



January 31, 2014

Kirsten Walli
Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge Street, Suite 2700
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: E.L.K. Energy Inc.
Distribution License ED- ED-2003-0015
2014 Incentive Regulation Mechanism ("IRM") Distribution Rate Application EB-2013-0123
Interrogatory Responses**

In accordance with the Ontario Energy Board ("Board") letter dated January 17, 2014, E.L.K. Energy Inc. ("E.L.K.") submits its responses to the interrogatory questions with respect to EB-2013-0123.

An electronic copy of this Application has been filed with the Board Secretary by e-mail and two (2) hard copies have been sent to the Board Secretary.

Please do not hesitate to contact myself if I can be of further assistance.

Regards

Mark Danelon, CPA, CA
Manager of Finance & Regulatory Affairs

E.L.K Energy Inc.
EB-2013-0123
Board Staff Interrogatories

Capitalization and Depreciation Policies

Interrogatory #1

Ref: Manager's Summary

With respect to the request to dispose account 1576, E.L.K. Energy notes that it aligned its depreciation rates to be consistent with the recent Kinetrics report.

Please file Appendix 2-BB (Service Life Comparison) located in Chapter 2 of the Filing Requirements for Electricity Distribution Rate Applications.

E.L.K. Energy Response:

Please see attached excel file with Appendix 2-BB completed

Capitalization and Depreciation Policies

Interrogatory #2

Ref: Manager's Summary

In its manager's summary, E.L.K. Energy noted that the models used to support the rates set out in the Settlement Agreement were rerun to reflect the new depreciation rates and capitalization policy.

Please file the excel version of all updated models.

E.L.K. Energy Response:

Please see attached excel files

Rate Generator Model

Interrogatory #3

Ref: Sheet 4

The 3rd paragraph in the "Application" section of each rate class at the above reference (excluding the microFIT class) reads as follows:

Unless specifically notes, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable.

Based on E.L.K. Energy's Board approved Tariff of Rates and Charges issued on May 2, 2013, the above paragraph should be read as follows:

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES – Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

Please confirm that the wording in E.L.K. Energy's most recent Board approved tariff is correct. If so, Board staff will make the corrections to Sheet 4 of the IRM model.

E.L.K. Energy Response:

E.L.K. Energy confirms that the wording in E.L.K. Energy's most recent Board approved tariff is correct.

Rate Generator Model

**Interrogatory #4
Ref: Sheet 4**

Please confirm that the rate rider for disposition of deferred PILs variance account 1562 (2012) should have an "effective until" date of April 30, 2016 and not April 30, 2015. If so, Board Staff will make the corrections to Sheet 4 of the IRM model.

E.L.K. Energy Response:

E.L.K. Energy confirms that the rate rider for disposition of deferred PILs variance account 1562 (2012) should have an "effective until" date of April 30, 2016 and not April 30, 2015.

Rate Generator Model

**Interrogatory #5
Ref: Sheet 4**

For all classes that have a Regulatory Component, the Rural Rate Protection Charge shows a rate of 0.0015 \$/kWh. Please confirm that the rate should be 0.0012 \$/kWh as displayed on E.L.K. Energy's Board approved Tariff of Rates and Charges issued on May 2, 2013. If so, Board staff will make the corrections to Sheet 4 of the IRM model.

E.L.K. Energy Response:

E.L.K. Energy confirms that for all classes that have a Regulatory Component, the Rural Rate Protection Charge should be 0.0012 \$/kWh as displayed on E.L.K. Energy's Board approved Tariff of Rates and Charges issued on May 2, 2013. Please note that effective May 1, 2014, the amount charged by E.L.K. Energy with respect to Rural Rate Protection Charge shall change to 0.0013 \$/kWh by way of the Ontario Energy Board's Decision and Rate Order dated Dec 19, 2013.

Rate Generator Model

Interrogatory #6

Ref: Sheet 4

For the General Service 50 to 4,999 kW service classification, Board staff notes that the retail transmission network service rate of 2.1670 \$/kW does not match the retail transmission network service rate of 2.1567 \$/kW found on E.L.K. Energy's Board approved Tariff of Rates and Charges issued on May 2, 2013.

Please confirm that the current retail transmission network service rate for the General Service 50 to 4,999 kW rate class is 2.1567 \$/kW. If so, Board staff will make the corrections to Sheet 4 of the IRM model.

E.L.K. Energy Response:

E.L.K. Energy confirms that the current retail transmission network service rate for the General Service 50 to 4,999 kW rate class is 2.1567 \$/kW.

RTSR Model

Interrogatory #7

Ref: RTSR Model, Tab 4 – “RRR Data”

Rate Class	Unit	Non-Loss Adjusted Metered kWh	Non-Loss Adjusted Metered kW	Applicable Loss Factor	Load Factor	Loss Adjusted Billed kWh	Billed kW
Residential	kWh	103,777,144		1.0810		112,183,093	-
General Service Less Than 50 kW	kWh	33,461,365		1.0810		36,171,736	-
General Service 50 to 4,999 kW	kW	69,155,888	186,936		50.71%	69,155,888	186,936
Unmetered Scattered Load	kWh	305,956		1.0810		330,738	-
Sentinel Lighting	kW	203,101	551		50.54%	203,101	551
Street Lighting	kW	2,688,276	6,357		57.96%	2,688,276	6,357
Embedded Distributor	kW	59,304,288	132,486		61.35%	59,304,288	132,486

Please confirm that the data entered in column “ Non-Loss Adjusted Metered kWh” and “Non-Loss Adjusted Metered kW” are not adjusted by E.L.K. Energy's Board approved loss factor.

E.L.K. Energy Response:

E.L.K. Energy confirms that the data entered in column “ Non-Loss Adjusted Metered kWh” and “Non-Loss Adjusted Metered kW” are not adjusted by E.L.K. Energy's Board approved loss factor.

Shared Tax Savings Model

Interrogatory #8

Ref: Shared Tax Savings Model, Tab 5

At the above reference, E.L.K. Energy has reported regulatory taxable income for 2012 at \$383,811 and a corporate tax rate of 15.50%.

As per the settlement agreement attached to the Board's decision and rate order dated May 2, 2013 (EB-2011-0099) page 75 of 80 indicates that the Taxable Income and tax rate is \$801,283 and 22.12% respectively.

Please reconcile the figures and indicate the correct regulatory taxable income and corporate tax rate for E.L.K. Energy's latest cost of service filing (with references).

E.L.K. Energy Response:

In the file named "ELK 2012_Test_year_Income_Tax_PILs_Workform_Settlement_Updated for Depr Rates" provided in response #2 above, tab T, PILs, Tax Provision the reported regulatory taxable income for 2012 is \$383,811 and the corporate tax rate is shown as 15.50%. The lower regulatory taxable income results from a reduction in depreciation (440,991) as outlined in the Manager's Summary of the application. The lower depreciation reduces the tax adjustments producing the regulatory taxable income for 2012 of \$383,811 which translates into a PILs value of \$70,402. This lower PILs amount has been included in the starting rates for the 2014 IRM rate application.