,934,673	\$670,596	\$552,897	\$195,061	\$607	\$4,807	\$181,038
		Revenue Requirement Input equals Output							
Rate Base Calculation									
Net Assets									
dp gp accum dep co	Distribution Plant - Gross	\$24,753,373	\$13,616,167	\$4,595,923	\$3,653,619	\$1,444,277	\$3,643	\$24,199	\$1,415,546
	General Plant - Gross	\$4,071,411	\$2,303,114	\$743,519	\$590,899	\$225,120	\$572	\$3,690	\$204,495
	Accumulated Depreciation	(\$15,504,990)	(\$8,401,303)	(\$2,903,536)	(\$2,309,397)	(\$929,004)	(\$2,334)	(\$15,731)	(\$943,686)
	Capital Contribution	(\$4,223,046)	(\$2,327,318)	(\$783,894)	(\$620,143)	(\$247,845)	(\$625)	(\$4,142)	(\$239,078)
	Total Net Plant	\$9,096,748	\$5,190,659	\$1,652,011	\$1,314,980	\$492,549	\$1,256	\$8,015	\$437,277
Directly Allocated Net Fixed Assets		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
COP	Cost of Power (COP)	\$25,166,131	\$9,718,158	\$3,309,197	\$7,430,186	\$200,053	\$420	\$19,611	\$4,488,505
	OM&A Expenses	\$2,629,509	\$1,857,503	\$322,051	\$273,340	\$90,099	\$341	\$3,081	\$83,095
	Directly Allocated Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Subtotal	\$27,795,640	\$11,575,661	\$3,631,248	\$7,703,526	\$290,152	\$761	\$22,692	\$4,571,599
	Working Capital	\$4,169,346	\$1,736,349	\$544,687	\$1,155,529	\$43,523	\$114	\$3,404	\$685,740
Total Rate Base		\$13,266,094	\$6,927,009	\$2,196,699	\$2,470,509	\$536,072	\$1,370	\$11,419	\$1,123,017
		Rate Base Input equals Output							
Equity Component of Rate Base		\$5,306,438	\$2,770,803	\$878,679	\$988,203	\$214,429	\$548	\$4,568	\$449,207
Net Income on Allocated Assets		\$483,947	\$346,675	(\$232,040)	\$591,728	(\$147,654)	(\$417)	(\$752)	(\$73,595)
Net Income on Direct Allocation Assets		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Income		\$483,947	\$346,675	(\$232,040)	\$591,728	(\$147,654)	(\$417)	(\$752)	(\$73,595)
RATIOS ANALYSIS									
REVENUE TO EXPENSES STATUS QUO%		100.00%	102.39%	52.30%	194.38%	10.91%	20.35%	75.52%	46.57%
EXISTING REVENUE MINUS ALLOCATED COSTS		(\$703,483)	(\$392,080)	(\$367,805)	\$341,021	(\$173,980)	(\$493)	(\$1,722)	(\$108,425)
		Deficiency Input equals Output							
STATUS QUO REVENUE MINUS ALLOCATED COSTS		\$0	\$70,238	(\$319,866)	\$521,806	(\$173,789)	(\$484)	(\$1,177)	(\$96,729)
RETURN ON EQUITY COMPONENT OF RATE BASE		9.12%	12.51%	-26.41%	59.88%	-68.86%	-76.05%	-16.46%	-16.38%





## 2012 COST ALLOCATION

E.L.K. Energy Inc.

EB-2011-0099

September 14, 2012

### Sheet O2 Monthly Fixed Charge Min. & Max. Worksheet - Initial Application

Output sheet showing minimum and maximum level for  
Monthly Fixed Charge

#### Summary

Customer Unit Cost per month - Avoided Cost

Customer Unit Cost per month - Directly Related

Customer Unit Cost per month - Minimum System with  
PLCC Adjustment

Existing Approved Fixed Charge

1	2	3	7	8	9	10
Residential	GS <50	GS>50-Regular	Street Light	Sentinel	Unmetered Scattered Load	Embedded Distributor
\$3.66	\$4.76	\$63.05	-\$0.02	\$0.55	\$1.99	\$22.41
\$6.19	\$7.82	\$105.39	-\$0.01	\$0.98	\$3.47	\$50.15
\$15.81	\$15.83	\$127.68	\$5.78	\$7.19	\$8.80	\$70.40
\$11.13	\$11.06	\$441.33	\$0.01	\$0.40	\$5.54	\$842.45



Exhibit	Tab	Schedule	Appendix	Contents
8 – Rate Design	1	1		Distribution and Low Voltage Rate Design
	1	2		Retail Transmission Service Rates
	1	3		Loss Factor
	1	4		Lost Revenue Adjustment Mechanism ("LRAM") Claim
	1	5		Existing Tariff of Rates and Charges
	1	6		Proposed Tariff of Rates and Charges
	1	7		Reconciliation of Rate Class Revenue
	1	8		Rate and Bill Impacts
			8-A	LRAM Rate Calculations



## DISTRIBUTION AND LOW VOLTAGE RATE DESIGN:

This Exhibit documents the calculation of E.L.K.'s proposed distribution rates by rate class for the 2012 Test Year, based on the rate design as proposed in this Exhibit.

E.L.K. has determined its total 2012 service revenue requirement to be \$4,539,680. The total revenue offsets in the amount of \$680,055 reduce E.L.K.'s total service revenue requirement to a base revenue requirement of \$3,859,625 which is used to determine the proposed distribution rates. The revenue requirement is summarized in the table below:

<b>Table 8-1 Calculation of Base Revenue Requirement</b>	
<b>Description</b>	<b>Amount</b>
OM&A Expenses	\$2,629,509
Amortization Expenses	\$975,107
Regulated Return On Capital	\$696,465
PILs	\$238,598
Service Revenue Requirement	\$4,539,680
Less: Revenue Offsets	\$680,055
<b>Base Revenue Requirement</b>	<b>\$3,859,625</b>

The outstanding base revenue requirement is allocated to the various rate classes using the proposed revenue to cost ratios outlined in Exhibit 7 – Cost Allocation. The following table shows how the base revenue requirement has been allocated to the rate classes.

<b>TABLE 8-2 Rate Class Base Revenue Requirement</b>	
<b>Rate Classification</b>	<b>2012 Base Revenue Requirement</b>
Residential	\$2,536,483
General Service < 50 kW	\$448,761
General Service 50 to 4,999 kW	\$580,640
Street Lighting	\$129,221
Sentinel Lighting	\$413
Unmetered Scattered Load	\$3,210
Embedded Distributor - Hydro One	\$160,897
<b>Total</b>	<b>\$3,859,625</b>

In this application E.L.K. is seeking approval to establish a new Embedded Distributor rate class for Hydro One consistent with the approach approved by the Board in EB-2010-0063. In that



Decision the Board approved Brant County Power's request as an embedded distributor within Brantford Power Inc. to be separated as a customer from the General Service > 50 kW rate class and be classified as a member of a new Embedded Distributor rate class.

With the establishment of the Embedded Distributor class there will only be one customer in the legacy General Service 50 to 4,999 kW Time of Use class. In order to reduce the administrative burden of having one customer in a class, E.L.K is seeking approved to harmonize the one customer in the legacy General Service 50 to 4,999 kW Time of Use class with the projected 92 customers for 2012 in the standard General Service 50 to 4,999 kW class.

#### **Determination of Monthly Fixed Charges:**

Based on applying the existing approved monthly service charges to the forecasted number of customers for 2012 and applying the existing approved distribution volumetric charge excluding the adjustment for transformation allowance, to 2012 forecasted volumes the following table outlines E.L.K.'s current split between fixed and variable distribution revenue.

<b>Table 8-3 Current Fixed Variable Split</b>					
<b>Rate Classification</b>	<b>2012 Fixed Base Revenue with 2011 Approved Rates</b>	<b>2012 Variable Base Revenue with 2011 Approved Rates</b>	<b>2012 Total Base Revenue with 2011 Approved Rates</b>	<b>Fixed Revenue Proportion</b>	<b>Variable Revenue Proportion</b>
Residential	\$1,338,729	\$735,437	\$2,074,165	64.5%	35.5%
General Service < 50 kW	\$161,186	\$53,890	\$215,076	74.9%	25.1%
General Service 50 to 4,999 kW	\$494,971	\$316,110	\$811,082	61.0%	39.0%
Street Lighting	\$336	\$520	\$856	39.3%	60.7%
Sentinel Lighting	\$34	\$8	\$42	80.0%	20.0%
Unmetered Scattered Load	\$2,129	\$319	\$2,449	87.0%	13.0%
Embedded Distributor - Hydro One	\$40,438	\$12,035	\$52,472	77.1%	22.9%
<b>Total</b>	<b>\$2,037,823</b>	<b>\$1,118,319</b>	<b>\$3,156,142</b>	<b>64.6%</b>	<b>35.4%</b>

E.L.K. submits that it is appropriate for 2012 to maintain the same fixed/variable proportions assumed in the current rates to all customer classifications.

In its November 28, 2007 Report on Application of Cost Allocation for Electricity Distributors, the OEB addressed a number of "Other Rate Matters", including the treatment of the fixed rate component (the Monthly Service Charge, or 'MSC') of the bill. At page 12 of the Report, the OEB determined that the floor amount for the MSC should be the avoided costs, as that term is



defined in the September 29, 2006 report of the OEB entitled "Cost Allocation: Board Directions on Cost Allocation Methodology for Electricity Distributors". Except for the Sentinel Lighting class, E.L.K.'s MSCs currently exceeds that floor amount by rate class. For the Sentinel Lighting class the proposed MSC will exceed the floor amount shown below. The following table provides the current monthly service charges compared to the floor and ceiling as calculated in the cost allocation study.

<b>Table 8-4 Monthly Service Charge Information from Cost Allocation Model</b>			
<b>Rate Classification</b>	<b>2011 Approved Monthly Service Charge</b>	<b>Customer Unit Cost per month - Avoided Cost</b>	<b>Customer Unit Cost per month - Minimum System with PLCC Adjustment</b>
Residential	\$11.13	\$3.66	\$15.81
General Service < 50 kW	\$11.06	\$4.76	\$15.83
General Service 50 to 4,999 kW	\$441.33	\$63.05	\$127.68
Street Lighting	\$0.01	(\$0.02)	\$5.78
Sentinel Lighting	\$0.40	\$0.55	\$7.19
Unmetered Scattered Load	\$5.54	\$1.99	\$8.80
Embedded Distributor - Hydro One	\$842.45	\$22.41	\$70.40

Consistent with recent Board Decisions on 2011 cost of service rate applications for Hydro One Brampton, Kenora Hydro and Horizon Utilities as well as the Board's Decision on Atikokan Hydro's 2012 cost of service application, E.L.K. proposes to maintain the current fixed/variable proportions for all rate classes in the design of the proposed distribution rates. The following table provides the calculation of monthly fixed charge assuming the fixed/variable split is maintained.



**Table 8-5 Proposed Monthly Service Charge**

Rate Classification	Total Base Revenue Requirement	Fixed Revenue Proportion	Fixed Revenue	Annualized Customers / Connections	Proposed Monthly Service Charge
Residential	\$2,536,483	64.5%	\$1,637,122	120,281	\$13.61
General Service < 50 kW	\$448,761	74.9%	\$336,319	14,574	\$23.08
General Service 50 to 4,999 kW	\$580,640	61.0%	\$354,342	1,122	\$315.94
Street Lighting	\$129,221	39.3%	\$50,727	33,614	\$1.51
Sentinel Lighting	\$413	80.0%	\$331	84	\$3.94
Unmetered Scattered Load	\$3,210	87.0%	\$2,791	384	\$7.26
Embedded Distributor - Hydro One	\$160,897	77.1%	\$123,994	48	\$2,583.22
<b>Total</b>	<b>\$3,859,625</b>		<b>\$2,505,625</b>		

## Proposed Volumetric Charges:

The volumetric distribution charge is calculated by dividing the variable distribution portion of the base revenue requirement by the appropriate 2012 Test Year usage, kWh or kW, as the class charge determinant.

The following Table provides E.L.K.'s calculations of its proposed volumetric distribution charges for the 2012 Test Year which maintains the same fixed/variable split used in designing the current approved rates.

**Table 8-6 Proposed Distribution Volumetric Charge**

Rate Classification	Total Base Revenue Requirement	Fixed Revenue	Variable Revenue	Annualized kWh or kW as required	Unit of Measure	Proposed Volumetric Distribution Charge before Transformer Allowance
Residential	\$2,536,483	\$1,637,122	\$899,361	93,093,255	kWh	\$0.0097
General Service < 50 kW	\$448,761	\$336,319	\$112,442	31,699,824	kWh	\$0.0035
General Service 50 to 4,999 kW	\$580,640	\$354,342	\$226,298	194,766	kW	\$1.1619
Street Lighting	\$129,221	\$50,727	\$78,494	5,340	kW	\$14.6984
Sentinel Lighting	\$413	\$331	\$83	11	kW	\$7.3885
Unmetered Scattered Load	\$3,210	\$2,791	\$419	187,863	kWh	\$0.0022
Embedded Distributor - Hydro One	\$160,897	\$123,994	\$36,903	96,049	kW	\$0.3842
<b>Total</b>	<b>\$3,859,625</b>	<b>\$2,505,625</b>	<b>\$1,353,999</b>			

## Proposed Adjustment for Transformer Allowance:

Currently, E.L.K. provides a Transformer Allowance to those customers that own their transformation facilities. E.L.K. proposes to maintain the current approved transformer ownership allowance of \$0.60 per kW. The Transformer Allowance is intended to reflect the costs to a distributor of providing step down transformation facilities to the customer's utilization



voltage level. Since the distributor provides electricity at utilization voltage, the cost of this transformation is captured in and recovered through the distribution rates. Therefore, when a customer provides its own step down transformation from primary to secondary, it should receive a credit of these costs already included in the distribution rates.

The amount of the Transformer Allowance expected to be provided to those GS > 50 kW customers that own their transformers is included in the GS > 50 kW volumetric charge. As a result, the proposed volumetric charge of \$1.1619 per kW for the GS > 50 kW customer class is increased by \$ 0.4140 per kW to include the amount of the Transformer Allowance in the GS > 50 kW class distribution volumetric rate. This means the total proposed distribution volumetric charge for the GS > 50 kW class will be \$1.5759.

#### **Proposed Distribution Rates:**

The following table sets out E.L.K.'s proposed 2011 electricity distribution rates based on the foregoing calculations.

<b>Table 8-7 Proposed Distribution Rates</b>			
<b>Rate Classification</b>	<b>Proposed Monthly Service Charge</b>	<b>Unit of Measure</b>	<b>Proposed Volumetric Distribution Charge incl Transformer Allowance Adjustment</b>
Residential	\$13.61	kWh	\$0.0097
General Service < 50 kW	\$23.08	kWh	\$0.0035
General Service 50 to 4,999 kW	\$315.94	kW	\$1.5759
Street Lighting	\$1.51	kW	\$14.6984
Sentinel Lighting	\$3.94	kW	\$7.3885
Unmetered Scattered Load	\$7.26	kWh	\$0.0022
Embedded Distributor - Hydro One	\$2,583.22	kW	\$0.3842
Transformer Discount		kWh	(\$0.60)

#### **Determination of Low Voltage Charges:**

Consistent with the approach in the Board's 2006 EDR model, 2012 Low Voltage costs of \$287,404 have been allocated to each rate class based on the proportion of retail transmission



connection revenue expected to be collected from each class. The amount of forecasted Low Voltage costs in 2012 is based on E.L.K.'s expected charges from Hydro One for Low Voltage service which is the average of the 2010 and 2011 total charges. The following table outlines how the 2012 forecasted charges have been allocated to each rate class.

**Table 8-8 Allocation of Low Voltage Charges to Rate Class**

Customer Class	Retail Transmission Connection Rate		Basis for Allocation (\$)	Allocation Percentages	Allocated \$
	per KWh	per kW			
Residential	0.0046		427,644	44.76%	128,641
General Service < 50 kW	0.0042		132,676	13.89%	39,911
General Service 50 to 4,999 kW		1.6581	228,193	23.88%	68,643
Street Lighting		1.2827	6,850	0.72%	2,061
Sentinel Lighting		1.3096	15	0.00%	4
Unmetered Scattered Load	0.0042		786	0.08%	237
Embedded Distributor - Hydro One		1.6581	159,261	16.67%	47,908
<b>TOTALS</b>			<b>955,425</b>	<b>100%</b>	<b>287,404</b>

The following table provides the calculation of the Low Voltage rates to be charged to each class.

**Table 8-9 Calculation of Low Voltage Rates by Rate Class**

Customer Class	LV Adj. Allocated	Calculated kWh	Calculated kW	Volumetric Rate Type	LV/ Adj. Rates/kWh	LV Adj. Rates/ kW
Residential	128,641	93,093,255	0	kWh	0.0014	
General Service < 50 kW	39,911	31,699,824	0	kWh	0.0013	
General Service 50 to 4,999 kW	68,643	71,176,063	137,621	kW		0.4988
Street Lighting	2,061	1,916,371	5,340	kW		0.3858
Sentinel Lighting	4	4,024	11	kW		0.3939
Unmetered Scattered Load	237	187,863	0	kWh	0.0013	
Embedded Distributor - Hydro One	47,908	42,996,782	96,049	kW		0.4988
<b>TOTALS</b>	<b>287,404</b>	<b>241,074,182</b>	<b>239,021</b>			



## RETAIL TRANSMISSION SERVICE RATES

Electricity distributors are charged the Ontario Uniform Transmission Rates (UTRs) at the wholesale level and subsequently pass these charges on to their distribution customers through Retail Transmission Service Rates (RTSRs). For each distribution rate class there are two RTSRs, one for network and one for connection. The RTSR network charge recovers the UTR wholesale network service charge, and the RTSR connection charge recovers the UTR wholesale line and transformation connection charges. Deferral accounts capture timing and rate differences between the UTR's paid at the wholesale level and RTSR's billed to distribution customers.

The Board has provided a Microsoft Excel workbook "2012\_RTSR\_Adjustment\_Work\_Form" and instructions for distributors to complete as part of their 2012 electricity rate applications. E.L.K. has completed this workbook to determine the RTSR's and has filed the model as part of this application. Table 8-10 is reproduced from the Board model and indicates the new RTSR's.

**Table 8-10**  
**Proposed 2012 Retail Transmission Service Rates**

Rate Class	Unit	Proposed RTSR Network		Proposed RTSR Connection	
Residential	kWh	\$	0.0058	\$	0.0046
General Service Less Than 50 kW	kWh	\$	0.0052	\$	0.0042
General Service 50 to 4,999 kW	kW	\$	2.1567	\$	1.6581
General Service 50 to 4,999 kW - Time of Use	kW	\$	-	\$	-
Unmetered Scattered Load	kWh	\$	0.0052	\$	0.0042
Sentinel Lighting	kW	\$	1.6349	\$	1.3096
Street Lighting	kW	\$	1.6266	\$	1.2827



## LOSS FACTOR

### DETERMINATION OF LOSS ADJUSTMENT FACTORS:

#### Total Loss Factor:

E.L.K. has calculated the total loss factor to be applied to customers' consumption based on the average wholesale and retail kWh for the years 2007 to 2011. The calculations are summarized in Table 8-11 below.

**Table 8-11**  
**Total Loss Factor Calculations**

Calculation for distribution loss adjustment factors		Historical Years					5-Year Average
	Description	2007	2008	2009	2010	2011	
	Losses Within Distributor's System						
A(1)	"Wholesale" kWh delivered to distributor (higher value)	271,076,220	262,640,600	248,858,578	261,284,908	255,035,715	259,779,204
A(2)	"Wholesale" kWh delivered to distributor (lower value)	262,162,689	254,004,449	240,675,608	252,693,334	246,649,628	251,237,141
B	Portion of "Wholesale" kWh delivered to distributor for its Large Use Customer(s)						-
C	Net "Wholesale" kWh delivered to distributor = A(2) - B	262,162,689	254,004,449	240,675,608	252,693,334	246,649,628	251,237,141
D	"Retail" kWh delivered by distributor	257,725,197	247,717,037	237,106,249	228,261,453	231,894,181	240,540,824
E	Portion of "Retail" kWh delivered by distributor to its Large Use Customer(s)						-
F	Net "Retail" kWh delivered by distributor = D - E	257,725,197	247,717,037	237,106,249	228,261,453	231,894,181	240,540,824
G	Loss Factor in Distributor's system = C / F	101.72%	102.54%	101.51%	110.70%	106.36%	104.45%
	Losses Upstream of Distributor's System						
H	Supply Facilities Loss Factor	103.40%	103.40%	103.40%	103.40%	103.40%	103.40%
	Total Losses						
I	Total Loss Factor = G x H	1.05	1.06	1.05	1.14	1.10	1.08

#### Supply Facility Loss Factor:

The supply facility loss factor (the "SFLF") calculation is shown in Table 8-12 and represents the losses on supply to E.L.K. The SFLF is calculated on the measured quantities between the transformer stations and the wholesale meter points. The SFLF is used in the calculations of the total loss factor above based on the 2007 to 2011 averages.

**Table 8-12**  
**Supply Facility Loss Factor**

Description	2007	2008	2009	2010	2011	TOTAL
"Wholesale" kWh IESO With Losses	271,076,220	262,640,600	248,858,578	261,284,908	255,035,715	1,298,896,022
"Wholesale" kWh IESO No Losses	262,162,689	254,004,449	240,675,608	252,693,334	246,649,628	1,256,185,707
Supply Facility Loss Factor	1.034	1.034	1.034	1.034	1.034	1.034

#### Total Loss Factor by Class:



1 Table 8-13 sets out the class-specific Loss Factors used by E.L.K. in the calculation of  
2 commodity and other non-distribution charges.

3 **Table 8-13**  
4 **Total Loss Factor by Class**

Total Utility Loss Adjustment Factor			LAF
<b>Supply Facility Loss Factor</b>			1.034
<b>Distribution Loss Factor</b>			
Distribution Loss Factor- Secondary Metered Customer <5,000 kW			1.044
Distribution Loss Factor- Primary Metered Customer <5,000 kW			1.034
<b>Total Loss Factor</b>			
Total Loss Factor- Secondary Metered Customer <5,000 kW			1.080
Total Loss Factor- Primary Metered Customer <5,000 kW			1.069

5



1    **Materiality Analysis on Distribution Losses:**

2    E.L.K.'s Distribution Loss Adjustment factor is 4.4%. Pursuant to the Filing Requirements, as  
3    the Distribution Loss Adjustment factor is less than 5%, E.L.K is not required to provide an  
4    explanation of, or justification for, its loss adjustment factor.



**LOST REVENUE ADJUSTMENT MECHANISM ("LRAM")**

In this application E.L.K. is only seeking LRAM recovery associated with savings from Ontario Power Authority (OPA) provincial programs that E.L.K. participated in from 2006 to 2010. However, E.L.K. is not seeking recovery of LRAM or amounts from the Shared Savings Mechanism for Third Tranche programs.

E.L.K. participated in a number of OPA provincial programs from 2006 to 2010. CDM activities related to these OPA-sponsored programs has resulted in forgone revenues of \$75,207 plus interest to September 2012 of \$5,328 for E.L.K. E.L.K. is seeking to recover this lost revenue through LRAM in its 2011 rates. The detailed calculations supporting the forgone revenue are provided in Appendix 8-A. Appendix 8-A also provides information on the savings by program by year on a gross and net basis and outlines the free ridership percentage. The information on the level of achieved savings used in Appendix 8-A was provided by the OPA in its Final 2010 CDM Summary Results report dated November 14, 2011.

The Board outlined the LRAM processes in the March 28, 2008 Guidelines for Electricity Distributor Conservation and Demand Management EB-2008-0037) ("CDM Guidelines"). The CDM Guidelines were applied to the preparation of this requested LRAM recovery. LRAM calculations are made from the energy savings data from measured CDM program results as applied to the affected rate class for OPA programming, which represents the lost revenue to the distributor and may be claimed under LRAM. This request for LRAM compensation is part of E.L.K.'s 2012 rate application and is based on its 2006 to 2010 inclusive CDM results for OPA programs initiated in 2006 to 2010.

LRAM was calculated as the product of the demand/energy savings by customer class and the Board-approved variable distribution charge appropriate to each respective class (net of Regulatory Asset Recovery rate riders). For the purposes of this request, E.L.K. has assumed only OPA sponsored program are eligible for LRAM.

LRAM amounts were identified by rate class consistent with the CDM Guidelines for OPA programs that impacted revenues from 2006 to 2010. No forecast or other adjustment for the effects of CDM programs was made to the load quantities used in the preparation of E.L.K.'s



rate cases forecast assumed in E.L.K.'s 2006 to 2010 distribution rates. The entire actual load reduction achieved by the OPA sponsored programs is subject to LRAM treatment. All results are net of free ridership.

Appendix 8-A summarizes the CDM load impacts by program and rate class and the resultant revenue impacts. The lost revenue from the sum of all OPA programs is \$75,207 plus interest to September 2012 of \$5,328 for a total claim of \$80,535. The following Table 8-14 provides a summary of LRAM calculations and rate riders by rate class. E.L.K. is requesting a one-year rate rider for the LRAM.

**Table 8-14**  
**LRAM Rate Rider Calculation by Rate Class**

LRAM Rate Rider	LRAM	Interest	Total LRAM Claim	2012 Proposed Billing Determinant	UOM	LRAM Rider	
Residential	\$59,641	\$4,225	\$63,866	93,093,255	kWh	0.0007	(\$/kWh)
General Service Less Than 50 kW	\$4,865	\$345	\$5,210	31,699,824	kWh	0.0002	(\$/kWh)
General Service 50 to 4,999 kW -	\$10,700	\$758	\$11,458	137,621	kW	0.0833	(\$/kW)
Total	\$75,207	\$5,328	\$80,535				



## **EXISTING TARIFF OF RATES AND CHARGES**

**Appendix A**  
**To Decision and Order**  
**Draft Tariff of Rates and Charges**  
**Board File No: EB-2010-0126**  
**DATED: March 28, 2011**



# **E.L.K. Energy Inc.** **TARIFF OF RATES AND CHARGES** **Effective and Implementation Date May 1, 2011**

**This schedule supersedes and replaces all previously  
 approved schedules of Rates, Charges and Loss Factors**

EB-2010-0126

## **RESIDENTIAL SERVICE CLASSIFICATION**

This classification refers to a service which is less than 50 kW supplied to a single family dwelling unit that is for domestic or household purposes, including seasonal occupancy. At E.L.K.'s discretion, residential rates may be applied to apartment buildings with 6 or less units by simple application of the residential rate or by blocking the residential rate by the number of units. Further servicing details are available in the distributor's Conditions of Service.

## **APPLICATION**

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

## **MONTHLY RATES AND CHARGES – Delivery Component**

Service Charge	\$	11.13
Smart Meter Funding Adder – effective until April 30, 2012	\$	1.45
Rate Rider for Recovery of Late Payment Penalty Litigation Costs – effective until April 30, 2012	\$	0.13
Distribution Volumetric Rate	\$/kWh	0.0079
Low Voltage Service Rate	\$/kWh	0.0016
Rate Rider for Deferral/Variance Account Disposition (2011) – effective until April 30, 2012	\$/kWh	0.0086
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0057
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0045

## **MONTHLY RATES AND CHARGES – Regulatory Component**

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25



# **E.L.K. Energy Inc.** **TARIFF OF RATES AND CHARGES** **Effective and Implementation Date May 1, 2011**

**This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors**

EB-2010-0126

## **GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION**

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW. Further servicing details are available in the distributor's Conditions of Service.

### **APPLICATION**

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

### **MONTHLY RATES AND CHARGES – Delivery Component**

Service Charge	\$	436.99
Smart Meter Funding Adder – effective until April 30, 2012	\$	1.45
Rate Rider for Recovery of Late Payment Penalty Litigation Costs – effective until April 30, 2012	\$	7.59
Distribution Volumetric Rate	\$/kW	2.8308
Low Voltage Service Rate	\$/kW	0.5822
Rate Rider for Deferral/Variance Account Disposition (2011) – effective until April 30, 2012	\$/kW	5.9562
Retail Transmission Rate – Network Service Rate	\$/kW	2.1237
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.6243

### **MONTHLY RATES AND CHARGES – Regulatory Component**

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25



# **E.L.K. Energy Inc.** **TARIFF OF RATES AND CHARGES** **Effective and Implementation Date May 1, 2011**

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2010-0126

## **GENERAL SERVICE 50 to 4,999 kW TIME-OF-USE SERVICE CLASSIFICATION**

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW and that are currently classified as Time of Use. Further servicing details are available in the distributor's Conditions of Service.

### **APPLICATION**

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

### **MONTHLY RATES AND CHARGES – Delivery Component**

Service Charge	\$	842.45
Smart Meter Funding Adder – effective until April 30, 2012	\$	1.45
Rate Rider for Recovery of Late Payment Penalty Litigation Costs – effective until April 30, 2012	\$	7.59
Distribution Volumetric Rate	\$/kW	0.1253
Low Voltage Service Rate	\$/kW	0.6632
Rate Rider for Deferral/Variance Account Disposition (2011) – effective until April 30, 2012	\$/kW	0.0658
Retail Transmission Rate – Network Service Rate – Interval Metered	\$/kW	2.2528
Retail Transmission Rate – Line and Transformation Connection Service Rate – Interval Metered	\$/kW	1.7964

### **MONTHLY RATES AND CHARGES – Regulatory Component**

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25



**E.L.K. Energy Inc.**  
**TARIFF OF RATES AND CHARGES**  
**Effective and Implementation Date May 1, 2011**

This schedule supersedes and replaces all previously  
approved schedules of Rates, Charges and Loss Factors

EB-2010-0126

**UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION**

This classification applies to an account whose average monthly maximum demand is less than, or is forecast to be less than, 50 kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information/documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption. E.L.K. is not in the practice of connecting new unmetered scattered load services. Further servicing details are available in the distributor's Conditions of Service.

**APPLICATION**

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

**MONTHLY RATES AND CHARGES – Delivery Component**

Service Charge (per connection)	\$	5.54
Rate Rider for Recovery of Late Payment Penalty Litigation Costs – effective until April 30, 2012	\$	0.04
Distribution Volumetric Rate	\$/kWh	0.0017
Low Voltage Service Rate	\$/kWh	0.0014
Rate Rider for Deferral/Variance Account Disposition (2011) – effective until April 30, 2012	\$/kWh	0.0001
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0051
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0041

**MONTHLY RATES AND CHARGES – Regulatory Component**

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25



**E.L.K. Energy Inc.**  
**TARIFF OF RATES AND CHARGES**  
**Effective and Implementation Date May 1, 2011**

This schedule supersedes and replaces all previously  
approved schedules of Rates, Charges and Loss Factors

EB-2010-0126

**SENTINEL LIGHTING SERVICE CLASSIFICATION**

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light. E.L.K. is not in the practice of connecting new unmetered scattered load services. Further servicing details are available in the distributor's Conditions of Service.

**APPLICATION**

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

**MONTHLY RATES AND CHARGES – Delivery Component**

Service Charge (per connection)	\$	0.40
Rate Rider for Recovery of Late Payment Penalty Litigation Costs – effective until April 30, 2012	\$	0.32
Distribution Volumetric Rate	\$/kW	0.7508
Retail Transmission Rate – Network Service Rate	\$/kW	1.6099
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.2829

**MONTHLY RATES AND CHARGES – Regulatory Component**

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25



# **E.L.K. Energy Inc.** **TARIFF OF RATES AND CHARGES** **Effective and Implementation Date May 1, 2011**

**This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors**

EB-2010-0126

## **STREET LIGHTING SERVICE CLASSIFICATION**

This classification refers to supply to street lighting equipment owned by and operated for a municipal corporation. The consumption for these customers will be based on the calculated load times the required lighting times established in the approved OEB street lighting load shape template. Further servicing details are available in the distributor's Conditions of Service.

### **APPLICATION**

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

### **MONTHLY RATES AND CHARGES – Delivery Component**

Service Charge (per connection)	\$	0.01
Rate Rider for Recovery of Late Payment Penalty Litigation Costs (per customer)		
– effective until April 30, 2012	\$	0.73
Distribution Volumetric Rate	\$/kW	0.0974
Low Voltage Service Rate	\$/kW	0.4394
Rate Rider for Deferral/Variance Account Disposition (2011) – effective until April 30, 2012	\$/kW	0.0209
Retail Transmission Rate – Network Service Rate	\$/kW	1.6017
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.2565

### **MONTHLY RATES AND CHARGES – Regulatory Component**

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0013
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25



# **E.L.K. Energy Inc.** **TARIFF OF RATES AND CHARGES** **Effective and Implementation Date May 1, 2011**

**This schedule supersedes and replaces all previously  
approved schedules of Rates, Charges and Loss Factors**

EB-2010-0126

## **microFIT GENERATOR SERVICE CLASSIFICATION**

This classification applies to an electricity generation facility contracted under the Ontario Power Authority's microFIT program and connected to the distributor's distribution system. Further servicing details are available in the distributor's Conditions of Service.

### **APPLICATION**

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

### **MONTHLY RATES AND CHARGES – Delivery Component**

Service Charge	\$	5.25
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## **ALLOWANCES**

Transformer Allowance for Ownership - per kW of billing demand/month	\$/kW	(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)



# **E.L.K. Energy Inc.** **TARIFF OF RATES AND CHARGES** **Effective and Implementation Date May 1, 2011**

**This schedule supersedes and replaces all previously  
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EB-2010-0126

## **SPECIFIC SERVICE CHARGES**

### **APPLICATION**

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

<b>Customer Administration</b>		
Arrears certificate	\$	15.00
Statement of account	\$	15.00
Pulling post dated cheques	\$	15.00
Duplicate invoices for previous billing	\$	15.00
Request for other billing information	\$	15.00
Easement letter	\$	15.00
Income tax letter	\$	15.00
Notification Charge	\$	15.00
Account history	\$	15.00
Credit reference/credit check (plus credit agency costs)	\$	15.00
Returned cheque charge (plus bank charges)	\$	15.00
Charge to certify cheque	\$	15.00
Legal letter charge	\$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$	30.00
Special meter reads	\$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$	30.00
<b>Non-Payment of Account</b>		
Late Payment - per month	%	1.50
Late Payment - per annum	%	19.56
Collection of account charge - no disconnection	\$	30.00
Collection of account charge - no disconnection - after regular hours	\$	165.00
Disconnect/Reconnect charge - At Meter - during regular hours	\$	65.00
Disconnect/Reconnect charge - At Meter - after regular hours	\$	185.00
Disconnect/Reconnect charge - At Pole - during regular hours	\$	185.00
Disconnect/Reconnect charge - At Pole - after regular hours	\$	415.00
Install/Remove load control device - during regular hours	\$	65.00
Install/Remove load control device - after regular hours	\$	185.00
Service call - customer owned equipment	\$	30.00
Service call - after regular hours	\$	165.00
Temporary Service - Install & remove - overhead - no transformer	\$	500.00
Temporary Service - Install & remove - underground - no transformer	\$	300.00
Temporary Service - Install & remove - overhead - with transformer	\$	1000.00
Specific Charge for Access to the Power Poles - per pole/year	\$	22.35



# **E.L.K. Energy Inc.** **TARIFF OF RATES AND CHARGES** **Effective and Implementation Date May 1, 2011**

This schedule supersedes and replaces all previously  
approved schedules of Rates, Charges and Loss Factors

EB-2010-0126

## **RETAIL SERVICE CHARGES (if applicable)**

### **APPLICATION**

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	\$	100.00
Monthly Fixed Charge, per retailer	\$	20.00
Monthly Variable Charge, per customer, per retailer	\$/cust.	0.50
Distributor-consolidated billing charge, per customer, per retailer	\$/cust.	0.30
Retailer-consolidated billing credit, per customer, per retailer	\$/cust.	(0.30)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	\$	0.25
Processing fee, per request, applied to the requesting party	\$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year		no charge
More than twice a year, per request (plus incremental delivery costs)	\$	2.00

## **LOSS FACTORS**

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0791
Total Loss Factor – Secondary Metered Customer > 5,000 kW	N/A
Total Loss Factor – Primary Metered Customer < 5,000 kW	1.0683
Total Loss Factor – Primary Metered Customer > 5,000 kW	N/A



## **PROPOSED TARIFF OF RATES AND CHARGES**



# E.L.K. Energy Inc.

## TARIFF OF RATES AND CHARGES

Effective Date October 1, 2012

This schedule supersedes and replaces all previously  
 approved schedules of Rates, Charges and Loss Factors

EB-2011-099

### RESIDENTIAL SERVICE CLASSIFICATION

This classification refers to a service which is less than 50 kW supplied to a single family dwelling unit that is for domestic or household purposes, including seasonal occupancy. At E.L.K.'s discretion, residential rates may be applied to apartment buildings with 6 or less units by simple application of the residential rate or by blocking the residential rate by the number of units. Further servicing details are available in the distributor's Conditions of Service.

### APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

### MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	13.61
Smart Meter Cost Recovery Rider – effective until September 30, 2013	\$	(0.94)
Stranded Meter Rate Rider - effective until September 30, 2013	\$	2.22
Distribution Volumetric Rate	\$/kWh	0.0097
Low Voltage Service Rate	\$/kWh	0.0014
Rate Rider for Global Adjustment Sub-Account Disposition		
Applicable only for Non-RPP Customers – effective until September 30, 2013	\$/kWh	0.0269
Rate Rider for Deferral/Variance Account Disposition – effective until September 30, 2013	\$/kWh	(0.0148)
Rate Rider for LRAM Recovery – effective until September 30, 2013	\$/kWh	0.0007
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0058
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0046

### MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25



# E.L.K. Energy Inc.

## TARIFF OF RATES AND CHARGES

### Effective Date October 1, 2012

This schedule supersedes and replaces all previously  
approved schedules of Rates, Charges and Loss Factors

EB-2011-099

## GENERAL SERVICE LESS THAN 50 kW SERVICE CLASSIFICATION

This classification refers to premises other than those designated as residential and do not exceed 50 kW in any month of the year. This includes multi-unit residential establishments such as apartment buildings supplied through one service (bulk-metered). Further servicing details are available in the distributor's Conditions of Service.

### APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

### MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	23.08
Smart Meter Cost Recovery Rider – effective until September 30, 2013	\$	0.95
Stranded Meter Rate Rider - effective until September 30, 2013	\$	2.22
Distribution Volumetric Rate	\$/kWh	0.0035
Low Voltage Service Rate	\$/kWh	0.0013
Rate Rider for Global Adjustment Sub-Account Disposition		
Applicable only for Non-RPP Customers – effective until September 30, 2013	\$/kWh	0.0269
Rate Rider for Deferral/Variance Account Disposition – effective until September 30, 2013	\$/kWh	(0.0164)
Rate Rider for LRAM Recovery – effective until September 30, 2013	\$/kWh	0.0002
Retail Transmission Rate – Network Service Rate	\$/kWh	0.0052
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kWh	0.0042

### MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25



# E.L.K. Energy Inc.

## TARIFF OF RATES AND CHARGES

### Effective Date October 1, 2012

This schedule supersedes and replaces all previously  
 approved schedules of Rates, Charges and Loss Factors

EB-2011-099

## GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW. Further servicing details are available in the distributor's Conditions of Service.

### APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

### MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	315.94
Distribution Volumetric Rate	\$/kW	1.5759
Low Voltage Service Rate	\$/kW	0.4988
Rate Rider for Global Adjustment Sub-Account Disposition		
Applicable only for Non-RPP Customers – effective until September 30, 2013	\$/kW	9.8148
Rate Rider for Deferral/Variance Account Disposition – effective until September 30, 2013	\$/kW	(6.0623)
Rate Rider for LRAM Recovery – effective until September 30, 2013	\$/kW	0.0833
Retail Transmission Rate – Network Service Rate	\$/kW	2.1567
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.6581

### MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25



# **E.L.K. Energy Inc.** **TARIFF OF RATES AND CHARGES** **Effective Date October 1, 2012**

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EB-2011-099

## **STREET LIGHTING SERVICE CLASSIFICATION**

This classification refers to supply to street lighting equipment owned by and operated for a municipal corporation. The consumption for these customers will be based on the calculated load times the required lighting times established in the approved OEB street lighting load shape template. Further servicing details are available in the distributor's Conditions of Service.

### **APPLICATION**

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It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

### **MONTHLY RATES AND CHARGES – Delivery Component**

Service Charge (per connection)	\$	1.51
Distribution Volumetric Rate	\$/kW	14.6984
Low Voltage Service Rate	\$/kW	0.3858
Rate Rider for Global Adjustment Sub-Account Disposition		
Applicable only for Non-RPP Customers – effective until September 30, 2013	\$/kW	9.6377
Rate Rider for Deferral/Variance Account Disposition – effective until September 30, 2013	\$/kW	(6.1389)
Retail Transmission Rate – Network Service Rate	\$/kW	1.6266
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.2827

### **MONTHLY RATES AND CHARGES – Regulatory Component**

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25



# E.L.K. Energy Inc.

## TARIFF OF RATES AND CHARGES

### Effective Date October 1, 2012

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 approved schedules of Rates, Charges and Loss Factors

EB-2011-099

## SENTINEL LIGHTING SERVICE CLASSIFICATION

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light. E.L.K. is not in the practice of connecting new unmetered scattered load services. Further servicing details are available in the distributor's Conditions of Service.

### APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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### MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	3.94
Distribution Volumetric Rate	\$/kW	7.3885
Low Voltage Service Rate	\$/kW	0.3939
Rate Rider for Global Adjustment Sub-Account Disposition		
Applicable only for Non-RPP Customers – effective until September 30, 2013	\$/kW	9.6377
Rate Rider for Deferral/Variance Account Disposition – effective until September 30, 2013	\$/kW	(3.9368)
Retail Transmission Rate – Network Service Rate	\$/kW	1.6349
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3096

### MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25



# E.L.K. Energy Inc.

## TARIFF OF RATES AND CHARGES

### Effective Date October 1, 2012

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EB-2011-099

## SENTINEL LIGHTING SERVICE CLASSIFICATION

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light. E.L.K. is not in the practice of connecting new unmetered scattered load services. Further servicing details are available in the distributor's Conditions of Service.

### APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

### MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	3.94
Distribution Volumetric Rate	\$/kW	7.3885
Low Voltage Service Rate	\$/kW	0.3939
Rate Rider for Global Adjustment Sub-Account Disposition		
Applicable only for Non-RPP Customers – effective until September 30, 2013	\$/kW	9.6377
Rate Rider for Deferral/Variance Account Disposition – effective until September 30, 2013	\$/kW	(3.9368)
Retail Transmission Rate – Network Service Rate	\$/kW	1.6349
Retail Transmission Rate – Line and Transformation Connection Service Rate	\$/kW	1.3096

### MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25



# E.L.K. Energy Inc.

## TARIFF OF RATES AND CHARGES

Effective Date October 1, 2012

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EB-2011-099

### EMBEDDED DISTRIBUTOR SERVICE CLASSIFICATION

This classification applies to an electricity distributor licensed by the Board, and provided electricity by means of E.L.K. Energy Inc.'s distribution facilities. Further servicing details are available in the distributor's Conditions of Service.

#### APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

#### MONTHLY RATES AND CHARGES – Delivery Component

Service Charge	\$	2,583.22
Distribution Volumetric Rate	\$/kW	0.3842
Low Voltage Service Rate	\$/kW	0.4988
Rate Rider for Global Adjustment Sub-Account Disposition		
Applicable only for Non-RPP Customers – effective until September 30, 2013	\$/kW	12.0229
Rate Rider for Deferral/Variance Account Disposition – effective until September 30, 2013	\$/kW	(7.6567)

#### MONTHLY RATES AND CHARGES – Regulatory Component

Wholesale Market Service Rate	\$/kWh	0.0052
Rural Rate Protection Charge	\$/kWh	0.0011
Standard Supply Service – Administrative Charge (if applicable)	\$	0.25



**E.L.K. Energy Inc.**  
**TARIFF OF RATES AND CHARGES**  
**Effective Date October 1, 2012**

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EB-2011-099

**microFIT GENERATOR SERVICE CLASSIFICATION**

This classification applies to an electricity generation facility contracted under the Ontario Power Authority's microFIT program and connected to the distributor's distribution system. Further servicing details are available in the distributor's Conditions of Service.

**APPLICATION**

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

**MONTHLY RATES AND CHARGES – Delivery Component**

Service Charge	\$	5.25
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**ALLOWANCES**

Transformer Allowance for Ownership – per kW of billing demand/month		(0.60)
Primary Metering Allowance for transformer losses – applied to measured demand and energy	%	(1.00)



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## **SPECIFIC SERVICE CHARGES**

### **APPLICATION**

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No charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

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<b>Customer Administration</b>	
Arrears certificate	\$ 15.00
Statement of account	\$ 15.00
Pulling post dated cheques	\$ 15.00
Duplicate invoices for previous billing	\$ 15.00
Request for other billing information	\$ 15.00
Easement letter	\$ 15.00
Income tax letter	\$ 15.00
Notification charge	\$ 15.00
Account history	\$ 15.00
Credit reference/credit check (plus credit agency costs)	\$ 15.00
Returned Cheque charge (plus bank charges)	\$ 15.00
Charge to certify cheque	\$ 15.00
Legal letter charge	\$ 15.00
Account set up charge / change of occupancy charge (plus credit agency costs if applicable)	\$ 30.00
Special Meter reads	\$ 30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	\$ 30.00
<b>Non-Payment of Account</b>	
Late Payment - per month	% 1.50
Late Payment - per annum	% 19.56
Collection of account charge - no disconnection	\$ 30.00
Collection of account charge - no disconnection - after regular hours	\$ 165.00
Disconnect/Reconnect at Meter - during regular hours	\$ 65.00
Disconnect/Reconnect at Meter - after regular hours	\$ 185.00
Disconnect/Reconnect at Pole - during regular hours	\$ 185.00
Disconnect/Reconnect at Pole - after regular hours	\$ 415.00
Install/Remove load control device - during regular hours	\$ 65.00
Install/remove load control device - after regular hours	\$ 185.00
Service call - customer owned equipment	\$ 30.00
Service call - after regular hours	\$ 165.00
Temporary Service - Install & remove - overhead- no transformer	\$ 500.00
Temporary Service - Install & remove - underground- no transformer	\$ 300.00
Temporary Service - Install & remove - overhead- with transformer	\$ 1000.00
Specific Charge for Access to the Power Poles - per pole/year	\$ 22.35



# **E.L.K. Energy Inc.** **TARIFF OF RATES AND CHARGES** **Effective Date October 1, 2012**

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## **RETAIL SERVICE CHARGES (if applicable)**

### **APPLICATION**

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Board, and amendments thereto as approved by the Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Board, and amendments thereto as approved by the Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

It should be noted that this schedule does not list any charges or assessments that are required by law to be charged by a distributor and that are not subject to Board approval, such as the Debt Retirement Charge, charges for Ministry of Energy Conservation and Renewable Energy Program, the Provincial Benefit and any applicable taxes.

Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	\$	100.00
Monthly Fixed Charge, per retailer	\$	20.00
Monthly Variable Charge, per customer, per retailer	\$/cust.	0.50
Distributor-consolidated billing charge, per customer, per retailer	\$/cust.	0.30
Retailer-consolidated billing credit, per customer, per retailer	\$/cust.	(0.30)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	\$	0.25
Processing fee, per request, applied to the requesting party	\$	0.50
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year		no charge
More than twice a year, per request (plus incremental delivery costs)	\$	2.00

## **LOSS FACTORS**

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

Total Loss Factor – Secondary Metered Customer < 5,000 kW	1.0800
Total Loss Factor – Secondary Metered Customer > 5,000 kW	N/A
Total Loss Factor – Primary Metered Customers <5,000 kW	1.0690
Total Loss Factor – Primary Metered Customers >5,000 kW	N/A



## RECONCILIATION OF RATE CLASS REVENUE

The following table provides reconciliation between the 2012 distribution rate calculations based on the 2012 Proposed Rates and the total base revenue required consistent with the information provided in Appendix 2-U of the Chapter 2 Appendices in the 2012 Filing Requirements.

**Table 8-15**

Rate Class	Test Year Consumption			Proposed Rates			Revenues at Proposed Rates
	Test Average Customer/Con nections	kWh	kW	Monthly Service Charge	Volumetric		
					kWh	kW	
Residential	10,023	93,093,255		\$ 13.61	\$ 0.0097		\$ 2,540,030
GS < 50 kW	1,214	31,699,824		\$ 23.08	\$ 0.0035		\$ 447,312
GS>50-Regular	93	71,176,063	194,766	\$ 315.94		\$ 1.5759	\$ 661,274
Streetlighting	2,801	1,916,371	5,340	\$ 1.51		\$ 14.6984	\$ 129,222
Sentinel Lighting	7	4,024	11	\$ 3.94		\$ 7.3885	\$ 413
Unmetered Scattered Load	32	187,863		\$ 7.26	\$ 0.0022		\$ 3,204
Embedded Distributor	4	42,996,782	96,049	\$ 2,583.22		\$ 0.3842	\$ 160,896
<b>Total</b>	14,176	241,074,182	296,166				\$ 3,942,352

Service Revenue Requirement	Transformer Allowance Credit	Total	Difference
\$ 2,536,483		\$ 2,536,483	-\$ 3,547
\$ 448,761		\$ 448,761	\$ 1,449
\$ 580,640	\$ 80,627	\$ 661,267	-\$ 7
\$ 129,221		\$ 129,221	-\$ 1
\$ 413		\$ 413	\$ 0
\$ 3,210		\$ 3,210	\$ 5
\$ 160,897		\$ 160,897	\$ 1
\$ 3,859,625	\$ 80,627	\$ 3,940,252	-\$ 2,100



## RATE AND BILL IMPACTS:

This schedule presents the results of the assessment of customer total bill impacts by level of customer consumption per rate class.

Impacts are shown using the applicable current approved rates and the proposed 2012 distribution rates, including rate riders for the disposition of Deferral and Variance Accounts and Smart Meters as well as Stranded Meters, as discussed in Exhibit 9. The bill impacts have been presented excluding the impact of the Global Adjustment rate rider which is consistent with previous cost of service applications.

The total bill impacts are calculated for each rate class at various levels of consumption. The rate impacts are assessed on the basis of moving to the proposed distribution rates.

## BILL IMPACTS

RESIDENTIAL									
Consumption		2011 BILL			2012 BILL			IMPACT	
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	% of Total Bill
100 kWh	Monthly Service Charge			11.13			13.61	2.48	22.28%
	Distribution (kWh)	100	0.0079	0.79	100	0.0097	0.97	0.18	22.78%
	Low Voltage Rider (kWh)	100	0.0016	0.16	100	0.0014	0.14	(0.02)	(12.50%)
	Smart Meter Adder/Rider (per month)			1.45			(0.94)	(2.39)	(165.10%)
	LRAM & SSM Rider (kWh)	100		0.00	100	0.0007	0.07	0.07	#DIV/0!
	Stranded Meter Rider (\$/Month)						2.22	2.22	#DIV/0!
	Late Payment (per month)			0.13	0	0.0000	0.00	(0.13)	(100.00%)
	Deferral & Variance Acct (kWh)	100	0.0086	0.86	100	(0.0148)	(1.48)	(2.34)	(272.63%)
	<b>Distribution Sub-Total</b>			<b>14.62</b>			<b>14.68</b>	<b>0.06</b>	<b>0.43%</b>
	Retail Transmission (kWh)	108	0.0102	1.10	108	0.0104	1.12	0.02	1.87%
	<b>Delivery Sub-Total</b>			<b>16.82</b>			<b>16.70</b>	<b>0.08</b>	<b>0.63%</b>
	Other Charges (kWh)	108	0.0130	1.40	108	0.0128	1.38	(0.02)	(1.50%)
	Cost of Power Commodity (kWh)	108	0.0750	8.09	108	0.0750	8.10	0.01	0.08%
	SPC (kWh)	108	0.0000	0.00	108	0.0000	0.00	0.00	#DIV/0!
	<b>Total Bill Before Taxes</b>			<b>26.12</b>			<b>26.18</b>	<b>0.06</b>	<b>0.18%</b>
	GST		13.00%	3.26		13.00%	3.27	0.01	0.28%
	<b>Total Bill</b>			<b>28.38</b>			<b>28.46</b>	<b>0.06</b>	<b>0.20%</b>



RESIDENTIAL									
		2011 BILL			2012 BILL			IMPACT	
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %
Consumption	Monthly Service Charge			11.13			13.61	2.48	22.28%
250 kWh	Distribution (kWh)	250	0.0079	1.98	250	0.0097	2.43	0.45	22.78%
	Low Voltage Rider (kWh)	250	0.0016	0.40	250	0.0014	0.35	(0.05)	(12.50%)
	Smart Meter Adder/Rider (per month)			1.45			(0.94)	(2.39)	(165.10%)
	LRAM & SSM Rider (kWh)	250	0.0000	0.00	250	0.0007	0.18	0.18	#DIV/0!
	Stranded Meter Rider (\$/Month)						2.22	2.22	#DIV/0!
	Late Payment (per month)			0.13	0	0.0000	0.00	(0.13)	(100.00%)
	Deferral & Variance Acct (kWh)	250	0.0086	2.15	250	(0.0148)	(3.71)	(5.86)	(272.53%)
	Distribution Sub-Total			17.24			14.19	(3.11)	(18.03%)
	Retail Transmission (kWh)	270	0.0102	2.75	270	0.0104	2.80	0.05	1.87%
	Delivery Sub-Total			19.99			16.93	(3.06)	(15.29%)
	Other Charges (kWh)	270	0.0130	3.50	270	0.0128	3.45	(0.05)	(1.50%)
	Cost of Power Commodity (kWh)	270	0.0750	20.25	270	0.0750	20.25	0.00	0.08%
	SPC (kWh)	270	0.0000	0.00	270	0.0000	0.00	0.00	#DIV/0!
	Total Bill Before Taxes			43.72			40.83	(3.14)	(7.19%)
	GST		13.00%	5.68		13.00%	5.28	(0.40)	(7.07%)
	Total Bill			49.41			46.81	(3.55)	(7.18%)

RESIDENTIAL									
		2011 BILL			2012 BILL			IMPACT	
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %
Consumption	Monthly Service Charge			11.13			13.61	2.48	22.28%
500 kWh	Distribution (kWh)	500	0.0079	3.95	500	0.0097	4.85	0.90	22.78%
	Low Voltage Rider (kWh)	500	0.0016	0.80	500	0.0014	0.70	(0.10)	(12.50%)
	Smart Meter Adder/Rider (per month)			1.45			(0.94)	(2.39)	(165.10%)
	LRAM & SSM Rider (kWh)	500	0.0000	0.00	500	0.0007	0.35	0.35	#DIV/0!
	Stranded Meter Rider (\$/Month)						2.22	2.22	#DIV/0!
	Late Payment (per month)			0.13	0	0.0000	0.00	(0.13)	(100.00%)
	Deferral & Variance Acct (kWh)	500	0.0086	4.30	500	(0.0148)	(7.42)	(11.72)	(272.53%)
	Distribution Sub-Total			21.78			18.87	(2.91)	(13.36%)
	Retail Transmission (kWh)	540	0.0102	5.50	540	0.0104	5.61	0.10	1.87%
	Delivery Sub-Total			27.28			24.48	(2.80)	(10.26%)
	Other Charges (kWh)	540	0.0130	7.01	540	0.0128	6.90	(0.11)	(1.50%)
	Cost of Power Commodity (kWh)	540	0.0750	40.47	540	0.0750	40.50	0.03	0.08%
	SPC (kWh)	540	0.0000	0.00	540	0.0000	0.00	0.00	#DIV/0!
	Total Bill Before Taxes			74.74			68.38	(6.36)	(8.51%)
	GST		13.00%	9.72		13.00%	8.83	(0.89)	(9.15%)
	Total Bill			84.46			77.21	(7.25)	(8.58%)

RESIDENTIAL									
		2011 BILL			2012 BILL			IMPACT	
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	%
Consumption	Monthly Service Charge			11.13			13.61	2.48	22.28%
680 kWh	Distribution (kWh)	680	0.0079	5.37	680	0.0097	6.60	1.22	22.78%
	Low Voltage Rider (kWh)	680	0.0016	1.09	680	0.0014	0.95	(0.14)	(12.50%)
	Smart Meter Adder/Rider (per month)			1.45			(0.94)	(2.39)	(165.10%)
	LRAM & SSM Rider (kWh)	680	0.0000	0.00	680	0.0007	0.48	0.48	#DIV/0!
	Stranded Meter Rider (\$/Month)			0.00			2.22	2.22	#DIV/0!
	Late Payment (per month)			0.13	0	0.0000	0.00	(0.13)	(100.00%)
	Deferral & Variance Acct (kWh)	680	0.0086	5.85	680	(0.0148)	(10.09)	(15.94)	(272.53%)
	Distribution Sub-Total			26.02			12.82	(13.20)	(50.73%)
	Retail Transmission (kWh)	734	0.0102	7.48	734	0.0104	7.62	0.14	1.87%
	Delivery Sub-Total			32.60			20.46	(12.14)	(37.24%)
	Other Charges (kWh)	734	0.0130	9.53	734	0.0128	9.39	(0.14)	(1.50%)
	Cost of Power Commodity (kWh)	600	0.0750	45.00	600	0.0750	45.00	0.00	0.00%
	Cost of Power Commodity (kWh)	134	0.0880	11.77	134	0.0880	11.83	0.06	0.46%
	SPC (kWh)	734	0.0000	0.00	734	0.0000	0.00	0.00	#DIV/0!
	Total Bill Before Taxes			98.81			88.68	(10.13)	(10.25%)
	GST		13.00%	12.84		13.00%	11.27	(1.58)	(12.29%)
	Total Bill			111.66			99.93	(11.73)	(10.50%)



RESIDENTIAL									
		2011 BILL			2012 BILL			IMPACT	
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	% of Total Bill
Consumption	Monthly Service Charge			11.13			13.61	2.48	22.28%
800 kwh	Distribution (kWh)	800	0.0079	6.32	800	0.0097	7.76	1.44	22.78%
	Low Voltage Rider (kWh)	800	0.0016	1.28	800	0.0014	1.12	(0.16)	(12.50%)
	Smart Meter Adder/Rider (per month)			1.45			(0.94)	(2.39)	(165.10%)
	LRAM & SSM Rider (kWh)	800	0.0000	0.00	800	0.0007	0.56	0.56	#DIV/0!
	Stranded Meter Rider (\$/Month)			0.00			2.22	2.22	#DIV/0!
	Late Payment (per month)			0.13	0	0.0000	0.00	(0.13)	(100.00%)
	Deferral & Variance Acct (kWh)	800	0.0086	6.88	800	(0.0148)	(11.87)	(18.75)	(272.53%)
	<b>Distribution Sub-Total</b>			<b>27.19</b>			<b>12.46</b>	<b>(14.73)</b>	<b>(54.19%)</b>
	Retail Transmission (kWh)	863	0.0102	8.81	864	0.0104	8.97	0.16	1.87%
	<b>Delivery Sub-Total</b>			<b>36.00</b>			<b>21.43</b>	<b>(14.57)</b>	<b>(40.47%)</b>
	Other Charges (kWh)	863	0.0130	11.21	864	0.0128	11.04	(0.17)	(1.50%)
	Cost of Power Commodity (kWh)	600	0.0750	45.00	600	0.0750	45.00	0.00	0.00%
	Cost of Power Commodity (kWh)	263	0.0680	22.17	264	0.0680	23.23	0.06	0.27%
	SPC (kWh)	863	0.0000	0.00	863	0.0000	0.00	0.00	#DIV/0!
	<b>Total Bill Before Taxes</b>			<b>116.38</b>			<b>100.70</b>	<b>(14.87)</b>	<b>(12.72%)</b>
	GST		13.00%	15.00		13.00%	13.09	(1.91)	(12.72%)
	<b>Total Bill</b>			<b>130.37</b>			<b>113.79</b>	<b>(16.58)</b>	<b>(12.72%)</b>

RESIDENTIAL									
		2011 BILL			2012 BILL			IMPACT	
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	% of Total Bill
Consumption	Monthly Service Charge			11.13			13.61	2.48	9.70%
1,000 kwh	Distribution (kWh)	1,000	0.0079	7.90	1,000	0.0097	9.70	1.80	22.78%
	Low Voltage Rider (kWh)	1,000	0.0016	1.60	1,000	0.0014	1.40	(0.20)	(12.50%)
	Smart Meter Adder/Rider (per month)			1.45			(0.94)	(2.39)	(165.10%)
	LRAM & SSM Rider (kWh)	1,000	0.0000	0.00	1,000	0.0007	0.70	0.70	#DIV/0!
	Stranded Meter Rider (\$/Month)			0.00			2.22	2.22	#DIV/0!
	Late Payment (per month)			0.13	0	0.0000	0.00	(0.13)	(100.00%)
	Deferral & Variance Acct (kWh)	1,000	0.0086	8.60	1,000	(0.0148)	(14.84)	(23.44)	(272.53%)
	<b>Distribution Sub-Total</b>			<b>39.81</b>			<b>11.86</b>	<b>(18.96)</b>	<b>(81.64%)</b>
	Retail Transmission (kWh)	1,079	0.0102	11.01	1,080	0.0104	11.21	0.21	1.87%
	<b>Delivery Sub-Total</b>			<b>41.82</b>			<b>23.08</b>	<b>(18.76)</b>	<b>(64.65%)</b>
	Other Charges (kWh)	1,079	0.0130	14.01	1,080	0.0128	13.80	(0.21)	(1.50%)
	Cost of Power Commodity (kWh)	600	0.0750	45.00	600	0.0750	45.00	0.00	0.00%
	Cost of Power Commodity (kWh)	479	0.0880	42.16	480	0.0880	42.24	0.08	0.19%
	SPC (kWh)	1,079	0.0000	0.00	1,079	0.0000	0.00	0.00	#DIV/0!
	<b>Total Bill Before Taxes</b>			<b>142.99</b>			<b>124.11</b>	<b>(18.89)</b>	<b>(13.21%)</b>
	GST		13.00%	18.59		13.00%	16.13	(2.46)	(13.21%)
	<b>Total Bill</b>			<b>161.58</b>			<b>140.24</b>	<b>(21.34)</b>	<b>(13.21%)</b>

RESIDENTIAL									
		2011 BILL			2012 BILL			IMPACT	
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	% of Total Bill
Consumption	Monthly Service Charge			11.13			13.61	2.48	6.50%
1,500 kwh	Distribution (kWh)	1,500	0.0079	11.85	1,500	0.0097	14.55	2.70	22.78%
	Low Voltage Rider (kWh)	1,500	0.0016	2.40	1,500	0.0014	2.10	(0.30)	(12.50%)
	Smart Meter Adder/Rider (per month)			1.45			(0.94)	(2.39)	(165.10%)
	LRAM & SSM Rider (kWh)	1,500	0.0000	0.00	1,500	0.0007	1.05	1.05	#DIV/0!
	Stranded Meter Rider (\$/Month)			0.00			2.22	2.22	#DIV/0!
	Late Payment (per month)			0.13	0	0.0000	0.00	(0.13)	(100.00%)
	Deferral & Variance Acct (kWh)	1,500	0.0086	12.90	1,500	(0.0148)	(22.26)	(35.16)	(272.53%)
	<b>Distribution Sub-Total</b>			<b>39.88</b>			<b>10.33</b>	<b>(29.55)</b>	<b>(74.68%)</b>
	Retail Transmission (kWh)	1,619	0.0102	16.51	1,620	0.0104	16.82	0.31	1.87%
	<b>Delivery Sub-Total</b>			<b>56.37</b>			<b>27.16</b>	<b>(29.22)</b>	<b>(61.84%)</b>
	Other Charges (kWh)	1,619	0.0130	21.02	1,620	0.0128	20.71	(0.32)	(1.50%)
	Cost of Power Commodity (kWh)	600	0.0750	45.00	600	0.0750	45.00	0.00	0.00%
	Cost of Power Commodity (kWh)	1,019	0.0880	89.64	1,020	0.0880	89.76	0.12	0.13%
	SPC (kWh)	1,619	0.0000	0.00	1,619	0.0000	0.00	0.00	#DIV/0!
	<b>Total Bill Before Taxes</b>			<b>212.08</b>			<b>182.82</b>	<b>(29.42)</b>	<b>(13.87%)</b>
	GST		13.00%	27.56		13.00%	23.74	(3.82)	(13.87%)
	<b>Total Bill</b>			<b>239.60</b>			<b>206.36</b>	<b>(33.24)</b>	<b>(13.87%)</b>



GENERAL SERVICE < 50 kW									
		2011 BILL			2012 BILL			IMPACT	
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	% of Total Bill
Consumption	Monthly Service Charge			11.06			23.08	12.02	108.88%
2,000 kWh	Distribution (kWh)	2,000	0.0017	3.40	2,000	0.0036	7.00	3.60	105.88%
	Low Voltage Rider (kWh)	2,000	0.0014	2.80	2,000	0.0013	2.60	(0.20)	(7.14%)
	Smart Meter Adder/Rider (per month)			1.45			0.95	(0.50)	(34.53%)
	LRAM & SSM Rider (kWh)	2,000		0.00	2,000	0.0002	0.40	#DIV/0!	0.15%
	Stranded Meter Rider (\$/Month)			0.00			2.22	#DIV/0!	0.84%
	Late Payment (per month)			0.12	0	0.0000	0.00	(0.12)	(100.00%)
	Deferral & Variance Acct (kWh)	2,000	0.0067	13.40	2,000	(0.0164)	(32.79)	(46.19)	(344.67%)
	Distribution Sub-Total			32.23			3.46	(28.77)	(89.25%)
	Retail Transmission (MWh)	2,158	0.0092	19.85	2,160	0.0094	20.23	0.37	1.87%
	Delivery Sub-Total			52.08			23.68	(28.38)	(54.52%)
	Other Charges (kWh)	2,158	0.0130	28.03	2,160	0.0128	27.61	(0.42)	(1.50%)
	Cost of Power Commodity (kWh)	600	0.0750	45.00	600	0.0750	45.00	0.00	0.00%
	Cost of Power Commodity (kWh)	1,558	0.0880	137.12	1,560	0.0880	137.28	0.16	0.12%
	SPC (kWh)	2,158	0.0000	0.00	2,158	0.0000	0.00	0.00	#DIV/0!
	Total Bill Before Taxes			282.24			233.68	(28.56)	(10.83%)
	GST		13.00%	34.09		13.00%	30.37	(3.73)	(10.93%)
	Total Bill			298.33			268.94	(\$29.39)	(10.83%)

GENERAL SERVICE < 50 kW									
		2011 BILL			2012 BILL			IMPACT	
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	% of Total Bill
Consumption	Monthly Service Charge			11.06			23.08	12.02	108.88%
5,000 kWh	Distribution (kWh)	5,000	0.0017	8.50	5,000	0.0036	17.50	9.00	105.88%
	Low Voltage Rider (kWh)	5,000	0.0014	7.00	5,000	0.0013	6.50	(0.50)	(7.14%)
	Smart Meter Adder/Rider (per month)			1.45			0.95	(0.50)	(34.53%)
	LRAM & SSM Rider (kWh)	5,000	0.0000	0.00	5,000	0.0002	1.00	1.00	#DIV/0!
	Stranded Meter Rider (\$/Month)			0.00			2.22	#DIV/0!	0.35%
	Late Payment (per month)			0.12	0	0.0000	0.00	(0.12)	(100.00%)
	Deferral & Variance Acct (kWh)	5,000	0.0067	33.50	5,000	(0.0164)	(81.97)	(115.47)	(344.67%)
	Distribution Sub-Total			51.83			(80.72)	(92.36)	(148.84%)
	Retail Transmission (MWh)	5,396	0.0092	49.64	5,400	0.0093645	50.57	0.93	1.87%
	Delivery Sub-Total			111.27			19.85	(91.42)	(82.18%)
	Other Charges (kWh)	5,396	0.0130	70.07	5,400	0.0128	69.02	(1.05)	(1.50%)
	Cost of Power Commodity (kWh)	600	0.0750	45.00	600	0.0750	45.00	0.00	0.00%
	Cost of Power Commodity (kWh)	4,796	0.0880	422.00	4,800	0.0880	422.40	0.40	0.09%
	SPC (kWh)	5,396	0.0000	0.00	5,396	0.0000	0.00	0.00	#DIV/0!
	Total Bill Before Taxes			648.34			558.27	(90.07)	(14.03%)
	GST		13.00%	84.28		13.00%	72.32	(11.97)	(14.20%)
	Total Bill			732.63			628.68	(\$103.95)	(14.03%)

GENERAL SERVICE < 50 kW									
		2011 BILL			2012 BILL			IMPACT	
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	% of Total Bill
Consumption	Monthly Service Charge			11.06			23.08	12.02	108.88%
10,000 kWh	Distribution (kWh)	10,000	0.0017	17.00	10,000	0.0036	36.00	19.00	105.88%
	Low Voltage Rider (kWh)	10,000	0.0014	14.00	10,000	0.0013	13.00	(1.00)	(7.14%)
	Smart Meter Adder/Rider (per month)			1.45			0.95	(0.50)	(34.53%)
	LRAM & SSM Rider (kWh)	10,000	0.0000	0.00	10,000	0.0002	2.00	2.00	#DIV/0!
	Stranded Meter Rider (\$/Month)			0.00			2.22	#DIV/0!	0.18%
	Late Payment (per month)			0.12	0	0.0000	0.00	(0.12)	(100.00%)
	Deferral & Variance Acct (kWh)	10,000	0.0067	67.00	10,000	(0.0164)	(163.93)	(230.93)	(344.67%)
	Distribution Sub-Total			110.83			(87.68)	(198.51)	(179.28%)
	Retail Transmission (MWh)	10,791	0.0092	99.28	10,800	0.0093645	101.14	1.86	1.87%
	Delivery Sub-Total			209.91			13.48	(196.43)	(93.59%)
	Other Charges (kWh)	10,791	0.0130	140.14	10,800	0.0128	138.04	(2.10)	(1.50%)
	Cost of Power Commodity (kWh)	600	0.0750	45.00	600	0.0750	45.00	0.00	0.00%
	Cost of Power Commodity (kWh)	10,191	0.0880	896.81	10,200	0.0880	897.60	0.79	0.09%
	SPC (kWh)	10,791	0.0000	0.00	10,791	0.0000	0.00	0.00	#DIV/0!
	Total Bill Before Taxes			1,281.88			1,084.10	(197.78)	(15.43%)
	GST		13.00%	167.94		13.00%	142.23	(25.71)	(15.31%)
	Total Bill			1,449.82			1,226.33	(\$223.49)	(15.43%)



GENERAL SERVICE < 50 kW									
		2011 BILL			2012 BILL			IMPACT	
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	% of Total Bill
Consumption	Monthly Service Charge			11.06			23.08	12.02	108.68%
12,500 kWh	Distribution (kWh)	12,500	0.0017	21.25	12,500	0.0036	43.75	22.50	105.88%
	Low Voltage Rider (kWh)	12,500	0.0014	17.50	12,500	0.0013	16.25	(1.25)	(7.14%)
	Smart Meter Adder/Rider (per month)			1.45			0.95	(0.50)	(34.53%)
	LRAM & SSM Rider (kWh)	12,500	0.0000	0.00	12,500	0.0002	2.50	2.50	#DIV/0!
	Stranded Meter Rider (\$/Month)			0.00			2.22	2.22	#DIV/0!
	Late Payment (per month)			0.12	0	0.0000	0.00	(0.12)	(100.00%)
	Deferral & Variance Acct (kWh)	12,500	0.0067	83.75	12,500	(0.0164)	(204.51)	(288.26)	(344.67%)
	Distribution Sub-Total			136.13			(118.16)	(261.29)	(186.89%)
	Retail Transmission (kWh)	13,489	0.0092	124.10	13,500	0.0093645	126.42	2.32	1.87%
	Delivery Sub-Total			260.23			10.28	(248.97)	(99.04%)
	Other Charges (kWh)	13,489	0.0130	175.18	13,500	0.0128	172.55	(2.63)	(1.50%)
	Cost of Power Commodity (kWh)	600	0.0750	45.00	600	0.0750	45.00	0.00	0.00%
	Cost of Power Commodity (kWh)	12,889	0.0880	1,134.21	12,900	0.0880	1,136.20	0.99	0.09%
	SPC (kWh)	13,489	0.0000	0.00	13,489	0.0000	0.00	0.00	#DIV/0!
	Total Bill Before Taxes			1,818.81			1,389.01	(260.81)	(16.53%)
	GST		13.00%	209.77		13.00%	177.19	(32.58)	(15.53%)
	Total Bill			1,828.58			1,640.20	(228.18)	(16.53%)

GENERAL SERVICE < 50 kW									
		2011 BILL			2012 BILL			IMPACT	
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	\$	% of Total Bill
Consumption	Monthly Service Charge			11.06			23.08	12.02	108.68%
15,000 kWh	Distribution (kWh)	15,000	0.0017	25.50	15,000	0.0036	52.50	27.00	105.88%
	Low Voltage Rider (kWh)	15,000	0.0014	21.00	15,000	0.0013	19.50	(1.50)	(7.14%)
	Smart Meter Adder/Rider (per month)			1.45			0.95	(0.50)	(34.53%)
	LRAM & SSM Rider (kWh)	15,000	0.0000	0.00	15,000	0.0002	3.00	3.00	#DIV/0!
	Stranded Meter Rider (\$/Month)			0.00			2.22	2.22	#DIV/0!
	Late Payment (per month)			0.12	0	0.0000	0.00	(0.12)	(100.00%)
	Deferral & Variance Acct (kWh)	15,000	0.0067	100.50	15,000	(0.0164)	(245.50)	(346.00)	(344.67%)
	Distribution Sub-Total			168.83			(144.95)	(304.28)	(180.81%)
	Retail Transmission (kWh)	16,187	0.0092	148.92	16,200	0.0094	151.71	2.79	1.87%
	Delivery Sub-Total			308.55			7.08	(301.49)	(97.71%)
	Other Charges (kWh)	16,187	0.0130	210.21	16,200	0.0128	207.06	(3.15)	(1.50%)
	Cost of Power Commodity (kWh)	600	0.0750	45.00	600	0.0750	45.00	0.00	0.00%
	Cost of Power Commodity (kWh)	15,587	0.0880	1,371.51	15,600	0.0880	1,372.80	1.19	0.09%
	SPC (kWh)	16,187	0.0000	0.00	16,187	0.0000	0.00	0.00	#DIV/0!
	Total Bill Before Taxes			1,906.37			1,631.82	(309.46)	(16.88%)
	GST		13.00%	251.60		13.00%	212.15	(39.45)	(15.58%)
	Total Bill			2,188.87			1,844.07	(242.80)	(16.88%)

GENERAL SERVICE > 50 kW									
		2011 BILL			2012 BILL			IMPACT	
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	% of Total Bill
Consumption	Monthly Service Charge			436.99			315.94	(121.05)	(27.70%)
30,000 kWh	Distribution (kWh)	100	2.8308	283.08	100	1.5759	157.59	(125.49)	(44.33%)
100 kW	Low Voltage Rider (kWh)	100	0.5822	58.22	100	0.4988	49.88	(8.34)	(14.32%)
	Smart Meter Adder/Rider (per month)			1.45				(1.45)	(100.00%)
	LRAM & SSM Rider (kWh)	100		0.00	100	0.0833	8.33	8.33	#DIV/0!
	Stranded Meter Rider (\$/Month)			0.00			0.00	0.00	#DIV/0!
	Late Payment (per month)			7.59	0	0.0000	0.00	(7.59)	(100.00%)
	Deferral & Variance Acct (kWh)	100	5.9562	595.62	100	(6.0623)	(606.23)	(1,201.85)	(201.78%)
	Distribution Sub-Total			1,382.96			(74.48)	(1,467.44)	(105.99%)
	Retail Transmission (kWh)	100	3.748	374.80	100	3.8148	381.48	6.68	1.7%
	Delivery Sub-Total			1,767.76			908.99	(1,460.76)	(82.64%)
	Other Charges (kWh)	32,373	0.0130	420.42	32,400	0.0128	414.12	(6.30)	(1.50%)
	Cost of Power Commodity (kWh)	32,373	0.0788	2,550.02	32,400	0.0788	2,552.16	2.13	0.08%
	SPC (kWh)	32,373	0.0000	0.00	32,373	0.0000	0.00	0.00	#DIV/0!
	Total Bill Before Taxes			4,728.20			3,279.28	(1,464.94)	(30.77%)
	GST		13.00%	614.67		13.00%	425.62	(189.14)	(30.77%)
	Total Bill			6,342.88			3,888.78	(1,644.08)	(25.97%)



GENERAL SERVICE > 50 kW									
	2011 BILL			2012 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Consumption									
75,000 kWh									
250 kW									
Monthly Service Charge			436.99			315.94	(121.05)	(27.70%)	3.63%
Distribution (kW)	250	2.8308	707.70	250	1.5759	393.98	(313.73)	(44.33%)	4.52%
Low Voltage Rider (kW)	250	0.5822	145.55	250	0.4988	124.70	(20.85)	(14.32%)	1.43%
Smart Meter Adder/Rider (per month)			1.45			0.00	(1.45)	(100.00%)	0.00%
LRAM & SSM Rider (kW)	250		0.00	250	0.0833	20.83	20.83	#DIV/0!	0.24%
Stranded Meter Rider (\$/Month)			0.00			0.00	0.00	#DIV/0!	0.00%
Late Payment (per month)			7.59	0	0.0000	0.00	(7.59)	(100.00%)	0.00%
Deferral & Variance Acct (kW)	250	5.9562	1,489.05	250	(6.0623)	(1,515.57)	(3,004.62)	(201.78%)	(17.40%)
Distribution Sub-Total			2,788.39			(880.15)	(3,448.46)	(123.67%)	(7.68%)
Retail Transmission (kW)	250	3.748	937.00	250	3.8148	953.70	16.70	1.78%	10.56%
Delivery Sub-Total			3,726.39			283.68	(3,491.77)	(92.12%)	3.97%
Other Charges (kWh)	80,933	0.0130	1,051.06	81,000	0.0128	1,036.30	(15.76)	(1.50%)	11.88%
Cost of Power Commodity (kWh)	80,933	0.0788	6,375.05	81,000	0.0788	6,380.37	5.32	0.08%	73.24%
SPC (kWh)	80,933	0.0000	0.00	80,933	0.0000	0.00	0.00	#DIV/0!	0.00%
Total Bill Before Taxes			11,161.44			7,798.23	(3,442.21)	(30.87%)	88.60%
GST		13.00%	1,449.69		13.00%	1,002.20	(447.49)	(30.87%)	11.50%
Total Bill			12,611.13			8,711.43	(3,899.70)	(30.87%)	100.00%

GENERAL SERVICE > 50 kW									
	2011 BILL			2012 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Consumption									
100,000 kWh									
350 kW									
Monthly Service Charge			436.99			315.94	(121.05)	(27.70%)	2.75%
Distribution (kW)	350	2.8308	990.78	350	1.5759	551.57	(439.22)	(44.33%)	4.80%
Low Voltage Rider (kW)	350	0.5822	203.77	350	0.4988	174.59	(29.19)	(14.32%)	1.52%
Smart Meter Adder/Rider (per month)			1.45			0.00	(1.45)	(100.00%)	0.00%
LRAM & SSM Rider (kW)	350		0.00	350	0.0833	29.16	29.16	#DIV/0!	0.25%
Stranded Meter Rider (\$/Month)			0.00			0.00	0.00	#DIV/0!	0.00%
Late Payment (per month)			7.59	0	0.0000	0.00	(7.59)	(100.00%)	0.00%
Deferral & Variance Acct (kW)	350	5.9562	2,084.57	350	(6.0623)	(2,121.80)	(4,206.47)	(201.78%)	(18.46%)
Distribution Sub-Total			3,726.26			(1,060.68)	(4,775.81)	(128.20%)	(9.14%)
Retail Transmission (kW)	350	3.748	1,311.80	350	3.8148	1,335.18	23.38	1.78%	11.62%
Delivery Sub-Total			6,087.06			284.61	(4,762.44)	(78.36%)	2.48%
Other Charges (kWh)	107,910	0.0130	1,401.42	108,000	0.0128	1,386.40	(21.02)	(1.50%)	12.01%
Cost of Power Commodity (kWh)	107,910	0.0788	8,500.07	108,000	0.0788	8,507.16	7.09	0.08%	74.01%
SPC (kWh)	107,910	0.0000	0.00	107,910	0.0000	0.00	0.00	#DIV/0!	0.00%
Total Bill Before Taxes			14,938.54			10,172.17	(4,766.38)	(31.91%)	88.60%
GST		13.00%	1,942.01		13.00%	1,322.38	(619.63)	(31.91%)	11.50%
Total Bill			16,880.55			11,494.55	(5,386.00)	(31.91%)	100.00%

GENERAL SERVICE > 50 kW									
	2011 BILL			2012 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Consumption									
800,000 kWh									
2,000 kW									
Monthly Service Charge			436.99			315.94	(121.05)	(27.70%)	0.35%
Distribution (kW)	2,000	2.8308	5,661.60	2,000	1.5759	3,151.80	(2,509.80)	(44.33%)	3.52%
Low Voltage Rider (kW)	2,000	0.5822	1,164.40	2,000	0.4988	997.60	(166.80)	(14.32%)	1.11%
Smart Meter Adder/Rider (per month)			1.45			0.00	(1.45)	(100.00%)	0.00%
LRAM & SSM Rider (kW)	2,000		0.00	2,000	0.0833	166.60	166.60	#DIV/0!	0.19%
Stranded Meter Rider (\$/Month)			0.00			0.00	0.00	#DIV/0!	0.00%
Late Payment (per month)			7.59	0	0.0000	0.00	(7.59)	(100.00%)	0.00%
Deferral & Variance Acct (kW)	2,000	5.9562	11,912.40	2,000	(6.0623)	(12,124.59)	(24,036.99)	(201.78%)	(13.54%)
Distribution Sub-Total			19,184.43			(7,482.86)	(26,677.08)	(139.08%)	(8.97%)
Retail Transmission (kW)	2,000	3.748	7,496.00	2,000	3.8148	7,629.58	133.58	1.78%	8.52%
Delivery Sub-Total			26,880.43			198.83	(26,643.60)	(99.48%)	0.16%
Other Charges (kWh)	863,280	0.0130	11,211.32	864,000	0.0128	11,043.20	(168.12)	(1.50%)	12.33%
Cost of Power Commodity (kWh)	863,280	0.0788	68,000.57	864,000	0.0788	68,097.28	96.71	0.08%	75.01%
SPC (kWh)	863,280	0.0000	0.00	863,280	0.0000	0.00	0.00	#DIV/0!	0.00%
Total Bill Before Taxes			105,892.32			78,237.41	(26,654.91)	(25.17%)	88.60%
GST		13.00%	13,766.00		13.00%	10,300.86	(3,465.14)	(25.17%)	11.50%
Total Bill			119,658.32			88,538.27	(30,120.04)	(25.17%)	100.00%



### GENERAL SERVICE > 50 kW

	2011 BILL			2012 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
<b>Consumption</b>									
1,600,000 kWh									
4,000 kW									
Monthly Service Charge			436.99			315.94	(121.05)	(27.70%)	0.18%
Distribution (kW)	4,000	2.8308	11,323.20	4,000	1.5759	6,303.60	(5,019.60)	(44.33%)	3.53%
Low Voltage Rider (kW)	4,000	0.5822	2,328.80	4,000	0.4988	1,995.20	(333.60)	(14.32%)	1.12%
Smart Meter Adder/Rider (per month)			1.45			0.00	(1.45)	(100.00%)	0.00%
LRAM & SSM Rider (kW)	4,000		0.00	4,000	0.0833	333.20	333.20	#DIV/0!	0.19%
Stranded Meter Rider (\$/Month)			0.00			0.00	0.00	#DIV/0!	0.00%
Late Payment (per month)			7.59	0	0.0000	0.00	(7.59)	(100.00%)	0.00%
Deferral & Variance Acct (kW)	4,000	5.9562	23,824.80	4,000	(5.0623)	(24,249.18)	(48,073.98)	(201.78%)	(13.57%)
<b>Distribution Sub-Total</b>			<b>37,922.89</b>			<b>(16,901.24)</b>	<b>(54,224.07)</b>	<b>(140.36%)</b>	<b>(8.69%)</b>
Retail Transmission (kW)	4,000	3.748	14,992.00	4,000	3.8148	15,259.16	267.16	1.78%	8.54%
<b>Delivery Sub-Total</b>			<b>62,914.89</b>			<b>(42.08)</b>	<b>(62,956.91)</b>	<b>(100.08%)</b>	<b>(0.02%)</b>
Other Charges (kWh)	1,726,560	0.0130	22,422.64	1,728,000	0.0128	22,086.40	(336.24)	(1.50%)	12.36%
Cost of Power Commodity (kWh)	1,726,560	0.0788	136,001.13	1,728,000	0.0788	136,114.56	113.43	0.08%	75.16%
SPC (kWh)	1,726,560	0.0000	0.00	1,728,000	0.0000	0.00	0.00	#DIV/0!	0.00%
<b>Total Bill Before Taxes</b>			<b>211,938.80</b>			<b>168,168.88</b>	<b>(43,779.92)</b>	<b>(20.68%)</b>	<b>88.50%</b>
GST		13.00%	27,474.02		13.00%	20,560.65	(6,913.36)	(25.16%)	11.50%
<b>Total Bill</b>			<b>238,812.82</b>			<b>178,719.53</b>	<b>(60,093.09)</b>	<b>(25.18%)</b>	<b>100.00%</b>

### Street Lighting

	2011 BILL			2012 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
<b>Billing Determinants</b>									
2,801 Connections									
1,916,371 kWh									
5,340 kW									
Monthly Service Charge	2,801	0.01	28.01	2,801	1.51	4,227.28	4,199.27	14,991.00%	1.46%
Distribution (kW)	5,340.33	0.0974	520.15	5,340.33	14.6994	78,494.31	77,974.16	14,990.76%	27.03%
Low Voltage Rider (kW)	5,340.33	0.4394	2,346.54	5,340.33	0.3869	2,060.30	(286.24)	(12.20%)	0.71%
LRAM & SSM Rider (kW)	5,340.33		0.00	5,340.33	0.0000	0.00	0.00	#DIV/0!	0.00%
Late Payment (per month)			0.73	0.00	0.0000	0.00	(0.73)	(100.00%)	0.00%
Deferral & Variance Acct (kW)	5,340.33	0.0209	111.51	5,340.33	(6.1389)	(32,794.01)	(32,895.52)	(29,472.96%)	(11.29%)
<b>Distribution Sub-Total</b>			<b>3,007.04</b>			<b>51,897.88</b>	<b>48,890.84</b>	<b>1,629.20%</b>	<b>17.90%</b>
Retail Transmission (kW)	5,340.33	2.8582	15,263.73	5,340.33	2.9092	15,536.24	272.51	1.79%	5.35%
<b>Delivery Sub-Total</b>			<b>18,270.78</b>			<b>87,534.12</b>	<b>49,263.36</b>	<b>268.88%</b>	<b>23.26%</b>
Other Charges (kWh)	2,067,956.22	0.0130	26,885.31	2,069,680.96	0.0128	26,453.59	(431.72)	(1.50%)	5.11%
Cost of Power Commodity (kWh)	2,067,956.22	0.0788	162,892.91	2,069,680.96	0.0788	163,028.77	136.86	0.08%	55.13%
SPC (kWh)	2,067,956.22	0.0000	0.00	2,067,956.22	0.0000	0.00	0.00	#DIV/0!	0.00%
<b>Total Bill Before Taxes</b>			<b>208,020.00</b>			<b>267,016.48</b>	<b>48,996.48</b>	<b>23.55%</b>	<b>88.50%</b>
GST		13.00%	27,042.60		13.00%	33,412.14	6,369.54	23.55%	11.50%
<b>Total Bill</b>			<b>235,062.60</b>			<b>290,428.62</b>	<b>55,366.02</b>	<b>23.55%</b>	<b>100.00%</b>

### Sentinel Lighting

	2011 BILL			2012 BILL			IMPACT		
	Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
<b>Billing Determinants</b>									
7 Connections									
4,024 kWh									
11 kW									
Monthly Service Charge	7	0.4000	2.80	7	3.9363	27.55	24.75	884.08%	4.86%
Distribution (kW)	11.21	0.7508	8.42	11.21	7.3895	82.85	74.43	884.08%	14.62%
Low Voltage Rider (kW)	11.21	0	0.00	11.21	0.3939	4.42	4.42	#DIV/0!	0.78%
LRAM & SSM Rider (kW)	11.21		0.00	11.21	0.0000	0.00	0.00	#DIV/0!	0.00%
Late Payment (per month)			0.32	0.00	0.0000	0.00	(0.32)	(100.00%)	0.00%
Deferral & Variance Acct (kW)	11.21	0.0000	0.00	11.21	(3.9368)	(44.14)	(44.14)	#DIV/0!	(7.79%)
<b>Distribution Sub-Total</b>			<b>11.64</b>			<b>70.68</b>	<b>59.04</b>	<b>512.60%</b>	<b>12.47%</b>
Retail Transmission (kW)	11.21	2.8928	32.44	11.21	2.9445	33.02	0.58	1.79%	5.83%
<b>Delivery Sub-Total</b>			<b>43.88</b>			<b>103.69</b>	<b>59.81</b>	<b>136.78%</b>	<b>18.30%</b>
Other Charges (kWh)	4,342.16	0.0130	56.39	4,345.78	0.0128	55.55	(0.85)	(1.50%)	9.60%
Cost of Power Commodity (kWh)	4,342.16	0.0788	342.03	4,345.78	0.0788	342.32	0.29	0.08%	60.40%
SPC (kWh)	4,342.16	0.0000	0.00	4,342.16	0.0000	0.00	0.00	#DIV/0!	0.00%
<b>Total Bill Before Taxes</b>			<b>442.40</b>			<b>601.68</b>	<b>159.28</b>	<b>35.99%</b>	<b>88.50%</b>
GST		13.00%	57.51		13.00%	65.20	7.69	13.37%	11.50%
<b>Total Bill</b>			<b>499.91</b>			<b>666.78</b>	<b>166.87</b>	<b>33.37%</b>	<b>100.00%</b>



Unmetered Scattered										
		2010 BILL			2011 BILL			IMPACT		
		Volume	RATE \$	CHARGE \$	Volume	RATE \$	CHARGE \$	Change \$	Change %	% of Total Bill
Consumption	Monthly Service Charge			5.54			7.26	1.72	31.08%	20.25%
250 kWh	Distribution (kWh)	250	0.0017	0.43	250	0.0022	0.55	0.13	29.41%	1.53%
	Low Voltage Rider (kWh)	250	0.0014	0.35	250	0.0013	0.33	(0.03)	(7.14%)	0.91%
	LRAM & SSM Rider (kWh)	250		0.00	250	0.0000	0.00	0.00	#DIV/0!	0.00%
	Late Payment (per month)			0.04	250	0.0000	0.00	(0.04)	(100.00%)	0.00%
	Deferral & Variance Acct (kWh)	250	0.0001	0.03	250	(0.0146)	(3.64)	(3.67)	(14,674.77%)	(10.16%)
	Distribution Sub-Total			6.88			4.48	(1.89)	(28.58%)	12.63%
	Retail Transmission (kWh)	270	0.0092	2.48	270	0.0094	2.53	0.05	1.87%	7.05%
	Delivery Sub-Total			8.88			7.02	(1.84)	(20.77%)	19.68%
	Other Charges (kWh)	270	0.0130	3.50	270	0.0128	3.45	(0.05)	(1.50%)	9.62%
	Cost of Power Commodity (kWh)	270	0.0788	21.25	270	0.0788	21.27	0.02	0.08%	59.30%
SPC (kWh)	270	0.0000	0.00	270	0.0000	0.00	0.00	#DIV/0!	0.00%	
Total Bill Before Taxes				33.82			31.74	(1.82)	(5.72%)	88.60%
GST			13.00%	4.37		13.00%	4.13	(0.24)	(5.58%)	11.50%
Total Bill				37.99			36.87	(2.17)	(5.70%)	100.00%

Unmetered Scattered										
		2010 BILL			2011 BILL			IMPACT		
		Volume	RATE ↓	CHARGE ↓	Volume	RATE ↓	CHARGE ↓	Change ↓	Change %	% of Total Bill
Consumption	Monthly Service Charge			5.54			7.36	1.72	31.08%	11.43%
	500 kWh									
	Distribution (kWh)	500	0.0017	0.85	500	0.0022	1.10	0.25	29.41%	1.73%
	Low Voltage Rider (kWh)	500	0.0014	0.70	500	0.0013	0.65	(0.05)	(7.14%)	1.02%
	LRAM & SSM Rider (kWh)	500		0.00	500	0.0000	0.00	0.00	#DIV/0!	0.00%
	Late Payment (per month)			0.04	500	0.0000	0.00	(0.04)	(100.00%)	0.00%
	Deferral & Variance Acct (kWh)	500	0.0001	0.05	500	(0.0146)	(7.29)	(7.34)	(14,674.77%)	(11.47%)
	Distribution Sub-Total			7.18			1.72	(6.46)	(76.89%)	2.71%
	Retail Transmission (kWh)	540	0.0092	4.96	540	0.0093948	5.06	0.09	1.87%	7.96%
	Delivery Sub-Total			12.14			8.78	(6.36)	(44.19%)	10.67%
	Other Charges (kWh)	540	0.0130	7.01	540	0.0128	6.90	(0.11)	(1.50%)	10.86%
	Cost of Power Commodity (kWh)	540	0.0788	42.50	540	0.0788	42.54	0.04	0.08%	66.96%
	SPC (kWh)	540	0.0000	0.00	540	0.0000	0.00	0.00	#DIV/0!	0.00%
	Total Bill Before Taxes			61.65			68.22	(6.53)	(8.99%)	88.60%
	GST		13.00%	8.01		13.00%	7.31	(0.71)	(8.81%)	11.50%
	Total Bill			69.67			68.63	(8.23)	(8.95%)	100.00%



## **Appendix 8-A**

### **LRAM Rate Calculations**



## E.L.K Energy Inc

### Lost Revenue Adjustment Mechanism (LRAM) Recovery Rate Rider

#### LRAM Calculation for 2006 to April 30, 2012 based on 2006 to 2010 final results of OPA Program

##### Gross KWh saved from OPA program

Source of Data: 2006-2010 Final OPA CDM Results

OPA Initiative Name	Program Year	Results Status	Market	2006 kWh Saved	2007 kWh Saved	2008 kWh Saved	2009 kWh Saved	2010 kWh Saved	Total kWh Saved
Secondary Refrigerator Retirement Pilot	2006	Final	Consumer	14,061	14,061	14,061	14,061	14,061	70,304
Cool & Hot Savings Rebate	2006	Final	Consumer	39,575	39,575	39,575	39,575	39,575	197,873
Every Kilowatt Counts	2006	Final	Consumer	900,653	900,653	900,653	900,653	116,123	3,718,733
Great Refrigerator Roundup	2007	Final	Consumer	0	46,913	46,913	46,913	46,913	187,652
Cool & Hot Savings Rebate	2007	Final	Consumer	0	98,227	98,227	98,227	98,227	392,908
Every Kilowatt Counts	2007	Final	Consumer	0	408,992	402,326	402,326	402,326	1,615,970
Summer Savings	2007	Final	Consumer	0	3,060,831	515,910	195,280	195,280	3,967,302
Social Housing Pilot	2007	Final	Consumer Low-Income	0	27,247	27,247	27,247	27,247	108,988
Great Refrigerator Roundup	2008	Final	Consumer	0	0	38,400	38,400	38,400	115,200
Cool Savings Rebate	2008	Final	Consumer	0	0	93,268	93,268	93,268	279,805
Every Kilowatt Counts Power Savings Event	2008	Final	Consumer	0	0	674,528	671,156	671,156	2,016,841
peaksaver®	2008	Final	Consumer, Business	0	0	2,163	2,163	2,163	6,488
Summer Sweepstakes	2008	Final	Consumer	0	0	228,595	82,489	82,489	393,573
Electricity Retrofit Incentive	2008	Final	Consumer, Business	0	0	31,360	31,360	31,360	94,080
High Performance New Construction	2008	Final	Business	0	0	795	795	795	2,386
Great Refrigerator Roundup	2009	Final	Consumer	0	0	0	18,741	18,741	37,481
Cool & Hot Savings Rebate	2009	Final	Consumer	0	0	0	151,267	151,267	302,535
Every Kilowatt Counts	2009	Final	Consumer	0	0	0	306,289	277,012	583,301
peaksaver®	2009	Final	Consumer, Business	0	0	0	195	195	389
Electricity Retrofit Incentive	2009	Final	Consumer, Business	0	0	0	645,341	645,341	1,290,682
High Performance New Construction	2009	Final	Business	0	0	0	22,915	22,915	45,830
Power Savings Blitz	2009	Final	Business	0	0	0	879,082	879,082	1,758,163
Demand Response 1	2009	Final	Business, Industrial	0	0	0	13,957	0	13,957
Demand Response 2	2009	Final	Business, Industrial	0	0	0	132,864	0	132,864
Demand Response 3	2009	Final	Business, Industrial	0	0	0	2,538	0	2,538
Great Refrigerator Roundup	2010	Final	Consumer	0	0	0	0	18,436	18,436
Cool Savings Rebate	2010	Final	Consumer	0	0	0	0	260,808	260,808
Every Kilowatt Counts Power Savings Event	2010	Final	Consumer	0	0	0	0	94,777	94,777
peaksaver®	2010	Final	Consumer, Business	0	0	0	0	258	258
Electricity Retrofit Incentive	2010	Final	Consumer, Business	0	0	0	0	85,679	85,679
High Performance New Construction	2010	Final	Business	0	0	0	0	76,945	76,945
Power Savings Blitz	2010	Final	Business	0	0	0	0	188,201	188,201
Multi-Family Energy Efficiency Rebates	2010	Final	Consumer	0	0	0	0	59,915	59,915
Demand Response 2	2010	Final	Business, Industrial	0	0	0	0	254,546	254,546
Demand Response 3	2010	Final	Business, Industrial	0	0	0	0	9,022	9,022
Total				954,288	4,596,498	3,114,021	4,817,101	4,902,523	18,384,431

##### Net KWh saved from OPA program

Source of Data: 2006-2010 Final OPA CDM Results

OPA Initiative Name	Program Year	Results Status	Market	2006 kWh Saved	2007 kWh Saved	2008 kWh Saved	2009 kWh Saved	2010 kWh Saved	Total kWh Saved	Free Ridership %
Secondary Refrigerator Retirement Pilot	2006	Final	Consumer	12,655	12,655	12,655	12,655	12,655	63,274	10%
Cool & Hot Savings Rebate	2006	Final	Consumer	31,239	31,239	31,239	31,239	31,239	156,197	21%
Every Kilowatt Counts	2006	Final	Consumer	810,587	810,587	810,587	810,587	104,510	3,346,860	10%
Great Refrigerator Roundup	2007	Final	Consumer	0	18,972	18,972	18,972	18,972	75,889	60%
Cool & Hot Savings Rebate	2007	Final	Consumer	0	50,011	50,011	50,011	50,011	200,045	49%
Every Kilowatt Counts	2007	Final	Consumer	0	299,789	296,123	296,123	296,123	1,188,159	26%
Summer Savings	2007	Final	Consumer	0	367,300	61,909	23,434	23,434	476,076	88%
Social Housing Pilot	2007	Final	Consumer Low-Income	0	27,247	27,247	27,247	27,247	108,988	0%
Great Refrigerator Roundup	2008	Final	Consumer	0	0	20,898	20,898	20,898	62,694	46%
Cool Savings Rebate	2008	Final	Consumer	0	0	53,577	53,577	53,577	160,731	43%
Every Kilowatt Counts Power Savings Event	2008	Final	Consumer	0	0	271,970	270,787	270,787	813,544	60%
peaksaver®	2008	Final	Consumer, Business	0	0	1,946	1,946	1,946	5,839	10%
Summer Sweepstakes	2008	Final	Consumer	0	0	177,358	64,000	64,000	305,358	22%
Electricity Retrofit Incentive	2008	Final	Consumer, Business	0	0	18,189	18,189	18,189	54,566	42%
High Performance New Construction	2008	Final	Business	0	0	557	557	557	1,670	30%
Great Refrigerator Roundup	2009	Final	Consumer	0	0	0	10,092	10,092	20,184	46%
Cool & Hot Savings Rebate	2009	Final	Consumer	0	0	0	64,631	64,631	129,262	57%
Every Kilowatt Counts	2009	Final	Consumer	0	0	0	112,383	107,720	220,103	62%
peaksaver®	2009	Final	Consumer, Business	0	0	0	175	175	350	10%
Electricity Retrofit Incentive	2009	Final	Consumer, Business	0	0	0	406,705	406,705	813,409	37%
High Performance New Construction	2009	Final	Business	0	0	0	16,040	16,040	32,081	30%
Power Savings Blitz	2009	Final	Business	0	0	0	835,127	835,127	1,670,255	5%
Demand Response 1	2009	Final	Business, Industrial	0	0	0	13,957	0	13,957	0%
Demand Response 2	2009	Final	Business, Industrial	0	0	0	132,864	0	132,864	0%
Demand Response 3	2009	Final	Business, Industrial	0	0	0	2,538	0	2,538	0%
Great Refrigerator Roundup	2010	Final	Consumer	0	0	0	0	9,857	9,857	47%
Cool Savings Rebate	2010	Final	Consumer	0	0	0	0	113,141	113,141	57%
Every Kilowatt Counts Power Savings Event	2010	Final	Consumer	0	0	0	0	43,859	43,859	54%
peaksaver®	2010	Final	Consumer, Business	0	0	0	0	233	233	10%
Electricity Retrofit Incentive	2010	Final	Consumer, Business	0	0	0	0	43,462	43,462	49%
High Performance New Construction	2010	Final	Business	0	0	0	0	53,862	53,862	30%
Power Savings Blitz	2010	Final	Business	0	0	0	0	186,319	186,319	1%
Multi-Family Energy Efficiency Rebates	2010	Final	Consumer	0	0	0	0	44,135	44,135	26%
Demand Response 2	2010	Final	Business, Industrial	0	0	0	0	254,546	254,546	0%
Demand Response 3	2010	Final	Business, Industrial	0	0	0	0	9,022	9,022	0%
Total				854,482	1,617,801	1,853,239	3,294,734	3,193,071	10,813,327	41%



<b>Rate Class Allocation (kWh)</b>									
Residential (Market - Consumer)			Consumer & Consumer Low-Income	854,482	1,617,801	1,832,547	1,866,636	1,366,888	7,538,355
General Service < 50 kW (Market - Business)			Consumer, Business & Business	0	0	20,692	1,278,739	1,562,615	2,862,046
General Service 50 to 4,999 kW (Market - Business, Industrial)			Business, Industrial	0	0	0	149,359	263,568	412,927
Total				854,482	1,617,801	1,853,239	3,294,734	3,193,071	10,813,327
<b>Net KW saved from OPA program</b>									
Source of Data: 2006-2010 Final OPA CDM Results									
<b>OPA Initiative Name</b>	<b>Program Year</b>	<b>Results Status</b>	<b>Market</b>	<b>2006 kW Saved</b>	<b>2007 kW Saved</b>	<b>2008 kW Saved</b>	<b>2009 kW Saved</b>	<b>2010 kW Saved</b>	<b>Total kW Saved</b>
Secondary Refrigerator Retirement Pilot	2006	Final	Consumer	2.9	2.9	2.9	2.9	2.9	14.3
Cool & Hot Savings Rebate	2006	Final	Consumer	29.0	29.0	29.0	29.0	29.0	144.8
Every Kilowatt Counts	2006	Final	Consumer	9.6	9.6	9.6	9.6	9.6	47.8
Demand Response 1	2006	Final	Business, Industrial	355.9	0.0	0.0	0.0	0.0	355.9
Loblaw & York Region Demand Response	2006	Final	Business, Industrial	17.4	0.0	0.0	0.0	0.0	17.4
Great Refrigerator Roundup	2007	Final	Consumer	0.0	2.2	2.2	2.2	2.2	8.7
Cool & Hot Savings Rebate	2007	Final	Consumer	0.0	33.4	33.4	33.4	33.4	133.5
Every Kilowatt Counts	2007	Final	Consumer	0.0	11.6	10.5	10.5	10.5	43.2
Summer Savings	2007	Final	Consumer	0.0	205.6	61.3	29.5	29.5	326.0
Social Housing Pilot	2007	Final	Consumer Low-Income	0.0	3.2	3.2	3.2	3.2	12.8
Demand Response 1	2007	Final	Business, Industrial	0.0	617.8	0.0	0.0	0.0	617.8
Loblaw & York Region Demand Response	2007	Final	Business, Industrial	0.0	51.4	0.0	0.0	0.0	51.4
Great Refrigerator Roundup	2008	Final	Consumer	0.0	0.0	2.2	2.2	2.2	6.6
Cool Savings Rebate	2008	Final	Consumer	0.0	0.0	33.9	33.9	33.9	101.8
Every Kilowatt Counts Power Savings Event	2008	Final	Consumer	0.0	0.0	14.8	14.2	14.2	43.2
peaksaver®	2008	Final	Consumer, Business	0.0	0.0	97.3	97.3	97.3	291.9
Summer Sweepstakes	2008	Final	Consumer	0.0	0.0	44.9	25.7	25.7	96.3
Electricity Retrofit Incentive	2008	Final	Consumer, Business	0.0	0.0	3.6	3.6	3.6	10.7
High Performance New Construction	2008	Final	Business	0.0	0.0	0.7	0.7	0.7	2.0
Demand Response 1	2008	Final	Business, Industrial	0.0	0.0	852.7	0.0	0.0	852.7
Demand Response 3	2008	Final	Business, Industrial	0.0	0.0	164.9	0.0	0.0	164.9
Loblaw & York Region Demand Response	2008	Final	Business, Industrial	0.0	0.0	56.7	0.0	0.0	56.7
Great Refrigerator Roundup	2009	Final	Consumer	0.0	0.0	0.0	1.4	1.4	2.8
Cool Savings Rebate	2009	Final	Consumer	0.0	0.0	0.0	42.6	42.6	85.1
Every Kilowatt Counts Power Savings Event	2009	Final	Consumer	0.0	0.0	0.0	11.4	11.2	22.6
peaksaver®	2009	Final	Consumer, Business	0.0	0.0	0.0	94.2	94.2	188.4
Electricity Retrofit Incentive	2009	Final	Consumer, Business	0.0	0.0	0.0	60.3	60.3	120.7
High Performance New Construction	2009	Final	Business	0.0	0.0	0.0	7.0	7.0	14.1
Power Savings Blitz	2009	Final	Business	0.0	0.0	0.0	214.1	214.1	428.1
Demand Response 1	2009	Final	Business, Industrial	0.0	0.0	0.0	317.7	0.0	317.7
Demand Response 2	2009	Final	Business, Industrial	0.0	0.0	0.0	215.7	0.0	215.7
Demand Response 3	2009	Final	Business, Industrial	0.0	0.0	0.0	308.1	0.0	308.1
Loblaw & York Region Demand Response	2009	Final	Business, Industrial	0.0	0.0	0.0	52.9	0.0	52.9
Great Refrigerator Roundup	2010	Final	Consumer	0.0	0.0	0.0	0.0	1.4	1.4
Cool Savings Rebate	2010	Final	Consumer	0.0	0.0	0.0	0.0	76.2	76.2
Every Kilowatt Counts Power Savings Event	2010	Final	Consumer	0.0	0.0	0.0	0.0	3.9	3.9
peaksaver®	2010	Final	Consumer, Business	0.0	0.0	0.0	0.0	47.9	47.9
Electricity Retrofit Incentive	2010	Final	Consumer, Business	0.0	0.0	0.0	0.0	7.7	7.7
High Performance New Construction	2010	Final	Business	0.0	0.0	0.0	0.0	23.6	23.6
Power Savings Blitz	2010	Final	Business	0.0	0.0	0.0	0.0	60.7	60.7
Multi-Family Energy Efficiency Rebates	2010	Final	Consumer, Consumer Low-Income	0.0	0.0	0.0	0.0	3.7	3.7
Demand Response 2	2010	Final	Business, Industrial	0.0	0.0	0.0	0.0	217.8	217.8
Demand Response 3	2010	Final	Business, Industrial	0.0	0.0	0.0	0.0	460.6	460.6
Loblaw & York Region Demand Response	2010	Final	Business, Industrial	0.0	0.0	0.0	0.0	53.5	53.5
Total				414.7	966.6	1,423.6	1,623.2	1,685.6	6,113.79
General Service 50 to 4,999 kW (Market - Business, Industrial) (kW)			Business, Industrial	373	669	1,074	894	732	3,743
<b>Summary Units Lost</b>									
Residential (kWh)				854,482	1,617,801	1,832,547	1,866,636	1,366,888	7,538,355
General Service Less Than 50 kW (kWh)				0	0	20,692	1,278,739	1,562,615	2,862,046
General Service 50 to 4,999 kW (kWh)				373	669	1,074	894	732	3,743
<b>Rate Class Distribution Volumetric Rates</b>									
			Eff: Apr 1, 2005	Eff: May 1, 2006	Eff: Sept 1, 2007	Eff: May 1, 2008	Eff: May 1, 2009	Eff: May 1, 2010	
Residential (kWh)			0.0086	0.0078	0.0079	0.0079	0.0079	0.0079	
General Service Less Than 50 kW (kWh)			0.0015	0.0017	0.0017	0.0017	0.0017	0.0017	
General Service 50 to 4,999 kW (kWh)			3.0423	2.8352	2.8660	2.8522	2.8557	2.8410	
<b>Rate Class Distribution Volumetric Rates (Annualized)</b>									
				2006	2007	2008	2009	2010	
Residential (kWh)				0.0081	0.0079	0.0079	0.0079	0.0079	
General Service Less Than 50 kW (kWh)				0.0016	0.0017	0.0017	0.0017	0.0017	
General Service 50 to 4,999 kW (kWh)				2.9042	2.8557	2.8568	2.8545	2.8459	
<b>LRAM</b>									
				2006	2007	2008	2009	2010	Total
Residential (kWh)				\$6,893	\$12,727	\$14,477	\$14,746	\$10,798	\$59,641
General Service Less Than 50 kW (kWh)				\$0	\$0	\$35	\$2,174	\$2,656	\$4,865
General Service 50 to 4,999 kW (kWh)				\$1,084	\$1,911	\$3,069	\$2,553	\$2,083	\$10,700
Total				\$7,977	\$14,638	\$17,581	\$19,474	\$15,538	\$75,207



LRAM Rate Rider	LRAM	Interest	Total LRAM Claim	2012 Proposed Billing Determinant	UOM	LRAM Rider	
Residential	\$59,641	\$4,225	\$63,866	93,093,255	kWh	0.0007	(\$/kWh)
General Service Less Than 50 kW	\$4,865	\$345	\$5,210	31,699,824	kWh	0.0002	(\$/kWh)
General Service 50 to 4,999 kW -	\$10,700	\$758	\$11,458	137,621	kW	0.0833	(\$/kW)
Total	\$75,207	\$5,328	\$80,535				

Interest	Date	Opening	Int. Rate	Interest
	Jan-06	\$665	6.76%	\$4
	Feb-06	\$1,330	6.76%	\$7
	Mar-06	\$1,994	6.76%	\$11
	Apr-06	\$2,659	4.14%	\$9
	May-06	\$3,324	4.14%	\$11
	Jun-06	\$3,989	4.14%	\$14
	Jul-06	\$4,653	4.59%	\$18
	Aug-06	\$5,318	4.59%	\$20
	Sep-06	\$5,983	4.59%	\$23
	Oct-06	\$6,648	4.59%	\$25
	Nov-06	\$7,312	4.59%	\$28
	Dec-06	\$7,977	4.59%	\$31
	Jan-07	\$9,197	4.59%	\$35
	Feb-07	\$10,417	4.59%	\$40
	Mar-07	\$11,637	4.59%	\$45
	Apr-07	\$12,856	4.59%	\$49
	May-07	\$14,076	4.59%	\$54
	Jun-07	\$15,296	4.59%	\$59
	Jul-07	\$16,516	4.59%	\$63
	Aug-07	\$17,736	4.59%	\$68
	Sep-07	\$18,955	4.59%	\$73
	Oct-07	\$20,175	5.14%	\$86
	Nov-07	\$21,395	5.14%	\$92
	Dec-07	\$22,615	5.14%	\$97
	Jan-08	\$24,080	5.14%	\$103
	Feb-08	\$25,545	5.14%	\$109
	Mar-08	\$27,010	5.14%	\$116
	Apr-08	\$28,475	4.08%	\$97
	May-08	\$29,940	4.08%	\$102
	Jun-08	\$31,406	4.08%	\$107
	Jul-08	\$32,871	3.35%	\$92
	Aug-08	\$34,336	3.35%	\$96
	Sep-08	\$35,801	3.35%	\$100
	Oct-08	\$37,266	3.35%	\$104
	Nov-08	\$38,731	3.35%	\$108
	Dec-08	\$40,196	3.35%	\$112
	Jan-09	\$41,819	2.45%	\$85
	Feb-09	\$43,442	2.45%	\$89
	Mar-09	\$45,065	2.45%	\$92
	Apr-09	\$46,687	1.00%	\$39
	May-09	\$48,310	1.00%	\$40
	Jun-09	\$49,933	1.00%	\$42
	Jul-09	\$51,556	0.55%	\$24
	Aug-09	\$53,179	0.55%	\$24
	Sep-09	\$54,801	0.55%	\$25
	Oct-09	\$56,424	0.55%	\$26
	Nov-09	\$58,047	0.55%	\$27
	Dec-09	\$59,670	0.55%	\$27
	Jan-10	\$60,965	0.55%	\$28
	Feb-10	\$62,259	0.55%	\$29
	Mar-10	\$63,554	0.55%	\$29
	Apr-10	\$64,849	0.55%	\$30
	May-10	\$66,144	0.55%	\$30
	Jun-10	\$67,439	0.55%	\$31
	Jul-10	\$68,733	0.89%	\$51
	Aug-10	\$70,028	0.89%	\$52
	Sep-10	\$71,323	0.89%	\$53
	Oct-10	\$72,618	1.20%	\$73
	Nov-10	\$73,913	1.20%	\$74
	Dec-10	\$75,207	1.20%	\$75
	Jan-11	\$75,207	1.47%	\$92
	Feb-11	\$75,207	1.47%	\$92
	Mar-11	\$75,207	1.47%	\$92
	Apr-11	\$75,207	1.47%	\$92
	May-11	\$75,207	1.47%	\$92
	Jun-11	\$75,207	1.47%	\$92
	Jul-11	\$75,207	1.47%	\$92
	Aug-11	\$75,207	1.47%	\$92
	Sep-11	\$75,207	1.47%	\$92
	Oct-11	\$75,207	1.47%	\$92
	Nov-11	\$75,207	1.47%	\$92
	Dec-11	\$75,207	1.47%	\$92
	Jan-12	\$75,207	1.47%	\$92
	Feb-12	\$75,207	1.47%	\$92
	Mar-12	\$75,207	1.47%	\$92
	Apr-12	\$75,207	1.47%	\$92
	May-12	\$75,207	1.47%	\$92
	Jun-12	\$75,207	1.47%	\$92
	Jul-12	\$75,207	1.47%	\$92
	Aug-12	\$75,207	1.47%	\$92
	Sep-12	\$75,207	1.47%	\$92
	Oct-12	\$75,207	1.47%	\$92

\$5,328