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Ontario

BY E-MAIL

March 23, 2017

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: E.L.K. Energy Inc. (E.L.K. Energy)
Application for 2017 electricity distribution rates
OEB Staff Interrogatories
Ontario Energy Board File Number: EB-2016-0066

In accordance with Procedural Order No. 1, please find attached OEB staff's interrogatories in the above noted proceeding. E.L.K. Energy and all intervenors have been copied on this filing.

E.L.K. Energy's responses to interrogatories are due by April 21, 2017.

Yours truly,

Original Signed By

Donald Lau
Project Advisor – Rates Major Applications

Attach.

OEB Staff Interrogatories
2017 Electricity Distribution Rates Application
E.L.K. Energy Inc. (E.L.K. Energy)
EB-2016-0066
March 23, 2017

Exhibit 1 – Administration

1-Staff-1
Responses to Letters of Comment
Ref: Sections 2.1.6 of the Filing Requirements

Following publication of the Notice of Application, at this point, the OEB received 2 letters of comment. Section 2.1.6 of the Filing Requirements state that distributors will be expected to file with the OEB their response to the matters raised within any letters of comment sent to the OEB related to the distributor's application. If the applicant has not received copies of the letters, they may be accessed from the public record for this proceeding.

Please file a response to the matters raised in the letters of comment referenced above. Going forward, please ensure that responses are filed to any subsequent letters that may be submitted in this proceeding. All responses must be filed before the argument (submission) phase of this proceeding.

1-Staff-2
Updated Revenue Requirement Work Form (RRWF)
Ref: RRWF workbook

Upon completing all interrogatories from OEB staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on sheet 3 Data_Input_Sheet.

Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 10 Tracking Sheet, and may also be included on other sheets in the RRWF to assist understanding of changes.

1-Staff-3
Updated Appendix 2-W, Bill Impacts
Ref: Appendix 2-W
Upon completing all interrogatories from OEB staff and intervenors, please provide an updated Appendix 2-W for all classes at the typical consumption / demand levels (e.g. 300 kWh and 750 kWh for residential, 2,000 kWh for GS<50, etc.).

1-Staff-4
Staffing
Ref: Exhibit 1, page 6-8
E.L.K. Energy has requested 4 additional staff positions: 2 linemen, 1 regulatory analyst, and 1 engineering manager. E.L.K. Energy states that this is due to its succession plan and increased requirements from the regulatory and operation fields. These positions will create greater efficiencies in the future through increased knowledge, thought processes and ultimately provide benefits from both a service and cost perspective for E.L.K. Energy and its customer base.

a) Does E.L.K. Energy have detailed calculations on how these positions provide efficiencies in terms of cost?
b) Has there been an increase in engineering needs that is consuming the operations manager's current workload?
c) Please provide an update on the status of these positions, e.g. have they been filled yet?

1-Staff-5
Previous Board decisions
Ref: Exhibit 1, page 18-19
Ref: Exhibit 3, page 35
In E.L.K Energy's last cost of service EB-2011-0099 the settlement agreement stated E.L.K. Energy will credit its customers 50% of the gains from the sale of the Kingsville Satellite location. E.L.K Energy stated that the Kingsville Satellite location did not sell until Q2 of 2016 and therefore had not included it in this cost of service application.

a) In Exhibit 3, E.L.K. Energy has recorded half of the gains on the sale of the Kingsville Satellite location in Other Income and Deductions. Please reconcile the statement that E.L.K. Energy has not included the sale of the Kingsville Satellite location in this application.
b) Are the proceeds from the sale of Kingsville Satellite location finalized? If so why has E.L.K. Energy not included the disposition of the credit amount to customers in this application?

1-Staff-6
Customer Engagement
Ref: Appendix 1D – E.L.K. Energy Oracle Poll Customer Survey Report
E.L.K. Energy conducted a survey of customers to gather information regarding their support of its capital expenditure plan and increased rates. To give context to the customer regarding the need for the capital expenditures, E.L.K. Energy stated that the existing infrastructure is old and near end-of-life, potentially impacting reliability. Furthermore, equipment failure leads to 38% of power outages.

a) Was it E.L.K. Energy's intention to show that aged infrastructure is the cause of equipment failures? Has E.L.K. Energy considered other possible causes of equipment failures, such as overload equipment, lack of maintenance, and defective equipment?
b) In question 22 of the survey there are 29% of customers who do not support bill increases and 39% of customers who only support a modest bill increase totalling 68%. In question 23 the preamble states that E.L.K. Energy is increasing the operating budget by 20% and 77% of customers support the recommended plan. How does E.L.K Energy explain that 68% of customers would like the bill to stay the same or go up modestly but 77% of customers are comfortable with a 20% increase in the operating budget? Has E.L.K. Energy explained to customers how operating increases reflect on their total bill?
c) Customers support the operations and maintenance plan if the bill increases are modest. What is the acceptable range of cost increase customers are willing to pay for?

Exhibit 2 – Rate Base

2-Staff-7
Variance Analysis of Rate Base
Ref: Table 2-5 – 2016 Bridge Year vs. 2015 Actual
Ref: Table 2-8 – 2013 Actual vs. 2012 Actual
In 2016, the year-to-year variance for the average net capital assets is $700,000 and E.L.K. Energy explained this is due to the in-service assets being higher than the amortization expense. Similarly, E.L.K. Energy used the same explanation for the $1,000,000 variance in 2013. Please provide more details regarding what assets were put in service in these years that caused the increase to rate base.

2-Staff-8
Variance Analysis of Gross Assets
Ref: Exhibit 2, page 21
E.L.K. Energy explained the distribution asset variance of $1.7M from 2012 approved to 2012 actual was due to account 1860 for smart meters. Please confirm E.L.K. Energy's explanation is that the OEB's approved gross asset amount included the transfer from the smart meter variance account but the actual accounting entry was not done till 2013, when the decision was made, resulting in a lower 2012 actual gross asset amount.

2-Staff-9
Rate Base
Ref: Chapter 2 Appendices, Appendix 2-BA – Fixed Assets Continuity Schedules
E.L.K. Energy's Fixed Assets opening balance for 2013 (per Appendix 2-BA) does not match its 2012 restated approved closing balance in its 2014 IRM proceeding where Account 1576 was disposed of.

a) Please reconcile the 2013 opening balance in Appendix 2-BA to the 2012 closing balance approved by the OEB in E.L.K. Energy's 2014 IRM proceeding.
b) Please update Appendix 2-BA for all years as necessary, ensuring that closing balance from one year is the opening balance for the next year.

2-Staff-10
Gross Asset Breakdown
Ref: Exhibit 2, page 21
E.L.K. Energy has invested in relocating overhead assets to underground assets in the Town of Lakeshore for the purpose of improving the streetscape and has continued to renew underground assets through the underground Asset Renewal project.

a) How does E.L.K. Energy compare the benefits of improved streetscape to the incremental costs of underground assets?
b) Although streetscape and vista are important factors to customers, especially in subdivision developments, has E.L.K. Energy explained to customers the costs of underground assets compared to overhead assets? If not, why?
c) Does E.L.K. Energy receive capital contributions for underground feeder projects from other beneficiaries of improved streetscape, such as the Town of Lakeshore and subdivision developers?

2-Staff-11
Cost of Power Forecast
Ref: Table 2-21 2017 Test Year Cost of Power Forecast Calculation
Please explain the difference in volumetric forecasts between Table 2-21 and the RTSR model for transmission network, transmission connection, Wholesale Market Service Rate, Rural Rate Assistance, and Ontario Electricity Support Program.

2-Staff-12
System Reliability
Ref: Table 2-25 Service Quality and Reliability Performance
E.L.K. Energy's overall SAIDI and SAIFI are trending upwards but excluding the loss of supply, tend to stay relatively flat. How has E.L.K. Energy coordinated with Hydro One to mitigate the increasing levels of poor reliability and are there any expected projects planned to address reliability moving forward?

2-Staff-13
Regional Planning
Ref: Distribution System Plan – 5.2.2.3 Integrated Regional Resource Planning ("IRRP") with the IESO
E.L.K. Energy is a participant in the Regional Infrastructure Planning for the Windsor-Essex Region. The planning process identified one project to develop and implement a wires solution for the Supply to Essex County Transmission Reinforcement Project (SECTR). E.L.K. Energy has not included any costs in the Distribution System Plan for SECTR since the cost allocation associated for SECTR is under review with the OEB.

a) Please provide the distribution plans associated with SECTR, specifically how is E.L.K. Energy affected, loads transferred, and any negotiated plans with Hydro One
b) Based on these plans does E.L.K. Energy have an estimated cost for the capital contribution to Hydro One Transmission?
c) How does E.L.K. Energy plan to fund the capital contribution?

2-Staff-14
Distribution System Plan – System Renewal – Wood Poles
Ref: Distribution System Plan 5.4.4 Capital Expenditure Summary
E.L.K Energy has shown that there are over 898 poles above the projected typical useful life (TUL) and an additional 830 poles that will reach the TUL in 10 years. In E.L.K Energy's forecast there were only 255 poles to be replaced in the next 5 years.

a) Does E.L.K. Energy do testing on poles over the TUL for condition assessment? How does this factor into prioritizing which poles are to be replaced?

b) With the increase in aging poles outpacing the replacements, what is E.L.K. Energy's plan to ensure there are no unexpected capital investments in the future for pole replacement?
c) Is the reduction in wood pole replacement for 2021 due to the increase in spending for the general plant category? If so, how does E.L.K. Energy compare and prioritize aging system renewal needs with respect to general plant needs?

2-Staff-15
Distribution System Plan – System Renewal –Transformers
Ref: Distribution System Plan 5.4.4 Capital Expenditure Summary
E.L.K. Energy has shown that there are 57 pole mounted transformers above the TUL with an additional 279 pole mounted transformers that will reach the TUL in 10 years. In E.L.K Energy's forecast there were only 40 pole mounted transformers to be replaced in the next 5 years. Similarly, for pad mounted transformers, E.L.K. Energy has shown that there are 150 transformers above the TUL with an additional 123 transformers that will reach the TUL in 10 years. In E.L.K. Energy's forecast there were only 42 transformers to be replaced in the next 5 years.

a) What are E.L.K. Energy's plans to maintain reliability with aging transformers outpacing the replacement rate?
b) When replacing pole mounted transformers does E.L.K. Energy try to synergize with poles that are considered for replacement? What is the planning process to synergize replacement projects?

2-Staff-16
Distribution System Plan – System Renewal – Meters
Ref: Distribution System Plan 5.4.4 Capital Expenditure Summary
E.L.K. Energy has approximately 11,704 meters within the distribution system with a TUL between 10-15 years. E.L.K. Energy started to install smart meters in 2004 to comply with the Ministry of Energy's directives. The forecast provided is to replace approximately 200 residential and 30 GS>50 meters a year.

a) Please provide the demographics of the meters in a graphic, similar to those provided for poles and transformers.
b) At approximately 230 meters a year and a maximum of 15 year TUL, the total replacements in that period will only be 3,450 meters. What is E.L.K. Energy's mitigation plan for meters operating outside of the TUL?

2-Staff-17
Distribution System Plan – System Renewal – Underground Cables
Ref: Distribution System Plan 5.4.4 Capital Expenditure Summary
E.L.K. Energy has forecasted 600 units of underground cable replacement for 2017 as compared to the 200 forecasted for all subsequent years.

a) Please provide the age demographics for underground cable in a graphic, similar to those provided for poles and transformers.
b) Please confirm the units in the table are per meter.
c) Please provide the justification for the higher number of underground cable replacements in 2017 relative to 2018-2021.
d) E.L.K. Energy has approximately 68.5km of underground feeder with 40 years TUL and the first underground installations dates back to 1969. At 200 units a year of replacement that would leave several km of line over its TUL eventually. Does E.L.K. Energy have a mitigation plan for maintain reliability as underground cables age and fail?

2-Staff-18
Distribution System Plan – General Plant – Fleet
Ref: Distribution System Plan 5.4.4 Capital Expenditure Summary
E.L.K. Energy has planned to purchase a radial boom derrick truck in 2017 and a bucket truck in 2021 in the next 5 years. Each vehicle is evaluated based on age, odometer, maintenance costs, testing results, safety, and needs.

a) Did E.L.K. Energy consider the possibility of a used derrick truck and bucket truck subject to the same evaluation listed above? If not, why?
b) The general plant budget remains relatively high for 2018 and E.L.K. Energy has stated the year-to-year variance is immaterial. Please provide the rational for such a high budget in 2018 when the reason for a higher 2017 budget was the purchase of the radial boom derrick truck.
c) The forecasted spend in the fleet/rolling stock driver under General Plant for 2019 is $200,000. Please provide information on what that spending includes.

2-Staff-19
Distribution System Plan – General Plant – Building and Fixture
Ref: Distribution System Plan 5.4.4 Capital Expenditure Summary
E.L.K forecasted a budget of $170,000 in building and fixture purchases in 2020.

a) Please provide an explanation for the $170,000 capital expenditure in 2020 on building/fixtures.
b) Historical spending in building and fixtures has not exceeded $16,000. Has E.L.K. Energy considered options to pace the investments in the category? If not, please provide justification.

2-Staff-20
Distribution System Plan – Material Projects
Ref: Distribution System Plan Appendix H
E.L.K. Energy has provided capital project summaries in Appendix H for projects in 2017. Please provide similar capital project summaries for projects in 2018-2021.

Exhibit 3 – Operating Revenue

3-Staff-21
Load Forecast
Ref: Exhibit 3, page 4
E.L.K. Energy has updated the regression analysis from the model used in its 2012 COS application by excluding the Ontario Real GDP variable, since it had a negative coefficient and was not statistically significant.

a) Has E.L.K. Energy explored the reasons for the negative coefficient and other factors that could have created a negative correlation between GDP and load?
b) Does E.L.K. Energy not expect any change to the load forecast in the event of increased GDP?

3-Staff-22
Other Operating Revenue
Ref: Table 3-40 OEB Appendix 2-H Other Operating Revenue
E.L.K. Energy provided Table 3-40 which included account 6300 – Unrealized Gain (Loss) on Investment but did not include it in totals at the bottom of the table.

a) Account 6300 is not included in the Accounting Procedures Handbook. Please provide the correct account number.

b) Please explain if E.L.K intended to include Unrealized Gain (Loss) on Investments as part of Other Operating Revenues or not and if yes please explain why.

3-Staff-23
Affiliate Transactions
Ref: Exhibit 3, page 36
E.L.K. Energy provides services to E.L.K. Solutions in water heater services, street lighting services, and billing services. The revenue and expenses are recorded in account 4375 and 4380 respectively.

a) Is the affiliate revenue and expense the only amounts recorded in account 4375 and 4380?
b) Please provide the basis by which E.L.K. Energy bills E.L.K. Solutions, such as unit costs or fixed costs.

3-Staff-24
LRAMVA
Ref: LRAMVA work form - 2. CDM Allocation
The forecasted lost revenues in the LRAMVA calculation are based on the LRAMVA threshold of 1,570,670 kWh established in the 2012 Settlement Agreement (EB-2011-0099). In the LRAMVA work form, E.L.K. Energy has applied the LRAMVA threshold to offset actual CDM savings in 2013, 2014 and 2015.

a) Please discuss why E.L.K. Energy has not applied the approved LRAMVA threshold amount of 1,570,670 kWh to offset actual 2012 CDM savings. In your response, please discuss the appropriateness of E.L.K. Energy's proposal considering its LRAMVA threshold was approved as part of its 2012 COS application.

3-Staff-25
Ref: LRAMVA work form - 4. 2011-14 LRAM (Tables 7 to 10)
Ref: E.L.K. 2011-2014 Final Results Report - LDC - Adjustments (Net)
The LRAMVA work form allows distributors to input savings adjustments that relate to prior year final results.

As noted in Tab 4 of the LRAMVA work form, adjustments should be applied to the same program year it relates to. For example, adjustments to 2011 results should be shown as part of the calculation of 2011 lost revenues.

a) Please discuss how E.L.K. Energy has applied the savings adjustments to the net incremental savings in 2011, 2012 and 2013 in Tab 4 of the LRAMVA work form.
    i. In the event that E.L.K. Energy applied savings adjustments to the following year's results (e.g., savings adjustments to 2011 programs applied to 2012 results), please update the LRAMVA workform with the savings adjustments applied to the year in which it relates to (e.g., savings adjustments to 2011 programs applied to 2011 results).

Exhibit 4 – Operating Expenses

4-Staff-26
Vegetation Management
Ref: Exhibit 4, page 17
E.L.K. Energy has a line clearing program that trims the trees on the overhead system every four years. At the end of the four years the tree trimming cycle is again repeated. Clearing is also done on an as needed basis. Has E.L.K. Energy considered a longer tree trimming cycle by increasing the trimming clearance from the trees to the overhead line to reduce costs? If not, why?

4-Staff-27
Smart meter
Ref: Exhibit 4, page 16-17
E.L.K. Energy's metering costs have increased and are partially due to E.L.K. Energy's smart meter provider Sensus, which invoices in U.S Dollars. This, in combination with the declining Canadian Dollar, has increased costs for smart metering.

a) Has E.L.K. Energy negotiated with Sensus to have the billing prices in Canadian Dollars, such that the risk of foreign exchange is on Sensus and not E.L.K Energy?
b) Has E.L.K. Energy considered other smart metering providers to mitigate the risk of changing exchange rates between Canada and the U.S?

4-Staff-28
Employee Costs
Ref: Chapter 2 Appendix 2-K Employee Costs
E.L.K. Energy has proposed the hiring of 4 new staff: one regulatory/accounting, one engineering manager, and 2 new lines staff. E.L.K. Energy states that this is due to the increased workload and preparation for retiring staff. The 2017 forecast for employee costs in Appendix 2-K shows the salary for 2 management positions are $125k and $100k and the salary for the line staff is $120k.

a) Please break out the increases shown in Appendix 2-K for the four positions into salaries, benefits and overtime, if applicable.
b) Are the two new lines staff fully qualified or will they be apprentices?

4-Staff-29
Depreciation Expense
Ref: PILs model tab "Adjusted Taxable Income – Bridge Year"
Ref: Table 4-28 Depreciation and Amortization Expense Bridge 2016
Ref: Appendix 2-CH Depreciation Expense for 2016

There are three different numbers in the prefiled evidence for depreciation expense for 2016. Amortization of tangible assets per PILs model for bridge year is $353,383, depreciation expense per Table 4-28 for 2016 is $279,397, and Depreciation expense per Appendix 2-CH is $201,409. Please explain the discrepancy and update evidence as necessary.

4-Staff-30
Shared Services
Ref: Chapter 2 Appendix 2-N Shared Services and Corporate Cost Allocation
E.L.K. Energy provides billing services to the Town of Essex for meter reading, service orders, billing, bill collection and payment, answering customer inquiries and other customer service for their Water Department. In Appendix 2-N E.L.K charges the Town of Essex a cost mark-up of 20%.

a) Please provide the unit costing used to charge the Town of Essex for the services provided.
b) Please provide the rationale behind the 20% mark-up and the business justification.

4-Staff-31
Products and Services of Non-Affiliates
Ref: Table 4-21 to Table 4-24 Products and Services of Non Affiliates
E.L.K. Energy provided a list of suppliers between 2013-2016 for services or products they have procured. Each year E.L.K. Energy purchases materials from Anixter Power Solutions Canada.

a) Please provide information on what is purchased from Anixter Power Solutions Canada.

4-Staff-32
Regulatory Costs
Ref: Chapter 2 Appendix 2-M Regulatory Cost Schedule
In Appendix 2-M t E.L.K. Energy has included one-time intervenor costs of $10k. In the written evidence E.L.K has stated the intervenor expenses to be $50k.

a) Please explain the discrepancy for the intervenor cost in Appendix 2-M and the written evidence

4-Staff-33
Equipment Typical Useful Life
Ref: Chapter 2 Appendix 2-BB Service Life Comparison
E.L.K Energy has provided in Appendix 2-BB the proposed useful life for particular assets compared to the Kinetics report on typical useful life of assets. For station service transformers and pad-mounted switchgears E.L.K. Energy has chosen to use the minimum useful life for this equipment. Please explain the rationale behind the use of minimum useful life instead of the typical useful life.

Exhibit 5 – Cost of Capital

5-Staff-34
Debt Instruments
Ref: Chapter 2 Appendix 2-OB Debt Instruments
E.L.K. Energy had shareholder debt in 2012 and 2013 of $1.9M owed to the Town of Essex. This debt seems to be paid off as it does not appear past 2013. Please explain the history of that debt item.

Exhibit 8 - Rate Design

8-Staff-35
Monthly Service Charge
Ref: Table 8-4 Proposed Monthly Service Charge
E.L.K. Energy has an Embedded Distributor rate class for Hydro One and is proposing to charge a fully fixed charge of $1,218. The allocated service revenue for the Embedded Distributor rate class was $65,764 and the allocated base revenue requirement was $58,476.

a) Please confirm the only costs allocated to this rate class are costs related to metering Hydro One load.

b) What other revenue does E.L.K. Energy receive from Hydro One to explain the difference between allocated service revenue and base revenue?

8-Staff-36
Specific Service Charges
Ref: Table 8-9 Proposed Service call - customer-owned equipment – cost justification
E.L.K. Energy has proposed to increase the Service Call – Customer-Owned Equipment charge from $30 to $165 and the Service Call – After Regular Hours charge from $165 to $300. The proposed rates are based on the costs of linesmen and the truck used to service the customer. Please provide the calculation for the hourly cost of the truck.

8-Staff-37
Low Voltage Service Rates
Ref: Table 8-10 Low voltage Charges
E.L.K. Energy has forecasted the low voltage charges to be $289,139 by averaging the prior two years' actual results. Please provide the historical 5 year low voltage charges from Hydro One and explain why E.L.K. Energy has chosen to only average 2 years for the forecast.

8-Staff-38
Loss Adjustment Factors
Ref: Table 8-11 Loss Factor Calculation
Although E.L.K Energy's. total loss factor has dropped from 2013 and 2014, the overall historical total loss factor is trending upwards. Does E.L.K. Energy have a strategic plan to reduce line losses? If not, please explain why.

Exhibit 9 - Deferral and Variance Accounts

9-Staff-39
Deferral and Variance Accounts
Ref: Exhibit 9, page 8 and 18 EDDVAR Continuity Schedule
Ref: DVA Continuity Schedule – 2. 2016 Continuity Schedule
E.L.K. Energy has shown a zero balance in Account 1580, Sub-accounts for CBR Class A and Class B.

a) Please explain why there is no balance in Account 1580, CBR Sub-accounts.
b) Has E.L.K. Energy followed the OEB accounting guidance[1] and Filing Requirements related to accounting and disposition of CBR Sub-accounts?

[1] Accounting Guidance on Capacity Based Recovery dated July 25, 2016

c) Please explain where Account 1580 Sub-accounts CBR balances are shown in the evidence, and how E.L.K. Energy is proposing their disposition.
d) E.L.K. Energy has stated that it treats its Embedded Distributor in the same manner as a Class A customer. Please explain how the CBR related charges for Class A have been treated in this application.
e) Does E.L.K. Energy bill its embedded distributor for Global Adjustment? If so, please describe how Global Adjustment variance related to embedded distributor has been treated in this application.
f) How did E.L.K. Energy determine that its embedded distributor is eligible to be treated like a Class A customer?

9-Staff-40
Account 1595: Disposition and Recovery/Refund of Regulatory Balances
Ref: Exhibit 9, page 10
E.L.K. Energy has stated the following:

> The amount requested for disposition below relates to residual balances from rate riders that concluded in **2015**. The amount in account 1595 relates to amounts that should be collected from non-RPP since ELK has not fully been reimbursed through the variance account process. As part of preparing this application, ELK discovered that with respect to the General Service 50 to 4,999 Services Classification, the rate rider called **Disposition of Global Adjustment (2016) – effective until April 30, 2017** was incorrectly used in ELK's CIS system through a misinterpretation of the description of the rate rider. This rate rider is applicable for only non-RPP customers. ELK originally applied this to retailer accounts only, but should have been all non-RPP customers, which is retailers and weighted average price customers.

a) Please clarify which rate rider the error pertains to, as E.L.K. Energy has used two different dates in its evidence.
b) Would E.L.K. Energy characterize this error as a billing error?
    i. If so, why did E.L.K. Energy not make billing adjustments in accordance with the RSC Section 7.7 Billing Errors?
c) E.L.K. Energy has accrued interest on the balance in this account. Since the error was made by E.L.K. Energy, please explain why E.L.K. Energy deems it appropriate to accrue interest, thereby increasing the amount of recovery from customers?
d) Does E.L.K. Energy maintain a separate sub-account for Account 1595 GA? If not, please describe in detail E.L.K. Energy's methodology for determining the amount proposed for recovery from 50-4,999 kW class for this error?
e) Please describe how the amount proposed for disposition was calculated.

f) The account balance disposed for Account 1589 in E.L.K. Energy's 2014 (rate riders effective until 2015) proceeding was a debit of $1,799,386, and the balance disposed in the 2016 proceeding (rate riders effective until 2017) was a debit of $966,479. Please explain the reason of the residual balance to be a debit of $2,826,024, a substantially higher amount than the initial disposition in either of the above-noted proceedings.

9-Staff-41
Account 1595: Disposition and Recovery/Refund of Regulatory Balances
Ref: Exhibit 9, page 10
Ref: Appendix 1B – E.L.K. Energy Inc, 2015 Scorecard

E.L.K. Energy stated that the global adjustment rate rider was incorrectly applied to only retailer accounts but should have been all non-RPP customers. In the 2015 scorecard E.L.K. Energy showed a 99.99% billing accuracy. Did E.L.K. Energy consider this as a billing error? If not, why?

9-Staff-42
Deferral and Variance Accounts
Ref: DVA Continuity Schedule – 2. 2016 Continuity Schedule

a) Please explain the following entries in Account 1595 – Disposition and Recovery/Refund of Regulatory Balances (2011)

   i. For year 2013 this Sub-account is showing debit transactions for $616,497. Debit transactions in Account 1595 signify rate riders amounts returned to customers were greater than the balance in the account. As there is no opening principal or interest balance in 2013 for this Sub-account, please explain this entry
   ii. For year 2014 this Sub-account is showing Debit transactions of $1,258,068 signifying rate rider amounts refunded to customers were greater than the balance in the account. Since the opening balance for the year is a Debit, it means that the rate rider would be a collection <u>from</u> the customers, and the transactions should be credits. Please explain this large value Debit transaction.
   iii. For year 2015 this Sub-account is showing Debit transactions of $910,610 signifying rate rider amounts refunded to customers were greater than the balance in the account. Since the opening balance for the year is a Debit, it means that the rate rider would be a collection <u>from</u> the customers, and the transactions should be credits. Please explain this large value Debit transaction. Please explain the nature of the debit transaction. Given that the balance in this account is a debit, the transactions should be credits as the balance gets drawn down with the collections from the rate riders.

b) Please explain the following entries in Account 1595 – Disposition and Recovery/Refund of Regulatory Balances (2012)

   i. For year 2013 this Sub-account is showing credit transactions of $375,969. Credit transactions in Account 1595 signify rate riders amounts collected from customers were greater than the balance in the account. As there is no opening principal or interest balance in 2013 for this Sub-account, please explain this entry.
   ii. For year 2014 this Sub-account is showing Credit transactions of $387,674 signifying rate rider amounts collected from customers were greater than the balance in the account. Since the opening balance for the year is a Credit, it means that the rate rider would be a refund to the customers. Please explain this large value Credit transaction.

c) For year 2014, the Continuity Schedule shows principal dispositions approved by the OEB during 2013, 2014, and 2016, but there are no corresponding amounts for interest dispositions shown. Please explain, and update the evidence.

d) Please confirm that all principal and interest dispositions, transactions, recoveries/refunds have been populated correctly and that interest amounts have been calculated correctly by year, and update the DVA continuity schedule as required. If any restatement to DVA continuity is required please ensure that the treatment of over-recoveries are consistent with the OEB FAQ from October 2009.

9-Staff-43
Deferral and Variance Accounts
Ref: Exhibit 9, page 2 (lines 12-15) and page 4, (lines 3-9)
Ref: DVA Continuity Schedule
The evidence indicates that there is a double count of ($101,093) in Account 1595 in the 2.1.7 balances since this amount was included in Account 1595 as of the end of December 31, 2011.

E.L.K. Energy has stated that it has used an unlocked version of the Continuity Schedule to properly address some specific circumstances E.L.K. Energy has with respect to Account 1595.

OEB staff notes that the use of the unlocked version has many disadvantages and proper validation checks cannot be performed. Also, E.L.K. Energy has not shown any amounts in the interest transactions columns for any of the years.

a) Please complete and provide a locked version of the Continuity Schedule.
b) Please ensure that interest transactions columns are completed properly.
c) According to E.L.K. Energy's RRR 2.1.7 filings, there is a small credit balance in Account 1521. E.L.K. Energy has not proposed its disposition. According to the EDDVAR report, all account balances should be disposed in distributors' cost of service proceeding. Please amend the Continuity Schedule to include the balance in Account 1521 for disposition.
d) Has E.L.K. Energy made the appropriate entry in its books to correct the double-counting error related to Account 1595?
    i. If not, when is E.L.K. Energy planning to correct the double-counting in the amount of $101,093 credit in Account 1595?
    ii. Please confirm that the 2.1.7 filing for 2016 due in April will reflect the appropriate balance in Account 1595, including the correction to be made for the double-counting error.

9-Staff-44
Deferral and Variance Accounts
Ref: Table 9-4 - Proposed Dispositions
Ref: Exhibit 9, page 11

E.L.K. Energy is requesting a net disposition of $1,952,657, which includes Group 1, Group 2, and other variance accounts. In the written evidence for Group 2 Account Analysis, E.L.K. Energy states the total balance for Group 2 accounts, excluding account 1531 and 1568 is $59. This amount is considered immaterial, and as a result E.L.K. Energy is not seeking the disposition of the remaining Group 2 accounts.

a) Please explain the discrepancy between Table 9-4 and the written evidence.
b) Please explain E.L.K. Energy's intent for Group 2 disposition in this application.

9-Staff-45
Deferral and Variance Accounts
Ref: Table 9-4 - Proposed Dispositions

E.L.K. Energy is proposing disposition of Account 1508, Sub-account Other for $15,047 credit. E.L.K. Energy has not provided any explanation of what was recorded in this Account. Please provide the following details:

a) What is the nature of transactions recorded in this account?

b) When were these amount recorded?
c) Did the OEB approve the use of this account for E.L.K. Energy? If so, please provide reference to the OEB approval.

9-Staff-46
Ref: Table 9-9 Rate Rider Calculation for Group One Deferral/Variance Accounts
Ref: DVA Continuity Schedule – 6. Rate Rider Calculations - Group 1 Excluding Global Adjustment
The totals amount for disposition and rate riders calculated in Table 9-9 are not consistent with the rate riders calculated in the DVA Continuity Schedule model. Please clarify which evidence should the OEB rely upon for the purpose of this proceeding.

9-Staff-47
True-up Process
Ref: Exhibit 9, page 21
a) Does E.L.K. Energy true-up its RPP settlements with the IESO?
b) How often are the true-ups performed (e.g. monthly, quarterly, annually)?
c) Has E.L.K. Energy trued-up the balances proposed for disposition in this proceeding for Accounts 1588 and 1589 with the IESO?
d) Are there any RPP settlement true ups that were done after December 31, 2015 that related to the variance account accumulation period, what were the true- up amounts for each of the RSVA Power, and for RSVA GA accounts?

9-Staff-48
Deferral and Variance Accounts
Ref: DVA Continuity Schedule - 4. Billing Determinants
E.L.K. Energy has provided billing determinants in the Deferral and Variance account model but the total metered kWh and kW do not match the RRR values used in the RTSR model.

a) Please explain the origin of the billing determinants used in the deferral and variance model.
b) Please provide information about the type of RPP customers in the General 50kW to 4,999kW rate class, e.g. are they farmers or condominiums?

9-Staff-49
Deferral and Variance Accounts
Ref: DVA Continuity Schedule - 4. Billing Determinants
E.L.K has proposed the disposition of $2,826,024 for account 1595 - 2011 regulatory balances. The allocation method used was total meter kWh for non-RPP customers less WMP and Class A consumption.

a) Please explain why E.L.K. Energy did not use the 2011 allocation determinants to minimize intergenerational cross subsidizing.
b) Did RPP customers not contribute to the 2011 deferral and variance account balances?