



September 28, 2015

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
2016 Incentive Regulation Mechanism (“IRM”) Distribution Rate
Application EB-2015-0064**

In accordance with the instructions released by the Ontario Energy Board (“ the Board”) dated July 16, 2015, E.L.K. Energy Inc. (“E.L.K.”) submits its application for approval for 2016 incentive regulation mechanism based on rates effective May 1, 2016.

An electronic copy of this Application has been filed with the Board RESS Filing System and two (2) hard copies have been sent to the Board Secretary as well as a PDF copy of the current Tariff Sheet. We would be pleased to provide any further information or details that you may require relative to this application.

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

Regards

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IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, C15
(Schedule B);

AND IN THE MATTER OF an application by E.L.K. Energy for an order or
orders approving or fixing just and reasonable distribution rates and other
charges, to be effective May 1, 2016.

Manager's Summary

Filed September 28, 2015

E.L.K. hereby applies to the Board for approval of its 2016 Distribution Rate adjustments effective May 1, 2016. E.L.K. applies for an order approving the proposed distribution rates and other charges as set out in this application as just and reasonable rates and charges pursuant to Sect 78 of the OEB Act.

E.L.K. carries on the business of distributing electricity within the Towns of Essex, Lakeshore and Kingsville as described in its distribution license. Within these towns, which cover a large geographic area in Southwestern Ontario, E.L.K. has six non-contiguous service areas, serving the communities of Belle River, Comber, Cottam, Essex, Harrow and Kingsville. These are the customers that will be affected by the application.

Unless otherwise identified in the Application, E.L.K. followed Chapter 3 of the OEB's Filing Requirements for Electricity Distribution Rate Applications dated July 16, 2015 (the "Filing Requirements") in order to prepare this application.

E.L.K. Energy Inc. submits its application for approval for the 4th generation 2016 incentive regulation mechanism based on rates effective May 1, 2016. This application has been prepared in accordance with the process for 4th generation 2016 incentive regulation distribution rate applications.

E.L.K. has used the 4th generation IRM models provided by the Board including:

- 2016 IRM Rate Generator (V1.0) issued on September 14, 2015.

This Manager's Summary will address the following topics:

- Annual Adjustment Mechanism
- Revenue to Cost Ratio Adjustment
- Rate Design for Residential Electricity Customers
- Electricity Distribution Retail Transmission Service Rates
- Review and Disposition of Group 1 Deferral and Variance Account Balances
- Global Adjustment
- LRAM Variance Accounts
- Tax Changes
- Incremental Capital Module and Z Factor Claims
- Schedule of Proposed Rates and Charges
- Specific Service Charge & Loss Factors
- MicroFIT Generator Service Charge
- Current and Proposed Tariff Sheets
- Conclusion

Annual Adjustment Mechanism

Under the IRM4 plan, E.L.K.'s electricity distribution rates for 2016 have been adjusted for three factors: a price escalator, a productivity factor and a stretch factor. For the purposes of preparing the 2016 rate application, the Board expects E.L.K. to use a proxy for the price cap adjustment. The price cap index is 1.6%. The price cap index is based on the following default values:

Price Cap Index

Price Escalator (GDP-IPI)	1.60%
Less Productivity Factor	0.00%
Less Stretch Factor (Group I)	0.00%

Price Cap Index 1.60%

E.L.K. understands the final price cap index will be based on actual GDP-IPI data published by the Board, the productivity factor will remain fixed and the stretch factor based upon which Group the local distribution company was put in.

Revenue to Cost Ratio Adjustment

No revenue to cost ratio adjustments required.

Rate Design for Residential Electricity Customers

The OEB released Board Policy, EB-2014-0210, A New Distribution Rate Design for Residential Electricity Customers. The report required that electricity distributor’s transition to a fully fixed monthly distribution service charge for residential customers over a four year period beginning in 2016. E.L.K. is proposing residential rate changes consistent with the new policy. E.L.K. has followed the approach set out in Sheet 15 of the 2016 IRM Rate Generator model as provided below.

<u>Rate Design Transition</u>		Revenue from Rates	Current F/V Split	Decoupling MFC Split	Incremental Fixed Charge (\$/month/year)	New F/V Split	Adjusted Rates ¹
Current Residential Fixed Rate (inclusive of R/C adj.)	11.44	1,375,957	63.9%	9.0%	1.62	72.9%	13.06
Current Residential Variable Rate (inclusive of R/C adj.)	0.0081	<u>777,433</u>	36.1%			27.1%	0.0061
		2,153,391					

Tab 15, Rate Design Transition, increases the monthly fixed charge by \$1.62 and decreases the variable charge by \$0.002 per kWh (before applying the 2016 price cap index). The fixed/variable revenue split changes from 64%/36% to 73%/27%. The \$1.62 incremental monthly increase is less than the \$4.00 per month per year referenced on page 9 of the OEB Chapter 3 Incentive Rate-Setting Applications issued July 16, 2015 and therefore an extension of the four year transitioning period is not required.

Due to system limitations, E.L.K. was not able to obtain the residential consumption at the 10th percentile. E.L.K. attempted through both our CIS system as well as Cognos and was not able to generate the desired results. Of approximately 10,834 residential customers, E.L.K. estimates the residential consumption at the 10th percentile is approximately 300 kWh per month. The total bill impact is not greater than 10% and therefore E.L.K. is not proposing a rate mitigation plan.

Electricity Distribution Retail Transmission Service Rates (“RTSR”)

E.L.K. is applying for an adjustment to the RTSR rates based upon the results of the 2016 IRM Rate Generator and per OEB’s Guideline G-2008-001: Electricity Distribution Retail Transmission Service Rates (RTSR), Revision 4.0, issued June 28, 2012.

E.L.K. has used the 2016 RTSR Adjustment worksheets embedded into the IRM Rate Generator to determine the proposed RTSR adjustments. The table below details the new RTSR rates.

Rate Class	Rate Description	Unit	Proposed RTSR- Network
Residential Service Classification	Retail Transmission Rate - Network Service Rate	\$/kWh	0.0061
General Service Less Than 50 kW Service Classification	Retail Transmission Rate - Network Service Rate	\$/kWh	0.0054
General Service 50 To 4,999 kW Service Classification	Retail Transmission Rate - Network Service Rate	\$/kW	2.2677
Unmetered Scattered Load Service Classification	Retail Transmission Rate - Network Service Rate	\$/kWh	0.0054
Sentinel Lighting Service Classification	Retail Transmission Rate - Network Service Rate	\$/kW	1.7189
Street Lighting Service Classification	Retail Transmission Rate - Network Service Rate	\$/kW	1.7103
Embedded Distributor Service Classification	Retail Transmission Rate - Network Service Rate	\$/kW	2.2677
Rate Class	Rate Description	Unit	Proposed RTSR- Connection
Residential Service Classification	Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0043
General Service Less Than 50 kW Service Classification	Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0038
General Service 50 To 4,999 kW Service Classification	Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	1.5350
Unmetered Scattered Load Service Classification	Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kWh	0.0038
Sentinel Lighting Service Classification	Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	1.2123
Street Lighting Service Classification	Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	1.1875
Embedded Distributor Service Classification	Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	1.5350

Review and Disposition of Group 1 Deferral and Variance Account Balances

Chapter 3 of the Board’s Filing Requirement for Electricity Distribution Rate Applications, Report of the Board on Electricity Distributors’ Deferral and Variance Account Report (the “EDDVAR Report”) provides that under the Price Cap IR, the distributors’ Group 1 audited balances be reviewed and disposed if the present distribution threshold of \$0.0010 per kWh (debit or credit) is exceeded. Distributors are required to file the group 1 balances as of December 31, 2014 to determine if the threshold has been exceeded.

E.L.K. has completed the Board’s 2016 IRM Rate Generator – Tab 3 2015 Continuity Schedule. The threshold test shown in Tab 4 Billing Det. for Def-Var indicates a total claim per kWh of (\$0.0014) which exceeds the threshold of \$0.001 per kWh (debit or credit). As a result, E.L.K. is seeking to dispose its Group 1 deferral and variance account balances in this application. The total amount requested for disposition is a credit to customers of \$324,154.

E.L.K. is proposing a rate rider recovery period of one-year. Forecasted interest for the period January 1, 2015 to April 30, 2016 is based upon the last Board-prescribed rate of 1.10%.

The detailed calculations supporting the requested amount for disposition and the proposed rate riders are provided in Tabs 3, 4, 5 and 6 of the Board's 2016 IRM Rate Generator.

The 2014 year end deferral and variance account balances match the Audited Financial Statements and the 2.1.7 RRR Trial Balances with the following exception. The balance for account 1595 Disposition and Recovery/Refund of Regulatory Balances shown in Tab 3 reflect those balances for which the disposition period has been completed. This only includes the 2009 amounts. The balance for account 1595 Disposition and Recovery/Refund of Regulatory Balances provided in the 2.1.7 RRR Trial Balances also includes amounts associated with the 2011 balances. The disposition period for the 2011 values will not be completed until April 30, 2016. If this amount was included in Tab 3 it would incorrectly be reflected in the claim amount.

The disposition period for the 2009 value was completed on April 30, 2012. The remaining balance at the end of the 2014 is a credit owing to the customer of \$205,050. E.L.K. is seeking approval to dispose of this amount in this application.

For reference purposes a snapshot of the E.L.K. deferral and variance account balances provided in the 2.1.7 Trial Balance for 2014, is presented below.

RCVASTR	1548	-122.09
LV Variance Account	1550	2,173.10
Smart Metering Entity Charge Variance Account	1551	28,470.04
Smart Meter Capital and Recovery Offset Variance Account	1555	-98,258.63
Smart Meter OM&A Variance	1556	384,288.69
Meter Cost Deferral Account	1557	0.00
Deferred Development Costs	1560	0.00
Deferred Payments in Lieu of Taxes	1562	289,752.64
Deferred PILs Contra Account	1563	0.00
Board-Approval CDM Variance Account	1567	0.00
LRAM Variance Account	1568	0.00
Extraordinary Event Costs	1572	0.00
Deferred Rate Impact Amounts	1574	0.00
IFRS-CGAAP Transitional PP&E Amounts	1575	20,475.00
CGAAP Accounting Changes	1576	-337,537.20
RSVA - Wholesale Market Service Charge	1580	-520,002.58
RSVAONE-TIME	1582	0.00
RSVA - Retail Transmission Network Charge	1584	149,250.63
RSVA - Retail Transmission Connection Charge	1586	-242,517.92
RSVA - Power (excluding Global Adjustment)	1588	-464,300.95
RSVA - Global Adjustment	1589	952,508.92
2006 PILs & Taxes Variance	1592	-12,624.02

Global Adjustment

E.L.K. is proposing a global adjustment rate rider as provided in the Disposition of Group 1 Deferral and Variance Account Balances.

E.L.K.'s settlement process with the IESO is as follows:

At month end E.L.K. has 4 business days to settle with the IESO on its RPP settlement and other related settlements. Upon receipt of the IESO, E.L.K. ensures the settlement charges on the IESO invoice agree to the settlement information submitted by E.L.K.

E.L.K. purchases energy from two sources, the IESO and Hydro One, at the spot market price (Hourly Ontario Energy Price "HOEP"). This energy is then sold to the retail customers using RPP, weighted average and spot market prices. When billing customers directly for Global Adjustment, E.L.K. uses the first estimate for all rate classes.

E.L.K. is required to settle its commodity pricing with the IESO for RPP customers. E.L.K. receives payments from its RPP customers based on the three level TOU pricing and the two tiered RPP pricing. E.L.K. must then settle with the IESO on the difference between revenues collected from customers and the

wholesale cost of power, which includes the amount of the global adjustment allocated to this portion of a distributors load. At this time the actual rate of the Global Adjustment is available and used. This settlement process achieves the objective of settling with the IESO based on wholesale costs, with the over/under collected amounts from customers being recovered from/remitted to the IESO.

E.L.K. also reports the RPP Final Variance amount via the IESO portal. This is a one-time charge or credit that will appear on the electricity bill if you leave the Regulated Price Plan. For customers who exit the RPP price plan and either go to a retailer or spot pricing, there is a true-up settlement applied to their final bill. The OEB posts the monthly RPP final variance rate to be used to calculate and charge this amount to customers, which is entered into E.L.K.'s CIS system and the programming calculates the amount of charge or credit.

LRAM Variance Accounts

E.L.K. is not requesting disposal of the LRAM variance at this time.

Tax Changes

The Board determined there would be a 50/50 sharing of the impact of currently known legislative tax changes. As part of E.L.K.'s 2016 Electricity Rate Application, E.L.K. has completed sheets 7-8 of the 2016 IRM Rate Generator model. The model generated a 2016 tax payment of \$11,942.

ICM/Z-Factor

E.L.K. is not applying for recovery of incremental or Z-factor in this proceeding.

Schedule of Proposed Rates and Charges

E.L.K. has completed the 2016 IRM Rate Generator Model in accordance with Board Staff instructions.

Specific Service Charge & Loss Factors

E.L.K. is applying to continue the current Specific Charges and Loss Factors as approved by the Board EB-2014-0067 and obtain clarity by adding the description: "including Street Lighting Attachments" to Specific Charge for Access

to the Power Poles to state Specific Charge for Access to the Power Poles Including Streetlight Attachments.

MicroFIT Generator Service Charge

E.L.K. is applying to continue the current monthly service charge of \$5.40 as approved by the Board (EB-2012-0326) and amended by the Board on September 20, 2012.

Current and Proposed Tariff Sheets

E.L.K.'s proposed and current tariff sheets are presented in the body of the application under Appendix I and Appendix II respectively.

Conclusion

In summary, the total bill impact for E.L.K. largest number of consumers, a Residential customer, with a monthly electricity consumption of 800 kWh, will be -4.15% or \$-5.77 per month. The bill impact for a General Service Less Than 50 kW customer with a monthly electricity consumption of 800 kWh, will be -0.76% or \$-2.48 per month. E.L.K. submits the proposed Distribution rates and other charges as set out in this application are just and reasonable rates and seek approval for these rates effective May 1, 2016.