

**E.L.K. ENERGY INC. RESPONSES TO
ENERGY PROBE RESEARCH FOUNDATION
(ENERGY PROBE) TECHNICAL CONFERENCE QUESTIONS**

FEBRUARY 13, 2013

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

**ENERGY PROBE RESEARCH FOUNDATION
TECHNICAL CONFERENCE QUESTIONS**

EXHIBIT 2 – RATE BASE

2.0 Energy Probe # 35

**Ref: AMPCO #5 &
Exhibit 2, Tab 1, Appendix 2-B &
Exhibit 2, Tab 1, Schedule 3**

- a) Please reconcile the statement that ELK owns one transformer station as indicated in the AMPCO response with the statement in Section 1.2 of the Green Energy Act Plan that ELK distributes energy distributes power from 5 transformer stations which are all shown as being owned by Hydro One.**

Response: Section 1.2 of the Green Energy Act Plan reads as follows:

1.2 Current Situation

E.L.K. Energy distributes power from five transformer stations:

Belle River TS – Owned by Hydro One (HO)
Comber DS – Owned by Hydro One (HO)
Haycroft DS – Owned by Hydro One (HO)
Kingsville TS – Owned by Hydro One (HO)
Lauzon TS – Owned by Hydro One (HO)

E.L.K. Energy uses one station to further transform its distribution voltage to the

4.16 kV level. The station is as follows:

Kingsville DS

E.L.K. continues to serve its customers through the five Hydro One owned transformer stations. The Kingsville DS referred to in the GEA plan was decommissioned in the third quarter of 2012 which means E.L.K. does not own any transformer stations.

- b) Please indicate which account shown in Tables 2-18 (2011) and 2-20 (2012) include the costs and accumulated depreciation of the transformer station owned by ELK.

Response: It was installed in 1975 and E.L.K believes the transformer station is fully depreciated. The original capital cost and accumulated depreciation do not appear in those tables.

- c) Please show where in Table 2-20 the removal of the transformer station owned by ELK that was decommissioned in the Q3 of 2012 is reflected.

Response: The removal does not show in Table 2-20 since the asset is fully depreciated.

- d) What was the net book value of the transformer station owned by ELK when it was decommissioned in the Q3 of 2012?

Response: The net book value of the transformer station owned by ELK is zero.

2.0 Energy Probe # 36

Ref: AMPCO #6 &
Exhibit 2, Tab 1, Schedule 3 &
SEC #7c

- a) Does each of the tables shown in the interrogatory response include forecasted and actual capital contributions?

Response: Yes each of the tables shown in the interrogatory response include forecasted and actual capital expenditures except for 2011 which is shown below



		<u>2010 Budget</u>	<u>2010 Actual</u>	<u>2011 Budget</u>	<u>2011 Actual</u>	<u>2012 Budget</u>	<u>2013 Budget</u>	<u>2014 Budget</u>
Renewable Connection Capital Deferral Acct	1531	\$ -	\$ -	\$ -	\$ -	\$ 73,000	\$ -	\$ -
Smart meter capital & recovery offset variance account	1555	\$ 1,476,000	\$ 1,363,370	\$ 120,000	\$ (43,000)	\$ 25,000	\$ -	\$ -
Smart meter OM & A variance	1556	\$ 55,000	\$ 30,624	\$ 47,000	\$ 46,369	\$ 55,000	\$ -	\$ -
Poles, towers & fixtures	1830	\$ 64,000	\$ 106,000	\$ 41,000	\$ 51,000	\$ 21,000	\$ 35,000	\$ 81,000
Overhead conductors & devices	1835	\$ 116,000	\$ 160,000	\$ 145,000	\$ 186,000	\$ 47,000	\$ 50,000	\$ 70,000
Underground conductors & devices	1840/1845	\$ 133,000	\$ 339,000	\$ 96,000	\$ 253,000	\$ 267,000	\$ 155,000	\$ 144,000
Line transformers	1850	\$ 206,000	\$ 108,000	\$ 207,000	\$ 86,000	\$ 203,000	\$ 213,000	\$ 233,000
Services	1855	\$ 26,000	\$ 67,000	\$ 33,000	\$ 70,000	\$ 43,000	\$ 49,000	\$ 63,000
Meters	1860	\$ 18,000	\$ (866,000)	\$ 52,000	\$ 4,000	\$ 10,000	\$ 38,000	\$ 6,000
Land & land rights	1905/1906	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions & Grants (Cash Outlay)	1995	\$ -	\$ -	\$ 160,000	\$ 192,000	\$ 17,000	\$ 83,000	\$ 85,000
Building & fixtures	1908	\$ 124,000	\$ (202,000)	\$ 65,000	\$ 3,000	\$ 14,500	\$ -	\$ -
Office equipment	1915	\$ 55,000	\$ 21,000	\$ 40,000	\$ -	\$ 2,500	\$ 120,000	\$ 5,000
Computer equipment	1920	\$ 5,000	\$ 4,000	\$ 10,000	\$ 3,000	\$ 5,000	\$ 21,000	\$ -
Computer software	1925	\$ 7,000	\$ 1,000	\$ 17,000	\$ -	\$ 19,000	\$ 18,000	\$ -
Transportation equipment	1930	\$ 31,000	\$ -	\$ 89,250	\$ 14,000	\$ 89,250	\$ 110,000	\$ 235,000
Tools, shop & garage	1940	\$ 25,000	\$ 3,000	\$ 20,000	\$ 1,000	\$ 25,000	\$ -	\$ -
Total capital expenditures		\$ 2,341,000	\$ 1,134,994	\$ 1,142,250	\$ 866,369	\$ 916,250	\$ 892,000	\$ 922,000

- b) Please confirm that for 2006 through 2009, the actual capital expenditures shown in the AMPCO response correspond with the 'total capital additions before capital contributions' line in Table 2-7B in Exhibit 2, Tab 1, Schedule 3.

Response: Yes they correspond. Due to rounding, there are some differences, and the total cumulative difference for the four years is only \$2,158.

- c) Please explain the difference between the \$1,134,994 actual figure for 2010 shown in the interrogatory response and the \$844,745 shown in Table 2-7B in Exhibit 2, Tab 1, Schedule 3 for 2010.

Response: The smart meter capital and smart meter OM & A cost recorded in accounts 1555 and 1556 are included in \$1,134,994 actual figure. However, these amount are not included in the \$844,745 shown in Table 2-7B.

- d) **Please explain the difference between the \$866,369 actual figure shown in Appendix to SEC #7c for 2011 and the figure of \$671,975 shown in Table 2-7B of Exhibit 2, Tab 1, Schedule 3.**

Response: The \$866,369 number includes \$192,000 in contributions and grants and the \$671,975 does not. There is also \$3,000 included for smart meters in the \$866,369 which is not in the \$671,975.

- e) **Please confirm that the budget figure of \$1,242,250 shown in the interrogatory response for 2011 is comparable to the actual figure of \$671,975 shown in Table 2-7B in Exhibit 2, Tab 1, Schedule 3.**

Response: The budget figure in the interrogatory response of \$1,242,250 includes amounts for accounts 1555 and 1556 which are not included in the actual additions of \$671,975 shown in Table 2-7B in Exhibit 2, Tab 1, Schedule 3.

2.0 Energy Probe # 37

Ref: AMPCO #9

Does ELK bill all of its customers on a monthly basis? If not, please indicate which rate classes are billed monthly, bi-monthly, etc.

Response: Yes all electricity customers of E.L.K. are billed on a monthly basis.

2.0 Energy Probe # 38

Ref: Energy Probe #7

The answer provided was not complete. Please provide an updated Table 2-2 that reflects either actual data for all of 2012 or data for the most recent year-to-date information available for 2012, along with estimates for the remaining months of 2012.

Response: E.L.K. is unable to provide a reasonable and complete estimate for the purposes of updating Table 2.2 as monthly closes are not completed until the annual financial statements are finalized as part of the annual audit.

2.0 Energy Probe # 39

Ref: Energy Probe #8 &

Exhibit 2, Tab 1, Schedule 3

- a) **If ELK is unable to provide the requested information in part (a) for 2012 on actual basis for the most recent year-to-date information available and an estimate for the remainder of the year, please provide the actual capital expenditures (including contributions and grants) for the most recent year-to-date period for which this information is available.**

Response: Please see Table 2-7B in Exhibit 1, Tab 1, Schedule 3 for 2011 actuals which is the last year of actual data available

- b) **If ELK now is in a position to provide an adequate response to part (d) please provide it. If unable, please provide a detailed explanation of why the information is not available on a best estimate basis.**

Response: E.L.K. is unable to provide a reasonable and complete estimate as monthly closes are not completed until the annual financial statements are finalized as part of the annual audit. Although E.L.K. has data available for additions through the accounts payable process, E.L.K. has yet to complete its inventory movements year end work for the entire year, as well as verify the labour distribution. As well, there are accounts payable that must still be processed from operations and this could account for a significant amount. As such, E.L.K. does not feel a reasonable and complete estimate can be provided until after year-end work is complete estimated to be around the beginning of March 2013.

- c) **If ELK is unable to provide the tables requested in part (b) above, please confirm the status at the end of 2012 of each of the following projects, including cost and placement into service of the following projects shown in Table 2-21 of Exhibit 2, Tab 1, Schedule 3:**

- i) **Cottam Conversion,**
- ii) **Replace Trans in Inventory,**
- iii) **Other Misc.**

For the Other Misc. category, please provide the actual capital expenditures placed in service by the end of 2012 for each the accounts shown (1860, 1908, 1915, 1920, 1925, 1940).

Response: The Cottam conversion and Replacement of transformers in inventory are fully completed and placed into service. With regards to other miscellaneous accounts, E.L.K. is unable to provide a reasonable and complete estimate as monthly closes are not completed until the annual financial statements are finalized as part of the annual audit. Although E.L.K. has data available for additions through the accounts payable process, E.L.K. has yet to complete its inventory movements year end work for the entire year, as

well as verify the labour distribution. As well, there are accounts payable that must still be processed from operations and this could account for a significant amount. As such, E.L.K. does not feel a reasonable and complete estimate can be provided until after year-end work is complete estimated to be around the beginning of March 2013. Therefore ELK is unable to provide actual capital expenditures placed into service at the end of 2012 at this time.

EXHIBIT 4 – OPERATING COSTS

4.0 Energy Probe # 40

Ref: Energy Probe #20

The response to part (a) of the questions is unresponsive. Please provide the company's best current estimate of the OM&A expenses for 2012 in the level of detail as shown in Table 4.1. If the company is still unable to provide this information, please provide the most recent year-to-date actual information available for 2012, along with the figures for the corresponding period in 2011 in the same level of detail as in Table 4.1.

Response: Please see Table 4.1 in Exhibit 4, Tab 1, Schedule 1 for 2011 actuals which is the last year of actual data available

4.0 Energy Probe # 41

Ref: Energy Probe #21

Please provide the 6 months of actual data referred to in the response for 2012 and the figures for the corresponding period in 2011 in the same level of detail as shown in each of Tables 4.10 through 4.14.

Response: E.L.K. is unable to provide a reasonable and complete estimate as monthly closes are not completed until the annual financial statements are finalized as part of the annual audit. Although E.L.K. has data available for additions through the accounts payable process and some labour distribution, E.L.K. has yet to complete its inventory movements year end work for the entire year, as well as verify the labour distribution. As well, there are accounts payable that must still be processed from operations and this could account for a significant amount. As such, E.L.K. does not feel a reasonable and complete estimate can be provided until after year-end work is complete estimated to be around the beginning of March 2013.

4.0 Energy Probe # 42

Ref: Energy Probe #25

Does ELK begin recording depreciation expense in the month that an asset is placed into service, or is the depreciation expense based on the half year rule resulting in 6 months depreciation regardless of when the asset is placed into service in the current year?

Response: E.L.K. can confirm that it uses the half year rule for calculation of depreciation expense resulting in 6 months depreciation regardless of when the asset is placed into service in the current year.

4.0 Energy Probe # 43

Ref: Energy Probe #27 & #28

Please provide a revised CCA schedule for 2012 that reflects the corrections related to transportation equipment in Energy Probe #27 brought forward to 2012, along with the correction to computer equipment in Energy Probe #28.

Response: E.L.K. undertakes to provide this response by February 20, 2013.

4.0 Energy Probe # 44

Ref: EnWin #13

Did ELK employ any specialized staff to operate and maintain its one substation before it was removed from service?

Response: No but E.L.K. did on occasion enlist the services of a Station Maintenance Contractor to complete some testing and maintenance.

4.0 Energy Probe # 45

Ref: Exhibit 4, Tab 2, Schedule 6

Please update Table 4.26 to reflect the actual number of FTEs and costs for 2012. If actual data is not available for all the line items, please provide a table that reflects the actual data that is available.

Response: Please refer to Table 4.26 in Exhibit 4, Tab 2, Schedule 6 for 2011 actual data which is the last year of actual data available.

EXHIBIT 5 - COST OF CAPITAL AND RATE OF RETURN

5.0 Energy Probe # 46

Ref: Energy Probe #29

Based on the responses to parts (d) and (e) is it correct to conclude that the amount of the TD commercial loan outstanding over 2012 was \$6,316,214, based on an interest cost of \$134,914.33 divided by the interest rate of 2.136%? If not, please provide the average amount outstanding of this loan and the calculations supporting the amount.

Response: The average amount outstanding is \$6M. From June 2011-June 2012 the balance was \$6,400,000 and from July 2012 to June 2013 the balance is \$5,600,000. The interest rate for June 2011-June 2012 was 2.35% and 2.136% thereafter.