



**PUBLIC INTEREST ADVOCACY CENTRE**  
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January 09, 2013

**VIA MAIL and E-MAIL**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge St.  
Toronto, ON  
M4P 1E4

Dear Ms. Walli:

**Re: EB-2011- 0099 E.L.K. Energy Inc.**

Please find enclosed the interrogatories of VECC in the above-noted proceeding.

We have also directed a copy to the Applicant as well as their Counsel.

Yours truly,

Michael Janigan  
Counsel for VECC

E.L.K. Energy Inc.- Mark Danelon - [mdanelon@elkenenergy.com](mailto:mdanelon@elkenenergy.com)  
Counsel – James Sidlofsky – [jsidlofsky@blg.com](mailto:jsidlofsky@blg.com)

<b>REQUESTOR NAME</b>	<b>VECC</b>
<b>INFORMATION REQUEST ROUND NO:</b>	<b># 1</b>
<b>TO:</b>	<b>E.L.K. Energy Inc. (ELK or E.L.K. Energy)</b>
<b>DATE:</b>	<b>January 7, 2013</b>
<b>CASE NO:</b>	<b>EB-2011-0099</b>
<b>APPLICATION NAME</b>	<b>2012/13 Cost of Service Electricity Distribution Rate Application</b>

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### **GENERAL (Exhibit 1)**

#### **1.0 Reference: Exhibit 1, Tab 1**

- a) Please confirm that the application is filed in accordance with CGAAP accounting rules.
- b) Please update the timelines for when E.L.K. intends to implement IFRS (MIFRS) and the costs spent to-date on this project.

### **RATE BASE (Exhibit 2)**

#### **2.0 Reference: Exhibit 2, Tab 1, Schedule 2, page 2**

- a) Please explain the reason for the increase in outages due to defective equipment between 2006 and 2011.

#### **3.0 Reference: Exhibit 2, Tab 1, Schedule 3**

- a) In what year did E.L.K. last file a cost of service application? Please file the Board Decision for that application.

#### **4.0 Reference Exhibit 2, Tab 1, Schedule 3, page 2 /Appendix 2-A/Appendix 2-B.**

- a) Please file the 2012 year-end capital additions –i.e. revise Appendix 2-A for the actual 2012 values.
- b) Please update Appendix 2-B Fixed Asset Continuity for the final 2012 values.

#### **5.0 Reference: Exhibit 2, Tab 1, Schedule 3, page 22**

- a) Please update the status of the Town of Lakeshore Initiative including the amount spend to-date and the amount received in capital contributions from the Town.

**6.0 Reference: Exhibit 2, Tab 1, Appendix 2-A, page 47**

- a) The DAMP states that E.L.K. does not have specific projects identified for 2013 or 2014. Has E.L.K. a capital expenditure forecast for 2013? If so please provide this. If not, please explain why this is not available.
- b) Please provide E.L.K.'s DAMP forecast capital expenditures for 2014 through 2017

**7.0 Reference: Exhibit 2, Tab 1, Appendix 2-B – Green Energy Plan**

- a) At page 7 of the Plan it states that E.L.K. forecasts \$72,900 of capital expenditures related to renewable generation. Please confirm these were the expenditures in 2012.
- b) Please provide the amount of operating and other costs related to renewable programs in 2012.

**8.0 Reference: Exhibit 2, Tab 1, Schedule 1, pg. 2 / OEB Letter April 12, 2012.**

- a) Given the late filing of this Application please explain why E.L.K. has chosen to use the default working capital allowance of 15%, rather than the Board revised 13%?

**LOAD FORECAST (Exhibit 3)**

**9.0 Reference: Exhibit 3, Tab 1, Schedule 1, page 2 Exhibit 7, Tab 1, Schedule 2, page 4 (Table 7-8)**

- a) Please explain the differences in 2012 revenues (at proposed rates) for the GS 50-4,999 customer class as shown in the above two references.

**10.0 Reference: Exhibit 3, Tab 2, Schedule 1, page 6**

- a) Please explain what the “Hydro One Uplifted” variable represents.
- b) Were any other model specifications tested? If so, what were they and what were the results?

**11.0 Reference: Exhibit 3, Tab 2, Schedule 1, pages 6 & 9**

- a) What were the forecast economic (real GDP) values used for 2011 and 2012?
- b) If the 2011 value was not the actual value, please update the regression model derivation using the 2011 actual value and provide a revised projection for 2012 Purchases.
- c) Are there more recent forecasts available for 2012 real GDP? If so, please update the forecast Purchases for 2012.

**12.0 Reference: Exhibit 3, Tab 2, Schedule 1, pages 10-11**

- a) Please provide the 2012 year-to-date customer/connection count for each class for the most recent month available and, in the same schedule, provide the 2011 value for the equivalent month.
- b) What was the customer count by class as of the June 30<sup>th</sup> 2011 and 2012 respectively?

**13.0 Reference: Exhibit 3, Tab 2, Schedule 1, pages 14 - 16**

- a) Since 2011 data was used to estimate the regression model isn't it reasonable to assume that the 243.7 GWh already includes the impact of 2011 CDM programs?
- b) Please confirm that the savings associated with the gross adjustment (i.e. the difference between the Gross and Net CDM results) will occur regardless of whether or not E.L.K. offers CDM programs. If not confirmed, please explain why not.
- c) Please provide OPA's final 2011 CDM Report regarding E.L.K.'s CDM program results.
- d) Based on the results reported in the response to part (c), please update Table 3-18.
- e) Were E.L.K.'s sales to HON included in the historical energy sales used to establish ELK's portion of the provincial CDM target?

**14.0 Reference: Exhibit 3, Tab 2, Schedule 1, page 19**

- a) Do the predicted purchases for 2012 (263.2 GWh) incorporate the assumed CDM adjustment? If not, please revise.
- b) If a revision is required due to part (a), will this change the cost of power forecast used for the working capital calculation?

**15.0 Reference: Exhibit 3, Tab 2, Schedule 1, page 19**

- a) Please provide a schedule setting out the year to date actual kWh sales by customer class. Please provide a comparable schedule for 2011 covering the same period.
- b) What are ELK's year to date power purchases (kWhs) and what is the comparable value for 2011?

### **OTHER OPERATING REVENUE (Exhibit 3)**

#### **16.0 Reference: Exhibit 3, Tab 3, Schedule 3, pages 1-4**

- a) Please provide a schedule that breaks down the Other Income or Deductions for 2009-2012 inclusive into its major components (including but not limited to i) special purpose charge recovery, ii) OPA admin funding, iii) gains/losses, and iv) interest income).
- b) What types of non-utility revenue jobs (per page 3, lines 10-11) does ELK typically perform?
- c) Please provide a schedule that sets out the 2009-2012 Other Operating Revenue by USOA account.
- d) Please provide a schedule that set out the 2012 year to date Other Operating Revenue by category (per Table 3-45) and provide the comparable 2011 values for the same period.
- e) Is E.L.K. proposing to change any of its existing specific service charges for 2012 and/or include any new charges?
- f) Does E.L.K. currently have any MicroFit customers and, if so, where are the service charge revenue reported?

### **OPERATING COSTS**

#### **17.0 Reference: Exhibit 4, Tab 1, Schedule 1, Table 4.1/ Appendix 2-E/Appendix 2-F/**

- a) Please update the above references for 2012 actual values.

#### **18.0 Reference: Exhibit 4, Appendix 2-F /Tab 2, Schedule 1/Schedule 2, pg. 5 / Tab 2, Schedule 3, pg. 6**

- a) E.L.K.'s bad debt per customer over the past three years appears to be high as compared to similar utilities. Does E.L.K do any comparative analysis of its bad debt costs vis-à-vis that of other utilities?
- b) Why have the steps that E.L.K. taken not led to greater reduction in bad debt expense?

**19.0 Reference: Exhibit 4, Tab 2, Schedule 3, pg. 9**

- a) Why has E.L.K calculated the LEAP contribution as 0.12% of the 2006, rather than 2012 revenue requirement?
- b) Please recalculate the LEAP contribution for the proposed 2012 revenue requirement.

**20.0 Reference: Exhibit 4, Tab 2, Schedule 3, pg. 9.**

- a) Please provide separately E.L.K.'s
  - legal costs to-date for the regulatory matters.
  - consultant's costs to-date for regulatory matters.

**21.0 Reference: Exhibit 4, Tab 1, Schedule 1, pg. 5/Schedule 3, pg. 2, Appendix 2-F**

- a) Please explain why meter reading expenses (account 5310) have not declined more significantly since 2006 with the installation of smart meters.
- b) What are the meter reading cost in 2012 for the GS>50 class of customers?
- c) What were the meter reading costs of the third party contractor in the last year before the implementation of smart meters?

**22.0 Reference: Exhibit 4, Tab 1, Schedule 1, Table 4.8, pg. 6**

- a) Please update Table 4.8 for 2011 data published by the OEB. Please also include the names of the utilities denoted as "LDCA " etc. in the updated table.

**23.0 Reference: Exhibit 4, Tab 2, Schedule 4, pgs. 1-4**

- a) Please explain why the cost of street lighting and water heater services have declined since 2006
- b) Please explain why the cost of billing for water services has declined since 2006.

**24.0 Reference: Exhibit 4, Tab 2, Schedule 1,**

- a) Please provide the amount paid for EDA membership in years 2006 through 2012.

- b) Does E.L.K. purchase insurance through MEARIE? If so please provide the amount of premiums paid in each year 2006 through 2012? Please also provide an explanation of the insurance coverage and the steps taken by E.L.K. ensure that the cost of coverage is competitive with alternative offerings.

**25.0 Exhibit 4, Tab 2, Schedule 6, pg. 2 – Table 4.26**

- a) Since 2006 E.L.K. has added two management employees – one in 2009 and one in 2012. Please provide a description for each new position, the reason the position was created, and the current responsibilities of the incremental position.
- b) Please provide the total compensation (salary, benefits and overtime) for the two positions combined.

**26.0 Reference: Exhibit 4, Tab 1, Schedule 1, Appendix 2-F**

- a) Please explain the doubling since 2006 of account 5610 Management Salaries and Expenses.

**DEPRECIATION AND TAXES (Exhibit 4)**

**27.0 Reference: Exhibit 4, Tab 2, Schedule 7, pg. 9**

- a) Please update the 2012 Depreciation Expense Table 4.35 to show actual values (may be answered in conjunction with Energy Probe IR # 25).

**28.0 Reference: Exhibit 4, Tab 2, Schedule 7, pg. 1.**

- a) Please provide a depreciation table showing:
- Assets name/description;
  - Prior depreciation rate;
  - New depreciation rate; and,
  - OEB/Kinectrics recommended low and high depreciation rate for the asset.

**29.0 Reference: Exhibit 4, Tab 3, Schedule 1, pg. 1.**

- a) Please update the Summary of Income Taxes Table 4.39 for the year-end 2012 financial results.

## **COST OF CAPITAL (Exhibit 5)**

### **30.0 Reference: Exhibit 5,**

- a) Please calculate the revenue requirement impact of using the cost of capital parameters issued by the Board on November 15, 2012. Please show the adjustments separately (e.g. working capital, interest costs etc.).

## **COST ALLOCATION (Exhibit 7)**

### **31.0 Reference: Exhibit 7, Tab 1, Schedule 1, page 1 ELK 2012 CA Model Filing**

- a) Please provide a schedule that contrasts the weighing factors by customer class used for Services and Billing & Collecting as used in the current Application with those in the original Informational CA filing.
- b) With respect to Sheet I7.1, please confirm that meter costs used here for each class are consistent with the smart meter costs by class as reported in Exhibit 9.

## **RATE DESIGN (Exhibit 8)**

### **32.0 Reference: Exhibit 8, Tab 1, Schedule 1, page 2**

- a) Is the calculation of the F/V split for the GS>50 class based solely on the existing rates for the non-TOU GS>50 class?
- b) If yes, how would it change if the calculation included the fixed and variable revenues from the one remaining TOU customer at the current TOU GS>50 rates?

### **33.0 Reference: Exhibit 8, Tab 1, Schedule 1, page 6**

- a) What are the actual 2012 year to date Low Voltage Service charges from HON?
- b) What were the 2011 actual LV Service charges for the same period and what were the total 2011 charges?

### **34.0 Reference: Exhibit 8, Tab 1, Schedule 3**

- a) What is the reason for the material increase in the Distribution System Loss Factor (Table 8-11, Row G) in 2010 and 2011 relative to earlier years?



**35.0 Reference: Exhibit 8, Tab 1, Schedule 8**

- a) Please confirm that the 12% plus bill reduction for a Residential customer with 800 kWh use monthly is primarily due to the disposition of the deferral/variance account balances over one year.
- b) Please confirm that when this rate rider is removed (i.e. after the one year) Residential customers will see a corresponding bill increase.
- c) In order to avoid this rate instability would E.L.K. consider disposing of the deferral/variance account balances over a longer period of time

**LRAM (Exhibit 8)**

**36.0 Exhibit 8, Tab 4 /Appendix 8-A**

- a) Has E.L.K complied with the requirement to have independent third party review of its LRAM request? If so please file this review?
- b) If not please explain why an independent review was not undertaken

**37.0 Exhibit 8, Tab 4 / Appendix 8-A**

- a) Please file a table showing for each year
  - Program
  - Energy Efficiency Measure
  - Customer class applicable
  - Number of participants/units
  - Measure life
  - LRAM Free ridership
  - Annual energy savings
  - Annual peak demand savings
  - Contribution to LRAM.

**38.0 Reference: Exhibit 8, Appendix 8-A**

Pre-ample: Page 28 of the Guidelines for Electricity Distributor Conservation and Demand Management (EB-7 2008-0037), states: *“Where a distributor is making a claim for LRAM in relation to programs funded by the OPA, or where the*

*distributors making a claim for LRAM and/or SSM in relation to programs funded through distribution rates, distributors should engage an independent third party. This independent third party review applies to LRAM or SSM claims made in relation to programs funded in 2007 and beyond.”*

- a) List and confirm OPAs input assumptions for Every Kilowatt Counts 2006 including the measure life and unit kwh savings for Compact Fluorescent Lights and Seasonal Light Emitting Diodes. Confirm some of these assumptions were changed in 2007 and again in 2009 and compare the values.
- b) Please confirm that savings from CFLs installed under EKC 2006 expire in 2010.
- c) Adjust the LRAM claim as necessary to reflect the measure lives (and Unit savings) for any/all measures that have expired starting in 2010.

### **DEFERRAL AND VARIANCE ACCOUNTS (Exhibit 9)**

#### **39.0 Reference: Exhibit 9, Tab 4, Schedule 3**

- a) What is the depreciation expense associated with stranded meters in 2012?
- b) Please explain how the proposed uniform stranded meter rider represents the best cost causality methodology as between residential and other rate classes?

#### **40.0 Reference: Exhibit 9, Tab 4, Schedule 3, pg.5**

- a) Please explain why in Table 9-10 the total number meters installed does not equal the number of metered customers which are proposed to be charged the SMDR (i.e. 10,802 vs. 11,238)?

#### **41.0 Reference: Exhibit 9, Tab 4, Schedule 3, Stranded Meters**

- a) Does E.L.K. record residential meter costs separately from general service meter costs?
- b) Does E.L.K. have any information which would indicate a cost difference between the installed cost of older residential and general service meters?
- c) Does E.L.K. have any reason to believe that the cost differential as between residential and general service smart meters would not make a good proxy for the differential in costs of residential and general service stranded meters?

- d) Please recalculate the stranded meter rate rider using the weighted meter cost shown in Table 9-10 (E9/T4/S3/pg5.).

**\*\*\*End of Document\*\*\***