

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by E.L.K. Energy
Inc. for an order approving just and reasonable rates and other
charges for electricity distribution to be effective October 1,
2012.

**INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

January 7, 2012

**E.L.K. ENERGY INC.
2012 RATES REBASING CASE
EB-2011-0099**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1.0 Energy Probe # 1

Ref: Exhibit 1, Tab 1, Schedule 4

- a) **Please explain why ELK is proposing to recover the stranded meter costs over a 12 month period beginning October 1, 2013 (page 2, lines 3-5)?**
- b) **Given that the various rate riders requested for the disposition of smart meter and variance/deferral accounts will not be in place for October 1, 2012, does ELK agree that the riders should be put in place effective the beginning of the month following a decision in this proceeding, and remaining in place for 12 months?**

1.0 Energy Probe # 2

Ref: Exhibit 1, Tab 2, Schedule 1

ELK indicates 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.

- a) **Please provide a copy of the advice from the auditor.**
- b) **Has ELK made any changes to the depreciation rates used since 2006? If yes, please provide details on the associated accounts, changes in rates and timing of those changes.**
- c) **Has ELK had a new depreciation study done in anticipation of converting to IFRS? If yes, please indicate when that study was done and provide a copy that shows the rates for each account.**
- d) **If the response to part (c) is yes, please provide a comparison of the depreciation expense, shown by account, between the existing rates and the new rates if they were applied to 2012.**

1.0 Energy Probe # 3

Ref: Exhibit 1, Tab 2, Schedule 1

ELK indicates that it is requesting rates effective October 1, 2012 continuing through September 30, 2013.

- a) Please explain, given the timing of the filing of the evidence in September, 2012 and the expected timing of a decision in this proceeding, why ELK should have rates made retroactive to October 1, 2012?**
- b) Will ELK be filing a rate application for 2013 rates? If so, please confirm that the rate increase would take place October 1, 2013 and apply only to the end of April, 2014 and that effective for 2014 rates, ELK would be back on the May to April rate schedule? If this cannot be confirmed, please provide ELK's plan to get back on a regular schedule of rate changes.**

1.0 Energy Probe # 4

Ref: Exhibit 1, Tab 2, Schedule 1

Please confirm that the return on equity of 9.12% was taken from the Board's Cost of Capital Parameter Updates for 2012 Cost of Service Applications issued on March 2, 2012.

1.0 Energy Probe # 5

Ref: Exhibit 1, Tab 2, Schedule 1

Please provide an updated version of Table 1.2 that reflects the 2011 OEB Yearbook.

1.0 Energy Probe # 6

Ref: Exhibit 1, Tab 2, Schedule 4

Please show a breakdown of the \$268,416 impact of smart meters on the 2012 revenue requirement into OM&A, cost of debt, return on equity, depreciation, PILs, etc. Please show all assumptions and calculations used.

EXHIBIT 2 – RATE BASE

2.0 Energy Probe # 7

Ref: Exhibit 2, Tab 1, Schedule 1

Please update Table 2.2 to reflect actual data for 2012. If actual data for the entire year is not yet available, please provide an updated estimate for 2012 that includes actual data for as many months as are currently available in 2012, along with the forecast for the remaining months.

2.0 Energy Probe # 8

Ref: Exhibit 2, Tab 1, Schedule 1, page 5 & Table 2-1

- a) Has ELK included the smart meter NBV in the calculation of rate base shown in Table 2-1?**
- b) Has ELK included the stranded meter NBV in the calculation of rate base shown in Table 2-1?**

2.0 Energy Probe # 9

Ref: Exhibit 2, Tab 1, Schedule 3

- a) Please update Table 2-7B to reflect actual capital additions that have been (or will be) placed into service by the end of 2012. If actual data for the entire year is not yet available, please provide an updated estimate for 2012 that includes actual data for as many months as are currently available in 2012, along with the forecast for the remaining months.**
- c) Please confirm that the difference in the closing balances in Table 2-18 (for both cost and accumulated depreciation) and the opening balances in Table 2-20 is due solely to the inclusion of smart meters and smart meter related software in the opening balances in Table 2-20. If this cannot be confirmed, please indicate what are the other differences.**
- d) Please confirm that the stranded meters were removed from the PP&E accounts in 2010. Please further confirm that there were no further stranded meters in 2011 or 2012.**

- e) **Please provide an updated Table 2-20 and Table 2-21 that reflects actual capital expenditures and depreciation expense for 2012. If actual data for the entire year is not yet available, please provide an updated estimate for 2012 that includes actual data for as many months as are currently available in 2012, along with the forecast for the remaining months.**
- f) **Please confirm that Jakana Phase 3 was placed into service in Q4, 2012.**
- g) **Please confirm that the Live Front Transformer and Primary Underground Cable Replacement Program - Viscount Estates was completed in Q4, 2012.**
- h) **Please confirm that ELK took delivery of the new 2 Ton Underground Service Truck before the end of 2012.**

2.0 Energy Probe # 10

Ref: Exhibit 2, Tab 1, Schedule 3

- a) **Please confirm that in addition to using the half year rule for calculation depreciation expense in 2012, ELK used the half year rule for each of 2006 through 2011 as well.**
- b) **Please confirm that the 2006 rates were set based on the use of the half year rule in 2004. If this cannot be confirmed, please indicate the depreciation methodology used by ELK that were incorporated into the setting of 2006 rates.**

2.0 Energy Probe # 11

Ref: Exhibit 2, Tab 1, Schedule 4

Please update Tables 2-24 and 2-25 to reflect actual volumes (including RPP vs. non-RPP) and actual costs incurred in 2012.

EXHIBIT 3 – OPERATING REVENUE

3.0 Energy Probe # 12

Ref: Exhibit 3, Tab 2, Schedule 1

Please update Tables 3-1 through 3-4 to reflect actual data for 2012. If actual data for the entire year is not yet available, please provide an updated estimate for 2012

that includes actual data for as many months as are currently available in 2012, along with the forecast for the remaining months.

3.0 Energy Probe # 13

Ref: Exhibit 3, Tab 2, Schedule 1

- a) **Please explain why the average loss factor from 2005 to 2011 was used to convert purchases to billed energy (page 9) instead of 2004 to 2011.**
- b) **Please provide all the data used to generate the loss factor of 1.08 in a table that shows the data for each individual year. Please also include 2004 data in this table.**

3.0 Energy Probe # 14

Ref: Exhibit 3, Tab 2, Schedule 1

- a) **Please update Table 3-21 to include actual data for 2012. If actual data for the entire year is not yet available, please provide an updated estimate for 2012 that includes actual data for as many months as are currently available in 2012, along with the forecast for the remaining months.**
- b) **Please update Table 3-24 to include actual data for 2012. If actual data for the entire year is not yet available, please provide an updated estimate for 2012 that includes actual data for as many months as are currently available in 2012, along with the forecast for the remaining months.**

3.0 Energy Probe # 15

Ref: Exhibit 3, Tab 2, Appendix 3-A

Please provide the actual heating and cooling degree days for each month in 2012.

3.0 Energy Probe # 16

Ref: Exhibit 3, tab 2, Schedule 1, page 6

- a) **Please explain what is included in the Hydro One Uplifted explanatory variable. For example, is it the volume of purchases for ELK (including losses) that is ultimately sent to Hydro One by ELK?**

- b) Please explain the coefficient on the Hydro One Uplift variable of 0.72. Does this imply that for every 100 kWh consumed by Hydro One, ELK's total purchases increase by 72 kWh?

3.0 Energy Probe # 17

Ref: Exhibit 3, Tab 2, Appendix 3-A

- a) Please provide a live Excel spreadsheet that contains the following:
- i) all the data shown in Appendix 3-A;
 - ii) any other explanatory variables that ELK tried to include in the regression model; and,
 - iii) the estimated regression equation used to generate the forecast.
- b) Please provide a second version of the live Excel spreadsheet that includes actual purchased figures, heating degree days, cooling degree days and any other actual data for each month of 2012.

3.0 Energy Probe # 18

Ref: Exhibit 3, Tab 3, Schedule 1

Please update Tables 3-37 and 3-38 to reflect actual data for 2012. If actual data for the entire year is not yet available, please provide an updated estimate for 2012 that includes actual data for as many months as are currently available in 2012, along with the forecast for the remaining months.

3.0 Energy Probe # 19

Ref: Exhibit 3, Tab 3, Schedule 3

- a) Please update Table 3-45 to reflect actual data for 2012. If actual data for the entire year is not yet available, please provide an updated estimate for 2012 that includes actual data for as many months as are currently available in 2012, along with the forecast for the remaining months.
- b) Please provide an updated version of Appendix 2-C that reflects the data requested in part (a) above.
- c) Please provide a revised version of Appendix 2-C that reflects the response to part (b) above, but separates out the revenues and expenses associated with OPA programs for all years shown from accounts 4375 and 4380.

- d) Please confirm that Account 4405 does not include any interest revenue or expense associated with interest on deferral and variance accounts. If this cannot be confirmed, please also show separately any interest on deferral and variance accounts in the response to part (c) above.

EXHIBIT 4 – OPERATING COSTS

4.0 Energy Probe # 20

Ref: Exhibit 4, Tab 1, Schedule 1

- a) Please provide an updated Table 4.1 that reflects actual data for 2012. If actual data for the entire year is not yet available, please provide an updated estimate for 2012 that includes actual data for as many months as are currently available in 2012, along with the forecast for the remaining months.
- b) Please update Table 4.1 to reflect data as reported in the 2011 OEB Yearbook.

4.0 Energy Probe # 21

Ref: Exhibit 4, Tab 2, Schedule 2

Please expand Tables 4.10 through 4.14 to reflect actual data for 2012. If actual data for the entire year is not yet available, please provide an updated estimate for 2012 that includes actual data for as many months as are currently available in 2012, along with the forecast for the remaining months.

4.0 Energy Probe # 22

Ref: Exhibit 4, Tab 2, Schedule 4

Please update Table 4.18 to reflect actual data for 2012. If actual data for the entire year is not yet available, please provide an updated estimate for 2012 that includes actual data for as many months as are currently available in 2012, along with the forecast for the remaining months.

4.0 Energy Probe # 23

Ref: Exhibit 4, Tab 2, Schedule 6

- a) **What would be the impact on the revenue requirement if the union increase for 2012 was reduced from 2.75% to 2.0%?**
- b) **Please provide the annual percentage increases for 2010, 2011 and 2012 for each of the management and executive categories.**
- c) **Please provide the dollar figures that correspond to the percentage increases requested in part (b) above.**
- d) **Please update Table 4.28 to reflect actual data for 2012. If actual data for the entire year is not yet available, please provide an updated estimate for 2012 that includes actual data for as many months as are currently available in 2012, along with the forecast for the remaining months.**

4.0 Energy Probe # 24

Ref: Exhibit 4, Tab 2, Schedule 7

- a) **The evidence indicates that at the time of amalgamation the closing net book value of fixed assets was used as the new opening balance of gross fixed assets. Please explain whether the depreciation expense calculated since the amalgamation has been based on applying the depreciation rates used to the new opening balance of gross fixed assets or to the pre-amalgamation original cost of the assets?**
- b) **If the response to part (a) above is that the depreciation rates are applied to the new opening balance of gross fixed assets for those assets that were in place at the time of amalgamation, does this not imply that the life of the assets were artificially extended by the amalgamation?**

4.0 Energy Probe # 25

Ref: Exhibit 4, Tab 2, Schedule 7

Please provide a table similar to Table 4.34 that shows the calculation of the actual depreciation expense for 2012. If actual data for the entire year is not yet available, please provide an updated estimate for 2012 that includes actual data for as many months as are currently available in 2012, along with the forecast for the remaining months.

4.0 Energy Probe # 26

Ref: Exhibit 4, Tab 3, Schedule 1

- a) Please update Table 4.40 to reflect actual data for 2012. If actual data for the entire year is not yet available, please provide an updated estimate for 2012 that includes actual data for as many months as are currently available in 2012, along with the forecast for the remaining months.**
- b) Please explain the significant decrease in the reserves from Financial Statements shown as a deduction in Table 4.40 for 2012 relative the amounts deducted in the previous 4 years.**

4.0 Energy Probe # 27

**Ref: Exhibit 4, Tab 3, Schedule 2 &
Exhibit 2, Tab 1, Schedule 3, Table 2-18**

- a) Please confirm that the difference in the additions shown in the CCA schedule in Exhibit 4, Tab 3, Schedule 2 of \$1,544,967 and the additions to gross assets shown in Table 2-18 of Exhibit 2, Tab 1, Schedule 3 of \$480,331 is related to smart meters only. If this cannot be confirmed, please explain the difference between these figures.**
- b) Please explain why no additions are shown in CCA Class 10 in 2011 related to the transportation equipment additions. Why were these transportation equipment additions not added to CCA Class 10 as indicated in the CCA Class column in Table 2-18?**

4.0 Energy Probe # 28

**Ref: Exhibit 4, Tab 3, Schedule 2 &
Exhibit 2, Tab 1, Schedule 3, Table 2-19**

- a) Please explain why the \$5,000 in computer hardware additions in Table 2-19 in Exhibit 2, Tab 1, Schedule 3 has been included in CCA Class 10 in the 2012 CCA table shown in Exhibit 4, Tab 3, Schedule 2 rather than in CCA Class 50.**
- b) Does ELK have any positions that qualify for the Ontario Co-operative Education Tax Credit of the Federal Job Creation Tax Credit? If yes, please provide details and quantify the amount of the available credits.**

EXHIBIT 5 - COST OF CAPITAL AND RATE OF RETURN

5.0 Energy Probe # 29

Ref: Exhibit 5, Tab 1, Schedule 1

- a) What is the actual rate payable to the Town of Essex on the demand promissory note?**
- b) Please provide the actual amount remaining on the demand promissory note from the Town of Essex at the end of each month of 2012.**
- c) Please explain how the rate of 2.14% on the TD Commercial loan has been calculated in reference to the loan agreements found in Appendix 5-A.**
- d) Based on the June, 2012 amending agreement for the TD Commercial bank loan, what is the rate on the loan of \$5.6 million with the three year committed term?**
- e) What is the total actual interest cost for 2012 associated with the TD Commercial loan? If actual costs are not available for all of 2012, please provide the most recent year-to-date actual costs, along with a forecast for the remainder of 2012.**
- f) Please provide details on the actual amount of debt outstanding related to the TD Commercial loan for each month of 2012.**

EXHIBIT 6 - CALCULATION OF REVENUE DEFICIENCY OR SUFFICIENCY

6.0 Energy Probe # 30

Ref: Exhibit 6, Tab 1, Schedule 1

- a) Please update Table 6.1 to reflect actual data for 2011. If actual data for the entire year is not yet available, please provide an updated Table 6.1 based on data that reflects as many months as are currently available for 2012, along with the forecast for the remaining months.**
- b) Please provide versions of Table 6.1 for each of 2009, 2010 and 2011. In each of these tables, please ensure that all calculations for such things as PILs, deemed interest, etc. are consistent with what would be shown under a cost of service application.**

6.0 Energy Probe # 31

Ref: Decision and Procedural Order No. 2, dated May 29, 2012, Appendix A

Please comment on any significant difference for 2010 and/or 2011 between the regulated return on deemed equity provided in the response to Energy Probe #30 above and the calculations shown in Appendix A to the Decision and Procedural Order No. 2 dated May, 2012.

EXHIBIT 7 – COST ALLOCATION

7.0 Energy Probe # 32

Ref: Exhibit 7, Tab 1, Schedule 2

Based on the changes in base revenue shown in Table 7-8, does ELK believe that any rate mitigation is required for any of the classes shown? Please elaborate.

EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS

9.0 Energy Probe # 33

Ref: Exhibit 9, Tab 2, Schedule 1

What is the period proposed by ELK for which the rate riders shown in Table 9-6 would apply?

9.0 Energy Probe # 34

Ref: Exhibit 9, Tab 4, Schedule 3, Table 9-11 & Exhibit 2, Tab 1, Schedule 3, Table 2-16

- a) Please reconcile the figures shown in Table 9-11 with the disposals shown in account 1860 in Table 2-16.**
- b) Please explain why ELK removed the stranded meter costs and accumulated depreciation in 2010 rather than in 2011.**
- c) Did the accumulated depreciation in 2010 include a full year of depreciation for the stranded meters? If not, please provide the amount of depreciation associated with the stranded meters in 2010 as well as the amount had a full year of depreciation been taken in 2010.**

- d) What is the depreciation expense associated with the stranded meters in 2011?**

- e) Has ELK adjusted the accumulated depreciation associated with the stranded meters to reflect a full year of depreciation in both 2010 and 2011? If not, why not? If not, please calculate the amount to be recovered assuming the net book value at the end of 2011 reflects a full year of depreciation included in the accumulated depreciation in each of 2010 and 2011 and please show all calculations.**

- f) What is the relative cost of a stranded residential meter as compared to a stranded GS < 50 kW meter? What was the relative weighting of meter capital costs in the last cost allocation model filed by ELK?**