Board Staff Interrogatories
E.L.K. Energy Inc.
2012 Electricity Distribution Rates
EB-2011-0099

EXHIBIT 1 - ADMINISTRATIVE

1. Ref: E1-T1-S2
   a) Please identify any rates and charges that are included in the E.L.K.'s conditions of service, but do not appear on the Board-approved tariff sheet, and provide an explanation for the nature of the costs being recovered.
   b) Please provide a schedule outlining the revenues recovered from these rates and charges from 2006 to 2011 and the revenue forecasted for the 2012 test year.
   c) Please explain whether in the applicant's view, these rates and charges should be included on the applicant's tariff sheet.

2. Ref: E1-T2-S1 p.2

E.L.K. stated that it has not yet converted to IFRS and all information has been presented on a CGAAP basis.
Note 19 to E.L.K.'s Audited Financial Statements as of December 31, 2011, Future Accounting Changes, IFRS, in part, states the following:
"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."

   a) Please provide information on E.L.K.'s current plans to adopt IFRS.
   b) E.L.K. has not reported any amounts as of December 31, 2011 filings in account 1508 – sub-account IFRS Transition Costs. Please provide details regarding E.L.K.'s transition plan to MIFRS.
   c) Has E.L.K. included any amounts for IFRS Transition Costs in its test year costs? If so, how much?

EXHIBIT 2 - RATE BASE

3. Ref: E2-T1-S1 p.1 Table 2.1

Please explain why the Average Net Book Value for 2012 of $9,096,748 does not equate to: (2011 Net book Value plus the 2012 Net Book Value)/ 2?

4. <u>Ref: E2-T1-S2 Tables 2.3 and 2.4</u>
   a) Please confirm that the table below accurately captures the information in Tables 2.3 and 2.4

E.L.K. Service Reliability Indices
2005 to 2011

Index	Includes outages caused by loss of supply							Excludes outages caused by loss of supply						
	2005	2006	2007	2008	2009	2010	2011	2005	2006	2007	2008	2009	2010	2011
SAIDI	2.083	1.661	1.530	2.140	0.640	4.330	3.580	1.746	1.021	1.130	0.500	0.400	2.820	0.800
SAIFI	1.464	0.833	1.170	0.690	0.170	1.290	1.710	0.830	0.367	0.870	0.150	0.080	0.950	0.410
CAIDI	1.423	1.994	1.300	3.080	3.850	3.350	2.100	2.090	2.780	1.290	3.240	4.930	2.970	1.950

SAIDI = System Average Interruption Duration Index
SAIFI = System Average Interruption Frequency Index
CAIDI = Customer Average Interruption Duration Index

   b) Has there been performance that was outside of the established standard?
   c) If so, please explain the reason and describe any corrective action taken or planned to be taken.

5. <u>Ref: E2-T1-S3 Tables 2-10, -12, -14, -16, -20</u>

These fixed asset continuity tables show the following:

2007: $276,450 in additions for Meters
2008: $131,151 in additions for Meters
2009: $35,988 in additions for Meters
2010: $26,120 in additions for Meters
$891,791 in disposals for Meters

   a) Are any of these amounts related to the Smart Meter Program? If so, what portion?
   b) Does the rate base proposed for 2012 reflect the impact of all these amounts?
   c) Table 2-20 (2012) shows an opening balance of $1,574,204 for Smart Meters. Please explain why no amount is shown for the "disposal" of the meters which were replaced by the Smart Meters.

6. <u>Ref: E2-T1-S3 p.7</u>

E.L.K. indicates that in 2007 it spent $57,481 to purchase from the Town of Essex, and pave, .2 acres of un-serviced land adjacent to E.L.K.s service centre in the Town of Essex for additional parking and storage.

Please explain what prompted the requirement for additional parking and storage.

7. <u>Ref: E2-T1 Appendix 2-A</u>

E.L.K.'s Distribution Management Plan, at page 47, states that …

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….

and it goes on to say …..
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.

a) When will the 5 year capital forecast be ready?

8. Ref: (a) E2-T1-A2-B/ OPA Letter of Comment (b) E2-T1-A2-B p. 3-4/ 1.2 Current Situation(c) *Filing Requirements*[1], Part IV, p. 8-9, Information Exchange with the OPA and Affected Distributors and Transmitters

The OPA indicates at reference (a) that there are no known transmission constraints applicable to E.L.K.'s system. At reference (b), E.L.K. indicates that there are upstream feeder limitations. Reference (c) points to the need to consult with upstream transmitters when preparing GEA plans and document such consultations.

i. Please reconcile the statement of the OPA at reference (a) with E.L.K.'s account regarding system constraints.
ii. Please confirm that E.L.K. has provided Hydro One with a forecast of renewable generation connection and its planned system investments. Briefly describe the consultations.

9. Ref: (a) *Filing Requirements*, Part V, Section 2, bullet 4, p.11 (b) E2-T1-A2-B p. 4-5/ 1.4 Current Information on Smart Grid Projects (c) E2-T1-A2-B p. 4/ 1.3 Current Renewable Generation (d) E2-T1-A2-B p. 8/ Table 2

Reference (a) relates to the information required when filing a GEA Plan. E.L.K.'s approach to smart grid development is briefly described at reference (b). At reference (c), E.L.K indicates the number of connections as of December 31, 2011.

	# Applications Received	# Projects Connected	Ratio Connections vs. Applications
MicroFIT (≤10kW)	279	59	21%
FIT (>10kW)	6	0	0%
Total	285	59	21%

Source: Board Staff, based on E.L.K Energy's GEA Plan

[1] EB-2009-0397 Distribution System Plans – Filing under Deemed Conditions of Licence. This plan was filed using the 25 March, 2010 version.

The table at reference (d) shows actual and forecasted number of renewable energy connections by end 2016.

	2010	2011	2012	2013	2014	2015	2016	Total
MicroFIT (≤10kW)	4	55	43	11	11	11	11	146
FIT (>10kW)			1	2	2	2	2	9
Total	4	55	44	13	13	13	13	155

Source: Board Staff, based on Table 2 of E.L.K. Energy's GEA Plan

i. In accordance with the *Filing Requirements*, briefly describe the prioritization methodology employed to connect renewable generation projects.
ii. Please confirm that E.L.K. does not foresee undertaking any smart grid eligible activities over the 5-year plan period.
iii. With respect to smart grid, briefly explain the “very conservative approach” E.L.K. mentions at reference (b).
iv. If applicable please update the information at reference (c).
v. Please explain why E.L.K. forecasts that only 155 out of 285 projects would be connected by end 2016.

10. Ref: (a) E2-T1-A2-B p. 5/ 1.5 Summary of Forecasted Expenditures (b) E2-T1-A2-B p. 9/ 2.3 Renewable Connection Project Costs (c) *Framework*[2] , Paragraph 1.1, Regulation 330/09 (d) *Framework*[3], Paragraph 3.2.2.3, Basic Benefit Assessments for Basic GEA Plans

At reference (a), E.L.K. states that:

> 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.

Reference (b) indicates that to date, customers have made a capital contribution to connect the microFIT projects.

E.L.K is silent on the quanta of the OM&A expenses associated with the implementation of the GEA plan. On OM&A costs reference (c) clarifies that:

> “Eligible investment” costs, as set out in O. Reg. 330/09 and section 79.1 (5) of the Act, are not limited to only the initial capital investment costs but also include the *up-front* OM&A costs necessary for the purpose of “enabling the connection of a qualifying generation facility”. However, given that section 79.1

[2] Report of the Board, Framework for Determining the Direct Benefits Accruing to Customers of a Distributor under Ontario Regulation 330/09
[3] Ibid

focuses solely on the initial investment, ***ongoing OM&A costs that are incurred by the distributor after the investment has been made will not be eligible for provincial recovery.[emphasis added]***

Reference (d) outlines the methodology for deriving direct benefits.

i. Are any of the expenditures at reference (a) related to renewable generation connection already included in E.L.K. asset management plan, or funded through current rates?
ii. Where applicable, if costs related to renewable generation connection are reflected in other schedules in the application, please cross-reference them.
iii. With respect to reference (b) please fill out the table below.

	2010	2011	2012	2013	2014	2015	2016
Contributed Capital by Customers							
Capital Costs Funded by E.L.K.							

iv. Are there any incremental labour costs or other OM&A costs associated with the implementation of the GEA plan?
v. E.L.K. indicates at reference (a) that it will recover GEA Plan costs through current rates. Please explain why E.L.K. is choosing not to follow the methodology outlined in the *Framework* at reference (d) given that the socializing of these costs is a non-discretionary step where it is applicable.
vi. If applicable, please calculate the direct benefits accruing to E.L.K.'s ratepayers.

EXHIBIT 3 - OPERATING REVENUE

11. Ref: E3-T2-S1 p.2

E.L.K. states that…

> Based on the Board's approval of this [the load forecasting methodology utilized by E.L.K] 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 the application.

Please identify 3 recent cost of service applications where the Board approved the referenced methodology.

12. Ref: E3-T2-S1

On pages 14-15 E.L.K. states:

> 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.

Board staff has replicated Table 3.17 below.

Average Net-to-Gross Ratio

	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	11.70%
2007	4,596,498	1,617,801	2,978,697	184.10%
2008	3,114,021	1,853,239	1,260,782	68.00%
2009	4,817,101	3,294,734	1,522,367	46.20%
2010	4,902,523	3,193,071	1,709,452	53.50%
2011	4,638,700	2,924,193	1,714,507	58.60%
2012	4,479,876	2,856,639	1,623,237	56.80%
Total	27,503,007	16,594,159	10,908,848	56.60%

a) Please confirm that the numbers for 2011 shown in the table do <u>not</u> include the CDM results stemming from the 2011-2014 program.
b) Please update Table 3-17 to reflect the final 2011 results for E.L.K. as released by the OPA in September 2012.
c) The amounts shown on the row 'Total' represent the sum of all years from 2006 to 2012. Please confirm that the % adjustment for 'net' to 'gross' of 56.6%

represents only the years 2008 to 2012, i.e. E.L.K. has stated that it has excluded 2006 and 2007 as the values appear to be extreme.

d) Please explain why E.L.K. is including “estimated’ for 2012 and “non-final for 2011” numbers to calculate an average net-to-gross ratio to apply to the CDM net target for 2012 or in the alternative why isn’t E.L.K. only using “actuals” so as to eliminate any estimation errors?

e) Is it correct to assume that the “pre-CDM adjusted” load forecast of 224.5 GWh (see table 3.20/non-normalized weather billed energy) for 2012 reflects the impact of the first year of the 2011-2014 CDM program? If so, please re-run the load forecast to exclude said impact.

13. Ref: E 3-T2-S p.16 – Table 3-19

Table 3-19 is labelled ‘2013 Expected Savings for LRAM Variance Account’. Please confirm that this should be labelled ‘2012 Expected Savings for LRAM Variance Account’. In the alternative, please explain.

14. Ref: E3-T2-S3

The source of the Table below is Appendix 2-C.

USoA #	USoA Description	2006	2007	2008	2009	2010	2011	Test Year 2012
4082	Retail Services Revenues	$ 33,167	$ 22,968	$ 11,745	$ 22,650	$ 23,637	$ 19,799	$ 21,718
4084	Serv Tx Requests	$ 10,832	$ -	$ 18	$ 543	$ 708	$ 467	$ 587
4210	Rent from Electric Property	$ 11,419	$ 53,411	$ 46,388	-$ 4,448	$ 54,708	$ 46,423	$ 50,000
4215	Other Utility Operating Income	$ 5,972	$ -	$ -	$ -	$ -	$ -	$ -
4225	Late Payment Charges	$ 63,348	$ 78,293	$ 101,445	$ 146,753	$ 99,989	$127,882	$ 130,000
4235	Miscellaneous Service Charges	$ 44,778	$ 64,739	$ 41,352	$ 68,261	$ 52,826	$ 65,524	$ 66,000
4324	Special Purpose Charge Recovery	$ -	$ -	$ -	$ -	$ 41,626	$ 35,213	$ -
4325	Revenues from merchandise, Jobbi	$ 103,767	$ 40,430	$ 101,854	$ 8,918	$ -	$ 37	$ -
4330	Costs & expenses of merchandising,	-$ 60,905	-$ 38,274	-$ 269	-$ 11,101	-$ 4,935	-$ 7,871	-$ 6,500
4355	Gain on Disposition of utility & other	$ 17,820	$ 21,200	$ 2,007	$ -	$ 55,946	$ -	$ 21,000
4375	Revenues from non-utility operation	$ 225,656	$ 282,995	$ 418,773	$ 1,045,773	$ 541,784	$586,053	$ 413,000
4380	Expenses of non-utility operations	$ -	-$ 18,537	-$ 249,747	-$ 564,989	-$ 256,889	-$ 166,529	-$ 92,750
4390	Miscellaneous non-operating incom	$ -	$ 371	$ -	$ -	$ 545	$ -	
6300	Unrealized (Gain) Loss on Investment		$ 11,845				-$ 10,914	
4405	Interest and Dividend Income	$ 363,445	$ 339,612	$ 222,434	$ 47,400	$ 55,154	$ 77,844	$ 77,000
Specific Service Charges		$ 44,778	$ 64,739	$ 41,352	$ 68,261	$ 52,826	$ 65,524	$ 66,000
Late Payment Charges		$ 63,348	$ 78,293	$ 101,445	$ 146,753	$ 99,989	$127,882	$ 130,000
Other Operating Revenues		$ 61,390	$ 76,379	$ 58,151	$ 18,745	$ 79,053	$ 66,689	$ 72,305
Other Income or Deductions		$ 649,783	$ 639,642	$ 495,052	$ 526,001	$ 433,231	$513,834	$ 411,750
Total		$ 819,300	$ 859,053	$ 696,000	$ 759,760	$ 665,099	$773,929	$ 680,055

a) Please provide the calculation details that generate the forecasted $77,000 in interest and dividend income (account 4405) in 2012.

b) Please confirm that the net of accounts 4375 and 4380 (non-utility revenues and expenses) is as presented in the table below.

2007	2007	2008	2009	2010	2011	Test Year 2012
$225,656	$264,458	$169,026	$480,784	$284,895	$419,524	$ 320,250

c) What portion of the $99, 274 decrease in net revenue between 2012 and 2011 is due to lower CDM PAB funding from the OPA?

EXHIBIT 4 - OPERATING COSTS

15. E4-T1-S1 p.6-7

Are the 2011 numbers for Tables 4.8 (Cost per Customer Comparison) and 4.9 (Unit OM&A Cost Indexes) available? If so please update the tables.

16. E4-T1-S1

OMERS has announced a three-year contribution rate increase for its members and employers for the years 2011, 2012, and 2013.

a) Please state whether or not the applicant's proposed pension costs include this increase.
b) If so, please provide the forecasted increase by years and the documentation to support the increases.
c) If not, please state how the E.L.K.proposes to deal with this increase.

17. Ref: E4-T2-S1 p.7

The evidence states that the 11 members of the Board of Directors are comprised of the following: 7 directors, one vice-chair, one chair and 2 E.L.K. staff.

a) What are the total costs provided for in the 2012 test year OM&A for the operation of the Board of Directors?

18. Ref: E4-T2-S3 p.5 & p.9 table 4.17

a) Please confirm that the 2012 OM&A contains $109,408 for Regulatory Expenses (account 5655).

Table 4.17 itemizes E.L.K's regulatory costs and shows a 2012 total of $110,506. Items include $25,000 for legal costs, $36,925 for consultants costs and $11,250 for intervenor costs.

b) Are these the costs associated with this proceeding?
c) Are these costs the full costs or are they the portion to be "amortized" in 2012?

19. Ref: E4-T2-S4 p.2 table 4.18

Table 4.18 summarizes the shared services particulars between E.L.K. and its affiliates. Please identify in which accounts the "Price for the Service" and "Cost for the Service" amounts shown in the table are recorded (e.g. OM&A, Other Revenue accounts)

20. Ref: E4-T2-S4 p.2

The evidence states that "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. Please describe how the mark-up is calculated and what costs is it intended to cover.

21. Ref: E4-T2-S2 p.2 table 4.12

a) Please explain why the level of bad debt expense budgeted for 2012 (i.e. $253,000) is about $60,000 or 30% greater than the level recorded in 2010.
b) Please provide the amounts recorded, and ending balance, in account 1130 (accumulated provision for uncollectable accounts-credit) for the years 2006, 2007, 2008, 2009, 2010, 2011.

22. Ref: E2-T2-S3 p. 5 (LEAP)

a) Please provide the following calculation: 0.12% of the total distribution revenue proposed by the E.L.K. for the 2012 Test Year.
b) Please state whether or not the E.L.K. has included an amount in its 2012 Test year revenue requirement for any legacy program(s), such as Winter Warmth.
c) If so, please identify the amount and provide a breakdown identifying the cost of each program along with a description of each program.

23. Ref: E4-T2-S3 p.5- 6

Please provide an explanation for the increase of $256,767 in Management Salaries and Expenses (account 5610) between 2006 actual and 2012 (do not provide year-to-year explanations for the variances for the intervening years)

24. Ref: E4-T2-S7 p.1

E.L.K. states that it uses depreciation rates suggested by the Ontario Energy Board. Please identify the specific source of these rates. Are they based on the Kinectrics Report?

EXHIBIT 5 - COST OF CAPITAL AND RATE OF RETURN

25. Ref: E5-T1-S1 p. 1

E.L.K. is requesting a return on equity in accordance with the Cost of Capital Parameter Updates for 2012 COS Applications issued in March 2012. Given the timeline for this proceeding, updated Parameters which are normally issued in March may be available.

a) Will E.L.K. be proposing to use the updated Parameters, if available? If not, why not?

EXHIBIT 6 – CALCULATION OF REVENUE DEFICIENCY AND SURPLUS

26. <u>Ref: E1-T1-S1</u>

Upon completion of responses to all interrogatories

a) Please identify any adjustments to the proposed service revenue requirement that the E.L.K.wishes to make relative to the original application.
b) Please provide an updated RRWF with any corrections or adjustments that the E.L.K.wishes to make to the amounts in the previous version of the RRWF included in the middle column. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note.

EXHIBIT 8 - RATE DESIGN

27. <u>Ref: E8-T1-S1 p. 2</u>

E.L.K.'s proposed Rate Design includes the establishment of the Embedded Distributor class (for Hydro One) with a base revenue requirement of $160,897.

a) Please estimate what the attributable revenue requirement would have been for Hydro One, had it remained in the GS 50- 4,999 kW class.

28. <u>Ref: E8-T1-S2</u>

Please update the proposed Retail Transmission Service Rates with the Ontario Uniform Transmission Rated approved by the Board on December 20, 2012.

29. <u>Ref: E8-T1-S3 p.1 table 8-11</u>

Please refer to line G in the table below and provide an explanation for the increase, as compared to 2009 and prior years, in the distribution loss factor in 2010 and 2011. Please provide an explanation for the high losses in 2010 and 2011. Are losses expected to continue at this higher level for the foreseeable future? What has E.L.K done to address this issue?

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

30. Ref: E8-T1-S4 and Appendix 8-A

E.L.K. has requested to recover an LRAM amount of $80,535 which includes $5,328 in carrying charges. The LRAM claim includes lost revenues associated with OPA CDM programs delivered between 2006 and 2010.

a) Please confirm that E.L.K. has used final 2010 program evaluation results from the OPA to calculate its LRAM amount.
b) If E.L.K. did not use final 2010 program evaluation results from the OPA, please explain why and update the LRAM amount accordingly.
c) Please confirm that this is E.L.K.'s first and only LRAM claim. If E.L.K. has requested LRAM in the past, please provide the details.
d) Please confirm that E.L.K. has not received any of the lost revenues requested in this application in the past. If E.L.K. has collected lost revenues related to programs applied for in this application, please discuss the appropriateness of this request.
e) Please confirm that E.L.K. is only seeking recovery of lost revenues up to the end of 2010. If E.L.K. is seeking, or plans to seek, additional lost revenues associated with 2006-2010 CDM Programs, please discuss.

31. Ref: E8-T1-S8 Appendix 2-W

Upon completing all interrogatories from Board staff and intervenors, please provide an updated Appendix 2-W for all classes at the typical consumption / demand levels (i.e. 800 kWh for residential, 2,000 kWh for GS<50).

EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS

32. Ref: E9-T1-S1

The continuity statements show no balances for accounts 1518 and 1548.

a) Please confirm whether or not E.L.K. has followed Article 490, Retail Services and Settlement Variances of the Accounting Procedures Handbook for Account 1518 (Retail Cost Variance Account – Retail) and Account 1548(Retail Cost Variance Account – STR).
b) Please explain if E.L.K. has not followed Article 490. In other words, please confirm that the higher of the relevant revenues (i.e. account 4082, Retail Services Revenue and/or account 4084, STR Revenue) and the incremental expenses in the associated expense accounts (i.e. account 5315, Customer Billing, and possibly 5305, Supervision and 5340, Miscellaneous Customer Accounts Expenses) is reduced (i.e. revenues debited or expenses credited) at the end of each period, with an offsetting entry to the variance account.
c) Please explain if E.L.K. has not followed Article 490, and if so, please quantify the variance.

33. Ref: E9-T1-S1

a) Has E.L.K. made any adjustments to deferral and variance account balances that were previously approved by the Board on a final basis in a previous Cost of Service or IRM proceeding (i.e. balances that were adjusted subsequent to the balance sheet date that were cleared in the most recent rates proceeding)?
b) If yes, please provide explanations for the nature and amounts of the adjustments and include supporting documentation.

34. Ref: E9-T1-S1

a) Please provide breakdown of energy sales and cost of power expense, as reported in the audited financial statements, by USoA account number. Please tie these numbers to the audited financial statements.
b) If there is a difference between the energy sales and cost of power expense reported numbers, please explain why the E.L.K.is making a profit or loss on the commodity

35. Ref: E9-T1-S1

a) Please confirm if E.L.K. pro-rates the IESO/Host Distributor Global Adjustment Charge into the RPP and non-RPP portions.
b) If this is not the case, please provide an explanation.

36. Ref: E9-T2-S2 p. 4, Account 1508 – Sub-account OEB Cost Assessment, Accounting Procedures Handbook For Electric Distribution Utilities ("APH"), Revised: July 31, 2007, Article 220, page 15

The evidence indicates that E.L.K. has recorded amounts in Account 1508 Other Regulatory Assets, Sub-account OEB Cost Assessment, up to April 30, 2007. As per Article 220 of the APH,

> This account shall be used to record the difference between OEB costs assessments invoiced to the distributor for the Board's 2004/05 and 2005/06 (up to April 30, 2006) fiscal years and OEB costs assessments previously included the distributor's rates.

The distributors were to cease recordings in this account after April 30, 2006.

a) Please provide the amount that was posted in this account pertaining to the period after April 30, 2006.
b) Please provide an alternative rate rider calculation excluding the amounts posted in the account for period after April 30, 2006.

37. Ref: E9-T2-S2 p.4, Account 1508 – Sub-account Pension Contributions, Accounting Procedures Handbook For Electric Distribution Utilities ("APH"), Revised: July 31, 2007, Article 220, page 16

The evidence indicates that E.L.K. has recorded amounts in this account 1508, Sub-account Pension Contributions up to April 30, 2007. As per Article 220 of APH,

> A distributor shall use this account to record the pension costs associated with the cash contributions paid to Ontario Municipal Employees Retirement Savings ("OMERS") for the period from January 1, 2005 to April 30, 2006, or where a distributor receives approval through an order of the Board to record pension costs in a deferral account for a specified period.

The distributors were to cease recordings in this account after April 30, 2006.

a) Please provide the amount that was posted in this account pertaining to the period after April 30, 2006.
b) Please provide an alternative rate rider calculation excluding the amounts posted in the account for period after April 30, 2006.

38. <u>Ref: E9-T2-S, Table 9-5– Allocation of Deferral and Variance Accounts, and Table 9-6 Deferral and Variance Accounts Rate Riders</u>

E.L.K. has used kWh as the allocator for Account 1595 Disposition of Recovery/Refund of Regulatory Balances account. The default allocator per the EDDVAR[4] report for this account is in proportion to the recovery share as established when rate riders were implemented.

a) Please recalculate the allocations of this account balance to the rate classes based on the EDDVAR report.
b) Please recalculate the rate riders based on recalculated allocations.

39. <u>Ref: E9-T2-S 2, page 8, Account 1592 December 201 - Frequently Asked Questions on the Accounting Procedures Handbook for electricity distributors (APH-FAQs), p. 7</u>

In its application, E.L.K. stated,

> E.L.K. is also requesting the completion of recording the incremental ITC in this account after the effective day of E.L.K.'s 2012 cost of service rates are approved.

As per December 2010 APH-FAQs, the Board provided accounting guidance on this matter and provided a simplified approach designed to facilitate administrative cost-saving opportunities. No additional amounts should be recorded in Account 1592 (PILs and Tax Variances, Sub-account HST/OVAT ITCs for the Test Year and going forward, as the impact of the HST and associated ITCs on capital and operating costs in the Test Year should be reflected in the applied-for revenue requirement. Per December 2010 APH-FAQs (Page 7):

> **Note that the monthly entries to the sub-account should continue until the last month before the distributor's new cost of service rates take effect**. For

---

[4] EB-2008-0046, Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR), page 21

example, if the rebasing rates take effect on May 1 of a particular year, the monthly entries would continue in the sub-account until April of the particular year [emphasis added].

Board staff notes that the date on which the E.L.K.'s new cost of service rates would take effect will not be determined until the Board issues its Decision and order where at the time of preparation of its rate order, E.L.K. would be required to book the entries from July 1, 2010 until the last month before the E.L.K.'s new cost of service rates take effect, e.g, if the rates are effective on November 1, 2012, E.L.K. is required to record the monthly entries to the sub-account until October 31, 2012, which is the last month before the E.L.K.'s new cost of service rates take effect to include the HST impacts in rates going forward.

a) Please confirm that E.L.K. has followed the December 2010 FAQs accounting guidance regarding Account 1592 sub-account HST/OVAT ITCs. If this is not the case, please explain.
b) Please re-calculate the account balance by recording the monthly entries to the Account 1592 sub-account HST/OVAT ITCs from July 1, 201until September 30, 2012, which is the last month before E.L.K.'s proposed date of October 1, 2012 for the new rates. Please provide an analysis in accordance with December 2010 APH-FAQs, Question #4 while updating your evidence for disposition of Account 1592.
c) Please confirm that zero amounts will be recorded in Account 1592, sub-account HST/OVAT ITCs for the test year and forward. If this is not the case, please explain the reason.
d) Please recalculate the rate riders including 50% of the updated balance (as calculated in part "b" above) for account 1592, sub-account HST/OVAT ITCs.
e) Please confirm that the test year includes the HST impacts in rates going forward. If this is not the case, please explain.

40. <u>Ref: Appendix 9-A 1562 Summary Cont. and Supporting Calculations_20121005 PILs Proxy Entitlements</u>

E.L.K. filed a rate application on January 24, 2002. The Board approved the rate change on February 28, 2002 and issued its Decision and Order effective March 1, 2002. This Decision was submitted as PILs evidence by E.L.K.
On April 26, 2002 the Board issued a letter to vary the 2002 rate order by correcting an error in a calculation in the application on which the Board's order was based. Attached to the letter was a revised Schedule of Rates and Charges, including the 2001 and 2002 PILs proxies, with an effective date of May 1, 2002.
E.L.K. did not submit this letter with the attached revised rate schedule as evidence in this proceeding.

a) Please file the amended rate order with the revised 2002 rate schedule as evidence.

In its PILs 1562 continuity schedule, E.L.K. recorded its entitlement to the full 2001 PILs proxy starting on October 1, 2001 and a pro-rated 2001 and 2002 PILs proxy for the full 2002 year starting on January 1, 2002.

The issue of delayed implementation of rates containing PILs was dealt with by the Board in several cases[5], most notably in Thunder Bay[6] and St. Thomas[7]. The Board decided that the entries in the PILs 1562 continuity schedule should begin with the effective date or the implementation date of the rates that contained PILs.

b) Does E.L.K. agree that the PILs proxy allowance entries (including the variance adjustments calculated in the SIMPIL models) and the recoveries from customers to be recorded in the PILs 1562 continuity schedule cannot begin until May 1, 2002?
c) What regulatory reference supports starting the PILs entitlements earlier than May 1, 2002? Please explain.

The sum of the 2001 PILs proxy of $67,077 and the 2002 PILs proxy of $410,255 is $477,332. The rates were determined based on a twelve month rate year which implies a monthly PILs proxy amount of $39,777.67 ($477,332/12) for the period from May 1, 2002 to March 31, 2004, or 23 months. Using this monthly entitlement, the total for the period shown is $914,886 ($39,778 x 23).

d) Does E.L.K. consider Board staff's PILs proxy calculation to reflect fairly the 2002 Board decision? If E.L.K. disagrees, please explain E.L.K.'s rationale for selecting a different amount.
e) E.L.K. has shown recoveries of $842,335 for the same period of May 1, 2002 to March 31, 2004 in its continuity schedule. The monthly PILs proxy calculated above was used to determine the proxy amounts in this table.

Recoveries in Rate Period	**Amount of Recoveries**	**PILs Proxy**
2002 - billings for 8 months only	282,255	318,221
2003	469,955	477,332
2004 – Jan.1 – Mar. 31	90,125	119,333
Sum	**$842,335**	**$914,886**

f) Does E.L.K agree that this approach to determine the PILs proxy for the period from May 1, 2002 is fair to both the utility and its ratepayers? If not, please explain.

[5] EB-2012-0061, Veridian, Decision & Order, November 8, 2012, page 4.
[6] EB-2011-0197, Thunder Bay, Decision & Order, April 4, 2012, page 11. EB-2012-0212, Thunder Bay, Decision & Order on Motion to Review, June 28, 2012, page 16.
[7] EB-2011-0196, St. Thomas, Decision & Order, April 19, 2012 page 15. EB-2012-0248, St. Thomas, Decision & Order on Motion to Review & Vary, July 26, 2012, page 8.

g) Please revise the PILs continuity schedule with pro-rated PILs proxy entitlements as described above starting from May 1, 2002, and file the calculations of the final balance in active Excel format.

41. Ref: Appendix 9-B Calculations of Collected PILs_20121005 PILs Billed Amounts
Unmetered scattered load (USL) is not listed as one of the components of the billing and recovery in PILs revenue worksheet, although the 2002, 2004, and 2005 Board decisions include USL as one of the rate categories. USL was billed using the GS<50kW rate which included PILs fixed and variable charge slivers.

a) Please explain why the USL connections and energy (kWhs) and the associated rate slivers classified under GS<50kW rate class were not used in the calculation of PILs recoveries from ratepayers.

The volumetric billing determinants for 8 months of 2002 appear to be lower than the full year statistics would indicate. Board staff pro-rated the 2002 statistics as filed in the 2006 EDR application and compared the pro-rated volumes with those used in the PILs recovery calculations.

b) Please explain why the volumes shown as billed in 2002 are much lower than pro-rated actual volumes for the entire 2002 year.

Customer Class	Billing Parameter	Billed Consumption May 1/02 to Dec 31/02	2002 Statistics Filed in 2006 EDR	Prorated 2002 Statistics Filed in 2006 EDR (8/12)
Residential	kWh's	47,333,395	91,843,709	61,229,139
General Service < 50 KW	kWh's	12,516,701	27,223,752	18,149,168
General Service > 50 KW	kW's	66,311	153,045	102,030
GS > 50 TOU	kW's	20,796	37,346	24,898
USL	kWh's	-	283,512	189,008
Sentinel Lighting	kWs	242	N/A*	N/A
Streetlight - TOU	kW's	105	6,135	4,090

*E.L.K. did not report demand data in kW for the Sentinel Lighting rate class in the 2006 EDR.

The trend for the majority of distributors is that the PILs recoveries exceed the proxies for the full years of 2003 to 2005. As demand and population grew, the PILs dollar amounts recovered were higher than the proxy set using 2001 billing determinants. The table below shows E.L.K.'s evidence for the full years from 2003 to 2005 and the 2006 partial year.

c) Please explain why the PILs proxies in rates were greater than the PILs recoveries for the full 2003 and 2004 and partial 2006 years as seen in the table below.

PILs Proxies vs. Recoveries	2003	2004	2005	2006 partial
PILs Proxies in Rates	477,332	427,024	319,414	96,378
PILs Recovery Calculations	-469,955	-373,434	-377,219	-63,304
Difference	**7,377**	**53,590**	**-57,805**	**33,074**

d) Please explain why the PILs billed amounts for the months of March and April in 2004 and 2006 appear low compared to the billed amounts for the same months a year before and a year after as seen in the table below.

PILs Billed Amount ($)

	2003	2004	2005	2006
March	36,834	13,385	36,427	249
April	38,309	17,710	30,147	150

e) E.L.K. recorded a total of $479 for unbilled revenue accrual as at April 30, 2006. Please explain how E.L.K. determined the PILs amounts associated with unbilled revenue accrual as at April 30, 2006.

f) If there are any adjustments that need to be made to the PILs recovery calculations, please update and file the revised PILs continuity schedule in active Excel format.

42. Ref: Appendix 9-C to 9-G 2001 to 2005 SIMPIL Models Taxable Capital Gains and Gains on Disposals of Fixed Assets

E.L.K. included its fixed assets in the calculation of rate base for the 2000-2001 application. The Board approved the rate base for use in the determination of distribution rates. E.L.K. continued to receive the return on these assets from ratepayers even though it may have disposed of assets during the period 2001 through 2005.

a) In the 2005 SIMPIL model, the variances caused by taxable capital gains and gains on disposal of fixed assets that are input on sheet TAXREC2 are greater than the materiality threshold and true up to ratepayers on sheet TAXCALC rows 107 and 118. Please explain why it should true up to ratepayers.

b) If E.L.K. agrees that it should not true up to ratepayers, please move the fixed asset transactions to the SIMPIL model sheet TAXREC3 and update the PILs continuity schedule and final balance for disposition.

43. Ref: Income Tax Rates Used in SIMPIL Models Sheet TAXCALC

In the Combined Proceeding EB-2008-0381, the three applicants were all subject to the maximum blended income tax rates based on the tax evidence they each submitted in the case. That proceeding was not a generic proceeding, and therefore the Board's findings on income tax rates do not apply to every distributor. Blended income tax rates determined from the applicants' own tax evidence are used to calculate the tax variances in SIMPIL models that form part of the entries in account 1562 deferred PILs. E.L.K. incurred losses or had zero taxable income for tax purposes in 2001 and 2002.

E.L.K. has used income tax rates as shown in the table below in its SIMPIL models. The Board-approved rate base was taken from the 2002 PILs proxy application evidence. Rate base was considered in the 2002 application to be a regulatory proxy for taxable paid-up capital.

	2001	**2002**	**2003**	**2004**	**2005**
Rate base ($)	11,068,045	11,068,045	11,068,045	11,068,045	11,068,045
Income tax rate used in SIMPIL	30.14%	31.66%	36.62%	36.12%	36.12%
Taxable income from tax returns ($)	0	0	1,875,315	2,222,958	793,400
Income tax rates from 2002 and 2005 RAMs	34.12%	38.62%			27.50%

E.L.K. chose the maximum income tax rate for some years and tax rates lower than the maximum for other years.

Corporate taxpayers are eligible for the full federal small business deduction when taxable capital is below $10 million. The small business deduction is phased out on a straight-line basis as taxable capital increases above $10 million, and is completely eliminated when taxable capital reaches $15 million.[8] The taxpayer pays a lower rate of income tax than the maximum rate as long as taxable capital remains below $15 million.

a) Please provide the documents that show all of the calculations that were made to validate the blended income tax rates for 2001 and 2002 that were used in E.L.K.'s SIMPIL models in Excel format.

[8] Income Tax Act, section 125 (5.1)

b) Please provide calculations of income tax rates for 2003, 2004 and 2005 using the same methodology used to calculate the tax rates for 2001 and 2002 in Excel format.
c) Using rate base as the proxy for taxable capital and regulatory taxable income for the 4th quarter 2001 from the 2002 application, please calculate a tax rate for 2001.
d) Using rate base as the proxy for taxable capital and regulatory taxable income for 2002 from the 2002 application, please calculate a tax rate for each of 2002, 2003 and 2004 using the tax laws in effect for those years.
e) Using rate base as the proxy for taxable capital and regulatory taxable income from the 2005 application, please calculate a tax rate for 2005 using the tax laws in effect for 2005.
f) Please insert the income tax rates calculated in (c) above in the SIMPIL models for 2003, 2004 and 2005 in active Excel format. Please deduct 1.12% to determine the gross-up tax rate for the appropriate cells. Please file these active Excel SIMPIL models and a revised continuity schedule.
g) Please insert the income tax rates calculated in d, e, and f above in the SIMPIL models for 2001, 2002, 2003, 2004 and 2005. Please deduct 1.12% to determine the gross-up tax rate for the appropriate cells. Please file these active Excel SIMPIL models and a revised continuity schedule.

44. Ref: Restatement of Employee Future Benefit Liability 2003 Adjustment

E.L.K. recorded an adjustment for the restatement of employee future benefit liability of $1,084,721 on sheet TAXREC2 line 92 in the 2003 SIMPIL model. Amounts greater than materiality on sheet TAXREC2 true up to ratepayers on sheet TAXCALC. It appears that E.L.K. changed the formula on sheet TAXREC2 line 92 to avoid the true-up of the adjustment to the ratepayers.

a) Please explain why E.L.K. changed the formula in cell E92 in the 2003 SIMPIL model contrary to the Board's instructions.
b) Please explain why this adjustment which appears on the 2003 T2S1 schedule, and is part of the PILs 1562 methodology, should not true up. Please provide regulatory references to support the explanation.

45. Ref: Financial Statement Reserves on Schedule 1

E.L.K. recorded financial statement reserves in the T2 tax return Schedule 1 for the tax years 2001 through 2005. However, in the SIMPIL models E.L.K. did not record these financial statement reserves on sheets TAXCALC, TAXREC or TAXREC2.

a) Please explain why E.L.K. did not replicate the Schedule 1 entries.
b) Please explain how E.L.K. benefits from the change in disclosure in the SIMPIL true-up entries.

Reserves From Schedule T2S1	2001	2002	2003	2004	2005
Beginning of year	1,546,232	1,635,029	1,723,826	644,766	653,229
End of year	1,635,029	1,723,826	644,766	653,229	650,037

46. Ref: Actual and Deemed Interest Expense for Tax Years 2001 to 2005 for True-up Calculations

When the actual interest expense, as reflected in the financial statements and tax returns, exceeds the maximum deemed interest amount approved by the Board, the excess amount is subject to a claw-back penalty and is shown in the TAXCALC worksheet as an extra deduction in the true-up calculations.

a) Please provide a table for the years 2001 to 2005 that shows all of the components of interest expense and the amount associated with each type of interest. For each year, please balance the numbers in the table to the financial statements, to the tax returns and to the amounts used in SIMPIL sheet TAXCALC for the interest true-up calculations.
b) Did E.L.K. have interest expense related to other than debt that is disclosed as interest expense in its financial statements?
c) Did E.L.K. net interest income against interest expense in deriving the amount it shows as actual interest expense in the SIMPIL models? If yes, please provide details to what the interest income relates and explain why interest income and expense should be netted to reduce the interest expense used in the true-up calculations.
d) The Board decided interest expense used to calculate the interest claw-back variance should not include interest on customer deposits.[9] Please exclude interest expense on customer security deposits in interest expense for purposes of the interest true-up calculations.
e) Did E.L.K. include interest income on customer security deposits in the disclosed amount of interest expense in its financial statements and tax returns?
f) Did E.L.K. incur interest expense or standby fees or charges on IESO or other prudentials? Please provide a table that lists all of the prudential costs by year for 2001-2005 with the amounts by type of charge for letters or lines of credit whether shown as interest expense or as OM&A. The Board has decided that prudential costs are interest expense and should be included in the interest claw-back variance calculations.[10]
g) Did E.L.K. include interest carrying charges on regulatory assets or liabilities in

[9] Hydro One Brampton, EB-2011-0174, December 22, 2011. Kingston Hydro, EB-2011-0178, April 19, 2012. Innisfil Hydro, EB-2011-0176, April 19, 2012.
[10] Burlington Hydro, EB-2011-015, March 20, 2012. Kitchener-Wilmot Hydro, EB-2011-0179, April 4, 2012. Thunder Bay Hydro Electricity Distribution Inc., EB-2011-0197, April 4, 2012.

interest expense?

h) Did E.L.K. include the amortization of debt issue costs, debt discounts or debt premiums in interest expense?
i) Did E.L.K. deduct capitalized interest in deriving the interest expense disclosed in its financial statements? If the answer is yes, did E.L.K. add back the capitalized interest to the actual interest expense amount for purposes of the interest true-up calculations? Please explain.
j) If a revision has been made to the SIMPIL interest claw-back calculations, please file the revised SIMPIL models and update the PILs continuity schedule and final balance for disposition in active Excel format.

47. <u>Ref: E 9-T4-S1 p.1 – Stranded Meters</u>

Why is E.L.K. proposing that the Stranded Meter Rate Rider ("SMRR") only come into effect on October 1, 2013?

48. <u>Ref: E 9-T4-S2 P.5 – Smart Meters</u>

On page 5 of this exhibit, E.L.K. states:

> **Residential and Commercial Deployment of KTI/Sensus Meters**
> To attempt to keep costs at a minimum, E.L.K. estimated the cost of mass deployment and concluded that the most cost-effective approach to converting E.L.K.'s service territory meters to smart meters was to utilize in-house trained personnel who are familiar with E.L.K.'s service territory.

Board staff observes that, for other Ontario electricity distributors which have applied for disposition and recovery of smart meter costs, others have used contracted staff, often with the vendor, or a combination of internal and contracted staff for smart meter deployment. In particular, some utilities have indicated that they used contracted staff for routine deployment to many residential meter swap-outs, while internal staff might have been used for more complicated meter replacements, such as for a larger GS < 50 kW with 2-phase or 3-phase service where the meter swap might have to be scheduled outside of normal business hours to avoid interruption of the customer's normal business.

a) Please provide further explanation of E.L.K.'s analysis that lead it to conclude that smart meter deployment should be totally done with E.L.K.'s own staff.
b) Please explain if, and if so, how, doing the smart meter deployment with E.L.K.'s staff solely, impacted on other capital and operating projects of E.L.K.'s regular electricity distribution business.

49. <u>Ref: E9-T4-S2 p.15-16 – Smart Meters – Web Presentment</u>

On pages 15 and 16 of this exhibit, E.L.K. documents its evidence on web presentment, which is intended to provide a means for customers to access their time-of-use ("TOU") data through the internet. On page 16, E.L.K. states:

E.L.K. has continued to explore the area of web presentment to assist our customers.

Currently, E.L.K. has inquired into a Harris (current CIS vendor) solution called Customer Connect/Home Connect as well as the Whitecap (My Hydro Eye) solution. E.L.K. will continue to study both of these products to determine which is the best fit for E.L.K. and is looking at implementation for 2013.

a) What is the current status of E.L.K.'s efforts to select and implement web presentment?
b) Are there any costs for which E.L.K. is seeking recovery, either through the SMDR, or in the 2012 revenue requirement, related to capital or operating expenses for web presentment. If so, please identify the magnitude of these costs and where they show up in either the smart meter costs or in 2012 capital and/or operating costs.

50. <u>Ref: E9-T4-S3 – Stranded Meters</u>

E.L.K. has proposed a uniform SMRR of $2.22 per month for Residential and GS < 50 kW customers applicable for one year. In *Guideline G-2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition* ("Guideline G-2011-0001"), issued December 15, 2011, the Board states its expectation that proposals for the SMRR would reflect an allocation of the stranded meter costs reflecting the net book value of the conventional meters stranded by replacement by smart meters. In Section 3.7, page 22, of Guideline G-2011-0001, the Board states:

> The distributor should determine and support its proposed allocation, based on the principles of cost causality and practicality. The stranded meter NBV should be recovered through rate riders for applicable customer classes. A distributor must outline the manner in which it intends to allocate the stranded meter costs to the applicable customer rate classes and the rationale for the selected approach. If a distributor has recorded the NBV of the stranded meters by customer class, it should propose class-specific rate riders for each applicable class (Residential, GS < 50 kW and any other classes approved by the Board for smart meter deployment). If the NBV is not known on a class-specific basis, a distributor should propose an allocation between the affected metered customer classes and support its proposal.

In Table 7-3 of Exhibit 7/Tab 1/Schedule 1/page 1, E.L.K. states that the Capital Weighted Meter Costs of Residential and GS < 50 kW smart meters are, respectively, $77.15 and $150.77, based on sheet I7.1 of the Cost Allocation model. In other words, the average cost of a GS < 50 kW smart meter is just under double that of a residential smart meter. Since we are dealing with the net book value of the conventional meters, the CWMC of smart meters is not appropriate. However, CWMC data from sheet I7.1 of the 2006/7 Cost Allocation Informational Filing would information would have comparable information on the conventional meters.

a) Please provide a copy of Sheet I7.1 from E.L.K.'s 2006/7 Cost Allocation Informational Filing.
b) Based on the information provided in a), please provide class-specific SMRRs for the Residential and GS < 50 kW. Please adequately document the methodology for allocating the costs between the classes.

c) Please indicate E.L.K.'s preference, with reasons, for either a uniform or class-specific SMRR.

51. Ref: Smart Meter Model, Version 2.17 – Tax/PILs Rates

E.L.K. has used the following for the aggregate tax/PILs rates for each year, as input on sheet 3 'Cost of Service Parameters' of the Smart Meter Model, Version 2.17:

Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012 and beyond**
Aggregate Tax/PILs rate	36.12%	36.12%	33.50%	33.13%	28.13%	23.51%	29.00%
Maximum Aggregate Federal/provincial tax rate	36.12%	36.12%	33.50%	33.00%	31.00%	28.25%	26.25%

The tax/PILs rates chosen for 2006, 2007 and 2008 have no implications as there are no smart meter costs in those years. E.L.K. has overridden the defaults for 2009 and beyond.

a) E.L.K. has input a tax rate of 33.13% for 2009, which exceeds the maximum aggregate Federal and Ontario income tax rate of 33.00% in that year. Please explain E.L.K.'s input in that year.
b) E.L.K. has input a tax rate of 29.00% for 2012 and beyond, which exceeds the aggregate Federal and Ontario income tax rate of 26.25% for 2012, although Board staff understands that the maximum Ontario tax rate remains at 11.5% rather than reducing to 11.0% as of July 1, 2012. With the 15% Federal tax rate, this would imply a maximum tax rate of 26.5% for 2012. Please explain E.L.K.'s input of a 29.00% tax rate for 2012.

52. Ref: Smart Meter Model, Version 2.17 – Sheet 8 – Smart Meter Funding Adder Revenues

Per E.L.K.'s existing Tariff of Rates and Charges, as approved in E.L.K.'s 2011 IRM rates application EB-2010-0126 and also shown in Exhibit 8/Tab 1/Schedule 5/Appendix A in this Application, E.L.K.'s Smart Meter Funding Adder ("SMFA") of $1.45 per month per metered customer had a sunset of April 30, 2012.
On Sheet 8 of the Smart Meter Model Version 2.17, E.L.K. shows SMFA revenues of $15,013.34 for each of May 2012 and June 2012.

a) Please explain the entries of SMFA revenues for May and June 2012 after the sunsetting of the SMFA.

53. Ref: Smart Meter Model, Version 2.17

If E.L.K. has made changes or corrections to the inputs of the Smart Meter Model as a result of its responses to interrogatories to Board staff and intervenors, and is in agreement with those changes, please provided updated versions of the class-specific SMDRs, including updated working Excel spreadsheet versions of the Smart Meter

Model Version 2.17 and the spreadsheet
'E.L.K._Smart_Meter_Rate_Rider_by_Class_20121005'.

54. Ref: Smart Meter Model, Version 2.17 – Interest on OM&A and Depreciation Expenses

In the Smart Meter Model Version 2.17 filed by E.L.K., the utility has relied upon sheet 8B to calculate the interest on OM&A and depreciation/amortization expenses. Sheet 8B calculates the interest based on the average annual balance of deferred OM&A and depreciation/amortization expenses based on the annual amounts input elsewhere in the model.

The more accurate and preferred method for calculating the interest on OM&A and depreciation/amortization expense is to input the monthly amounts from the sub-account details of Account 1556, using sheet 8A of the model. This approach is analogous to the calculation of interest on SMFA revenues on sheet 8 of the model.

a) Please re-file the smart meter model using the monthly OM&A and depreciation/amortization expense data from Account 1556 records. E.L.K. should also take into account any revisions necessary, such as in its response to the preceding interrogatory.
b) If this is not possible, please explain.