

E.L.K. Energy
2012 Cost of Service Rate Application
EB-2011-0099

Interrogatories of EnWin Utilities Ltd.
January 8, 2013

1. Exhibit 1 Tab 1 Schedule 2 Page 2

ELK states that “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.” Unlike most if not all other cost of service rate applications filed in Ontario since 2007, ELK filed its forward test year rate application over one year after the filing deadline. As a result, the application for 2012 rates seeks an effective date for rates on the first day of the fourth quarter of the test year. Consequently, the discovery stage of this proceeding is taking place after the conclusion of the conclusion of the test year. A Board decision and rate order will most likely not be issued until March or April 2013.

- a) Is it ELK’s position that the application is subject to the Filing Requirements issued by the Board on June 22, 2011 or June 28, 2012? What is the basis for that position?
- b) Has ELK considered requesting that the Board treat this application as a historic test year application? If so, why did ELK choose to not make that request? If not, why not?
- c) By what date does ELK expect to have its 2012 billed load results compiled?
- d) By what date does ELK expect to have its 2012 year-end financial results completed?
- e) By what date does ELK expect to have its 2012 audited financial statements completed?

2. Exhibit 1 Tab 2 Schedule 1 Page 5

Please add three rows to the bottom of Table 1.2 and use those rows to list the loss factors, SAIDI and SAIFI for each of ELK and its comparator LDCs.

3. Exhibit 2 Tab 1 Schedule 2 Pages 1-3

- a) In the absence of SCADA technology, how does ELK measure the number of system interruptions?
- b) In the absence of SCADA technology, how does ELK measure the duration of system interruptions?
- c) What is ELK's basis for concluding that the "highest standards of performance and business excellence for the safe, reliable provision of service" can be met in the absence of SCADA which is commonly found at LDCs throughout Southwestern Ontario?
- d) If ELK has SCADA technology, please describe it.
- e) What steps has ELK taken to raise concerns about loss of supply with Hydro One? What has Hydro One done to address those concerns?
- f) Please provide any comparison that ELK has conducted to examine how its historic levels of outages caused by defective equipment compares to its peers.
- g) Please describe the ELK tree trim policy or practice, in particular, how many years the cycle takes to complete full coverage of the service area, the percentage of tree trim work done internally and the clearance radius used.

4. Exhibit 2 Tab 1 Appendix 2-A Page 1

Please provide any recent (i.e. since 2007) asset management plans for ELK's non-distribution system assets (e.g. IT infrastructure, fleet, site)

5. Exhibit 2 Tab 1 Appendix 2-A Page 19

Please confirm or correct the statement in 2.6.2 which indicates that 25% of the members of the ELK Board of Directors are independent directors as defined in the Affiliate Relationships Code.

6. Exhibit 2 Tab 1 Appendix 2-A Page 36

- a) Please provide the basis for ELK's determination that "the life expectancy of poles ranges from thirty-five (35) to seventy-five (75) years".

- b) If the determination is based on the assertion of one or more suppliers, please provide a copy of the representation and warranty.
- c) How does ELK track the actual life of its poles?
- d) Please provide the number of ELK's poles that are less than 10 years old, 10-19 years old, 20-25 years old, 26-50 years old and 51-75 years old and the total number of poles.

7. Exhibit 2 Tab 1 Appendix 2-A Page 37

- a) Does the Pole Replacement Cost chart show the forecasted annual expenditures necessary to replace the poles that are at or beyond end of expected life?
- b) Does the Pole Replacement Cost chart show the forecasted replacement value of all ELK poles?
- c) If "no" to (a) and (b) above, please explain what the chart shows.
- d) If "no" to (a) above, please show the forecasted annual expenditures necessary to replace the poles that are at or beyond end of expected life?
- e) If ELK has identified the need to spend approximately \$350,000 to \$800,000 on pole replacement during the years 2012-2032, please reconcile this escalation in annual expenditures compared to the pole replacement expenditures in 2006-2011 shown in the Actual Capital Projects charts in Exhibit 2 Tab 1 Schedule 3.
- f) Based on the most up-to-date information, did ELK spend \$500,000 on pole replacement in 2012?

8. Exhibit 2 Tab 1 Appendix 2-A Page 45

Please confirm that the coincident monthly peak demand shown in the chart is exclusively for the ELK demand.

9. Exhibit 2 Tab 1 Appendix 2-B Page 10

Please explain the statement "Presently there is no opportunity for ELK Energy to install any control or monitoring devices on these feeders."

10. Exhibit 3 Tab 2 Schedule 1

- a) By what date could ELK replace the 2012 forecast with 2012 actual figures?
- b) If 2012 actual figures are used by the Board in determining the ELK revenue requirement, will ELK continue to include the cost of its externally developed load forecast in its revenue requirement calculation?

11. Exhibit 4 Tab 2 Schedule 1 Page 1

Does ELK have a control room?

12. Exhibit 4 Tab 2 Schedule 1 Page 2

Please confirm that in the event of an emergency, ELK becomes aware of the emergency by way of ELK customers contacting a third party call centre which then contacts ELK rather than ELK detecting the emergency through monitoring of the distribution system.

13. Exhibit 4 Tab 2 Schedule 1 Page 3

- a) How many specialized staff does ELK employ to operate and maintain its one substation?
- b) How many specialized staff does ELK employ to maintain its 15 vehicles?

14. Exhibit 4 Tab 2 Schedule 1 Page 4

- a) How many specialized staff does ELK employ to operate its call centre?
- b) To fulfil its aspiration of achieving “customer service excellence in its processes and customer programs”, what technology does ELK utilize to track the Board’s telephone accessibility statistics, including to determine the number of dropped calls and the duration of customer calls that are on hold awaiting an initial response?

15. Exhibit 4 Tab 2 Schedule 1 Page 7

- a) There appear to be varying descriptions of the membership of ELK's Board of Directors within the evidence. Please clarify the list of members of the Board of Directors, a notation of the number of members who are compensated for that role and a notation of the number of members who are independent according to the Affiliate Relationships Code definition.
- b) Please provide any compensation analysis conducted by or considered by ELK for boards of directors.

16. Exhibit 4 Tab 2 Schedule 3 Page 8

- a) On what assumptions did ELK base its forecasted regulatory expenses associated with this application?
- b) Based on the number of intervenors in this proceeding, the nature of the interrogatories received and any other new information since the application was filed, what is ELK's revised forecast for the regulatory expenses associated with this application?

17. Exhibit 4 Tab 2 Schedule 4 Pages 2-4

- a) Please provide copies of the current shared services agreements.
- b) Are the shared services allocated according to marginal cost or proportion of cost?
- c) Whereas ELK's electricity distribution costs have increased since 2006, the costs of affiliate services have decreased over that period. Please explain.
- d) How does ELK calculate the proportion of its call center expenses to allocate to its affiliates?
- e) How does ELK calculate the proportion of its CIS capital cost and operating expenses to allocate to its affiliates?
- f) Are any ELK assets put to use for the benefit of affiliates and, if so, what rate of return is charged to affiliates for use of those assets?
- g) Does the application reflect an update in the rate of return to be charged to affiliates to reflect the update in the deemed rate of return for ELK?

- h) Please provide a copy of any third party review of ELK's shared services cost allocation.

18. Exhibit 5 Tab 1 Schedule 1 Page 1

- a) Please describe the treasury, cash flow management and other principles that guide ELK's mix of debt instruments, including with respect to the costs, terms (i.e. durations) and sources of those instruments. If those principles are documented, please provide those documents.
- b) Does ELK use short term debt, such as a line of credit? If not, why not?
- c) If for rate-setting purposes the Board deems the interest rate of the Promissory Note to be some amount less than 7.25%, what expenditures proposed in this application will ELK not pursue due to the shortfall in recovery for its actual interest expense? Please provide two such assessments, the first using a LTD rate of 4.41% and the second using a LTD rate of 4.03%.

19. Exhibit 5 Tab 1 Appendix 5-A

- a) Please provide any documentation that illustrates the relationship between the terms (i.e. provisions) of the Demand Promissory Note and competitive market instruments that would have been available to ELK in 2002.
- b) If ELK had Demand Promissory Notes with the Town of Lakeshore or the Town of Kingsville since 2000, please provide a copy of each of those notes.
- c) The DAMP states that ELK has long-life infrastructure, including poles that are in use for 35 to 75 years, meanwhile ELK finances that infrastructure in large part with debt that is callable on demand and debt that is subject to market fluctuations every 3 years or so. Please reconcile this divergence, including with regard to risk management and customer impact considerations.
- d) What was the rationale for refinancing the 2009 TD Loan in 2012?
- e) The TD Loan appears to provide 3 discrete facilities:
- Facility #1 is to finance a dividend
 - Facility #2 is to finance capex, and
 - Facility #3 is to meet the IESO prudential requirements.

Please confirm that these are three discrete facilities embedded within the single note.

- f) The \$5.6 million figure that ELK cites for the TD Loan appears to be only one of the three facilities and appears to be the figure for Facility #1 (to finance a dividend). Please confirm that ELK is only utilizing the TD Loan for the purpose of financing a dividend. If ELK is not utilizing or exclusively utilizing the TD Loan to finance a dividend, please explain the purpose(s) that the \$5.6 million instrument.
- g) Please list the dividend payments since June 2009 and explain any variance between the dividend payments and the \$8 million provided for in the June 2009 TD Loan, including funds allocated to capex or operating expenses.

20. Exhibit 7 Tab 1 Schedule 1 Page 1

Please provide a copy of any third party review of ELK's customer cost allocation.

21. Exhibit 8 Tab 1 Schedule 3 Page 1

- a) Was the increase in losses in 2010 the result of changes in the ELK grid or from changes in the tracking or recording of consumption information?
- b) By what date could ELK incorporate the 2012 actual figures into the Total Loss Factor calculation?
- c) Would ELK agree that a Total Loss Factor based on an average of 2010 and 2011 (and 2012, subject to availability) would be a more reasonable basis for calculating the TLF in this application?
- d) How did the change in losses in 2010 affect ELK's capital expenditures plans for 2011 and 2012?
- e) Please provide any comparative study or analysis on LDC loss factors.

22. Exhibit 8 Tab 1 Schedule 6

- a) Please provide any precedents where the Board ordered an effective date that was less than 180 days after the filing of a rate application. Please note the proceeding number, filing date, effective date, implementation date, and nature of the rate application (e.g. cost of service, IRM, electricity, gas).

- b) When does ELK propose to file a 2013 rate application and what effective date and implementation date will be sought in that application?

23. Exhibit 8 Tab 1 Schedule 8 Page 3

- a) How will the decrease in cash flow proposed in this application for the test year adversely affect ELK's operations and future investment in the grid? If it will not lead to an adverse effect, please explain why not.
- b) In what way does the ELK application propose to mitigate rate shock for Residential customers once the deferral and variance account rate riders are discontinued in the near future?
- c) Please identify the point at which ELK first became aware that it was significantly over-collecting from customers?
- d) Please identify the point at which ELK first became aware that allocating the balances in the deferral and variance accounts would result in returning considerable funds to its customers on a one-time basis?

24. Exhibit 9 Tab 4 Schedule 2 Page 14

Does ELK have live monitoring of outages and other meter events through the ODS after regular business hours?