April 21, 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
E.L.K. Energy Inc. Interrogatory Responses
Ontario Energy Board File Number: EB-2016-0066

In accordance with Procedural Order No. 1, please find attached E.L.K.'s Interrogatory Responses, organized by Exhibit due April 21, 2017.

Yours truly,

Mark D. Danelon, CPA, CA
Director, Finance & Regulatory Affairs
E.L.K. Energy Inc
Tel: 519-776-5291 Ext 204
Fax: 519-776-5640

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.

E.L.K. Response:

E.L.K. responded immediately to our customer's comment and thanked them for their feedback. The response has been filed with the OEB and posted under file No: EB-2016-0066 March 9, 2017.

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.

E.L.K. Response:

An updated RRWF in working Microsoft Excel format has been provided under file name 2017_Rev_Reqt_Work_Form_V7_ELK_Responses.

The updated RRWF reflects the following changes

- Cost of capital parameters updated as per parameters released by the Board on October 27, 2016.
- Working capital allowance updated as per 2.0-VECC-19
- OM&A reduced by $20,000 as per 4-Staff-28

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.).

E.L.K. Response:

The 2017 Tariff Schedule and Bill Impact Model has been updated to reflect the changes in 1-Staff-2 and is provided in working Microsoft Excel format under file name 2017_Tariff_Schedule_and_Bill_Impact_Model_V1.02_ELK_Responses.

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?

E.L.K. Response:

E.L.K. does not have formal detailed calculations on how these positions provide efficiencies in terms of cost. These positions will assist E.L.K. in properly managing workload and well as training new staff members during a time when E.L.K.'s age of workforce continues to increase and retirements become a forefront issue. It will allow the Director, Finance and Regulatory Affairs and Operations Manager to focus on a broader scope, getting involved in larger dynamic type issues, participating more in working groups, joining councils and greater participation in industry-wide type issues and councils/groups. By allowing the current Manager of Operations and Director, Finance & Regulatory Affairs to extend themselves into these new type initiatives will definitely increase knowledge, thought processes and ultimately will be able to provide benefits from both a service and cost perspective for E.L.K. and our customer base, providing that value added benefit.

b) Has there been an increase in engineering needs that is consuming the operations manager's current workload?

E.L.K. Response:

Yes, there has been an increase in engineering needs for E.L.K. E.L.K. will complement its current supervisory staff with the addition of an engineering manager. This complement will allow the Operations Manager to focus on a broader scope, getting involved in larger dynamic type issues, participating more in working groups and greater participation in industry-wide type issues. E.L.K. is also planning to formalize the asset management process (track project execution vs. timeline estimates, track project cost vs budget). This goal and increased workload has changed as it is now a regulatory requirement as part of the DSP process. E.L.K. will expand this function to include a greater focus on project execution as well as monitoring and planning timelines versus actual completeness.

The new engineering manager will assist with measuring, monitoring and managing DSP performance against the plan. The new engineering manager will be responsible for and would allow for additional research, asset condition and valuation for the DSP, and the continued development and implementation of the plan, an expanded health and safety system, the creation of a new outage management system,

new policy creation, and the development of operational plans within the existing regulatory framework, and review, correction and addition of policies such as the emergency preparedness policy, all of which would improve effectiveness and efficiencies throughout E.L.K.'s distribution system.

Provincial Policies implemented as described in the application has customer and resource implications to successfully implement and support. Often the extent of the resourcing and customer service requirements were not known until the policies were implemented and running for an extended period.

With respect to the Cost Allocation and Leave to Construct, E.L.K. believes costs incurred by E.L.K. will significantly continue to grow in the future, over and above any normal cost.

The hiring of an engineering manager has been taken into consideration in this COS. This is responsive to customer feedback as per E.L.K.'s Oracle Poll Customer Survey Report.

c) Please provide an update on the status of these positions, e.g. have they been filled yet?

E.L.K. Response:

No, the four positions have not yet been filled. E.L.K. is currently in the process of reviewing all positions of the company and these four requested staff positions.

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.

E.L.K. Response

E.L.K. has not included the Kingsville Satellite location **in rate base** in this cost of service application. Rather, E.L.K. has recorded ½ of the gain in the gain on disposition of property account and the remaining ½ gain in account 1508-09 Other Reg Assets- Sub Acct Gain on Disposition refundable to rate payers in 2016. The amount that is to be refunded in 1508-09 Other Reg Assets- Sub Acct is $50,259.26 is in 2016 and will be refunded at E.L.K.'s next disposition when 2016 balances are disposed of. Only balances including 2015 were part of the disposition 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?

E.L.K. Response:

Yes, the proceeds from the sale of Kingsville Satellite location are now finalized. E.L.K. did not include the disposition of the credit amount to customers in this application because disposition of DVA balances in this application only include up to 2015 balances. E.L.K. intends to dispose of this balance as per instruction in EB-2011-0099.

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?

Response:

It wasn't E.L.K.'s intention to show aged infrastructure as the cause of equipment failures but of the equipment failures that have the largest impact on the customer base, age does play a role. E.L.K. routinely considers all causes of equipment failure.

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?

E.L.K. Response:

Question #22 strictly is in reference to the capital expenditures plan. Presented with the scenario of increased rates under the capital expenditure plan, 57% would still support it with 18% fully backing it and 39% if the rise in price is modest. Only a total of 29% do not support the bill increases even if it would result in more and longer outages.

Question #23 refers to the operations and maintenance plan. The main reason that supporters provided for being behind the OM&A plan included the belief that it is a good idea and that they support it (40%), that it is needed for improved service (19%), that upgrades or improvements are required (15%), to reduce outages or surges (6%) and that underground lines are a good idea (3%).

Throughout the cost of service process, customers are being advised of a $3.50 distribution rate increase.

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?

E.L.K. Response:

The definition of modest is open to interpretation and there is no definitive response. In follow-up discussion with Oracle Poll, the use of the word modest was presented and detailed to represent, a moderate, tolerable for some increase, level of understanding to our customers and assisted them in that manner. E.L.K.'s proposed distribution rate increase is modest and acceptable in E.L.K.'s view. The bill impacts of its proposed 2017 electricity distribution rates are reasonable and do not require rate mitigation.

1.0-VECC-1

Reference: E1/pg.19

a) Given that the Kingsville Satellite location sold in 2016 Q2 why is E.L.K. not proposing disposition of 50% of the proceeds.

E.L.K. Response:

Please reference OEB 1-Staff-5

b) What were the gross and net proceeds from the sale?

E.L.K. Response:

The gross proceeds from the sale are $290,000. The net proceeds from the sale are $287,065.72.

1.0-VECC-2

Reference: E1/pg.20

a) Please describe the issue raised by Hydro One with respect to the "*clarity of loss adjusted charges*."

E.L.K. Response:

It was Hydro One's view that Hydro One as an Embedded Distributor was not using E.L.K.'s distribution system and should not be charged the distribution loss factor associated with using the E.L.K. system. In addition, Hydro One suggested the loss factor applied to the Embedded Distributor class would include the primary system discount of 1%. Hydro One currently charges E.L.K. a loss factor of 3.4% to use the Hydro One system which is classified as the SFLF in the calculation of E.L.K.'s total loss factor. As a result, it was Hydro One's view that the SFLF should only be applied to the Embedded Distributor class and it should be reduced by 1% to 2.4% to reflect the primary system discount.

E.L.K. agrees with Hydro One that they are not using the E.L.K. system and the loss factor applied to the Embedded Distributor class should be the SFLF of 3.4%. However, E.L.K. does not agree that the primary system loss discount of 1% should be applied since this is only applicable if a customer is using E.L.K.'s primary distribution system.

E.L.K. is of the understanding the loss factor is no longer an issue as no interrogatories from Hydro One were received regarding any of the previous consultations.

1.0-VECC-3

Reference: E1/pg.39

a) In a number of places, including at the above reference, E.L.K. makes the statement that "customer expectations have changed" in justifying its increase in OM&A spending. Please explain what customer expectations are changing, how E.L.K. determined they are changing, and why these expectations are relevant to OM&A spending by specifically identifying incremental costs related to these expectations.

E.L.K. Response:

Through, E.L.K.'s Oracle Poll Customer Survey Report, as well as general "foot traffic" comments received, and customer feedback, E.L.K. is listening to customer expectations and how they are evolving. For example, the use of social media or facebook was previously never mentioned by customers and has been increasingly requested, as well as an outage management system, and is both directly related to increased costs to implement and maintain and were supported through our customer survey report results.

1.0-VECC-4

Reference: E1/pg.46 & pgs.99-

a) Please explain how the "balance between rates and the number of outages" was explained to the survey respondents. Specifically, explain how lower or higher rates impact the number and duration of outages.

E.L.K. Response:

Specific percentages or specific impact to rates with respect to number and duration of outages were never detailed to the survey respondent. E.L.K. was trying to determine the level of appetite, if customers supported our capital and OM&A spending plans which could potentially impact outages and how they viewed this potential relationship which can be related.

b) Please provide the increase in outages if E.L.K.'s capital and OM&A spending were reduced by 15%. Please show the calculation for the estimated change in outages due to changes in OM&A and capital budgets.

E.L.K. Response:

The OEB has not provided any guidance to utilities on how to perform this calculation. This calculation cannot be accurately looked at or quantifiable by E.L.K. due to the fact that many factors can contribute to outages. Spending is not the only factor that can be related to outages. However, through experience, not allocating appropriate funding for preventative maintenance will eventually expose E.L.K. to potential problems in the long run.

1.0-VECC-5

Reference: E1/pgs.113-

a) Survey respondents were provided the following pre-amble prior to answering questions: "*E.L.K. operating budget also impacts on the customer bills including the costs for managing and maintaining the system. It's operating budget for 2017 is currently planned to increase to approximately 3.3 M, which is about 20% higher than prior years*." However, E.L.K.'s 2017 OM&A proposal is $3.5m which is a 41% increase over the last Board approved ($2.4m). Please explain this apparent discrepancy. Also explain how the 20% figure stated in the pre-amble was calculated.

E.L.K. Response:

The 20% increase from prior year is the percentage change increase of the OM & A in the 2017 Test Year versus the 2016 Bridge Year. This approximate 20% figure can be located in Appendix 2- JA.

1.0-VECC-6

Reference: E1/pgs.111 & E2/ Appendix 2-A Distribution System Plan/pg.41

a) Survey respondents were provided the following pre-amble prior to answering questions: "*E.L.K. Energy's electrical infrastructure dates back to the 1950's and some are now approaching the end of their useful life, potentially impacting the reliability of electricity delivery. It is estimated that 38% of all power outages are caused by equipment failures.*" Please explain how the 38% was derived.

E.L.K. Response:

The 38% represents the result for 2015. The 46% represents data from 2011-2015 inclusive.

b) Please explain how this 38% relates to the 46% for outages due to equipment failure shown at page 41 of the DSP.

E.L.K. Response:

The 38% represents the result for 2015. The 46% represents data from 2011-2015 inclusive.

c) Please provide the outage by cause code for each of the years 2012 through 2016.

E.L.K. Response:

Please see response to AMPCO Interrogatory 2-AMPCO-4.

1.0-VECC-7

Reference: E1/pg.60

a) Please provide the updated scorecard to include 2016 results.

E.L.K. Response:

The 2016 OEB Scorecard data has yet to be assembled. In the prior two years, the final scorecards were completed with approvals in the month of September.

1-SEC-1
[Ex.1] Please provide a copy of all documents provided to the Applicant's Board of Directors for the purposes of approving the application and the underlying budget.

E.L.K. Response:

The Board of Directors of E.L.K. did not officially approve the 2016 cost of service application. However, the Director of Finance & Regulatory Affairs did present a 2016 budget to the Board of Directors. The Board of Directors are also made aware that all OEB targets from OEB filings were met by E.L.K. There are also verbal discussions with the Board regarding the general process, and generic updates. Below is 2016 budget presented to the Board of E.L.K.

E.L.K. Energy Inc.

Proposed 2016 Budget

Introduction

Incorporated in 2000, E.L.K. Energy Inc. (E.L.K.) is the successor Local Distribution Company (LDC) to the Hydro-Electric Commission for the Town of Essex, Lakeshore Hydro Electric Commission and Kingsville Hydro-Electric Commission. The Corporation of the Town of Essex (Town of Essex) is the company's sole shareholder. E.L.K. is responsible for supplying and distributing electric power and maintaining electrical distribution systems in the urban communities of Belle River, Comber, Cottam, Essex, Harrow and Kingsville. E.L.K. also performs the billing function for the municipality of the Town of Essex Water Department.

E.L.K. is required to charge distribution rates and Standard Supply Service as regulated by the Ontario Energy Board (OEB). The OEB provides rate guidelines and models which must be adhered to.

The OEB also monitors markets in the electricity sector and reports to the Minister of Energy on the efficiency, fairness and transparency and competitiveness of the markets as well as reporting on any abuse or potential abuse of market power.

As a result of operating in a regulated market, there is minimum control over revenues and expenditure levels. While a decrease in expenditures results in additional profitability, an increase in expenditures leads to a decrease in profitability with recovery from future rates unlikely.

The company does not engage in competitive services which are not regulated by the OEB. Non-regulated activities, i.e street lighting maintenance are carried out by E.L.K. Solutions Inc., a subsidiary of E.L.K. Energy Inc.

Fund Accounting

Municipalities generally operate with fund accounting. These are self balancing entities that match revenues with expenditures. The difference is either a surplus (revenues exceed expenditures) or a deficit (expenditures exceed revenue). For example:

Revenues
Less: operating expenditures
Less: capital expenditures
Equals net surplus/deficit

Fund accounting is not utilized by private/public businesses including E.L.K. As a result, financial statements generally consist of a balance sheet and income statement.

Fundamental differences from fund accounting

The balance sheet shows the financial position of a business at a specific date by reporting a business' assets, liabilities and equity position. In simple terms:

Assets = Liabilities plus equity

The income statement shows whether a business has earned a profit (revenue exceeds expenses) or a loss (expenses exceed revenues).

The cost of property, plant & equipment is capitalized and amortized over the asset's useful life. Cost is the amount of consideration given up to acquire, construct, develop, or better an item of property, plant and equipment and includes all costs directly attributable to the acquisition, construction, development or betterment of the asset including installing it at the location and in the condition necessary for its intended use.

The acquisition of a fixed asset will have the following impact:

Each year as the asset is amortized, the following will be impacted:

Balance sheet – Increase in accumulated amortization (offset to the plant, property & equipment).
Income statement – Increase in amortization expense

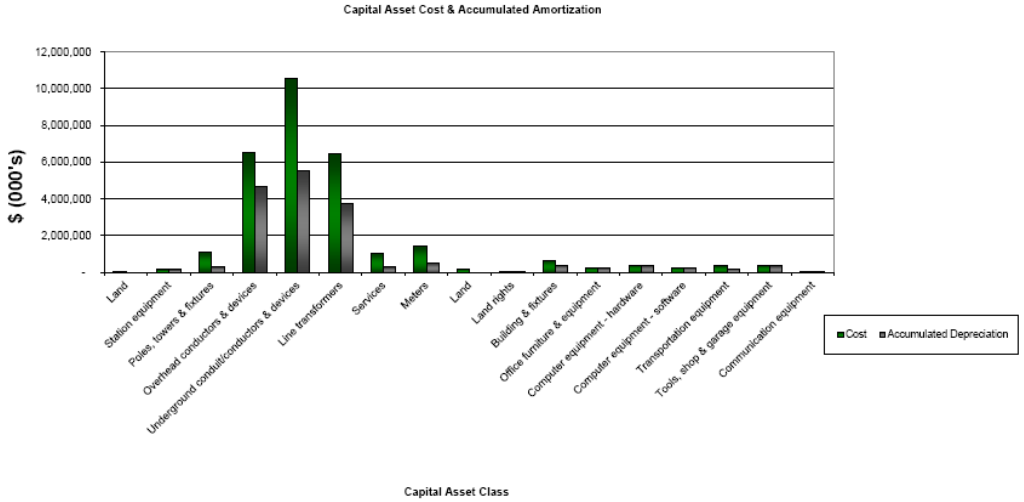
Fact Sheet

Business	Municipally owned electrcity distribution company in Ontario.
Owner:	Town of Essex - 100%
Mission:	Proudly deliverying safe, reliable & efficient electricity to the urban communities of Essex, Harrow, Belle River, Comber, Kingsville, and Cottam.
Employees:	18 dedicated full time employees and 2 part time employees.
Customers	Provides electricity to approximately 11,704 residential and general service customers in our service area.
Demand:	Winter Peak Load: 2015: 50,739.00 kW ; 2014: 45,237.00 kW Summer Peak Load: 2015: 59,146.00 kW ; 2014: 54,882.00 kW
Distribution System:	Operates out of one service center located in Essex. Size of service area: 22 square kilometers Total circuit kilometers of line: 151 km Overhead kilometers of line: 89 km Underground kilometers of line: 61 km Distribution transformers: 1563
Service Quality Indicators:	Percentage of new low voltage services connected within 5 days : 94% Size of service area: 22 square kilometers Percentage of general inquiry telephone calls answered within 30 seconds: 97% Percentage of appointments involving a customer premise visit where the appointment date and time is met: 99% Percentage of written responses to inquiries provided within 10 working days: 93% Percentage of emergenecy responses (urban) made within 60 minutes: 97% Customer average interruption duration index: 3.00 (2014: 2.20 Hours)

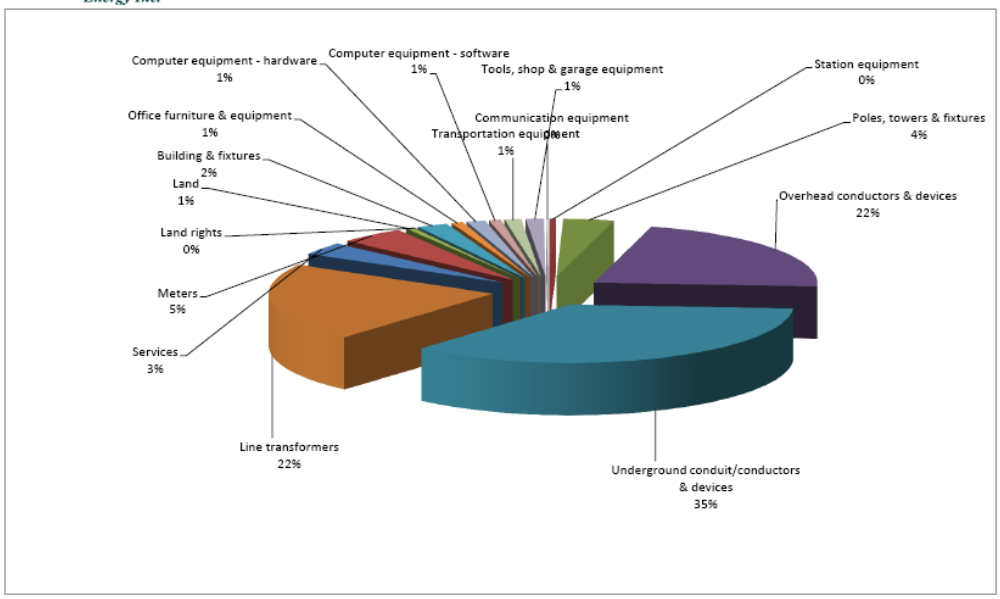
For more information about E.L.K. Energy Inc., visit: www.elkenergy.com

Contact: Michael Audet, C.E.O. - Telephone: 519-776-5291

Past Investments in Capital - Cost vs Accumulated Amortization (as of December 31, 2015)
Investing in our distribution system to ensure safe, reliable and efficient delivery of electricity.



Past Investments in Capital - Cost Percentage by asset type (as of December 31, 2015)
Investing in our distribution system to ensure safe, reliable and efficient delivery of electricity.



Capital - Account Definitions & Amortization Periods
Investing in our distribution system to ensure safe, reliable and efficient delivery of electricity.

Account Name	Account #	Amortization Period	Account Description
Poles, towers & fixtures	1830	45	This account shall include the cost installed of poles, towers and appurtenant fixtures used for supporting overhead distribution conductors and service wires.
Overhead conductors & devices	1835	60	This account shall include the cost installed of overhead conductors and devices used for distribution purposes.
Underground ducts and concrete encased ducts & primary and secondary cables & devices	1840/1845	50/40	These accounts shall include the cost installed of underground conduit and tunnels used for housing distribution cables or wires and the cost installed of underground conductors and devices used for distribution purposes.
Line transformers-OH & Underground, pad mounted & underground foundations & vaults	1850	40/20/60	This account shall include the cost installed of overhead and underground distribution line transformers and poletype and underground voltage regulators owned by the utility, for use in transforming electricity to the voltage at which it is to be used by the customer, whether actually in service or held in reserve, pad mounted transformers & foundations & vaults.
Services	1855	25	This account shall include the cost installed of overhead and underground conductors leading from a point where wires leave the last pole of the overhead or the transformers or manhole or the top of the pole of the distribution line, to the point of connection with the customer's electrical panel. Conduit used for underground service conductors shall be included herein.
Meters- Residential, Commercial, Wholesale, CT/PT	1860	10/15/40	This account shall include the cost installed of meters or devices and appurtenances thereto, for use in measuring the electricity delivered to its users.
Land & land rights	1905/1906	N/A	This account shall include the cost of land used for utility purposes.
Building & fixtures	1908	50	This account shall include the cost in place of buildings and fixtures used for utility purposes.
Office equipment	1915	10	This account shall include the cost of the general office furniture and equipment.
Computer equipment	1920	5	This account shall include the costs of acquiring computer hardware. Hardware includes all physical equipment associated with input, processing, storage and output functions.
Computer software	1925	5	This account shall include the cost of developed or purchased computer operating and application software.
Transportation equipment-Heavy/Light/Underground & Dump trucks	1930	15/8/10	This account shall include the cost of automobiles, small trucks, truck chassis, special truck bodies, aerial ladders, trailers and other mobile equipment.
Tools, shop & garage	1940	10	This account shall include the cost of tools, equipment, implements, and equipment used in construction, repair work, general shops, and garages.

Investing in our distribution system to ensure safe, reliable and efficient delivery of electricity.

		2015 Budget	2015 Actual	2016 Budget	2017 Budget	2018 Budget
Poles, Towers & Fixtures	1830	$ 49,000	$ 52,000	$ 83,000	$ 56,000	$ 57,000
Overhead Conductors & Devices	1835	$ 23,000	$ 28,000	$ 44,000	$ 29,000	$ 30,000
Underground Conductors & Devices	1840/1845	$ 419,000	$ 389,000	$ 605,000	$ 405,000	$ 410,000
Line Transformers- OH & UG	1850	$ 257,000	$ 306,000	$ 417,000	$ 188,000	$ 191,000
Line Transformers- Pad Mounted Switchgear	1851	$ 8,000	$ 4,000	$ 2,000	$ -	$ -
Line Transformers- UG Foundations & UG Vaults	1852	$ 20,000	$ 36,000	$ 6,000	$ 18,000	$ 18,000
Services	1855	$ 77,000	$ 99,000	$ 128,000	$ 59,000	$ 60,000
Meters	1860	$ 15,000	$ 11,000	$ -	$ -	$ -
Meters- Residential SM	1861	$ 2,000	$ 1,000	$ 9,000	$ 2,000	$ 2,000
Meters- Industrial/Commercial	1862	$ 12,000	$ 6,000	$ 30,000	$ 28,000	$ 28,000
Meters- Wholesale	1863	$ -	$ -	$ 5,000	$ 6,000	$ 6,000
Meters- CT's & PT's	1864	$ 14,000	$ 1,000	$ 2,000	$ 1,000	$ 1,000
Land & Land Rights	1905/1906	$ -	$ -	$ -	$ -	$ -
Building & Fixtures	1908	$ 2,000	$ 500	$ 16,000	$ 2,000	$ 120,000
Office Equipment	1915	$ 38,800	$ 8,000	$ 49,000	$ 16,000	$ 1,000
Computer Equipment	1920	$ 5,600	$ 25,000	$ 52,000	$ 500	$ -
Computer Software	1925	$ 3,600	$ 2,000	$ 1,500	$ 28,000	$ -
Transportation Equipment	1930	$ -	$ -	$ -	$ -	$ -
Transportation Equipment- Heavy	1931	$ 428,000	$ -	$ 22,000	$ 445,000	$ 430,000
Transportation Equipment- Light	1932	$ 32,500	$ -	$ -	$ -	$ 60,000
Transportation Equipment- UG/Dumptruck	1933	$ -	$ -	$ -	$ -	$ -
Tools, Shop & Garage	1940	$ 6,000	$ 4,000	$ 8,000	$ -	$ -
Total Capital Expenditures		$ 1,412,500	$ 972,500	$ 1,479,500	$ 1,283,500	$ 1,414,000

Underground Asset Renewal (Service Area: Essex)

To complete the renewal of the high voltage underground distribution system in Viscount Estates. This will include installing new duct and high voltage cable as well as replacing the existing live front transformers with new mini pad dead front transformers. The existing infrastructure is 38 - 45 years old.

Poletran Replacements

To replace the remaining poletran transformers with new mini pad dead front transformers. Portions of the work will also be converted from 2.4 KV to 16 KV eliminating the need for a step down transformer. The existing infrastructure is 47 years old.

Pole Inspection and Nomenclature Program
The pole inspection program will be enhanced to add nomenclature to each pole while collecting additional asset information. Updated asset information will assist in maintenance and capital budget forecasting as well as future cost of service rate applications. An allowance was carried in this program to renew those poles found to need immediate replacement. Otherwise, the pole replacements will be assessed from the inspection report and replaced through future budgets.

Reel Trailer Replacement

To replace a 1995 single reel trailer with a new self-loading reel trailer.

Shop Improvements

To install LED bollards to light the sidewalk to the front door. Make necessary repairs to the block foundation.

Long Term Load Transfers

Hydro One has customers that are serviced off of E.L.K.'s distribution system as Long Term Load Transfers (LTLT). The Distribution System Code requires LTLT's to be dealt with by June 2017. The budgeted amount is the forecasted cost for E.L.K. to assume the Hydro One LTLT customer.

Investments by Project – 2015

Underground Asset Renewal (Service Area: Essex)

To continue renewing the high voltage underground distribution system in Viscount Estates. This will include installing new duct and high voltage cable as well as replacing the existing live front transformers with new mini pad dead front transformers. The existing infrastructure is 38 - 45 years old.

Pole Inspection and Nomenclature Program

The pole inspection program will be enhanced to add nomenclature to each pole while collecting additional asset information. Updated asset information will assist in maintenance and capital budget forecasting as well as future cost of service rate applications. An allowance was carried in this program to renew those poles found to need immediate replacement. Otherwise, the pole replacements will be assessed from the inspection report and replaced through future budgets.

Light Duty Vehicle Replacement
To replace a 2007 extended cab half ton pickup with another appropriate light duty vehicle.

Capital - Distribution Plant (2016)
Investing in our distribution system to ensure safe, reliable and efficient delivery of electricity.

	Poles, towers & fixtures 1830	Overhead conductors & devices 1835	Underground conductors & devices 1840/1845	Line Transformers- OH & UG 1850	Line Transformers- Pad Mounted Switchgear 1851	Line Transformers- UG Foundations & UG Vaults 1852	Services 1855	Meters- Residential SM 1861	Meters- Industrial/Commercial 1862	Meters- Wholesale 1863	Meters- CT's & PT's 1864	Total
Continue Underground Rejuvenation	$ -	$ -	$ 100,000	$ 35,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 135,000
Pole Inspection and tagging program	$ 5,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,000
Long Term Load Transfer Asset Purchase	$ 15,000	$ -	$ -	$ 12,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 27,000
Target Customer Connections	$ 10,000	$ 10,000	$ 5,000	$ 10,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 35,000
Pole replacements	$ 10,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,000
New and upgraded residential service road bores	$ -	$ -	$ 20,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 20,000
Additional Assistance to meet regulatory/safety concerns	$ -	$ 5,000	$ 10,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,000
Meter reverification	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,000	$ 15,000	$ 5,000	$ 1,000	$ 30,000
Offer to Connect Project Work	$ -	$ -	$ 363,500	$ 322,000	$ -	$ -	$ 80,500	$ -	$ -	$ -	$ -	$ 766,000
All Labour Hours	$ 43,170	$ 28,780	$ 106,256	$ 38,393	$ 2,302	$ 5,756	$ 47,142	$ -	$ 14,965	$ -	$ 576	$ 287,340
	$ 83,000	$ 44,000	$ 605,000	$ 417,000	$ 2,000	$ 6,000	$ 128,000	$ 9,000	$ 30,000	$ 5,000	$ 2,000	$ 1,331,000

Capital - General Plant (2016)
Investing in our distribution system to ensure safe, reliable and efficient delivery of electricity.

Building & Fixtures		
	Miscellaneous	$ 1,000
	Light in front yard	$ 10,000
	Foundation Repair	$ 5,000
		$ 16,000
Office Equipment & Furniture		
	Miscellaneous Replacements	$ 1,000
	Office Workspace Configuration	$ 28,000
	Replacement of Office Flooring	$ 20,000
		$ 49,000
Computer Hardware		
	Repacement of SQL Server and Labour	$ 52,000
		$ 52,000
Computer Software		
	AutoCad 3D Subscription	$ 800
	SPIDA Calc	$ 700
		$ 1,500
Transportation Equipment- Heavy		
	Reel Trailer	$ 22,000
		$ 22,000
Tools, Shop & Garage		
	Truck grounds, various hand tools as required, cable grips, linkit gun and ground matts	$ 8,000
		$ 8,000

Rate Setting

LDC's must receive approval from the OEB for the rates they charge their customers. Distribution rates are included under the "Delivery" line of the electricity bill.

Electricity distribution rates are designed to cover the costs incurred by the utility to distribute electricity to individual homes and businesses within the service territory. These rates include the costs charged to local utilities for high voltage transmission services provided predominately by Hydro One Networks. Distribution rates do not cover the cost of generation of electricity, that is, the electricity commodity itself. They also do not include the cost of the Debt Retirement Charge (DRC) which is set by the Government of Ontario to pay down the stranded debt of Ontario Hydro or the Regulatory Charge which covers the costs of administering the wholesale electricity system and maintaining the reliability of the provincial grid. The DRC was removed for residential customers effective January 1, 2016.

Distribution rates reflect an individual utility's cost of service and includes the costs of assets used for distribution, debt costs, operations & maintenance costs and a rate of return. Factors that contribute to distribution rates include age and condition of assets, geographic terrain and distance, population density, and the cost of labour. For example, utilities serving new growing communities will have a newer distribution plant which requires less ongoing maintenance. Servicing lines is affected by such things as whether a plant is underground or overhead. The proportion of residential to commercial and industrial consumers can also account for cost differences among utilities.

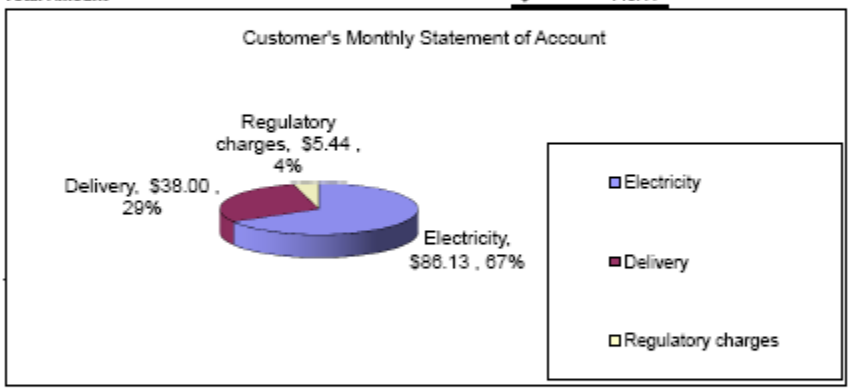
Comprehensive reviews of rates was last completed in 2012. E.L.K. Energy Inc. is currently in the process of another comprehensive review for 2017 rates. The 2017 rate setting process will again involve a complete re-examination of the utility's cost to deliver electricity and whether those costs should be recovered through its distribution rates. Distribution rates were last set on a comprehensive basis in 2012. Therefore, the 2017 rates will address changes over this time period. OEB guidelines establish which of the distribution expenses incurred by a utility are allowed to be recovered and which are excluded.

Customer Monthly Statement of Accounts

A typical E.L.K. residential customer using 800 kWh per month (64% Off-Peak, 18% Mid-Peak and 18% On-Peak) will receive a monthly statement of account of $125.18 (after HST).

Your Electricity Charges:

Electricity		
Off-Peak @7.7 cents/kWh	$	42.50
Mid-Peak @11.4 cents/kWh	$	18.43
On-Peak @14.0 cents/kWh	$	25.20
Delivery	$	38.00
Regulatory Charges	$	5.44
Total Electricity Charges	$	129.56
HST	$	16.84
Subtotal	$	146.41
Total Amount	$	146.41



Delivery Includes:					
Service Charge	$	13.3300	N/A	$	13.33
Smart Meter Entity Charge	$	0.7900	N/A	$	0.79
Distribution Volumetric Rate	$	0.0062	800	$	4.96
Low Voltage Service Rate	$	0.0012	800	$	0.96
Rate Rider Disposition Def/Variance	$	(0.0055)	800	$	(4.40)
Rate Rider Deferred Global Adj	$	0.0082	800	$	6.56
Retail Transmission Rate - Network Service Rate	$	0.0060	864.8	$	5.19
Retail Transmission Rate - Line & Transformation Connection Service Rate	$	0.0042	864.8	$	3.63
Line Loss				$	6.98
				$	38.00

Regulatory Charges Includes:					
Wholesale Market Service Rate	$	0.0036	864.8	$	3.11
Rural Rate Protection Charge	$	0.0013	864.8	$	1.12
Ontario Electricity Support Program	$	0.0011	864.8	$	0.95
Regulated Price Plan - Administration Charge	$	0.2500		$	0.25
				$	5.44

Customer Monthly Statement of Accounts – What are all these charges?

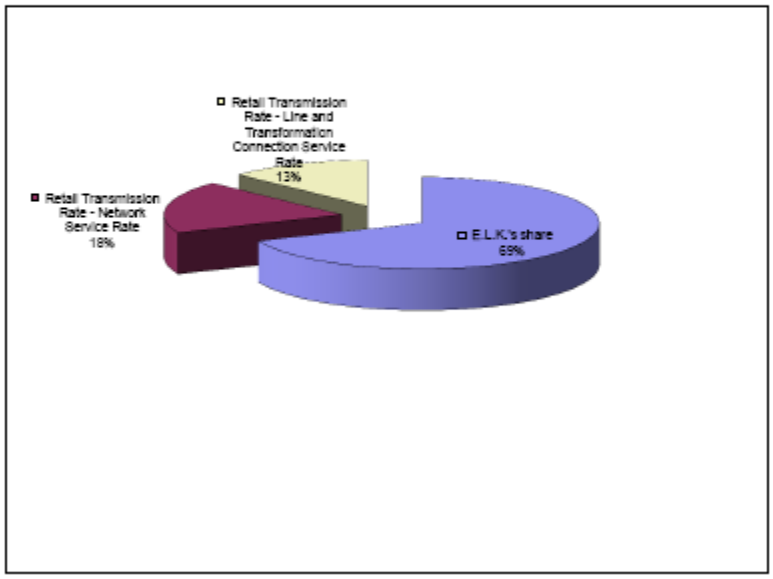
Electricity
The charge for the electricity used, which can be either from your local utility or through an electricity retailer licensed by the Ontario Energy Board. This line of the bill shows the price you are paying for the electricity you used during the billing period. Low-volume consumers (households and small businesses) who buy their electricity from their utility pay TOU prices. These prices, are set by the OEB based on a forecast of how much it will cost to supply electricity to TOU consumers over the next 12 months. TOU prices are designed so that the price TOU consumers pay for electricity recovers the payments made to electricity generators for the electricity they produce. Twice a year, the OEB reviews the forecast and, if necessary, adjusts prices accordingly (May 1st and Nov 1st).

Delivery
This covers the cost of delivering electricity from generating stations to the utility along the high-voltage transmission system and then along the utility's distribution system to homes and businesses.
These rates are set by the Ontario Energy Board.

Regulatory Charges
These rates are also approved by the Ontario Energy Board. They include the Wholesale Market Service Charge that covers the cost of services required to operate the electricity system and run the wholesale market. Also included is the rural rate protection charge which is used to partly offset the higher costs of providing electricity in rural and remote areas as well as the low income program support costs.

Distribution Revenue (E.L.K.'s share of the customer's statement of account)

Of the delivery charges only a portion is retained by E.L.K. Although E.L.K.'s portion of the delivery charges is 69% of the customer's statement of account, it represents about 15% of the customers' total monthly charges.



E.L.K. Energy Inc.

Revenue

		2015 Budget	2015 Actual	2016 Budget
Distribution Revenue		$ 3,297,000	$ 3,326,198	$ 3,379,417
Rent from Electric Property	Rental Income on Joint Use of Poles & Pearl St Lot Rental	$ 62,000	$ 46,000	$ 46,000
Other Utility Operating Income/Electric Revenue	Other Utility Operating Income/Electric Revenue	$ 37,000	$ -	$ 5,000
Late Payment Charges	Regulated by OEB	$ 108,000	$ 120,000	$ 126,000
Misc Service Revenue i.e. Approved Other Charges	Regulated by OEB, examples: account set up charge, NSF cheque etc.	$ 80,000	$ 75,000	$ 75,000
Gain on Disposal of Property	Truck Donation	$ -	$ -	$ -
Revenue from Non-Utility Operations	Revenue from Non-Utility Operations	$ 30,000	$ 80,000	$ 48,000
Water Billing Revenue	Billing & Collecting Service provided to the Town of Essex Water Department.	$ 282,000	$ 297,000	$ 300,000
OPA LDC Programs (Net)	2011-2014 CDM Programs	$ 58,942	$ 28,000	$ 33,000
Miscellaneous non-operating Income	Miscellaneous non-operating Income	$ -	$ 25,000	$ 5,000
Interest Income	Interest Income	$ 80,000	$ 100,000	$ 100,000
Total Other Revenue		$ 4,034,942	$ 4,097,198	$ 4,117,417

Distribution Expenses

Distribution expenses – operations & maintenance
The cost of labour & expenses incurred in the operation & maintenance of the distribution system include:

- The supervision of these activities
- Operation of distribution stations
- Operation of overhead lines from the low voltage connection in the distribution station to the customer's premises
- Operation of removing and resetting overhead transformers and devices
- Removing and resetting underground transformers and devices and also the inspection and testing while in service
- Operation of customer meters and associated equipment
- Maintenance of overhead distribution line facilities
- Maintenance of underground conduit, underground distribution line facilities
- Maintenance of distribution line transformers
- Maintenance of meters and meter testing equipment

Billing & collection
The cost of labour & expenses incurred in the customer accounting and collecting activites.

Administration & general
Executive salaries & expenses – Amounts paid to Directors.

Management salaries & expenses – Salaries & benefits paid to the management team of the utility.

General administrative salaries & expenses – Wages & benefits of the staff of the general administration of the office.

Office supplies & expenses – Includes the office supplies and expenses incurred in connection with the general administration of the utility's operations and includes:

- Bank service charges
- Books & subscriptions
- Communication expenditures
- Small office equipment
- Membership dues such as the membership in the EDA
- Office supplies
- Postage not relating to customer billing
- Travel

Outside services employed – This account shall include the fees and expenses of professional consultants.

Property insurance – Cost of insurance to protect the utility against losses and damages to owned property used in the utility.

Injuries & damages – Labour & related supplies/expenses incurred in injuries and damages activities including cost of safety, accident prevention and similar education activities.

Employee pension & benefits – The cost of benefits as determined by Section 3461 of the CICA Handbook.

Regulatory expenses – All expenses associated with regulatory bodies.

General advertising expenses – Expenses incurred in advertising and related activities.

Miscellaneous general expenses – Cost of labour & expenses incurred in connection with the general management of the utility not provided for elsewhere.

Maintenance of general plant – Maintenance of general plant not provided for in other accounts

Electrical Safety Authority Fees – Fees paid for permits, inspection and test and approvals by the Electrical Safety Authority.

Amortization Expense
This account includes the amount of amortization expense for all classes of depreciable Electric Plant in Service

Interest
This account shall include the amount of interest on outstanding debt issued plus interest paid on customer deposits.

Taxation
Includes municipal property taxation plus the payments in lieu of taxation.

		2015 Budget	2015 Actual	2016 Budget
Distribution Expenses - Operations & Maintenance		$ 619,000	$ 986,500	$ 802,000
Operation Supervision & Engineering	5005	$ 29,000	$ 18,000	$ 12,000
Load Dispatching	5010	$ 1,000	$ -	$ -
Station Buildings and Fixture/Dist Station Equipment Labour & Supplies	5012/5016/5017	$ -	$ -	$ -
Overhead Distribution Lines - Labour	5020	$ 34,000	$ 37,000	$ 32,000
Overhead Distribution Lines - Supplies	5025	$ 4,000	$ -	$ -
Overhead Distribution Transformers - Operation	5035	$ 2,000	$ 1,000	$ 1,000
Underground Distribution Lines & Feeders	5040	$ 135,000	$ 180,000	$ 131,000
Underground Line/Feeders - Supplies	5045	$ 4,000	$ -	$ -
Underground Distribution Transformers - Operation	5055	$ 2,000	$ 3,500	$ 1,000
Meter Expense	5065	$ 14,000	$ 17,000	$ 130,000
Overhead Distribution Lines & Feeders - Rental Paid	5095	$ 16,000	$ 6,000	$ 6,000
Maintenance of Poles, Towers & Fixtures	5120	$ 17,000	$ 12,000	$ 9,000
Maintenance of Overhead Conductors & Devices	5125	$ 62,000	$ 151,000	$ 68,000
Maintenance of Overhead Services	5130	$ 28,000	$ 49,000	$ 29,000
Overhead Distribution Lines & Feeders	5135	$ 158,000	$ 321,000	$ 223,000
Maintenance of Underground Conductors & Devices	5150	$ 28,000	$ 58,000	$ 49,000
Maintenance of Underground Services	5155	$ 51,000	$ 89,000	$ 82,000
Maintenance of Line Transformers	5160	$ 23,000	$ 19,000	$ 17,000
Sentinel Lights Labour	5170	$ 3,000	$ 3,000	$ 3,000
Maintenance of Meters	5175	$ 8,000	$ 22,000	$ 9,000
Billing & Collecting		$ 607,000	$ 529,000	$ 523,000
Supervision	5305	$ 94,000	$ 103,000	$ 105,000
Meter Reading Expense	5310	$ 56,000	$ 54,000	$ 40,000
Customer Billing & Collecting	5315-5335	$ 449,000	$ 371,000	$ 374,000
Community Relations/Advertising Energy Conservation	5405-5515	$ 8,000	$ 1,000	$ 4,000
Administration & General		$ 818,650	$ 898,650	$ 874,500
Executive Salaries & Expenses	5605	$ 21,000	$ 23,000	$ 21,000
Management Salaries & Expenses	5610	$ 296,000	$ 311,000	$ 317,000
General Administrative Salaries & Expenses	5615	$ 70,000	$ 77,000	$ 79,000
Office Supplies & Expenses	5620	$ 84,000	$ 79,000	$ 81,500
Outside Services Employed	5630	$ 1,000	$ 1,500	$ 1,000
Accounting		$ 12,500	$ 55,500	$ 12,000
Information Technology		$ 13,000	$ 17,525	$ 13,000
Customer Information System		$ 71,000	$ 67,000	$ 77,000
Legal		$ 6,000	$ 7,000	$ 2,000
Property Insurance	5635	$ 32,000	$ 27,000	$ 27,000
Injuries & Damages	5640	$ 69,000	$ 43,000	$ 51,000
Regulatory Expense	5655	$ 65,000	$ 70,000	$ 102,000
General Advertising Expenses	5660	$ -	$ -	$ -
Miscellaneous General Expenses	5665	$ 7,000	$ 10,000	$ 7,000
Maintenance of General Plant	5675	$ 45,000	$ 84,000	$ 60,000
Electrical Safety Authority Fees	5680	$ 5,000	$ 5,000	$ 5,000
Taxes other than Income Taxes	6105	$ 21,000	$ 21,000	$ 19,000
Donation	6205	$ 150	$ 125	$ -
Amortization	5705	$ 832,000	$ 336,000	$ 336,000
Other Interest Expense	6035	$ 20,000	$ 15,000	$ 15,000
Interest on LT Debt	6040	$ 105,000	$ 101,000	$ 90,000
Total expenditures before payments in lieu of income tax		$ 3,001,650	$ 2,866,150	$ 2,640,500
Taxation				
Payments in lieu of income taxes (tax provision to be determined by KPMG)	6110			

1-SEC-2
[Ex.1] Please provide copies of all benchmarking studies, reports, and analysis that the Applicant has undertaken or participated in since 2012, and are not already included in the application.

E.L.K. Response:

There are no additional benchmarking studies, reports which are not already included in the application submitted other than the Mearie Management Salary Survey in which E.L.K. participates in. E.L.K. has provided this survey under the file name 2016 Mearie Summary Survey.

1-SEC-3
[Ex.1] Please provide a list of measurable outcomes that ratepayers can expect the Applicant to achieve during the test year. Please explain how these outcomes are incremental and commensurate with the rate increase the Applicant is seeking in this application.

E.L.K. Response:

During 2017 measurable outcomes that ratepayers can expect to achieve during the test year include:

1. Increased CDM programming
2. The launch of social media
3. E.L.K. is projecting two additional operational linemen in the Test year to assist with future succession planning.
4. Cost increases from 2012 in order to maintain the overhead and underground system.
5. Two additional office staff members within E.L.K. E.L.K. is planning for an addition of an engineering manager to assist the operations manager as well as a financial and regulatory analyst to assist with the ever increasing regulatory requirements.
6. The annual scorecard displays measurable outcomes that ratepayers achieve.
7. The Customer Satisfaction survey provided valid and independent feedback. Customers placed emphasis on reducing outages, shortening outages and better communication and supported E.L.K.'s OM & A and capital expenditure planned increases.

Customers can expect E.L.K. to continue to achieve the above standard OEB performances as documented on its scorecard in the area of customer satisfaction, public policy responsiveness and operational efficiency. E.L.K. is simply trying to do better and improve for our customers.

E.L.K. is one of the leanest and lowest cost LDC's by rates in the province. E.L.K. continues to strive to provide electricity to our customers in a safe and efficient manner at a fair and reasonable cost. This can be evidenced and proven using the OEB's website tool "Calculate your Bill". E.L.K. calculated each utility in the tool using the monthly average of 800 kWh and Time-of-use Pricing plan and the results exhibited that there was only 1 other utility in both the Residential and Small Business Sector whose bills were at lower cost than E.L.K.'s using this mechanism.

This has once again been re-established through the Pacific Economics Group research, LLC 2015 Benchmarking Update Report to the Board issued July 2016 that places E.L.K. in Group 1, along with only 5 other utilities.

1-SEC-4
[Ex.1] Please provide a step-by-step explanation of the Applicant's budgeting and capital planning process.

E.L.K. Response:

Budgeting and Capital Planning Process:

In managing its distribution system assets, E.L.K.'s main objective is to optimize performance of the assets at a reasonable cost with due regard for system reliability, safety, and customer service expectations. E.L.K. is committed to providing our customers with an economical, safe, reliable supply of electricity and helping the Towns of Essex, Kingsville and Lakeshore become the most energy efficient community in Ontario.

The Capital Budget process at E.L.K. is an integral planning tool and ensures that appropriate resources are available to maintain and grow its capital infrastructure. It is the responsibility of each department to contribute in the preparation of the Capital and Operating budget with the assistance of the Finance department. The responsibility of the Finance department is to coordinate the capital budget and forecast process and present a preliminary Capital budget to the CEO for approval. Once the preliminary Capital budget and long range forecast has been approved by the CEO, it is presented to the Board of Directors for approval.

The following are some of the tasks undertaken during the capital budgeting process.

- Outside expenses for capital budgets are built using previous year actual and current year forecast as the base;
- Significant variances from prior years are explained;
- Accounting prepares a total labor budget using projected wage and benefit cost. Overtime and account distribution are based on previous years actual plus any identified or potential changes for the future year;

Capital Budget:

E.L.K. Energy's capital budget is segregated into the following categories:

- Asset Management Capital Expenditures
- Developer-Driven (Growth related) Capital Expenditures
- Municipal/Regional-Driven Capital Expenditures
- Other Capital Expenditures

Asset management capital expenditures are capital projects relating to E.L.K.'s existing and new capital infrastructure and/or projects identified through regulatory and legislative requirements. Developer-driven capital expenditures are directly related to growth and are partially funded through Capital Contributions. Municipal/Regional-driven capital expenditures are also related to growth, which drives road, water and sewer requirements and are partially funded through Capital Contributions, labour and vehicle. Other Capital Expenditures are general assets relating to Leasehold Improvements, Office Furniture and Equipment, Communications Equipment, Computer Hardware and Software, System Supervisory Equipment, Vehicles and Miscellaneous Tools and Equipment.

E.L.K. Energy's Capital Budget process is based on:

- **Customer Demand:**

These are projects that E.L.K. undertakes to meet customer obligations in accordance with the OEB's Distribution System Code (the "DSC") and E.L.K.'s Conditions of Service. Activities include connecting new residential and general service customers, constructing distribution plant to connect new subdivisions and relocating system plant equipment for roadway reconstruction work. E.L.K. contributes to the cost of these projects using the economic evaluation methodology in accordance with the DSC and the provisions of its Conditions of Service for system expansions to determine the level of capital contribution.

- **Replacement:**

Replacement projects are completed when it has been determined through proper condition assessment that assets have reached their end of useful life. E.L.K. completes visual inspections of its plant and replaces assets based on inspection and testing results as warranted. In some cases the projects involve spot replacement of assets; in other cases, the projects involve complete asset replacement within a geographic area. When a geographic area is being replaced, consideration is given to converting the distribution voltage from 4.16 kV or 8.32kV to 27.6kV. Converting voltage levels while replacing the assets delivers added benefits including reductions in capital expenditures, and reduced system losses. New assets require less maintenance, deliver better reliability and reduce safety risks to the general public.

- **Capacity:**

Load growth caused by new customer connections and increased demand of existing customers over time can result in a need for capacity improvements on the system. Projects can take the form of new or upgraded feeders and transformers or voltage conversion projects. These projects are not customer-specific, but rather, they benefit many customers.

- **Regulatory Requirements:**

These projects are capital investments which are being driven by regulatory requirements. These requirements may include, among others, directions from the OEB, the IESO, the Ministry of Energy & Infrastructure or the Ministry of Environment. In 2006, The Government of Ontario established targets for the installation of 800,000 smart electricity meters by December 31, 2008 and installation of smart meters for all Ontario customers by December 31, 2011.

- **Customer Connections and Metering:**

Capital expenditures include meter installations, meter upgrades, and the capital components of wholesale and retail meter verification activities. E.L.K. has completed the deployment of Smart Meters as approved by Ontario Regulation 427/06.

General Plant Capital Projects:

General plant capital projects are also been categorized into project pools. Each pool generally by OEB USoA category has identified within it the specific focus of the capital requirement and includes:

- Land, Buildings and Leasehold Improvements
- Office Furniture & Equipment
- Computer Hardware & Software
- Transportation/Vehicles Equipment
- Stores Equipment, Tools and Measuring Equipment
- Communication Equipment
- System Supervisory Equipment
- Other Tangible Property

1-SEC-5
Does the Applicant have a corporate scorecard? If so, please provide copies of each of the 2013 to 2017 versions. If not, please explain what metrics the management and Board of Directors use to measure and monitor the Applicant's activities.

E.L.K. Response:

E.L.K. does not have a corporate scorecard. There are several metrics that E.L.K. uses to measure and monitor activities, which include the following:

a) OEB Scorecard
b) Customer Satisfaction Survey
c) Smart Meter Data Collection from the MDM/R
d) The ESA Survey
e) Feedback from Municipal Councils
f) OEB Quarterly Reporting
g) Audited Financial Statements

1-SEC-6
[Ex.1, p.19, Ex.3, p.35] With respect to the Kingsville Satellite location property:

a. [Ex.1, p.19] The Applicant states that "Kingsville Satellite location did not sell until Q2 of 2016, and as such is not part of this Cost of Service Application". Please explain why the sale is not part of this application if the sale occurred in Q2 2016.

E.L.K. Response:

Please refer to 1-Staff-5

b. [Ex.3, p.35] The Applicant also states that "ELK has recorded ½ of the gain in the gain on disposition of property account and the remaining 1/2 in account 1508-09 Other Reg Assets-Sub Account Gain on Disposition refundable to ratepayers in 2016"
    i. What is the current balance in Account 1509-09 Other Reg Assets – Sub Acct Gain on Disposition?

E.L.K. Response:

The current balance in account 1508-09 Other Reg Assets-Sub Account Gain on Disposition is $50,259.26.

ii. Is the Applicant seeking to dispose of the balance in the account in this application? If not, please explain why.

E.L.K. Response:

Please refer to 1-Staff-5

c. What is the value of the gain on disposition of the sale? Please provide a breakdown of the calculation.

E.L.K. Response:

The value of the gain on disposition of sale was $100,518.52. The book value of the land and building totalled $186,547.21 and the proceeds of disposition totalled $287,065.72. The subtractive results total the gain on disposition.

d. Please provide the value of 50% of the gain on disposition.

E.L.K. Response:

The value of 50% of the gain on disposition is $50,259.26.

1-SEC-7

[Ex.1, p.82] With respect to the list of 'Cost Reductions and Productivity Improvements':

a. Please quantify the forecast incremental test year expected savings from the listed cost reduction and productivity improvements.

E.L.K. Response:

This list simply provides items that E.L.K. does to promote efficiency. E.L.K. has not quantified expected savings as doing so would require additional resources beyond what is being requested in this application.

b. Please explain how "communication of our company strengths and accomplishments to our customers and shareholders" and "anticipate and react quickly to constant legislative and regulatory changes" are cost reduction or productivity improvements.

E.L.K. Response:

The use of the word Cost Reductions likely should not have been used and was likely not the correct wording choice. Both of the above can be characterized as improvements to our customers, which would improve productivity or simply improve E.L.K. from an overall efficiency standpoint.

1-SEC-8

[Ex.1, p.99] With respect to Oracle Poll Customer Survey Report:

a. Please provide a copy of the full interview script.

E.L.K. Response:

Please see below a copy of the full interview script as provided by Oracle Poll to E.L.K.

Introduction: Good [morning/afternoon/evening], my name is _____ and I am calling from the research firm Oraclepoll on behalf of E.L.K. Energy.

Screen: May I speak to one of the persons at this residence who makes payment and other decisions about your power bills?

We are conducting a brief survey for your local municipally owned electricity distribution company E.L.K. Energy, of their customers, to obtain their opinions regarding their satisfaction with the quality of service provided to them.

The opinions of its customers are important to E.L.K. Energy and to our regulator, the Ontario Energy Board, and will help it improve the service that it provides.

Your number was randomly selected and please be assured that all individual responses will be kept in strict confidence.

>Refused: Politely Terminate

>If occupied: Is there a time that is more convenient for me to call back?

Day_____; Time_____

>Not available: When would be the best time to contact this person?

Day_____; Time_____

The next few questions will deal with your overall satisfaction with the service provided by E.L.K. Energy.

Q1.Considering all aspects of being a customer of E.L.K. Energy, how would you rate your overall satisfaction with the company as your electrical services provider? Please respond using a scale from one very poor to five very good.

- 1-very poor
- 2-poor
- 3-satisfactory
- 4-good
- 5-very good
- Don't know

ACCEPT COMMENTS / UNAIDED / VERBATIM RESPONSES

Q2. Using a scale from one very poor to five very good, how would you rate E.L.K. Energy's customer service (i.e. being responsible and reliable) compared to other service providers such as your heating fuel, Telephone Company or your cable TV or satellite provider?

- 1-very poor
- 2-poor
- 3-satisfactory
- 4-good

- 5-very good
- Don't know

ACCEPT COMMENTS / UNAIDED / VERBATIM RESPONSES

Q3. Using a scale from one very poor to five very good, how would you rate your satisfaction with the price that you pay for electricity?

- 1-very poor
- 2-poor
- 3-satisfactory
- 4-good
- 5-very good
- Don't know

ACCEPT COMMENTS / UNAIDED / VERBATIM RESPONSES

Q4.Were you aware that your local utility E.L.K. only accounts for approximately 15% of your electricity bill and the remaining 85% relate to transmission, generation and other administrative costs out of its control?

- Yes aware
- No unaware
- Don't know

The next set of questions focus on the 15% of your electricity bill that E.L.K. represents.

Q5.Using the same scale from one very poor to five very good, how would you rate the overall value that E.L.K. Energy provides?

- 1-very poor
- 2-poor
- 3-satisfactory
- 4-good
- 5-very good
- Don't know

ACCEPT COMMENTS / UNAIDED / VERBATIM RESPONSES

I am now going to read some brief statements that may be used to describe E.L.K. Energy. Using a scale from one strongly disagree to five strongly agree, please respond to each statement after it is read

Q6. E.L.K. Energy provides customers with reliable and good service

- 1-strongly disagree
- 2-somewhat disagree
- 3-neither agree nor disagree
- 4-somewhat agree
- 5-strongly agree
- Don't know

Q7. E.L.K. Energy meets its commitment to customers

- 1-strongly disagree
- 2-somewhat disagree
- 3-neither agree nor disagree
- 4-somewhat agree
- 5-strongly agree
- Don't know

Q8. What can E.L.K. Energy do to better service its customers?

OPEN RESPONSES ACCEPTED

Using a scale from one very poor to five very good, please rate the performance of E.L.K. Energy in each of the following areas.

Q9. The reliability of power supply

- 1-very poor
- 2-poor
- 3-satisfactory
- 4-good
- 5-very good
- Don't know
- No experience

Q10. Prompt response(s) to power outages when they occur

- 1-very poor
- 2-poor
- 3-satisfactory
- 4-good
- 5-very good
- Don't know
- No experience

Q11. Effectively scheduling planned power outages

- 1-very poor
- 2-poor
- 3-satisfactory
- 4-good
- 5-very good
- Don't know
- No experience

Q12. Effectively communicating with customers about planned power interruptions in your area

- 1-very poor
- 2-poor
- 3-satisfactory
- 4-good
- 5-very good
- Don't know
- No experience

ACCEPT COMMENTS / UNAIDED / VERBATIM RESPONSES AT END OF LINE OF QUESTIONING

Q13. What is your preferred method to receive information from E.L.K. during outages?

- Telephone
- Email
- Social media
- E.L.K. Energy Website
- Smartphone App
- Radio

OTHER RECORD VERBATIM RESPONSE

- Don't know/no preference

Q14. I am going to ask your opinion on the issue of balancing the price you pay for maintenance and renewal of your local electricity infrastructure (i.e. "keeping the lights on"). Please pick one of the following five options, reflecting your preference. Do you prefer…**READ LIST THEN ACCEPT RESPONSE**

- 1-the lowest rates and potentially regular outages
- 2- lower rates and potentially occasional outages
- 3-a balance between rates and outages
- 4- higher rates and potentially fewer outages
- 5-the highest rates and potentially a lower number of outages
- Don't know

Q15. E.L.K. Energy communicates to its customers through a variety of methods including bill inserts, direct mail, its website, newspapers and radio. Please rate the performance of E.L.K. Energy in communicating with its customers using a scale from one very poor to five very good.

- 1-very poor
- 2-poor
- 3-satisfactory
- 4-good
- 5-very good
- Don't know
- No experience

Q16. What is your preferred method to have E.L.K. Energy communicate information to you?

MULTIPLE RESPONSES ACCEPTED

- **Bill inserts**
- **Direct mail**
- **Newspaper advertising**
- **E.L.K. Energy Website**
- **E-mail from the company**
- **Customer newsletter**
- **Radio**
- Social media, such as Facebook or Twitter
- Don't know/no preference

Q17. And as a customer, what is your preferred method that you would like to communicate with E.L.K. Energy?

DO NOT PROMPT

- Telephone
- Email
- Social media
- Link or form on E.L.K. Energy Website
- Regular mail
- In person at office

OTHER OPEN RECORD RESPONSE

- Don't know/no preference

ACCEPT COMMENTS / UNAIDED / VERBATIM RESPONSES AT END OF LINE OF QUESTIONING

Q18. From time to time, E.L.K. Energy attaches information to your bill in the form of a bill insert, or for electronic bill, in the form of a link. Using a scale from one very poor to five very good, how you would rate the overall quality of all of the bill inserts and other printed materials you have received from E.L.K. Energy?

- 1-very poor
- 2-poor
- 3-satisfactory
- 4-good
- 5-very good
- Don't know
- No experience

Q19. Were you aware that E.L.K's energy rates or the price that it charges for electricity is regulated by the Ontario Energy Board (OEB)?

- Yes aware
- No unaware
- Don't know

E.L.K. Energy's electrical infrastructure dates back to the 1950's and some are now approaching the end of their useful life, potentially impacting the reliability of electricity delivery. It is estimated that 38% of all power outages are caused by equipment failures.

As a result, E.L.K.'s Operations Department have recommended spending approximately $1.3 million on capital expenditures in 2017, which is about the same that was spent in 2015. These capital expenditures include inspections and replacement of poles and lines that are nearing the end of their useful lives, connecting new customers to the electricity grid, implementing smart switching and monitoring equipment to minimize outage times, computer system upgrades, office improvements and the replacement of aged fleet vehicles.

Q20. Do you support this capital expenditure plan by E.L.K?

- Yes, I support this plan recommended by E.L.K.'s Operations Department ASK Q21A
- No, I do not support the plan recommended by E.L.K.'s Operations Department ASK Q21B

- Don't know — ASK Q21C
- No opinion (Don't care) — ASK Q21C

Q21. A. Can you tell me why you support the plan?

B. Can you tell me why you do not support the plan?

C. Can you tell me why you do not know / have no opinion?

OPEN RESPONSES ACCEPTED

Q22. The recommended capital program will ultimately have an impact on rates or customers' bills. Would you support this infrastructure renewal plan even if it resulted in an increase in your monthly energy bill?

- 1-yes, I fully support the Operations Department recommendations
- 2 – Yes, I support the Operations Department recommendations, provided the bill increases are modest
- 3-No, I do not support any bill increase (even if this means more frequent and longer power outages)
- Don't know

ACCEPT COMMENTS / UNAIDED / VERBATIM RESPONSES

E.L.K.'s operating budget also impacts on the customer bills including the costs for managing and maintaining the system. It's operating budget for 2017 is currently planned to increase to approximately 3.3M, which is about 20% higher than prior years. The increases are primarily due to succession planning, and reorganizing staffing levels in order to provide customers with a better overall customer experience. E.L.K.'s outside service will increase as well due to additional customer engagement efforts (like this survey). In addition, it is focused on updating and maintaining its overhead and Underground lines, feeders and meter maintenance.

Q23. Do you support this operations and maintenance plan by E.L.K?

- Yes, I support this plan recommended by E.L.K. — ASK Q24A
- No, I do not support the operations and maintenance plan by E.L.K. — ASK Q25B
- Don't know — ASK Q24C
- No opinion (Don't care) — ASK Q24C

Q24. A. Can you tell me why you support the operations and maintenance plan?

B. Can you tell me why you do not support the operations and maintenance plan?

C. Can you tell me why you do not know / have no opinion?

OPEN RESPONSES ACCEPTED

Q25. The operations and maintenance plan will ultimately have an impact on rates or customers' bills. Would you support this plan even if it resulted in an increase in your monthly energy bill?

- 1-I fully support the operations and maintenance plan
- 2 – Yes, I support the operations and maintenance plan, provided the bill increases are modest
- 3-No, I do not support the operations and maintenance plan (even if it improves customer service)
- Don't know

b. Please provide a copy of all responses to open-ended or un-aided follow-up questions.

E.L.K. Response:

Please see separate excel document Appendix A – Responses to Open-Ended or Un-aided follow-up filed separately.

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.

E.L.K. Response:

With respect to 2013, the significant projects, that were put into service include Timbercreek Estates Ph. 1 and the three phase Pump Feed totalling approximately $150,000. Jakana Phase 4 totalling approximately $160,000 and the Notre Dame Street Project Phase 2, totalling approximately $621,000. With respect to 2016, the large projects that contributed to the increase in net capital assets included approximately $260,000 for underground asset renewal, as well as the following developments: Bernath Subdivision totalling approximately $169,000, Royal Oak at the Creek Ph. 5 $112,000, Pumping Station #3 totalling approximately $86,000 and Cottam Woods Phase 3A totalling approximately $85,000.

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.

E.L.K. Response:

The gross smart meter assets approved by the Board as part of the 2012 cost of service application was $1,574,204. However, when the actual accounting entry was done in 2013 the gross smart meter assets were entered into three accounts 1861, 1862 and 1864. The total of these accounts is $936,838 plus $323,155 plus $111,034 or $1,373,027.

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.

E.L.K. Response:

Please see the chart below that reconciles the 2013 opening balance in Appendix 2-BA to the 2012 closing balance. The reconciling items are the MIFRS adjustments as audited by E.L.K.'s external auditors.

		Cost						Accumulated Amortization			
		Balance 31/12/2012	MIFRS	Additions	Disposals	Balance 31/12/2013	Straight line Rate (Yrs)	Balance 31/12/2012	Disposals	Depreciation Expense	Balance 31/12/2013
Distribution Plant											
1805	Land	2,112.00		-	-	2,112.00	None				-
1820	Station equipment	142,098.48		-	-	142,098.48	30	141,014.09		62.00	141,076.09
1830	Overhead Poles, towers & fixtures	912,587.30		88,784.81	-	1,001,372.11	45	233,648.56		18,672.00	252,320.56
1835	Overhead line switches, conductors & devices	6,381,163.50		76,806.32	-	6,457,969.82	60	4,554,423.46		36,380.00	4,590,803.46
1840	Underground conduit- Ducts & concrete encased duct banks	1,375,872.31		425,196.23	-	1,801,068.54	50	296,483.02		28,583.00	325,066.02
1845	Underground conductors & devices- From 2012 Under CGAAP	7,476,396.55		440,764.14	-	7,917,160.69	N/A	4,814,952.84		91,845.00	4,906,797.84
1846	Underground conductors & devices- Primary Cables	-		-	-	-	40	-		-	-
1847	Underground conductors & devices- Secondary Cables	-		-	-	-	35	-		-	-
1850	Line transformers- Overhead & Underground Transformers	5,727,766.62		237,823.68	-	5,965,590.30	40	3,531,691.48		72,106.00	3,603,797.48
1851	Line transformers -Pad Mounted Switchgear	-		-	-	-	20	-		-	-
1852	Line Transformers - Underground foundations & underground vaults	-		22,746.46	-	22,746.46	60	-		190.00	190.00
1855	Services	772,791.34		99,789.72	-	872,581.06	25	167,364.09		32,917.00	200,281.09
1860	Meters- From 2012 Under CGAAP	516,663.89		-	(516,663.89)	-	N/A	83,232.94	(83,232.94)	-	-
1861	Meters- Residential SM (including repeaters & data collectors)	-	912,142.85	24,695.41		936,838.26	10	-		128,350.00	128,350.00
1862	Meters- Industrial/Commercial	-	316,116.43	7,039.32		323,155.75	15	-		33,942.00	33,942.00
1863	Meters- Wholesale	-	-	-		-	15	-		-	-
1864	Meters- CT's & PT's	-	108,572.21	2,461.75		111,033.96	40	-		3,176.00	3,176.00
General Plant											
1905	Land	171,765.02		-	-	171,765.02	None	-			-
1906	Land rights	2,944.73		-	-	2,944.73	5	2,724.73		-	2,724.73
1908	Buildings & fixtures	664,871.06		-		664,871.06	50	346,576.80		14,490.00	361,066.80
1915	Office furniture & equipment	242,953.89		2,222.64	-	245,176.53	10	211,553.83		6,873.00	218,426.83
1920	Computer equipment - hardware	365,611.50		2,164.88		367,776.38	5	358,973.95		5,837.00	364,810.95
1925	Computer equipment - software	241,021.03		2,716.05	-	243,737.08	5	230,896.54		19,361.00	250,257.54
1930	Transportation equipment- From 2012 Under CGAAP	1,886,565.41		-	(1,886,565.41)	-	8	1,645,380.95	(1,645,380.95)	-	-
1931	Transportation Equipment- Heavy Vehicles	-	94,305.26	-		94,305.26	15	-		10,478.00	10,478.00
1932	Transportation Equipment- Light Vehicles	-	146,879.20	30,000.00	(4,500.00)	172,379.20	8	-		56,383.00	56,383.00
1940	Tools, shop & garage equipment	365,512.53		15,399.96	-	380,912.49	10	319,111.81		13,361.00	332,472.81
1955	Communication equipment	35,830.60		274.99	-	36,105.59	10	24,745.10		1,483.00	26,228.10
1985	Sentinel Lights Open	15.22		-	-	15.22	10	15.22		-	15.22
1995	Contributions & grants - credit	(4,316,948.29)		(1,175,442.61)		(5,492,390.90)	25	(1,229,529.31)		(197,739.00)	(1,427,268.31)
Total		22,967,594.69	1,578,015.95	303,443.75	(2,407,729.30)	22,441,325.09		15,733,260.10	(1,728,613.89)	376,750.00	14,381,396.21

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.

E.L.K. Response:

There was a difference between the 2014 closing and 2015 opening of $176,496. This is the result of a late KPMG audit entry booked in 2014 and the old continuity schedule was used. The 2015 continuity schedule was then rolled forward with the adjustment and is correct. No other adjustments are required.

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?

E.L.K. Response:

For clarification, the relocating of the overhead assets to underground assets in the Town of Lakeshore was at the request of the Town of Lakeshore and wholly funded by the Town of Lakeshore.

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?

E.L.K. Response:

For clarification, the relocating of the overhead assets to underground assets in the Town of Lakeshore was at the request of the Town of Lakeshore and wholly funded by the Town of Lakeshore.

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?

E.L.K. Response:

As noted above, the Town of Lakeshore wholly funded the improved streetscape project. For subdivision developers, E.L.K. follows Section 3.2 and Appendix B of the Distribution System Code to ascertain if the future revenue from the customer(s) will pay for the capital costs and on-going maintenance costs for the expansion project. If there is a short fall than this would be collected as a capital contribution from the 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.

E.L.K. Response:

The volumetric forecast in Table 2-21 reflects the proposed 2017 load forecast that supports this application and is explained in detail in Exhibit 3. The volumetric information provided in the RTSR model is the actual data from the most recent RRR filing as per the title of tab 4. RRR Data of the RTSR model.

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?

E.L.K. Response:

Staff continues to meet with our Hydro One Account Executive with respect to reliability issues. There has been feeder reconfiguration to facilitate load connections in Hydro One's service area while the SECTR project is constructed. It is expected that some of the reconfigurations will be returned to normal configuration once the SECTR project is accepting load there-by reducing feeder lengths which should reduce the risk of exposure for E.L.K.'s customers.

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

E.L.K. Response:

In the original distribution plan E.L.K. was to have 2.126 MW of load transferred from the Kingsville TS to the new Leamington TS. Staff had met with the Hydro One distribution planners expressing the concern of the load transfer as the feeder length would be extended 13.5 KM increasing the exposure to E.L.K.'s customers. The Hydro One distribution planners were receptive to E.L.K.'s concerns and agreed to try and keep E.L.K.'s customers connected to the existing Kingsville TS. This was to be discussed further with E.L.K. as the distribution plans are finalized.

b) Based on these plans does E.L.K. Energy have an estimated cost for the capital contribution to Hydro One Transmission?

E.L.K. Response:

There has been a tremendous amount of questions and concerns raised regarding the cost allocation methodology as well as the beneficiary pays principle by the E3 coalition regarding EB-2013-0421. No further clarity has been received. Hydro One is currently tracking all costs as per Procedural Order No. 8 issued August 28, 2015. Costs may become globalized and may not affect E.L.K. at all.

A working group (EB-2016-0003) was formed to focus its efforts on:

- Whether changes to the DSC are needed to facilitate regional planning and the implementation of regional infrastructure plans given that the OEB's focus during the Renewed Regulatory Framework for Electricity consultation process was on cost responsibility changes to the TSC.
- Identifying whether there are potential inconsistencies between the TSC and the DSC and, if so, whether those inconsistencies should be aligned or whether they remain appropriate.
- Identifying potential gaps in the TSC and the DSC that should be addressed.
The last meeting date was July 12, 2016. No further information has been received.

c) How does E.L.K. Energy plan to fund the capital contribution?

E.L.K. Response:

This has not yet been decided by E.L.K. management.

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?

E.L.K. Response:

E.L.K. will visually inspect and hammer test poles in areas of concern that are over the TUL. Those identified to be in the worse shape will be replaced first.

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?

E.L.K. Response:

E.L.K. is transitioning to TUL replacements from a run to fail plan. That being said, if all assets were replaced now at TUL it would create a large burden on the rate payers. E.L.K. continues to monitor the cause of outages and equipment failure to ensure no asset class is significantly impacting the service quality. E.L.K. intends to increase its replacement rate of infrastructure gradually over time to avoid unexpected future costs.

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?

E.L.K. Response:

The reduction in wood pole replacement for 2021 is due to the increase in spending in the general plant category. A single bucket truck is planned to be replaced in 2021 at an estimated cost of $280,000. As important as it is to continue to renew aging system assets it is also important to renew aging fleet/rolling stock as system renewal, maintenance and restoration is dependent on the fleet/rolling stock.

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?

E.L.K. Response:

E.L.K. is transitioning to TUL replacements from a run to fail plan. That being said if all assets were replaced now at TUL it would create a large burden on the rate payers. E.L.K. continues to monitor the cause of outages and equipment failure to ensure no asset class is significantly impacting the service quality. E.L.K. intends to increase its replacement rate of infrastructure gradually over time to avoid unexpected future costs.

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?

E.L.K. Response:

It would be E.L.K.'s intention to replace the pole mount transformers while replacing the pole providing the transformers are at end of useful life.

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.

Response:

Please see chart below

	Age at % of TUL	Age Range	# of T in Range	Percentage of Poles in Range	Cumulative Percentage
> 0 & ≤ 25% of TUL	10	0 to 2.5	144	1.24%	
> 25% & ≤ 50% of TUL	20	2.6 to 5	332	2.87%	4.11%
>50% & ≤ 75% of TUL	30	5.1 to 7.5	10,851	93.68%	97.79%
>75% & <100% of TUL	40	7.6 to 9.9	11	0.09%	97.88%
≥100% of TUL		10 or greater	245	2.12%	100%
Total # of Meters			**11,583**	**100%**	

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?

E.L.K. Response:

E.L.K. is transitioning to TUL replacements from a run to fail plan. That being said if all assets were replaced now at TUL it would create a large burden on the rate payers. E.L.K. continues to monitor the cause of outages and equipment failure to ensure no asset class is significantly impacting the service quality. E.L.K. intends to increase its replacement rate of infrastructure gradually over time to avoid unexpected future costs.

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.

E.L.K. Response:

Please see chart below

	Age at % of TUL	Age Range	# of Poles in Range	Percentage of Poles in Range	Cumulative Percentage
> 0 & ≤ 25% of TUL	10	0 to 10	22,506	31.5%	
> 25% & ≤ 50% of TUL	20	11 to 20	21,603	30.2%	61.7%
>50% & ≤ 75% of TUL	30	21 to 30	13,889	19.4%	81.1%
>75% & <100% of TUL	40	31 to 39	3,458	4.8%	85.9%
≥100% of TUL		40 or greater	10,083	14.1%	100%
Total metres of Underground Primary Cable			71,539		

b) Please confirm the units in the table are per meter.

E.L.K. Response:

Yes, the units in the table are metres.

c) Please provide the justification for the higher number of underground cable replacements in 2017 relative to 2018-2021.

E.L.K. Response:

2017 should complete the areas that were experiencing cable failures. With the purchase of the new radial boom derrick we intend to increase the pole program to make use of the new truck. Additionally, the addition of a mini derrick in 2019 will supplement the pole program in rear lots but will further support underground cable and mini pad replacements, rear lot, through 2022-2025.

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?

E.L.K. Response:

E.L.K. is transitioning to TUL replacements from a run to fail plan. That being said if all assets were replaced now at TUL it would create a large burden on the rate payers. E.L.K. continues to monitor the cause of outages and equipment failure to ensure no asset class is significantly impacting the service quality. Currently in excess of 80% of the underground cable is installed in duct which is much more cost effective and simplifies the replacement when needed. To date E.L.K. has not had a primary cable failure in duct. E.L.K. intends to increase its replacement rate of infrastructure gradually over time to avoid unexpected future costs.

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?

E.L.K. Response:

E.L.K. has looked at used radial boom derrick trucks and has not found a unit in the used market to support our specific needs at this time.

Currently only 2 staff members have adequate licensing to transport the larger, 500-1,000 KVA, three phase pad mount transformers utilizing E.L.K.'s equipment float. As such, the new radial boom derrick needs to be able to legally carry the weight of the transformers on its deck and have adequate deck space for the transformers. I.e. bin pack on curb side only. As well, have an alternate boom stow location to allow adequate height clearance for the larger transformers.

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.

E.L.K. Response:

In 2018 E.L.K. has planned for the replacement of a Double Bucket truck estimated at $380,000 and 2 SUV's estimated at $32,500 per vehicle.

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.

E.L.K. Response:

In 2019 E.L.K. has planned to replace a pickup truck estimated at $30,000, a dump truck estimated at $100,000 and adding a new Mini RBD for back yard work at $70,000.

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.

Response:

The intention is to fence the outside storage yard as well as install additional storm drains and gravel the remaining storage area within the new fence.

The section of the yard not currently fenced buts up to a drainage ditch and trail system. There has been some theft of cable and copper from transformers out of the yard. The fence will limit the public's access to E.L.K.'s assets stored in the yard. i.e. poles, transformers, cable, cable reels, gravel piles.

By adding gravel to the remaining portion of the storage yard, staff will be able to drive into the yard while towing the pole trailer, reel trailer and equipment float, turn around and park the respective trailers. Currently, staff has to back the trailers in from the road approximately 85 metres through the staff parking lot past all the service bays and through the gate to access the stock or park the trailers.

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.

E.L.K. Response:

This project has been placed on hold while funding the smart meter programs and the current requirements in the fleet replacements. Completing the ground work in multiple phases would require the civil contractor mobilizing multiple times which typically escalates the costs.

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.

Response:

The capital forecast for 2018-2021 is a forecast. The planned asset base being targeted is identified but there are no specific projects to complete capital project summaries on. The projects will be identified after reviewing the trouble reports during the budget process.

As with the fleet/rolling stock, the vehicles are identified as being at or near TUL but will be reviewed during the budget process when current maintenance costs and test reports would be available.

2.0 – VECC -8
Reference: E2/pg.11

a) For the years 2012 through 2017 please reconcile the PP&E additions shown in Appendix 2-BA with the capital projects shown in Appendix 2-AA.

E.L.K. Response:

E.L.K. does not maintain this granular level of detail and reconciliations with respect to capital assets additions. This can possibly be considered as an item the new regulatory/accounting staff member could streamline.

2.0-VECC-9
Reference: E2/Appendix 2-BA

a) Please update the Fixed Asset Continuity Schedule (Appendix 2-BA) to include 2016 actuals.

E.L.K. Response:

Please see updated Fixed Asset Continuity Schedule (Appendix 2-BA) with 2016 actuals

Accounting Standard	MIFRS
Year	2016

			Cost				Accumulated Depreciation				
CCA Class [2]	OEB Account [3]	Description [3]	Opening Balance	Additions [4]	Disposals [6]	Closing Balance	Opening Balance	Additions	Disposals [6]	Closing Balance	Net Book Value
12	1611	Computer Software (Formally known as Account 1925)	$ 259,251	$ 35,042		$ 294,293	$ 256,883	$ 7,409		$ 264,292	$ 30,001
CEC	1612	Land Rights (Formally known as Account 1906)	$ 2,945			$ 2,945	$ 2,725			$ 2,725	$ 220
N/A	1805	Land	$ 2,112			$ 2,112				$ -	$ 2,112
47	1808	Buildings				$ -				$ -	$ -
13	1810	Leasehold Improvements				$ -				$ -	$ -
47	1815	Transformer Station Equipment >50 kV				$ -				$ -	$ -
47	1820	Distribution Station Equipment <50 kV	$ 142,098			$ 142,098	$ 141,200	$ 62		$ 141,262	$ 836
47	1825	Storage Battery Equipment	$ -			$ -				$ -	$ -
47	1830	Poles, Towers & Fixtures	$ 1,087,164	$ 46,855		$ 1,134,019	$ 293,405	$ 22,135		$ 315,540	$ 818,479
47	1835	Overhead Conductors & Devices	$ 6,502,230	$ 22,724		$ 6,524,954	$ 4,664,708	$ 37,947		$ 4,702,655	$ 1,822,299
47	1840	Underground Conduit	$ 2,216,428	$ 208,657		$ 2,425,085	$ 398,749	$ 43,771		$ 442,520	$ 1,982,565
47	1845	Underground Conductors & Devices	$ 8,323,875	$ 250,831		$ 8,574,706	$ 5,115,256	$ 111,762		$ 5,227,018	$ 3,347,688
47	1850	Line Transformers	$ 6,389,028	$ 109,892		$ 6,498,920	$ 3,763,593	$ 87,974		$ 3,851,567	$ 2,647,353
47	1851	Line Transformers- Pad Mount Switchgear	$ 8,515	$ 5,397		$ 13,912	$ 435	$ 561		$ 996	$ 12,916
47	1852	Line Transformers- UG Found & UG Vaults	$ 73,945	$ 18,821		$ 92,766	$ 1,878	$ 1,557		$ 3,435	$ 89,331
47	1855	Services (Overhead & Underground)	$ 1,031,062	$ 82,215		$ 1,113,277	$ 277,891	$ 44,385		$ 322,276	$ 791,001
47	1860	Meters				$ -				$ -	$ -
47	1861	Meters- Residential SM Including Repeaters and Data Collectors	$ 1,324,006	$ 981		$ 1,324,987	$ 391,236	$ 132,837		$ 524,073	$ 800,914
47	1862	Meters- Industrial/Commercial	$ 322,576	$ 7,224		$ 329,800	$ 102,908	$ 34,985		$ 137,893	$ 191,907
47	1863	Meters- Wholesale	$ 1,013	$ 8,464		$ 9,477	$ 34	$ 350		$ 384	$ 9,093
47	1864	Meters- CT's & PT's	$ 109,232	$ 4,945		$ 114,177	$ 9,697	$ 3,356		$ 13,053	$ 101,124
47	1865	Other Installations on Customer's Premises				$ -				$ -	$ -
N/A	1905	Land	$ 171,765		-$ 89,366	$ 82,399				$ -	$ 82,399
47	1908	Buildings & Fixtures	$ 665,443	$ -	-$ 249,155	$ 416,288	$ 390,059	$ 12,981	-$ 151,974	$ 251,066	$ 165,222
13	1910	Leasehold Improvements				$ -				$ -	$ -
8	1915	Office Furniture & Equipment (10 years)	$ 252,992	$ 40,795		$ 293,787	$ 230,924	$ 6,891		$ 237,815	$ 55,972
8	1915	Office Furniture & Equipment (5 years)				$ -				$ -	$ -
10	1920	Computer Equipment - Hardware	$ 403,765	$ 24,058		$ 427,823	$ 376,408	$ 11,264		$ 387,672	$ 40,151
45	1920	Computer Equip.-Hardware(Post Mar. 22/04)				$ -				$ -	$ -
45.1	1920	Computer Equip.-Hardware(Post Mar. 19/07)				$ -				$ -	$ -
10	1930	Transportation Equipment				$ -				$ -	$ -
10	1931	Transportation Equipment- Heavy Vehicle	$ 116,061	$ 26,310		$ 142,371	$ 33,611	$ 11,929		$ 45,540	$ 96,831
10	1932	Transportation Equipment- Light Vehicle	$ 171,179			$ 171,179	$ 135,790	$ 17,852		$ 153,642	$ 17,537
10	1933	Transportation Equipment- Underground	$ 70,712			$ 70,712	$ 10,607	$ 7,071		$ 17,678	$ 53,034
8	1935	Stores Equipment				$ -				$ -	$ -
8	1940	Tools, Shop & Garage Equipment	$ 385,936	$ 5,647		$ 391,583	$ 353,754	$ 8,859		$ 362,613	$ 28,970
8	1945	Measurement & Testing Equipment				$ -				$ -	$ -
8	1950	Power Operated Equipment				$ -				$ -	$ -
8	1955	Communications Equipment	$ 36,873			$ 36,873	$ 29,113	$ 1,357		$ 30,470	$ 6,403
8	1955	Communication Equipment (Smart Meters)				$ -				$ -	$ -
8	1960	Miscellaneous Equipment				$ -				$ -	$ -
47	1970	Load Management Controls Customer Premises				$ -				$ -	$ -
47	1975	Load Management Controls Utility Premises				$ -				$ -	$ -
47	1980	System Supervisor Equipment				$ -				$ -	$ -
47	1985	Sentinel Lighting Rentals	$ 15			$ 15				$ -	$ 15
47	1990	Other Tangible Property				$ -				$ -	$ -
47	1995	Contributions & Grants	-$ 6,342,546	-$ 438,399		-$ 6,780,945	-$ 1,910,891	-$ 264,022		-$ 2,174,913	-$ 4,606,032
47	2440	Deferred Revenue[5]									
						$ -				$ -	$ -
		Sub-Total	**$ 23,727,675**	**$ 460,458**	**-$ 338,521**	**$ 23,849,613**	**$ 15,069,973**	**$ 343,271**	**-$ 151,974**	**$ 15,261,270**	**$ 8,588,343**
		Less Socialized Renewable Energy Generation Investments (input as negative)				$ -				$ -	$ -
		Less Other Non Rate-Regulated Utility Assets (input as negative)				$ -				$ -	$ -
		Total PP&E	**$ 23,727,675**	**$ 460,458**	**-$ 338,521**	**$ 23,849,613**	**$ 15,069,973**	**$ 343,271**	**-$ 151,974**	**$ 15,261,270**	**$ 8,588,343**
		Depreciation Expense adj. from gain or loss on the retirement of assets (pool of like assets), if applicable[6]									
		Total						**$ 343,271**			

10		Transportation
8		Stores Equipment

Less: *Fully Allocated Depreciation*	
Transportation	$ 36,852
Stores Equipment	$ -
Net Depreciation	$ 306,419

b) If necessary, please update the 2017 Continuity Schedule.

E.L.K. Response:

There are currently no changes for the 2017 Continuity Schedule.

2.0-VECC-10

Reference: E2/Appendix 2-AA

a) Please revise and update Appendix 2-AA to include 2016 actuals (unaudited) and any resulting adjustments to the 2017 capital budget.

E.L.K. Response:

Please see revised Appendix 2-AA. There are currently no changes to the 2017 budget

Appendix 2-AA
Capital Projects Table

Projects	2012	2013	2014	2015	2016 Bridge Year	2017 Test Year
Reporting Basis						
Project Name #1						
Underground Asset Renewal	206,859	109,702	133,322	494,469	261,632	261,793
Sub-Total	206,859	109,702	133,322	494,469	261,632	261,793
Project Name #2						
FIT Contributions	60,300	45,000	28,893	42,300	63,900	
Sub-Total	60,300	45,000	28,893	42,300	63,900	0
Project Name #3						
Fleet - UG Truck Replacement			70,712			
Sub-Total	0	0	70,712	0	0	0
Project Name #4						
Smart Meters	57,319					
Sub-Total	57,319	0	0	0	0	0
Project Name #5						
Comber Solar	67,810					
Sub-Total	67,810	0	0	0	0	0
Project Name #6						
Cooper Estates Ph 4B	66,701					
Sub-Total	66,701	0	0	0	0	0
Project Name #7						
Cottam Woods Solar	125,965					
Sub-Total	125,965	0	0	0	0	0
Project Name #8						
Townsview Ph 3	52,865					
Sub-Total	52,865	0	0	0	0	0
Project Name #9						
Timbercreek Estates Ph 1		122,068	37,754			
3 Phase Pump Feed		25,252				
Sub-Total	0	147,320	37,754	0	0	0
Project Name #10						
Jakana Phase 4		161,193				
Sub-Total	0	161,193	0	0	0	0
Project Name #11						
ROATC Phase 7		80,885				
Sub-Total	0	80,885	0	0	0	0
Project Name #12						
Tim Horton's Harrow		51,328				
Sub-Total	0	51,328	0	0	0	0
Project Name #13						
FIT 200 Clark Street		65,634				

Sub-Total	0	65,634	0	0	0	0
Project Name #14						
Kingsville Commercial Developm	62,729					
Sub-Total	62,729	0	0	0	0	0
Project Name #15						
Notre Dame Street Project Phase 2		620,528				
Sub-Total	0	620,528	0	0	0	0
Project Name #16						
Kimball Estates Phase 4			39,500		67,015	
Sub-Total	0	0	39,500	0	67,015	0
Project Name #17						
Woodview Phase 2			103,369			
Sub-Total	0	0	103,369	0	0	0
Project Name #18						
Bacon Development Phase 4E			92,733			
Sub-Total	0	0	92,733	0	0	0
Project Name #19						
Woodslee Solar Garden			69,148	56,870		
Sub-Total	0	0	69,148	56,870	0	0
Project Name #20						
JV Energy			57,145			
Sub-Total	0	0	57,145	0	0	0
Project Name #21						
Notre Dame Street Phase 3			89,944			
Sub-Total	0	0	89,944	0	0	0
Project Name #22						
ROATC Phase 8A			102,047			
Sub-Total	0	0	102,047	0	0	0
Project Name #23						
Truax FIT		53,027				
Sub-Total	0	53,027	0	0	0	0
Project Name #24						
Shoppers Harrow				72,206		
Sub-Total	0	0	0	72,206	0	0
Project Name #25						
Agris				84,647		
Sub-Total	0	0	0	84,647	0	0

Project Name #26						
Tesla				72,916		
Sub-Total	0	0	0	72,916	0	0
Project Name #27						
225 Prince Albert					50,972	
Sub-Total	0	0	0	0	50,972	0
Project Name #28						
319 Talbot					0	
Sub-Total	0	0	0	0	0	0
Project Name #29						
Bernath					169,043	
Sub-Total	0	0	0	0	169,043	0
Project Name #30						
Cottam Woods Phase 3A					94,000	
Sub-Total	0	0	0	0	94,000	0
Project Name #31						
285 Division					0	
Sub-Total	0	0	0	0	0	0
Project Name #32						
ROATC Phase 5					111,183	
Sub-Total	0	0	0	0	111,183	0
Project Name #33						
Pumping Station #3					86,309	
Sub-Total	0	0	0	0	86,309	0
Project Name #34						
Smart Meter KPMG Reclass				366,021		
Sub-Total	0	0	0	366,021	0	0
Project Name #35						
Service Connections	72,965	91,490	96,768	98,936	82,215	59,000
Sub-Total	72,965	91,490	96,768	98,936	82,215	59,000
Project Name #36						
Fleet Replacement Unit #303						445,000
Sub-Total	0	0	0	0	0	445,000
Project Name #37						
186 Talbot					46,000	
Sub-Total	0	0	0	0	46,000	0
Project Name #38						
Unknown Access Projects						501,210
Sub-Total	0	0	0	0	0	501,210
Miscellaneous	11,101	52,779	64,843	39,655	281,606	46,500
Total	**784,614**	**1,478,886**	**986,178**	**1,328,020**	**1,313,875**	**1,313,503**
Less Renewable Generation Facility Assets and Other Non-Rate-Regulated Utility Assets ***(input as negative)***						
Total	**784,614**	**1,478,886**	**986,178**	**1,328,020**	**1,313,875**	**1,313,503**

2.0-VECC-11

Reference E2 & EB-2011-0099

The following is from the approved settlement agreement in EB-2011-0099:

Settlement Table #2: Rate Base

Settlement Table #2: Rate Base

Rate Base					
Particulars	Initial Application	Adjustments	Interrogatory Responses	Adjustments	Per Settlement Agreement
Gross Fixed Assets (average)	24,601,738	(76,375)	24,525,363	(27,323)	24,498,040
Accumulated Depreciation (average)	(15,504,990)	3,582	(15,501,408)	1,446	(15,499,962)
Net Fixed Assets (average)	9,096,748	(72,793)	9,023,955	(25,877)	8,998,078
Allowance for Working Capital	4,169,346	11,298	4,180,644	(854,129)	3,326,515
Total Rate Base	13,266,094	(61,495)	13,204,599	(880,007)	12,324,592

a) In the event E.L.K.'s average net fixed assets were lower than the approved settled amount until 2016 (the bridge year). Please explain why?

E.L.K. Response:

Smart meters were actually added in 2013 instead of 2012. As well, the first year of depreciation under IFRS did not occur until 2013. This resulted in lower opening net fixed assets in 2013 going forward due to 2012 depreciation in the settled amounts still being under Canadian GAAP. Further, there were significant disposals in 2013 as a result of IFRS entries that ultimately lowered the net fixed assets.

b) Using Appendix 2-AB as a reference, please explain why in 2012, 2014 and 2015 E.L.K. spent less than what it had budgeted for capital projects

E.L.K. Response:

The decrease of $402,489 in 2012 is primarily the result of $400,000 Notre Dame Streetlight project that was projected in 2012 which did not occur in 2012 but rather in 2013. In 2014, E.L.K. Budgeted approximately $1.60M. Actual figures resulted in approximately $1M. Some of the circumstances resulting in this decrease were numerous significant Offers to Connect Projects that were initially budgeted for in 2014 that never materialized. These projects included Townsview Ph. 5, Bacon Ph. 4F and the Notre Dame OTC. In addition, the rolling chassis for the Radial Boom Derrick was deferred. In 2015, E.L.K. Budgeted approximately $1.41M. Actual figures resulted in approximately $1.3. The primary factor for this difference was the Heavy Duty truck, and the Radial Boom Derrick was further deferred to 2017.

c) Please calculate the annual overearnings in 2012 through 2015 which due to the underspending on assets during the past rate period.

E.L.K. Response:

Per the OEB Scorecard, E.L.K. had under earnings in 2011 and were within the dead band for 2012, 2013 and 2015. There was over-earnings in 2014 which was thoroughly discussed and vetted with the OEB and was determined as a one-time accounting adjustment due to IFRS issues. A chart below shows this data.

Regulatory Return on Equity	2011	2012	2013	2014	2015
Deemed (included in rates)	9.00%	9.00%	9.12%	9.12%	9.12%
Achieved	4.07%	11.90%	9.20%	19.22%	10.72%

2.0-VECC-12

Reference: E2/pg.37

a) Please identify any projects specifically required as part of the Regional Infrastructure Plan in the years 2017 through 2021. Please also provide the total capital costs estimated for these projects in each year.

E.L.K. Response:

E.L.K. does not have any projects specifically required as part of the Regional Infrastructure Plan.

2.0-VECC-13

Reference E/2/pg.47

a) Please provide a table showing for each year 2012 through 2017 (forecast)
   I. Capital Contributions (deferred revenue);
   II. The total capital projects costs in each which attract the above contributions.

E.L.K. Response:

Please see chart below. Projects for 2017 have not proceeded to a level where a detailed estimation can occur.

	Capital Contributions	Total Cost
	2012	2012
Cooper Estates 4B	53,869	66,701
Cottam Woods Solar	87,408	125,965
Townsview/Galos	42,316	52,965
	2013	2013
Timbercreek Ph 1	74,137	147,320
Jakana Ph 4	98,153	161,193
ROATC Ph 7	60,978	80,885
Tim Horton's Harrow	42,488	51,328
Notre Dame Street Project	517,698	620,528
	2014	2014
Woodview Ph 2	60,505	103,369
Bacon 4E	54,910	92,733
Woodslee Solar Garden	112,443	126,018
JV Energy	49,928	57,145
	2015	2015
Shoppers Harrow	48,926	72,206
Agris	49,444	84,647
Tesla	108,702	72,916
	2016	2016
Prince Albert	30,069	50,972
Berbath	126,729	169,043
Cottam Woods Ph 3A	68,515	84,853
285 Division	68,515	79,796
ROATC Ph 5	66,281	111,183
Pumping Station #3	34,331	86,309

b) For each year please provide separately the capital contributions received from municipal governments for underground relocations in each year. Please provide the total costs in each year of above to underground relocations done on the behest of municipal government(s).

E.L.K. Response:

The Notre Dame Street project in 2013 is the sole municipal government contribution.

2.0-VECC-14

Reference: E2/ Appendix 2-A Distribution System Plan/pg.53

E.L.K. states that is does not have a Health Index and Probability of Failure database

a) Is therefore asset age (or TUL) is the only basis for asset replacement (as shown ag pages 87- of the DSP)? If not please explain what other asset condition data is kept and how that is used in the DSP to produce a future capital plan.

E.L.K. Response:

Along with the TUL, E.L.K. also reviews performance and functional obsolescence.

b) When does E.L.K. expect to produce a health index for its major category of assets?

E.L.K. Response:

Within the term of this IRM plan, prior to its next cost of service application.

2.0-VECC-15

Reference: E2/ Appendix 2-A Distribution System Plan/pg.57

a) E.L.K. states that is does not follow a typical 'worst performing feeder' process instead its analyzes reliability events "from a geographical perspective". Please explain what analyzing reliability impacting events from a geographical perspective means.

E.L.K Response:

E.L.K.'s service territory is comprised of six specific communities. So reliability events are analyzed on a community basis.

2.0-VECC-16

Reference: E2/ Appendix 2-A Distribution System Plan/pgs. 68-

a) Please provide a breakdown of the rate plan forecast period capital projects (2017 through 2021) as shown in the table at section 5.4.1.2 into the format shown in the following table at section 5.4.1.4 (page 69 - showing the historical expenditures).

E.L.K. Response:

Please see chart below

Projects	2017 Test Year	2018	2019	2020	2021
System Access					
Unknown Access Projects	$ 501,210	$ 615,886	$ 630,711	$ 645,771	$ 661,234
Service Connections	$ 59,000	$ 61,167	$ 63,268	$ 65,558	$ 67,878
System Access Totals	**$ 560,210**	**$ 677,053**	**$ 693,979**	**$ 711,329**	**$ 729,112**
System Renewal					
Poles	$ 37,362	$ 76,219	$ 233,232	$ 237,897	$ 80,884
Pole mount transformers	$ -	$ 39,265	$ 40,049	$ 40,851	$ 41,668
Pad mount Transformers	$	$	$	$	$

	103,001	35,020	71,442	72,871	14,865
3 Phase pad mount Transformers					$ 36,765
Residential Meters		$ 46,193	$ 47,117	$ 48,060	$ 49,021
Commercial Meters	$ 36,513	$ 37,243	$ 37,988	$ 46,499	$ 47,428
OH Gang Switches		$ 32,335			
UG Cable	$ 84,915	$ 28,871	$ 29,448	$ 30,038	$ 30,638
System Renewal Totals	**$ 261,793**	**$ 295,149**	**$ 459,279**	**$ 476,214**	**$ 301,272**
General Plant					
Building/Fixtures	$ 2,000.00	$ 10,000.00	$ 2,000.00	$ 172,000.00	$ 2,000.00
Office Equipment/Major Tools	$ 16,000.00				
IT	$ 28,500.00	$ 2,000.00		$ 5,000.00	$ 55,000.00
Fleet/Rolling Stock					
Fleet Replacement Unit #303	$ 445,000				
Replace Double Bucket Truck 2000		$ 380,000.00			
Replace 2 SUV's 2009		$ 65,000.00			
Replace Pick up 2011			$ 30,000.00		
Replace Dump Truck 2008			$ 100,000.00		
Add mini RBD, back yard unit			$ 70,000.00		
Single Bucket 2007					$ 280,000.00
General Plant Totals	**$ 491,500**	**$ 457,000**	**$ 202,000**	**$ 177,000**	**$ 337,000**

2.0-VECC-17

Reference: E2/ Appendix 2-A Distribution System Plan/89-94

a) Please confirm that E.L.K. uses an 11% burden cost on all capital projects.
b) If this is not confirmed please explain who the burden costs on pages 89-94 of the DSP were calculated.
c) Please explain the rationale for an 11% burden rate.

E.L.K. Response:

E.L.K. does use an 11% burden cost on all capital projects. The 11% burden is the overhead costs assigned to the material, labour and equipment when estimating projects.

2.0-VECC-18

Reference: E2/ Appendix 2-A Distribution System Plan/pgs.107-108 & Appendix G

a) Between 2017 and 2021 E.L.K expects to purchase $1.37m in new vehicles, significantly more than in the previous 5 years. Please why the sudden increase in vehicle investments.

E.L.K. Response:

With the vehicles having "Total Useful Life" (TUL) of 7, 10 and 15 years some 5 year periods will have more vehicle replacements than others. Outside of one $70,000 addition in 2019 this spending is the replacement of existing vehicles at or beyond TUL.

b) Please provide two tables in form as that shown at section 3 of Appendix G (pg. 138). The first showing the fleet as of the end of 2012 and the other showing the expected fleet at the end of 2021.

E.L.K. Response:

E.L.K.'s fleet information is summarized here (as of December, 2012):

Vehicle Type	#	Average Age (years)	Maximum Age (years)	TUL (years)
Bucket Truck	3	7.3	12	15
RBD	1	17	17	15
Midsized Truck	2	8.5	13	10
Light Vehicles	4	6.75	16	8
Trailers & Misc. Equipment	5	14.6	20	15
Total all Vehicles	**15**	**9.26**		

E.L.K.'s fleet information is summarized here (as of October, 2016):

Vehicle Type	#	Average Age (years)	Maximum Age (years)	TUL (years)
Bucket Truck	3	11.3	16	15
RBD (Corrected from 2	1	21	21	15

units to 1)				
Midsized Truck	2	4.5	8	10
Light Vehicles	4	4.8	7	8
Trailers & Misc. Equipment	5	10.2	21	15
Total all Vehicles	**15**	**9**		

E.L.K.'s fleet information is summarized here (as of December, 2021):

Vehicle Type	#	Average Age (years)	Maximum Age (years)	TUL (years)
Bucket Truck	3	6	15	15
RBD	1	4	4	15
Midsized Truck	2	4	6	10
Light Vehicles	4	3.3	5	8
Trailers & Misc. Equipment	6	9.2	19	15
Total all Vehicles	**16**	**6.125**		

2.0-VECC-19
Reference: E2/pg.25

a) Please update the working capital allowance for:
   I. The Board October 14, 2016 updated Regulated Price Plan Price Report – if necessary.
   II. The October 27, 2016 Board updated cost of capital parameters

E.L.K. Response:

The working capital has been updated to $29,617,965 which includes a power supply expense component of $26,153,453 which reflects the Board October 14, 2016 updated Regulated Price Plan Price Report and revised eligible distribution expenses of $3,464,511. The resulting working capital allowance will be 7.5% of $29,617,965 or $ 2,221,347.

2-SEC-9
[Ex.2, p.33] Please provide a copy of the 2012 Distribution Asset Management Plan.

E.L.K. Response:

The 2012 Distribution Asset Management Plan has been provided under file name Appendix D – EB-2011-0099 ELK Energy_DAMP.

2-SEC-10
Please provide a revised version of the following appendices with 2016 year-end actuals. Please explain all material variances between 2016 forecast and actuals.

a. 2-AA

Response:

Please refer to 2-VECC-10

b. 2-AB

Response:

Please see updated chart below

Appendix 2-AB
Table 2 - Capital Expenditure Summary from Chapter 5 Consolidated Distribution System Plan Filing Requirements

First year of Forecast Period: *2017*

CATEGORY	Historical Period (previous plan[1] & actual)															Forecast Period (planned)				
	2012			2013			2014			2015			2016			2017	2018	2019	2020	2021
	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var	Plan	Actual[2]	Var					
	$ '000		%	$ '000		%	$ '000		%	$ '000		%	$ '000		%	$ '000				
System Access		566,654	--		1,316,405	--		734,364	--		793,896	--		540,415	--	560,210	677,053	693,979	711,329	729,112
System Renewal		206,859	--		109,702	--		133,322	--		494,469	--		261,632	--	261,793	295,149	459,279	476,214	301,272
System Service			--			--			--			--			--						
General Plant		11,101	--		52,779	--		118,492	--		39,655	--		96,810	--	491,500	457,000	202,000	177,000	337,000
TOTAL EXPENDITURE	-	784,614	--	-	1,478,886	--	-	986,178	--	-	1,328,020	--	-	898,857	--	1,313,503	1,429,202	1,355,258	1,364,543	1,367,384

c. 2-BA

Response:

Please refer to 2-VECC-9

2-SEC-11
[Ex.2, Appendix 2-A, p.22] Please confirm that the Board did not approve any specific capital expenditure amounts for the Applicant in 2013, 2014 and 2015.

E.L.K. Response:

No incremental capital projects containing specific capital expenditure amounts were submitted to the Board in 2013, 2014 or 2015.

2-SEC-12
[Ex.2, Appendix 2-A, p.41] Please provide a table that shows, for each year between 2011 and 2016, the number of outages by cause.

E.L.K. Response:

Please see response to AMPCO Interrogatory 2-AMPCO-4.

2-SEC-13
[Ex.2, Appendix 2-A, p.85-86] Please provide a similar table showing historical information for each year between 2012 and 2015. Please provide a copy of both the existing table and the requested table in an Excel spreadsheet.

E.L.K. Response:

E.L.K. does not have the granularity to provide the quantity of asset replaced rate in each year and actual dollars spent for the period of 2012 to 2015. Please see Appendix E submitted in excel version of existing table labelled Appendix E- IRR_2-SEC-13.

2-SEC-14
[Ex.2, Appendix 2-A, p.86] Does the Applicant have any condition information for any of its major asset categories? If so, please provide it and explain how the information is utilized in its system renewal program.

E.L.K. Response:

E.L.K. does not have current health indices on its major assets but our intentions are to adopt the Utilities Standards Forum templates as noted on page 61 of Exhibit 2, Appendix 2A.

2-SEC-15
[Ex. Ex.2, Appendix 2-A, Appendix H] Please provide similar capital project summaries for all projects that went in-service between 2013 and 2016. If no such summaries existed at the time they were approved, please provide a contemporaneous business case or other description of the project and their forecast budget.

Response:

The projects can be found in Exhibit 2, Appendix 2A, Section 5.4.1.4 pages 69 and 70. All of the system access projects are customer driven and E.L.K. is required to connect the customer.

2-AMPCO-1

Ref: Ex 2 Appendix 2A DSP

a) Please provide ELK's overall asset replacement rate for the years 2012 to 2016 and forecast for the years 2017 to 2021 and show the calculation.

E.L.K. Response:

E.L.K. does not have the granularity to provide the overall asset replacement rate for the years 2012 to 2016. The forecasts for 2017 to 2021 can be found in Exhibit 2, Appendix 2A Section 5.4.4 pages 85 – 86.

b) Please provide ELK's assumptions in the capital budget (historical and forecast) regarding project contingencies.

Response:

E.L.K. attempts to forecast utilizing historical values, known projects and adjusting for any anomalies in the data.

c) Please provide the percentage of capital work undertaken by external contractors for the years 2012 to 2016 and forecast for 2017 to 2021.

E.L.K. Response:

Most of the capital work undertaken by external contractors is for directional drilling and vacuum excavation. 2013 is an anomaly as there was a large municipal relocation project and the civil work was contracted out. For the periods of 2017 to 2021 a 9% - 10% forecast should be reasonable.

Percentage of Capital Work by External Contractor				
2012	2013	2014	2015	2016
8%	19%	9%	14%	9%

d) Please provide the ratio of unplanned work to planned work for the years 2012 to 2016.

E.L.K. Response:

Please see chart below

	2012	**2013**	**2014**	**2015**	**2016**
Planned	$430,960	$879,748	$354,439	$199,863	$692,546
Unplanned	$135,694	$436,657	$362,862	$594,033	$243,716
Unplanned %	31%	50%	102%	297%	35%

2-AMPCO-2

Ref: Ex 2 Appendix 2A DSP Page 40

a) Please provide the ELK's Reliability Indices by Year for the years 2011 to 2016 without Loss of Supply and Scheduled Outages and Major Event Days.

E.L.K. Response:

Please see chart below

	2011	**2012**	**2013**	**2014**	**2015**	**2016**
SAIDI	0.786	1.100	0.993	1.123	0.544	0.223
SAIFI	0.404	0.294	0.410	0.495	0.165	0.080
CAIDI	1.944	3.748	2.421	2.269	3.295	2.788
Customer Interruption Hours	8,729.92	12,879.75	11,296.77	12,993.77	6,341.93	2,609.25
Customer Interruptions	4,520	3,448	4,722	5,751	1,929.34	939

b) Please provide the total customer interruption hours for each of the years 2011 to 2016.

E.L.K. Response:

Please see 2-AMPCO-2 a).

c) Please provide the total number of customer interruptions for each of the years 2011 to 2016.

E.L.K. Response:

Please see 2-AMPCO-2 a).

d) Does ELK track the number of Momentary outages (MAIFI)? If yes, please provide MAIFI performance for the years 2011 to 2016.

E.L.K. Response:

E.L.K. does not track momentary outages.

2-AMPCO-3

Ref: Ex 2 Appendix 2A DSP Page 40

a) Please describe the outage statistics tracked by ELK.

E.L.K. Response:

The following outage statistics are tracked by E.L.K.:

- **Unknown/Other;**
- **Scheduled Outage;**
- **Loss of Supply;**
- **Tree Contacts;**
- **Lightning;**
- **Defective Equipment;**
- **Adverse Weather;**
- **Adverse Equipment;**
- **Human Element;**
- **Foreign Interference and**
- **Major Event.**

Please refer to 2-AMPCO-5 for a further breakdown of Defective Equipment.

2-AMPCO-4

Ref: Appendix 2A DSP Page 41

a) Please confirm outage has the same meaning as interruption.

E.L.K. Response:

Yes, E.L.K. confirms that this is correct.

b) Please provide a Cause of All Outages figure separately for each of the years 2011 to 2015.

E.L.K. Response:

Please see chart below

E.L.K. Most Frequent Outage Causes - Ranked By Highest to Lowest Cause Class							
Cause Class	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**	**% Cause**
Equipment Failure #5	57	36	43	26	30	192	46.0%
Adverse Weather #6	15	10	11	7	15	58	14.0%
Vegetation #3	15	6	7	3	11	42	10.0%
Planned #1	4	12	16	1	8	41	9.9%
Loss of Supply #2	15	6	1	9	3	34	8.1%
Animal Contact #9	0	0	0	17	8	25	6.0%
Other #0	1	12	4	5	3	25	6.0%
Total	**107**	82	**82**	68	78	417	**100%**

c) Please provide a Cause of All Outages figure for 2016.

E.L.K. Response:

Please see chart below

E.L.K. Outage Causes - Ranked By Highest to Lowest Cause Class		
Cause Class	**2016**	**% Cause**
Equipment Failure #5	27	44.3%
Animal Contact/Foreign Interference #9	13	21.3%
Planned #1	9	14.8%
Lightning #4	5	8.2%
Vegetation #3	2	3.3%
Adverse Equipment #7	1	1.6%
Human Element #8	1	1.6%
Loss of Supply #2	1	1.6%
Adverse Weather #6	1	1.6%
Other #0	1	1.6%
Total	**61**	**100%**

2-AMPCO-5

Ref: Appendix 2-B DSP Page 41

Preamble: Equipment failure accounts for the majority of Outage Causes.

a) Please provide a further breakdown of the types of equipment failures and the corresponding % of each type of equipment failure.

E.L.K. Response:

Please see chart below:

	2011	2012	2013	2014	2015	2016	Total	%
Defective Equipment	**56**	**37**	**44**	**29**	**29**	**30**	**225**	
Blown Elbow			1		2		**3**	1.33%
Transformer fuse, unknown cause	1	1	2	4	3		**11**	4.89%
Live front transformer insulator failure					1		**1**	0.44%
Failed pole mount transformer	3	1			2	1	**7**	3.11%
Failed pad mount transformer	2	2	2	1	1	1	**9**	4.00%
Bad UG Secondary service	20	8	10	12	6	14	**70**	31.11%
Bad connection on OH Secondary service	10	10	15	5	5	6	**51**	22.67%
Bad connection at transformer	4						**4**	1.78%
Line fuse, unknown cause		5	3	2	1	1	**12**	5.33%
Bad UG Primary cable	3	1	2	2	4		**12**	5.33%
Line/recloser failure due to overload		1					**1**	0.44%
Line side repair in customer owned meter base	6	6	4	2	1	3	**22**	9.78%
Broken pole			1	1	1		**3**	1.33%
OH Primary failure	7	1	1		1	2	**12**	5.33%
Insulator			1			1	**2**	0.89%
Switch		1	1		1		**3**	1.33%
Secondary Buss Bad			1			1	**2**	0.89%

2-AMPCO-6

Ref: Appendix 2-B DSP Page 61 Section 5.3.2.3

a) For each asset category, please provide the number of outages and customer interruption minutes for the years 2011 to 2016.

Response:

Information was provided for 2012 to 2016 as the outage reports were available for that time frame.

	2012		2013		2014		2015		2016	
	# of Outages	Cust. Int. Hours	# of Outages	Cust. Int. Hours	# of Outages	Cust. Int. Hours	# of Outages	Cust. Int. Hours	# of Outages	Cust. Int. Hours
Blown Elbow			1	460			2	422		
Transformer fuse, unknown cause	1	36	2	3.17	4	84.33	3	44.54		
Live front transformer insulator failure							1	250		
Failed pole mount transformer	1	39					2	82.60	1	46.08
Failed pad mount transformer	2	470.26	2	225.90	1	76.80	1	667	1	612.50
Bad UG Secondary service	8	24.47	10	29.12	12	7.6841.13	6	34.04	14	23.08
Bad connection on OH Secondary service	10	35.76	15	53.27	5	7.68	5	33.72	6	18.01
Bad connection at transformer										
Line fuse, unknown cause	5	136.10	3	736.45	2	136.70	1	1.34	1	1.5
Bad UG Primary cable	1	138	2	502.25	2	424.40	4	447.90		
Line/recloser failure due to overload	1	5250								
Line side repair in customer owned meter	6	7.26	4	7.68	2	2.34	1	3.04	3	6.92

base										
Broken pole			1	500	1	3.09	1	7.5		
OH Primary failure	1	72	1	14			1	11.70	2	18.61
Insulator			1	62.5					1	270
Switch	1	1.75	1	2.17			1	500		
Secondary Buss Bad			1	42					1	2
Transformer lead	1	13.40	2	44.85			2			

2-AMPCO-7

Ref: Appendix 2-B DSP Page 85

a) For each of the asset categories in the table, please provide the total asset population and the number of assets in each category that are in very poor, poor, fair, good and very good condition.

E.L.K. Response:

The total asset population can be found in Exhibit 2, Appendix 2A, and Section 5.3.2.3 page 61. E.L.K. does not have current health indices on its major assets but E.L.K.'s intentions are to adopt the Utilities Standards Forum templates as noted on page 61.

b) For each asset category, please provide the number of assets in each year that are being replaced that are in very poor or poor condition.

E.L.K. Response:

E.L.K. does not have current health indices on its major assets but our intentions are to adopt the Utilities Standards Forum templates as noted on page 61 of Exhibit 2, Appendix 2A.

c) Please explain the increase in forecast pole replacements for the years 2019 and 2020.

E.L.K. Response:

With the purchase of the new radial boom derrick we intend to increase the pole program to make use of the new truck. Additionally, the addition of a mini derrick in 2019 will supplement the pole program for rear lot pole replacements.

2-AMPCO-8

Ref: Appendix 2-B DSP Page 85

a) Please provide the same table for the years 2011 to 2015 to show the quantity of assets replaced in each year and the actual dollars spent per year.

E.L.K. Response:

E.L.K. does not have the granularity to provide the quantity of asset replaced rate in each year and actual dollars spent for the period of 2011 to 2015.

2-AMPCO-9

Ref: Appendix 2-B DSP Page 136 Appendix F

a) Please provide ELK's internal budgeted amounts for the years 2012 to 2016.

E.L.K. Response:

E.L.K. did not track this level of detail in previous years.

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?

E.L.K. Response:

a) E.L.K has not explored the reasons for the negative coefficient and other factors that could have created a negative correlation between GDP and load since in accordance with the filing requirement such a result is classified as unintuitive and is eliminated as possible explanatory variable.

b) The regression analysis assigned a negative coefficient to the Ontario Real GDP variable which suggests the change to load forecast would be a reduction in usage as the economy grows which is an unintuitive result. As a result, E.L.K. has no basis to comment on the 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.

E.L.K. Response:

The account number is 6305 per E.L.K.'s 2.1.7 filings.

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.

E.L.K. Response:

The formula is not inclusive of 6300 (6305 account) as it is not Other Operating Revenue.

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?

E.L.K. Response:

Yes, the affiliate revenue is the only amounts recorded in 4375 sub-account. To clarify, expenses are recorded in Solution only accounts. E.L.K.'s application has been prepared to show E.L.K. as a regulated entity, separately from its parent company or its affiliate that is not regulated by the Board. Only the amounts attributable to E.L.K. have been reflected.

E.L.K. confirms that the accounting treatment it has used in this application has segregated all of non-utility activities from its rate regulated activities.

b) Please provide the basis by which E.L.K. Energy bills E.L.K. Solutions, such as unit costs or fixed costs.

E.L.K. Response:

E.L.K. Energy provides E.L.K. Solutions with billing, collecting and other customer service services for Water Heater Rentals. Cost for this service was determined through employee time sheets with the appropriate amount charged to E.L.K. Solutions at fully burdened employee rates. E.L.K. also provides maintenance services for streetlights and sentinel lights to E.L.K. Solutions. These services are based on employee time at fully burdened rates. E.L.K. provides the Town of Essex water and sewer billing services. These services include meter reading, service orders, billing, bill collection and payment, answering all customer water and sewer inquiries and other customer services as required. The rate of return regarding the Town of Essex is approximately 20%. Services provided to E.L.K. Solutions are at cost, which is generally time. There is a 20% mark-up charged to the Town of Essex for services provided.

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.

E.L.K. Response:

The approved distribution rates resulting from the 2012 COS application did not become effective until May 1, 2013. The approved load forecast supporting the 2012 COS application included a CDM adjustment. This adjustment supports the LRAMVA threshold amount of 1,570,670 kWh. Since rates did not become effective until May 1, 2013 the LRAMVA was also not effective until May 1, 2013. As a result, E.L.K. did not apply the approved LRAMVA threshold amount of 1,570,670 kWh to offset actual 2012 CDM savings.

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).

E.L.K. Response:

E.L.K. Energy applied savings adjustments to the following year's results (e.g., savings adjustments to 2011 programs applied to 2012 results). E.L.K. Energy understands this has occurred in another application (i.e. Welland Hydro Electric System Corp. -EB-2016-0110) and the resulting adjustment was very immaterial (i.e. just above $1,100). As result, E.L.K. Energy does not see merit in making the adjustment since it will be immaterial. It is expected the actual cost of doing the work to make the adjustment will be more than the adjustment itself.

3.0 –VECC -20
Reference: Exhibit 3, page 5 (lines 9-10); page 10

a) Please explain (per page 5) how the "average" customer/connection count for each year was determined (e.g. monthly averages, average of opening and closing year values, etc.).

E.L.K. Response:

The "average" customer/connection count for each year was determined by the average of the previous and current year-end value.

b) Please provide the actual 2016 customer/connection count for each customer class calculated on a similar basis.

E.L.K. Response:

The actual 2016 customer/connection count for each customer class calculated on a similar basis as outlined in a) is provided in the 2016 - Actual row shown in Table 3-9 in response to c)

c) Please re-do Tables 3-8 and 3-9 where:
   - 2016 actual values are included in the calculation of the geometric mean for Residential and GS<50 and the result is applied to the 2016 actual counts to forecast 2017
   - The actual averages for 2016 are used to forecast 2017 values for GS>50, Sentinel Lights, USL and Street Lights.

E.L.K. Response:

The requested Tables 3-8 and 3-9 are provided below

Table 3-8: Growth Rate in Customer/Connections							
Year	Residential	GS<50	GS>50	Street Lights	Unmetered Scattered Load	Sentinel Lights	Embedded Distributor
Growth Rate in Customers/Connections							
2006							
2007	0.9%	0.9%	0.9%	0.3%	(1.4%)	(21.0%)	
2008	0.5%	0.5%	0.5%	0.3%	(1.4%)	(26.5%)	0.0%
2009	1.2%	2.3%	2.4%	0.3%	0.0%	(36.1%)	0.0%
2010	1.3%	4.0%	(4.4%)	0.3%	(1.5%)	(55.1%)	0.0%
2011	0.6%	2.4%	(11.6%)	0.3%	(3.0%)	(60.0%)	0.0%
2012	0.8%	0.9%	(6.3%)	0.3%	(3.1%)	0.0%	0.0%
2013	0.7%	0.2%	0.0%	0.3%	(1.6%)	0.0%	0.0%
2014	0.7%	0.6%	1.1%	0.3%	0.0%	0.0%	0.0%
2015	0.6%	0.5%	2.8%	0.3%	0.0%	0.0%	0.0%
2016	0.6%	0.5%	1.6%	2.0%	0.0%	0.0%	25.0%
Geometric Mean	0.8%	1.2%	(1.2%)	0.5%	(1.2%)	(23.2%)	2.5%

Table 3-9: Customer/Connection Forecast								
Year	Residential	GS<50	GS>50	Street Lights	Unmetered Scattered Load	Sentinel Lights	Embedded Distributor	Total
Number of Customers/Connections								
2016 - Actual	10,277	1,228	94	2,881	31	7	5	14,523
2017 Test - Forecast	10,359	1,243	94	2,881	31	7	5	14,620

3.0 –VECC -21

Reference: Exhibit 3, pages 4 and 8-10

a) Do the purchased power values used by ELK in its regression model include purchases from microFIT, FIT or other forms of local generation? If not, what would the monthly purchases of such generation be for the period 2006 to 2015?

E.L.K. Response:

E.L.K. confirms that FIT and microFIT are part of the physical market invoice.

b) Did ELK test to see whether some economic activity variable (besides GDP) – for example customer/connection count - would be a statistically significant explanatory variable? If yes, what were the results? If not, why not?

E.L.K. Response:

Yes, ELK did test Number of Customers and the Ontario Real GDP as explanatory variables. Both variables were rejected as they had a negative coefficient which was counter intuitive.

c) Please provide: i) the actual purchases for 2016; ii) the actual HDD and CDD value for 2016 and iii) the predicted purchases for 2016 using ELK's load forecast model.

E.L.K. Response:

The following table provides the actual purchases for 2016; ii) the actual HDD and CDD value for 2016 and iii) the predicted purchases for 2016 using ELK's load forecast model

	Acutal Purchases	Actual Heating Degree Days	Actual Cooling Degree Days	Predicted Purchases
Jan-16	22,182,546	628	0	22,854,289
Feb-16	19,893,038	550	0	21,260,226
Mar-16	19,158,792	404	0	20,379,966
Apr-16	17,454,523	332	0	18,801,807
May-16	17,779,685	127	37	18,966,809
Jun-16	21,050,085	7	101	20,964,346
Jul-16	25,290,492	0	178	25,254,970
Aug-16	26,373,046	0	166	25,233,311
Sep-16	19,870,438	19	61	19,193,310
Oct-16	16,662,108	173	14	18,730,246
Nov-16	17,715,485	315	0	18,200,264
Dec-16	21,539,892	623	0	22,106,307
Total	244,970,131			251,945,851

d) One would expect there to be close to a 1:1 relationship between changes in Embedded Distributor Usage and Purchase Power Requirements. Can ELK explain why the coefficient for Embedded Distributor Usage is only 0.61 and not higher?

E.L.K. Response:

The coefficient on the Embedded Distributor Usage is assigned by the regression analysis which makes it difficult to explain exactly what the coefficient represents. However, with a coefficient less than 1.0, ELK believes the coefficient might be addressing at least two items which could be reducing load and it is being picked up in the Embedded Distributor Usage variable. The first item relates to the impact of CDM results on power purchases. The second item could be picking up some of the unfavorable economic conditions in the ELK service area.

e) Please provide an alternative regression model using the same explanatory variables (excluding Embedded Distributor Usage) but where the purchased power variable is adjusted to i) include any local generation per part (a) and ii) exclude the usage by the Embedded Distributor per part (d). Please also indicate what the resulting forecast 2017 power purchases and billed energy forecast would be prior to any adjustments for CDM.

E.L.K. Response:

The following provides an alternative regression model using the same explanatory variables (excluding Embedded Distributor Usage) but where the purchased power variable is adjusted to exclude the usage by the Embedded Distributor per part (d).

R Square	80.7%
Adjusted R Square	80.0%
F Test	120.1
MAPE (Monthly)	3.8%
T-stats by Coefficient	
Heating Degree Days	8.3
Cooling Degree Days	10.9
Number of Days in Month	5.6
Spring Fall Flag	(3.3)
Constant	(2.2)
Coefficient By Variable	
Heating Degree Days	6,799
Cooling Degree Days	40,036
Number of Days in Month	728,944
Spring Fall Flag	(1,034,450)
Constant	(8,595,297)

The resulting 2017 power purchase forecast is 199,564,660 kWh excluding the Embedded Distributor and the billed energy forecast is 186,709,360 kWh excluding the Embedded Distributor prior to any adjustment for CDM. In the Application, the 2017 bill energy forecast for the Embedded Distributor is 45,143,217 kWh prior to any adjustment for CDM which translates into a power purchase forecast for the Embedded Distributor of 48,251,415 kWh.

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Reference: Exhibit 3, page 8 (Table 3-4) and pages 12-15

a) Please provide the actual billed energy (and billed kW where applicable) by rate class for 2016.
b) Please update Tables 3-10 and 3-11 to include actuals for 2016.
c) Please re-do Tables 3-12, 3-13 and 3-21 using:
   - 2016 actual usage per customer as the basis for the Residential, GS<50, GS>50 and Sentinel Light customer class 2017 forecasts for Table 3-12.
   - the updated geomean from part (b) to create the non-normalized 2017 forecasts for Street Lights, USL and the embedded distributor per Table 3-12.

E.L.K. Response:

The requested tables are provided below. Table 3-13 has been modified to provide the actual billed energy (and billed kW where applicable) by rate class for 2016.

Table 3-10: Historical Annual Usage per Customer

Year	Residential	GS<50	GS>50	Street Lights	Unmetered Scattered Load	Sentinel Lights	Embedded Distributor
Annual kWh Usage Per Customer/Connection							
2006	9,601	25,461	711,135	820	7,656	1,786	
2007	9,803	25,206	645,094	875	12,409	2,202	15,649,460
2008	9,513	24,914	652,998	831	8,646	1,530	13,716,194
2009	9,186	24,117	560,286	751	8,396	1,304	12,774,444
2010	9,549	23,869	610,225	867	8,224	1,078	12,023,594
2011	9,241	25,658	677,097	805	6,206	852	13,185,104
2012	9,021	24,406	684,657	838	8,325	852	12,527,923
2013	8,806	23,952	667,725	895	8,273	852	12,452,811
2014	8,778	24,493	637,182	817	8,377	852	13,037,808
2015	8,882	23,441	673,561	838	8,374	852	12,048,303
2016	8,851	23,034	677,123	612	8,320	852	8,392,542

Table 3-11: Growth Rate in Usage Per Customer/Connection

Year	Residential	GS<50	GS>50	Street Lights	Unmetered Scattered Load	Sentinel Lights	Embedded Distributor
Growth Rate in Customer/Connection							
2006							
2007	2.1%	(1.0%)	(9.3%)	6.8%	62.1%	23.3%	
2008	(3.0%)	(1.2%)	1.2%	(5.0%)	(30.3%)	(30.5%)	(12.4%)
2009	(3.4%)	(3.2%)	(14.2%)	(9.6%)	(2.9%)	(14.8%)	(6.9%)
2010	3.9%	(1.0%)	8.9%	15.4%	(2.0%)	(17.3%)	(5.9%)
2011	(3.2%)	7.5%	11.0%	(7.1%)	(24.5%)	(21.0%)	9.7%
2012	(2.4%)	(4.9%)	1.1%	4.2%	34.1%	0.0%	(5.0%)
2013	(2.4%)	(1.9%)	(2.5%)	6.8%	(0.6%)	0.0%	(0.6%)
2014	(0.3%)	2.3%	(4.6%)	(8.7%)	1.3%	0.0%	4.7%
2015	1.2%	(4.3%)	5.7%	2.5%	(0.0%)	0.0%	(7.6%)
2016	(0.3%)	(1.7%)	0.5%	(27.0%)	(0.7%)	0.0%	(30.3%)
Geometric Mean	(0.8%)	(1.0%)	(0.5%)	(2.9%)	0.8%	(7.1%)	(6.7%)

Table 3-12: Forecast Annual kWh Usage per Customer/Connection

Year	Residential	GS<50	GS>50	Street Lights	Unmetered Scattered Load	Sentinel Lights	Embedded Distributor
Annual kWh Usage per Customers/Connection							
2016 Actual	8,851	23,034	677,123	612	8,320	852	8,392,542
2017 Test Forecast	8,851	23,034	677,123	594	8,389	852	7,831,162

Table 3-13: Non-normalized Weather Billed Energy Forecast

Year	Residential	GS<50	GS>50	Street Lights	Unmetered Scattered Load	Sentinel Lights	Embedded Distributor	Total
NON-normalized Weather Billed Energy Forecast (kWh)								
2016 Actual	90,966,168	28,273,982	63,649,537	1,763,483	257,907	5,962	41,962,710	226,879,749
2017 Test Forecast	91,695,001	28,625,690	63,649,537	1,712,729	260,059	5,962	39,155,810	225,104,789
2016 Actual kW			199,545	4,764		14	95,468	299,791

Year	Residential	GS<50	GS>50	Street Lights	Unmetered Scattered Load	Sentinel Lights	Embedded Distributor	Total
Non-normalized Weather Billed Energy Forecast (kWh)								
2017 Test Forecast	91,695,001	28,625,690	63,649,537	1,712,729	260,059	5,962	39,155,810	225,104,789
Weather Adjustment (kWh)								
2017 Test Forecast	2,383,674	744,144	1,202,324	0	0	0	0	4,330,141
CDM Adjustment (kWh)								
2017 Test Forecast	(931,042)	(485,231)	(1,936,452)					(3,352,725)
Weather Normalized Billed Energy Forecast (kWh)								
2017 Test Forecast	93,147,633	28,884,603	62,915,408	1,712,729	260,059	5,962	39,155,810	226,082,205

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Reference: Exhibit 3, pages 15-18
ELK 2015 Annual Verified Results Report (excel file)

a) Please provide ELK's 2015-2020 CDM Plan (page 15, line 17).

E.L.K. Response:

E.L.K.'s 2015-2020 CDM Plan has been provided under file name Appendix B –E.L.K. Energy CDM Plan.

b) Please provide the IESO Report for ELK titled – "Final 2015 Annual Verified Results – Annual Persistence Report".

E.L.K. Response:

E.L.K.'s IESO Report titles "Final 2015 Annual Verified Results – Annual Persistence Report" has been provided under file name Appendix C- Final 2015 Annual Verified Results Report – Annual Persistence- E.L.K.

c) With respect to Table 3-15, why were the 2015 values based on ELK's 2015-2020 CDM Plan as opposed its IESO 2015 verified results?

E.L.K. Response:

The 2015 CDM values were based on ELK's 2015-2020 CDM Plan as opposed to IESO 2015 verified results since the 2015 verified results with persistence were not available at the time when the load forecast was prepared for the application.

d) Please update Tables 3-15, 3-16, 3-17, 3-18, 3-19, 3-20 and 3-21 to reflect the 2015 actual verified CDM savings.

E.L.K. Response:

The requested tables are provided below which reflect the 2015 verified results with persistence.

Table 3-15: 2015-2027 Expected Full Year Total kWh Savings			
	2015	2016	2017
2015 Programs	1,797,039	1,775,280	1,743,145
2016 Programs		1,785,578	1,785,578
2017 Programs			1,855,381
Total Applicaable to Target	1,797,039	1,785,578	1,855,381
Total Including Persistence	1,797,039	3,560,858	5,384,104

Table 3-16: 2015-2027 Expected Full Year Residential kWh Savings			
	2015	2016	2017
2015 Programs	499,033	492,990	484,066
2016 Programs		495,850	495,850
2017 Programs			515,234
Total Applicaable to Target	499,033	495,850	515,234
Total Including Persistence	499,033	988,840	1,495,150

Table 3-17: 2015-2027 Expected Full Year GS < 50 KW kWh Savings			
	2015	2016	2017
2015 Programs	260,081	256,932	252,281
2016 Programs		258,422	258,422
2017 Programs			268,524
Total Applicaable to Target	260,081	258,422	268,524
Total Including Persistence	260,081	515,353	779,227

Table 3-18: 2015-2027 Expected Full Year GS > 50 KW kWh Savings			
	2015	2016	2017
2015 Programs	1,037,926	1,025,358	1,006,798
2016 Programs		1,031,306	1,031,306
2017 Programs			1,071,623
Total Applicaable to Target	1,037,926	1,031,306	1,071,623
Total Including Persistence	1,037,926	2,056,665	3,109,727

Table 3-19: Manual CDM Adjsutment by Rate Class (kWh)				
Year	Residential	GS<50	GS>50	Total
2016 Bridge	494,420	257,677	1,028,332	1,780,429
2017 Test	995,500	518,824	2,070,517	3,584,841

Table 3-20: 2017 Expected CDM Savings by Rate Class for LRAM Variance Account				
Year	**Residential**	**GS<50**	**GS>50**	**Total**
2017 Test - kWh	1,011,084	526,946	2,102,929	3,640,959
2017 Test - kW Annual			6,527	6,527
2017 Test - kW Monthly			544	544

Table 3-21: Alignment of Non-normal to Weather Normal Forecast

Year	Residential	GS<50	GS>50	Street Lights	Unmetered Scattered Load	Sentinel Lights	Embedded Distributor	Total
Non-normalized Weather Billed Energy Forecast (GWh)								
2016 Bridge	91.5	29.0	62.3	2.4	0.3	0.0	46.6	232.1
2017 Test	92.2	29.4	62.3	2.4	0.3	0.0	45.1	231.7
Weather Adjustment (GWh)								
2016 Bridge	1.4	0.4	0.7	0.0	0.0	0.0	0.0	2.6
2017 Test	0.8	0.2	0.4	0.0	0.0	0.0	0.0	1.4
CDM Adjustment (GWh)								
2016 Bridge	(0.5)	(0.3)	(1.0)					(1.8)
2017 Test	(1.0)	(0.5)	(2.1)					(3.6)
Weather Normalized Billed Energy Forecast (GWh)								
2016 Bridge	92.4	29.2	62.0	2.4	0.3	0.0	46.6	232.9
2017 Test	92.0	29.1	60.6	2.4	0.3	0.0	45.1	229.5

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Reference: Exhibit 3, page 35 and Filing Requirements Appendix 2-H

a) Please update Appendix 2-H for actual (unaudited if necessary) 2016 values.

E.L.K. Response:

Please see chart below. There are no material variances.

Appendix 2-H
Other Operating Revenue

Table 3-40

USoA #	USoA Description	2012 Actual	2013 Actual	2014 Actual	2015 Actual	Actual	Test Year
		2012	2013	2014	2015	2016	2017
	Reporting Basis	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS	MIFRS
4082	Retail Services Revenues	$ 16,055	$ -	$ -	$ -	$ -	$ -
4084	Serv Tx Requests	$ 256	$ -	$ -	$ -	$ -	$ -
4210	Rent from Electric Property	$ 46,273	$ 46,006	$ 46,336	$ 45,894	$ 46,279	$ 45,947
4215	Other Utility Operating Income	$ 21,381	$ 50,086	$ 14,720	$ -	$ 10,445	$ 2,500
4220	Other Electric Revenues	$ 376,254	$ 227,226	$ 2,983	$ -	$ -	$ -
4225	Late Payment Charges	$ 108,646	$ 111,041	$ 107,336	$ 120,092	$ 122,163	$ 114,623
4235	Miscellaneous Service Charges	$ 108,922	$ 72,073	$ 77,125	$ 75,229	$ 65,796	$ 81,670
4305	Regulatory Debits	$ -	-$ 459,136	$ -	$ -	$ -	$ -
4325	Revenues from merchandise, Jobbing	$ 25	$ 22	$ -	$ -	$ -	$ -
4330	Costs & expenses of merchandising, jobbing	-$ 11,776	$ -	$ -	$ -	$ -	$ -
4355	Gain on Disposition of utility & other property	$ 20,222	$ -	$ 20,000	$ -	$ 50,385	$ -
4375	Revenues from non-utility operations	$ 465,964	$ 631,400	$ 448,790	$ 739,901	$ 917,118	$ 571,514
4380	Expenses of non-utility operations	-$ 144,017	-$ 471,978	-$ 329,185	-$ 329,072	-$ 470,223	-$ 318,563
4390	Miscellaneous non-operating income	$ 925	$ 548	$ -	$ 24,582	$ -	$ 8,685
6300	Unrealized Gain (Loss) on Investment	$ 11,026	$ 16,457	$ 6,494	$ 136,241	$ 12,398	$ -
4405	Interest and Dividend Income	$ 79,663	$ 189,491	$ 183,343	$ 42,122	$ 56,444	$ 42,122
Specific Service Charges		$ 108,922	$ 72,073	$ 77,125	$ 75,229	$ 65,796	$ 81,670
Late Payment Charges		$ 108,646	$ 111,041	$ 107,336	$ 120,092	$ 122,163	$ 114,623
Other Operating Revenues		$ 460,219	$ 323,318	$ 64,039	$ 45,894	$ 56,724	$ 48,447
Other Income or Deductions		$ 411,008	-$ 109,654	$ 322,948	$ 477,533	$ 553,724	$ 303,758
Total		$ 1,088,795	$ 396,779	$ 571,448	$ 718,747	$ 798,407	$ 548,498

b) The 2017 Other Revenues set out in Table 3-46 differ from those in Appendix 2-H, please reconcile.

E.L.K. Response:

Please see revised Table 3-46

Table 3-46: Comparision 2016 Bridge to 2017 Test				
Other Distribution Revenue	2016 Bridge	2017 Test	Difference $	Difference %
Specific Service Charges	$ 75,000.00	$ 81,670.00	$ 6,670.00	9%
Late Payment Charges	$ 126,000.00	$ 114,623.00	-$ 11,377.00	-9%
Other Operating Revenues	$ 51,000.00	$ 48,447.00	-$ 2,553.00	-5%
Other Income or Deductions	$ 354,017.00	$ 303,758.00	-$ 50,259.00	-14%
Total	**$ 606,017.00**	**$ 548,498.00**	**$ 57,519.00**	**9%**

c) With respect to page 35 (lines 10-13), what was the total gain on the property sale in 2016 and how was ½ of this refunded to ratepayers?

E.L.K. Response:

Please refer to 1-Staff-5

3-SEC-16
[Ex.3, p.31] Please provide a revised version of Appendix 2-H with 2016 year-end actuals. Please explain all material variances between 2016 forecast and actuals.

E.L.K. Response:

Please refer to 3-VECC-24

3-SEC-17
[Ex.3, p.31] Please explain the basis for the test year forecast of the following other distribution revenue categories:

a. Revenues for non-utility operations
b. Expenses from non-utility operations
c. Late payment charges

E.L.K. Response:

E.L.K. used the average of the prior 5 years for (a), (b), and (c) above

d. Interest and Dividend Income

E.L.K. Response:

E.L.K. used the 2015 actual as E.L.K. felt this was the most conservative and representative method of estimation for this account.

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?

E.L.K. Response:

With all of E.L.K.'s distribution system being located in an urban environment, increasing the clearance the trees are trimmed to would cause substantial portions of mature trees being removed. This would not be well received by the rate payers or the Municipalities as they would be the owners of these trees.

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?

E.L.K. Response:

E.L.K. attempted to negotiate Canadian prices due to the volatility, but Sensus has refused to renegotiate this clause.

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?

E.L.K. Response:

E.L.K. proceeded through the London RFQ process and Sensus was the approved successful vendor through the entire process. The process was mandated and each utility as part of the London RFQ process was required to follow all steps and required to come to an agreement with the vendor that was approved and selected.

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.

E.L.K. Response:

The line staff possessed an error; the amounts should have been $110,000 and not $120,000.

	Mngt 1	Mngt 2	Lineman 1	Lineman 2
Salary	$ 100,000	$ 80,000	$ 89,440	$ 89,440
Overtime	$ -	$ -	$ 2,150	$ 2,150
Benefits	$ 6,426	$ 6,426	$ 6,426	$ 6,426
CPP	$ 2,544	$ 2,544	$ 2,544	$ 2,544
EI	$ 955	$ 955	$ 955	$ 955
EHT	$ 2,145	$ 1,755	$ 1,744	$ 1,744
WSIB	$ 235	$ 21	$ -	$ -
Omers	$ 10,000	$ 10,000	$ 10,000	$ 10,000
	$ 122,306	$ 101,702	$ 113,260	$ 113,260
Round	$ 125,000	$ 100,000	$ 110,000	$ 110,000

b) Are the two new lines staff fully qualified or will they be apprentices?

E.L.K. Response:

The two new line staffs are currently fully qualified.

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.

E.L.K. Response:

Please see revised Table 4-28, which now agrees with Appendix 2-CH. It appears to have been a formula issue. As well, please see below PILS model updated with 2016 actual in which KPMG prepared.

Table 4-28 total depreciation expense is $201,409.

Table 4-28

Accounting Standard	MIFRS
Year	2016

Account	Descriptio	Opening Regulatory Gross PP&E as at Jan. 1 (a)	Less Fully Depreciated (b)	Net for Depreciation (c)	Additions (d)	Total for Depreciation [2] (e) = (c) + ½ x (d)	Years (f)	Depreciation Rate (g) = 1 / (f)	Current Year Depreciation Expense (h) = (e) / (f)	Depreciation Expense per Appendix 2-BA Fixed Assets, Column J (I)	Variance [3] m) = (h) - (I)
1611	Computer Software (Formally known as Account 1925)	$ 259,251	$ 239,726	$ 19,525	$ 1,500	$ 20,275	5.00	20.00%	$ 4,055	$ 4,055	$ -
1612	Land Rights (Formally known as Account 1906)	$ 2,945	$ 2,945	$ -		$ -	5.00	20.00%	$ -		$ -
1805	Land	$ 2,112	$ -	$ 2,112		$ 2,112		0.00%	$ -		$ -
1808	Buildings			$ -		$ -		0.00%	$ -		$ -
1810	Leasehold Improvements			$ -		$ -		0.00%	$ -		$ -
1815	Transformer Station Equipment >50 kV			$ -		$ -		0.00%	$ -		$ -
1820	Distribution Station Equipment <50 kV	$ 142,098	$ 140,238	$ 1,860		$ 1,860	30.00	3.33%	$ 62	$ 62	$ -
1825	Storage Battery Equipment			$ -		$ -		0.00%	$ -		$ -
1830	Poles, Towers & Fixtures	$ 1,087,164	$ 114,499	$ 972,665	$ 83,000	$ 1,014,165	45.00	2.22%	$ 22,537	$ 22,537	$ -
1835	Overhead Conductors & Devices	$ 6,502,230	$ 4,236,790	$ 2,265,440	$ 44,000	$ 2,287,440	60.00	1.67%	$ 38,124	$ 38,124	$ -
1840	Underground Conduit	$ 2,216,428	$ 132,228	$ 2,084,200	$ 180,000	$ 2,174,200	50.00	2.00%	$ 43,484	$ 43,484	$ -
1845	Underground Conductors & Devices	$ 8,323,875	$ 3,978,815	$ 4,345,060	$ 425,000	$ 4,557,560	40.00	2.50%	$ 113,939	$ 113,939	$ -
1850	Line Transformers	$ 6,389,028	$ 2,925,048	$ 3,463,980	$ 417,000	$ 3,672,480	40.00	2.50%	$ 91,812	$ 91,812	$ -
1851	Line Transformers- Pad Mounted Switchgear	$ 8,515	-$ 5	$ 8,520	$ 2,000	$ 9,520	20.00	5.00%	$ 476	$ 476	$ -
1852	Line Transformers- Underground Foundations & UG Vaults	$ 73,945	-$ 10,055	$ 84,000	$ 6,000	$ 87,000	60.00	1.67%	$ 1,450	$ 1,450	$ 0
1855	Services (Overhead & Underground)	$ 1,031,062	-$ 37,463	$ 1,068,525	$ 128,000	$ 1,132,525	25.00	4.00%	$ 45,301	$ 45,301	$ -
1860	Meters			$ -		$ -		0.00%	$ -		$ -
1861	Meters- Residential SM (Including Repeaters & Data Collectors)	$ 1,324,006	-$ 3,874	$ 1,327,880	$ 9,000	$ 1,332,380	10.00	10.00%	$ 133,238	$ 133,238	-$ 0
1862	Meters- Industrial/ Commercial	$ 322,576	-$ 198,584	$ 521,160	$ 30,000	$ 536,160	15.00	6.67%	$ 35,744	$ 35,744	-$ 0
1863	Meters- Wholesale	$ 1,013	$ 3	$ 1,010	$ 5,000	$ 3,510	15.00	6.67%	$ 234	$ 234	$ -
1864	Meters- CT's /PT's	$ 109,232	-$ 22,528	$ 131,760	$ 2,000	$ 132,760	40.00	2.50%	$ 3,319	$ 3,319	$ -
1860	Meters (Smart Meters)			$ -		$ -		0.00%	$ -		$ -
1905	Land	$ 171,765		$ 171,765		$ 171,765		0.00%	$ -		$ -
1908	Buildings & Fixtures	$ 665,443	$ 7,539,116	-$ 6,873,673	-$ 233,155	-$ 6,990,250	50.00	2.00%	-$ 139,805	-$ 139,805	-$ 0
1910	Leasehold Improvements			$ -		$ -		0.00%	$ -		$ -
	Office Furniture										

1861	Meters-Residential SM (Including Repeaters & Data Collectors)	$1,324,006	-$ 3,874	**$ 1,327,880**	$ 9,000	**$ 1,332,380**	10.00	10.00%	**$ 133,238**	$ 133,238	**-$ 0**
1862	Meters-Industrial/ Commercial	$ 322,576	-$ 198,584	**$ 521,160**	$ 30,000	**$ 536,160**	15.00	6.67%	**$ 35,744**	$ 35,744	**-$ 0**
1863	Meters-Wholesale	$ 1,013	$ 3	**$ 1,010**	$ 5,000	**$ 3,510**	15.00	6.67%	**$ 234**	$ 234	**$ -**
1864	Meters-CT's /PT's	$ 109,232	-$ 22,528	**$ 131,760**	$ 2,000	**$ 132,760**	40.00	2.50%	**$ 3,319**	$ 3,319	**$ -**
1860	Meters (Smart Meters)			**$ -**		**$ -**		0.00%	**$ -**		**$ -**
1905	Land	$ 171,765		**$ 171,765**		**$ 171,765**		0.00%	**$ -**		**$ -**
1908	Buildings & Fixtures	$ 665,443	$ 7,539,116	**-$ 6,873,673**	-$ 233,155	**-$ 6,990,250**	50.00	2.00%	**-$ 139,805**	-$ 139,805	**-$ 0**
1910	Leasehold Improvements			**$ -**		**$ -**		0.00%	**$ -**		**$ -**
1915	Office Furniture & Equipment (10 years)	$ 252,992	$ 204,472	**$ 48,520**	$ 49,000	**$ 73,020**	10.00	10.00%	**$ 7,302**	$ 7,302	**$ -**
1915	Office Furniture & Equipment (5 years)			**$ -**		**$ -**		0.00%	**$ -**		**$ -**
1920	Computer Equipment - Hardware	$ 403,765	$ 359,475	**$ 44,290**	$ 52,000	**$ 70,290**	5.00	20.00%	**$ 14,058**	$ 14,058	**$ -**
1920	Computer Equip.- Hardware(Post Mar. 22/04)			**$ -**		**$ -**		0.00%	**$ -**		**$ -**
1920	Computer Equip.- Hardware(Post Mar. 19/07)			**$ -**		**$ -**		0.00%	**$ -**		**$ -**
1930	Transportation Equipment			**$ -**		**$ -**	8.00	12.50%	**$ -**		**$ -**
1931	Transportation Equipment- Heavy Vehicles	$ 116,061	-$ 62,869	**$ 178,930**	$ 22,000	**$ 189,930**	15.00	6.67%	**$ 12,662**	$ 12,662	**-$ 0**
1932	Transportation Equipment- Light vehicles	$ 171,179	$ 41,515	**$ 129,664**		**$ 129,664**	8.00	12.50%	**$ 16,208**	$ 16,208	**$ -**
1933	Transportation Equipment- Underground	$ 70,712	$ 2	**$ 70,710**		**$ 70,710**	10.00	10.00%	**$ 7,071**	$ 7,071	**$ -**
1935	Stores Equipment			**$ -**		**$ -**		0.00%	**$ -**		**$ -**
1940	Tools, Shop & Garage Equipment	$ 385,936	$ 300,176	**$ 85,760**	$ 8,000	**$ 89,760**	10.00	10.00%	**$ 8,976**	$ 8,976	**$ -**
1945	Measurement & Testing Equipment			**$ -**		**$ -**		0.00%	**$ -**		**$ -**
1950	Power Operated Equipment			**$ -**		**$ -**		0.00%	**$ -**		**$ -**
1955	Communications Equipment	$ 36,873	$ 23,303	**$ 13,570**		**$ 13,570**	10.00	10.00%	**$ 1,357**	$ 1,357	**$ -**
1955	Communication Equipment (Smart Meters)			**$ -**		**$ -**		0.00%	**$ -**		**$ -**
1960	Miscellaneous Equipment			**$ -**		**$ -**		0.00%	**$ -**		**$ -**
1970	Load Management Controls - Customer Premi			**$ -**		**$ -**		0.00%	**$ -**		**$ -**
1975	Load Management Controls Utility										

1960	Miscellaneous Equipment			$ -		$ -		0.00%	$ -		$ -
1970	Load Management Controls - Customer Premi			$ -		$ -		0.00%	$ -		$ -
1975	Load Management Controls Utility Premises			$ -		$ -		0.00%	$ -		$ -
1980	System Supervisor Equipment			$ -		$ -		0.00%	$ -		$ -
1985	Sentinel Lights Open	$ 15	$ 15	$ -		$ -	10.00	10.00%	$ -		$ -
1990	Other Tangible Property			$ -		$ -		0.00%	$ -		$ -
1995	Contributions & Grants	-$6,342,546	$ 38,813	**-$ 6,381,359**	-$ 247,033	**-$ 6,504,875**	25.00	4.00%	**-$ 260,195**	-$ 260,195	**$ -**
	Total	#########	**$ 19,941,800**	**$ 3,785,875**	**$ 983,312**	**$ 4,277,531**			**$ 201,409**	**$ 201,409**	**-$ 0**
	Depreciation exp. adj. from gain or loss on the retirement of assets (pool of like assets) (under MIFRS)										
	Total Depreciation Expense								**$ 201,409**		

Adjusted Taxable Income - Bridge Year

	T2S1 line #	Working Paper Reference	Total for Regulated Utility
Income before PILs/Taxes	A		903,152

Additions:			
Interest and penalties on taxes	103		712
Amortization of tangible assets	104		607,293
Amortization of intangible assets	106		
Recapture of capital cost allowance from Schedule 8	107		
Gain on sale of eligible capital property from Schedule 10	108		
Income or loss for tax purposes- joint ventures or partnerships	109		
Loss in equity of subsidiaries and affiliates	110		
Loss on disposal of assets	111		
Charitable donations	112		
Taxable Capital Gains	113		
Political Donations	114		
Deferred and prepaid expenses	116		
Scientific research expenditures deducted on financial statements	118		
Capitalized interest	119		
Non-deductible club dues and fees	120		
Non-deductible meals and entertainment expense	121		81
Non-deductible automobile expenses	122		
Non-deductible life insurance premiums	123		
Non-deductible company pension plans	124		
Tax reserves deducted in prior year	125	B13	2,486,211
Reserves from financial statements- balance at end of year	126	B13	3,628,584
Soft costs on construction and renovation of buildings	127		
Book loss on joint ventures or partnerships	205		
Capital items expensed	206		
Debt issue expense	208		
Development expenses claimed in current year	212		
Financing fees deducted in books	216		
Gain on settlement of debt	220		
Non-deductible advertising	226		
Non-deductible interest	227		

Non-deductible legal and accounting fees	228		
Recapture of SR&ED expenditures	231		
Share issue expense	235		
Write down of capital property	236		
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237		
Other Additions			
Interest Expensed on Capital Leases	290		
Realized Income from Deferred Credit Accounts	291		
Pensions	292		
Non-deductible penalties	293		
	294		
	295		
ARO Accretion expense			
Capital Contributions Received (ITA 12(1)(x))			
Lease Inducements Received (ITA 12(1)(x))			
Deferred Revenue (ITA 12(1)(a))			
Prior Year Investment Tax Credits received			

Total Additions			**6,722,881**
Deductions:			
Gain on disposal of assets per financial statements	401		100,644
Dividends not taxable under section 83	402		
Capital cost allowance from Schedule 8	403	B8	751,670
Terminal loss from Schedule 8	404		
Cumulative eligible capital deduction from Schedule 10	405	B10	20,414
Allowable business investment loss	406		
Deferred and prepaid expenses	409		
Scientific research expenses claimed in year	411		
Tax reserves claimed in current year	413	B13	3,102,839
Reserves from financial statements - balance at beginning of year	414	B13	3,067,788
Contributions to deferred income plans	416		
Book income of joint venture or partnership	305		
Equity in income from subsidiary or affiliates	306		
Other deductions: (Please explain in detail the nature of the item)			
Interest capitalized for accounting deducted for tax	390		
Capital Lease Payments	391		
Non-taxable imputed interest income on deferral and variance accounts	392		
	393		
	394		
ARO Payments - Deductible for Tax when Paid			
ITA 13(7.4) Election - Capital Contributions Received			
ITA 13(7.4) Election - Apply Lease Inducement to cost of Leaseholds			
Deferred Revenue - ITA 20(1)(m) reserve			
Principal portion of lease payments			
Lease Inducement Book Amortization			

ARO Payments - Deductible for Tax when Paid			
ITA 13(7.4) Election - Capital Contributions Received			
ITA 13(7.4) Election - Apply Lease Inducement to cost of Leaseholds			
Deferred Revenue - ITA 20(1)(m) reserve			
Principal portion of lease payments			
Lease Inducement Book Amortization credit to income			
Financing fees for tax ITA 20(1)(e) and (e.1)			
Unrealized gain on investments			12,398
Total Deductions		calculated	**7,055,753**
Net Income for Tax Purposes		calculated	**570,280**
Charitable donations from Schedule 2	311		
Taxable dividends deductible under section 112 or 113, from Schedule 3 (item 82)	320		
Non-capital losses of preceding taxation years from Schedule 4	331	B4	0
Net-capital losses of preceding taxation years from Schedule 4 *(Please include explanation and calculation in Manager's summary)*	332		
Limited partnership losses of preceding taxation years from Schedule 4	335		
TAXABLE INCOME		calculated	**570,280**

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.

E.L.K. Response:

The unit costing for water only customers is $6.59. Customers that have hydro and water, the cost is $3.69.

b) Please provide the rationale behind the 20% mark-up and the business justification.

E.L.K. Response:

The cost component includes management, supervisor and billing staff time, as well as printer cost, paper, envelopes, postage, toner, inserter equipment. Mark-up is intended to cover additional cost increases as well as a reasonable income component.

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.

E.L.K. Response:

E.L.K. purchases the following materials form Anixter Power Solutions:

- Pole line hardware;
- Overhead/underground primary and secondary wire;
- Transformers;
- Switching units;
- Connectors;
- Duct.

4-Staff-32
Regulatory Costs
Ref: Chapter 2 Appendix 2-M Regulatory Cost Schedule
In Appendix 2-M 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

E.L.K. Response:

The written evidence on page 64 of Exhibit 4 stated OEB and Intervenor expenses have been forecasted at $50,000. This amount should actually read $60,000. $10,000 for intervenor costs and $50,000 OEB costs. This ties to Appendix 2M.

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.

E.L.K. Response:

E.L.K. does not possess any distribution station equipment. The Net Book Value is virtually zero. E.L.K. kept the depreciation the same under IFRS as it was not applicable. With respect to pad-mounted switchgears, prior to the transition to IFRS, switchgears were included with transformers. However, the existing net book value was minimal. For future years, a new account for new pad mounted switchgears was created. The new equipment has more electronic components and this could lead to lower useful life. Non-physical factors are considered to be high because of the technological obsolescence risk associated with these assets. While the core unit should last 30 years, the four processors in the unit will likely not last thirty years due to obsolescence. E.L.K. has assessed switchgear life relative to the Kinetrics report and determined UFs experienced are consistent with the typical useful life in the Kinetrics report with the exception of the non-physical factors ("NPF"). E.L.K. has assessed the NPF as high compared to that of Kinetrics which is low. E.L.K. believes a twenty year life is appropriate based on this obsolescence factor, which is below the thirty year typical life per the Kinetrics Report.

4.0-VECC-25

Reference: E4/pg.8

a) Please provide a table showing employees (year-end) by job category (lineman, executive, billing etc.) in 2012 and 2016.
b) Please provide the same for each year 2017 through 2021

E.L.K. Response:

Please see attached below

Employees	2012	2016	2017	2018	2019	2020	2021
Management	4	4	6	6	6	6	6
Lineman	12	11	13	13	13	13	13
Billing/Support	4	4	4	4	4	4	4

4.0-VECC-26

Reference: E4/

a) Please provide the cost of EDA membership for the years 2012 through 2017 (forecast).

E.L.K. Response:

The Cost of EDA membership for 2012 through 2017 is below:
2012 $28,450
2013 $29,800
2014 $31,100
2015 $32,200
2016 $32,500
2017 $32,800

4.0-VECC-27

Reference: E4/pg.16

a) Please confirm that E.L.K.'s 2012 OM&A forecast (EB-2011-0099) did not include any ongoing smart meter costs.

E.L.K. Response:

E.L.K. confirms that it did not include any ongoing smart meter costs in its EB-2011-0099 application.

b) Please provide a breakdown of the $100,000 in annual incremental costs related to smart metering. Please show any offset reduction to costs related to meter reading.

E.L.K. Response:

The incremental annual costs related to smart metering relate to monthly E.L.K.'s Operational Data Store of approximately $2,000 per month totaling $24,000 as well as Sensus meter costs of approximately $8,000 per month totaling $96,000.

c) How much of this increase is due to the change in exchange rates as between 2012 and forecast 2017?

E.L.K. Response:

E.L.K. estimates approximately 15-20%

4-VECC-28

Reference: E4/pg.18

a) Please provide the source for the "Canada economics" inflation forecast of 2.9% by 2020."

E.L.K. Response:

Please see below

http://www.tradingeconomics.com/canada/forecast

Canada | Economic Forecasts | 2016-2020 Outlook

Overview	Actual	Q2/17	Q3/17	Q4/17	Q1/18	2020	
GDP Growth Rate (/canada/gdp-growth/forecast)	0.60	0.5	0.3	0.7	0.6	0.6	percent
Unemployment Rate (/canada/unemployment-rate/forecast)	6.60	6.5	6.6	6.8	6.9	6.7	percent
Inflation Rate (/canada/inflation-cpi/forecast)	2.00	2.2	2.1	2.3	2.2	2.9	percent

4-VECC-29

Reference: E4/pg. 21

a) Does E.L.K.'s 2017 OM&A forecast include monies for CDM programs (development or implementation)? If yes please explain what revenue offsets are forecast for this activity.

E.L.K. Response:

Total CDM programs are eliminated as they are non-rate regulated items.

4.0-VECC-30

Reference: E4/pg.22

a) Please provide a breakdown of the $150,000 in outside services forecast for 2017.
b) Please indicate what of these amounts E.L.K. has already contracted for.

E.L.K. Response:

E.L.K. obtained a budget from Innovative Research Group of $70,000 for a complete customer engagement initiative. Further, the involvement of the Leave to Construct is estimated at $50,000 as costs over $30,000 have previously been incurred and are a good indicator of future costs that could swell to over $50,000 related to this matter. Additional costs for social media are included as well as future internal customer engagement initiatives such as potential town hall meetings, or media advertising, correspondence and education, accounts for the remainder $30,000. E.L.K. is currently finalizing a social media platform. Total costs can be estimated at approximately $10,000. No other major costs have been contracted for at this time.

4.0-VECC-31

Reference: E4/Appendix 2-JC

a) Please update Appendix 2-JC to include 2016 actuals (unaudited).

E.L.K. Response:

Please see unaudited 2016 actuals for Appendix 2-JC

Appendix 2-JC
OM&A Programs Table

Programs	Last Rebasing Year (2012 Board-Approved)	Last Rebasing Year (2012 Actuals)	2013 Actuals	2014 Actuals	2015 Actuals	2016 Actuals	2017 Test Year	Variance (Test Year vs. 2015 Actuals)	Variance (Test Year vs. Last Rebasing Year (2012 Board-Approved)
Reporting Basis									
Customer Service, Billing & Collecting	412,000	423,100	424,333	468,632	436,822	495,279	472,941	36,119	60,941
Bad Debts	253,000	64,799	84,277	51,007	36,727	50,394	75,000	38,273	-178,000
Locates	100,000	126,644	135,735	159,904	180,468	182,862	395,734	215,266	295,734
Customer Engagement	10,000	20,659	10,567	8,549	-12,807	4,840	11,822	24,629	1,822
Executive, Financial, Professional & Insu	664,500	572,874	564,595	589,149	604,521	620,221	1,013,853	409,332	349,353
Regulatory Reporting and Assessments	109,408	146,939	249,939	33,619	68,693	170,076	150,000	81,307	40,592
Office Information & Technology	88,000	83,141	82,190	86,309	79,380	79,048	84,423	5,043	-3,577
Meter Maintenance & Readings	150,064	113,364	114,860	92,716	308,845	234,217	452,383	143,538	302,319
Overhead Operations/Maintenance	261,000	418,226	334,112	389,962	538,606	319,878	515,286	-23,320	254,286
Underground Operations/Maintenance	202,000	177,681	126,848	154,225	166,053	179,587	154,562	-11,491	-47,438
Distribution System Maintenance	61,000	51,209	57,925	41,344	41,825	49,078	45,264	3,439	-15,736
Education, Health & Safety	64,000	43,108	48,640	48,239	48,039	67,519	58,700	10,661	-5,300
Building & Maintenance/Fleet	64,000	97,212	67,038	89,280	83,638	71,515	79,434	-4,204	15,434
Miscellaneous	10,000	-152,155	-146,211	9,650	12,785	9,640	18,487	5,702	8,487
Sub-Total	2,448,972	2,186,801	2,154,848	2,222,585	2,593,595	2,534,155	3,527,889	934,294	1,078,917
Miscellaneous								0	0
Total	**2,448,972**	**2,186,801**	**2,154,848**	**2,222,585**	**2,593,595**	**2,534,155**	**3,527,889**	**934,294**	**1,078,917**

4.0-VECC-32

Reference: E4/pgs.24 & 64

a) Please provide a table showing the total expected 400k cost of this applications costs by category: legal, consulting, intervenor, cost. Please show the amount spent to date on each category.

E.L.K. Response:

Below are the estimated application costs that E.L.K. used within this application

Estimated Cost of Service Cost					
	2016	**2017**	**2018**	**2019**	**2020**
Legal	40,000	40,000	40,000	40,000	40,000
Consulating	40,000	40,000	40,000	40,000	40,000

E.L.K. has incurred $144,213 related to 2016. E.L.K. does not break out consulting and legal separately for accounting purposes.

b) Are any of the costs of this application shown in Appendix 2-JA in the 2016 Bridge Year? If yes please provide the amount shown in 2016 OM&A.

E.L.K. Response:

E.L.K. has incurred $144,213 related to 2016. E.L.K. does not break out consulting and legal separately for accounting purposes.

4.0-VECC-33

Reference: E4/Appendix 2-JC & Table 4-14. Pgs. 41 & 43

a) Please provide the increase for only locates in 2012 through 2017.

E.L.K. Response:

Please see chart below

	2012	**2013**	**2014**	**2015**	**2016**
Locates	126,644	135,735	159,904	180,468	182,862

4.0-VECC-34

Reference: E4/pg.29

a) Please provide the forecast costs related to the ongoing issues of the SECTR project.

E.L.K. Response:

E.L.K. has forecasted approximately $50,000 related to the SECTR project.

b) Please explain how much of this cost is forecast for recovery in 2017 OM&A.

E.L.K. Response:

E.L.K. anticipates none will be recoverable through the OEB.

4.0-VECC-35

Reference: E4/pg.37 & 41

a) Please provide the increase in postage costs for 2012 through 2017.
b) Please reconcile the postage costs states at page 37 (102k in 2013 and 137k in 2014 with Tables 4-21 to 4-24 where it shows payments to Canada post declining from 115k in 2013 to 96k in 2016.

E.L.K. Response:

E.L.K. reviewed postage costs again, and they are the following. The amounts in tables were incorrect and the 2016 number of $96,000 did not include the entire year of data.

2012- $102,043
2013- $102,803
2014- $137,409
2015- $102,634
2016- $137,265

4.0-VECC-36

Reference: E4/pg. 37

a) In discussing third party professional fees E.L.K. states: "*The majority of this increase, approximately $70,000 or 60% specifically relates to new customer engagement activities E.L.K. will be completing as well as increased costs of professional accounting services due to the implementation of IFRS and*…" Has E.L.K. included IFRS transition costs in the 2017 OM&A.? If yes please identify the amount.

E.L.K. Response:

E.L.K. has included approximately $20,000 for IFRS additional work.

4.0-VECC-37

Reference: E4/pg.38 & Table 4-14. Pgs. 41-42

a) Appendix 2-JC shows in 2012 the Board approved Bad debt amount was $253,000. Please explain why E.L.K. forecast such a high amount (the actual was 65k).

E.L.K. Response:

E.L.K. forecast such a high amount based on past trends. The forecast was based on the average of 2010 and 2011 actual reported numbers.

b) Please explain how the bad debt forecast for 2017 was calculated.

E.L.K. Response:

The bad debt forecast for 2017 was the average of previous 5 years actual results.

4.0-VECC-38

Reference: E4/pg.17

a) Please provide the vegetation management costs for 2012 through 2017.

E.L.K. Response:

The vegetation management costs for 2012 to 2016 are:

2012 - $176,950.45
2013 - $170,826.40
2014 - $231,614.53
2015 - $320,686.77
2016 - $74,828.46

4.0-VECC-39

Reference: E4/pg.49/Table 4-16 (Appendix 2-K)

a) Please amend Appendix 2-K to

i. show for each year the total amount of employee cost capitalized;

E.L.K. Response:

The total amount of employee cost capitalized from 2012 through 2016 is approximately:
2012 - $327,192
2013 - $530,416
2014 - $395,082
2015 - $267,273
2016 - $410,283

ii. separate non-management to show union and non-union separate;

E.L.K. Response:

Non- management is all union with the exception of one billing and one administrative staff totaling approximately $42,000 in 2016.

iii. separate the costs of directors and retirees.

E.L.K. Response:

Please see below

	2012	2013	2014	2015	2016
Director's	22,208	20,696	19,199	24,813	23,362
Retiree's	5,436	5,399	3,932	3,496	3,496

b) Please explain why retirees are included as employee costs?

E.L.K. Response:

This is a cost to the company although very minimal in nature as shown above.

4.0-VECC-40

Reference: E4/pgs. 49-

a) Please provide a table showing each incremental positon since 2012; a description of each new positon; reason/rationale for the positon; the salary/benefit range for that position (not actual salary) and the hiring or expected hiring date of the positon. If the position for the purpose of succession planning please show the year the retirement is expected.

E.L.K. Response:

There have been no incremental positions since 2012.

4.0-VECC-41

Reference: E4/pg.53 Table 4-19

a) For ratemaking purposes does E.L.K. account for post-employment benefits on a cash or accrual basis?

E.L.K. Response:

E.L.K. accounts for post-employment benefits using the accrual basis.

4.0-VECC-42

Reference: E4/pg. 56 Appendix 2-N

a) Please provide Appendix 2-N for 2012 actuals.

E.L.K. Response:

Please see 2-N for 2012 actuals

Appendix 2-N

Shared Services and Corporate Cost Allocation [1]

Year: 2012

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$
E.L.K. Energy Inc.	E.L.K. Solutions Inc.	Streetlighting, Sentinel Lighting and Water Heaters	Cost	143000	143000
E.L.K. Energy Inc.	Town of Essex	Billing Function for Water Department	Cost Base plus mark-up	240000	200000

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	$
E.L.K. Energy Inc.	E.L.K. Solutions Inc.	Streetlighting, Sentinel Lighting and Water Heaters	Cost	100	143000
E.L.K. Energy Inc.	Town of Essex	Billing Function for Water Department	Cost Base plus mark-up	100	240000

b) Please explain why there is no increase in the costs of these services as between 2016 and 2017 and notwithstanding the significant OM&A increase proposed by E.L.K.

E.L.K. Response:

E.L.K. has yet to review and analyze the 2017 specific cost and mark-up analysis in detail, i.e. toner costs, paper costs, bill insert machine costs, etc. so used 2016 as a base to be conservative in nature.

c) For 2017 please show the derivation of the costs for the services provided to E.L.K. Solutions and the Town of Essex.

E.L.K. Response:

With respect to E.L.K. Solutions, data for this subsidiary is reviewed semi-annually or yearly and E.L.K. does not possess the information at this time. With respect to the Town of Essex, E.L.K. is consistent with 2016. At the end of Q1 2017, the price for the service is approximately $97,000 where the cost is approximately $81,000.

4.0 -VECC -43

Reference: Exhibit 4, LRAMVA Work Form

a) Please provide the a copies of the sources used to establish the persisting 2015 kWh values in Tables 7, 8, 9 and 10 of the LRAMVA Work Form from 2011, 2012, 2014 and 2014 CDM programs respectively along with any supporting calculations used.

E.L.K. Response:

The sources used to establish the persisting 2015 kWh values in Tables 7, 8, 9 and 10 of the LRAMVA Work Form from 2011, 2012, 2013 and 2014 CDM programs was based on information provided in file named 2011-2014 Persistence Report_E.L.K. Energy Inc. This file will be provided in live Excel format as part of the material with the interrogatory responses.

4-SEC-18

[Ex.4] Please provide a revised version of the following appendices with 2016 year-end actuals. Please explain all material variances between 2016 forecast and actuals.

a. 2-JA

Appendix 2-JA
Summary of Recoverable OM&A Expenses

	Last Rebasing Year (2012 Board-Approved)	Last Rebasing Year (2012 Actuals)	2013 Actuals	2014 Actuals	2015 Actuals	2016 Bridge Year	2017 Test Year
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	MIFRS	MIFRS	MIFRS
Operations	$ 291,000	$ 272,543	$ 233,391	$ 260,055	$ 263,090	$ 284,290	$ 642,274
Maintenance	$ 455,000	$ 604,288	$ 491,922	$ 546,411	$ 939,207	$ 643,178	$ 900,026
SubTotal	**$ 746,000**	**$ 876,831**	**$ 725,313**	**$ 806,466**	**$ 1,202,297**	**$ 927,468**	**$ 1,542,300**
%Change (year over year)				-8.0%	49.1%	-22.9%	66.3%
%Change (Test Year vs Last Rebasing Year - Actual)							75.9%
Billing and Collecting	$ 775,064	$ 564,380	$ 582,646	$ 587,255	$ 527,861	$ 619,000	$ 598,394
Community Relations	$ 10,000	$ 16,790	$ 10,391	$ 5,499	-$ 12,807	$ 4,000	$ 11,822
Administrative and General	$ 917,946	$ 724,931	$ 836,495	$ 823,367	$ 876,245	$ 1,032,000	$ 1,356,881
SubTotal	**$ 1,703,010**	**$ 1,306,101**	**$ 1,429,532**	**$ 1,416,121**	**$ 1,391,299**	**$ 1,655,000**	**$ 1,967,097**
%Change (year over year)				8.4%	-1.8%	19.0%	18.9%
%Change (Test Year vs Last Rebasing Year - Actual)							50.6%
Total	**$ 2,449,010**	**$ 2,182,932**	**$ 2,154,845**	**$ 2,222,587**	**$ 2,593,596**	**$ 2,582,468**	**$ 3,509,397**
%Change (year over year)				1.8%	16.7%	-0.4%	35.9%

	Last Rebasing Year (2012 Board-Approved)	Last Rebasing Year (2012 Actuals)		2014 Actuals	2015 Actuals	2016 Bridge Year	2017 Test Year
Operations	$ 291,000	$ 272,543		$ 260,055	$ 263,090	$ 284,290	$ 642,274
Maintenance	$ 455,000	$ 604,288		$ 546,411	$ 939,207	$ 643,178	$ 900,026
Billing and Collecting	$ 775,064	$ 564,380		$ 587,255	$ 527,861	$ 619,000	$ 598,394
Community Relations	$ 10,000	$ 16,790		$ 5,499	-$ 12,807	$ 4,000	$ 11,822
Administrative and General	$ 917,946	$ 724,931		$ 823,367	$ 876,245	$ 1,032,000	$ 1,356,881
Total	**$ 2,449,010**	**$ 2,182,932**		**$ 2,222,587**	**$ 2,593,596**	**$ 2,582,468**	**$ 3,509,397**
%Change (year over year)				1.8%	16.7%	-0.4%	35.9%

b. 2-JB

Appendix 2-JB
Recoverable OM&A Cost Driver Table

OM&A	2013 Actuals	2014 Actuals	2015 Actuals	2016 Bridge Year	2017 Test Year
Reporting Basis	CGAAP	CGAAP	MIFRS	MIFRS	MIFRS
Opening Balance	$ 2,219,410	$ 2,183,052	$ 2,252,698	$ 2,628,718	$ 2,554,331
Payroll & Benefits	-$ 21,744	$ 32,799	-$ 604	$ 40,196	$ 263,505
O/H & U/G Maintenance Expenses	-$ 114,399	$ 79,101	$ 410,050	-$ 283,401	$ 385,823
Meter Reading/Customer Billing	-$ 8,545	$ 25,388	-$ 44,899	$ 45,419	$ 32,204
Third Party Professional Services	$ 9,579	$ 2,350	$ 24,642	-$ 23,554	$ 125,000
Bad Debt Write-Offs	$ 19,478	-$ 33,270	-$ 14,280	$ 13,667	$ 31,133
Energy Conservation	-$ 6,399	-$ 5,124	-$ 18,174	$ 17,747	$ 14,550
Miscellaneous	$ 85,672	-$ 31,598	$ 19,285	$ 115,539	$ 38,834
Closing Balance	$ 2,183,052	$ 2,252,698	$ 2,628,718	$ 2,554,331	$ 3,445,380

c. 2-JC

Appendix 2-JC
OM&A Programs Table

Programs	Last Rebasing Year (2012 Board-Approved)	Last Rebasing Year (2012 Actuals)	2013 Actuals	2014 Actuals	2015 Actuals	2016 Bridge Year	2017 Test Year	Variance (Test Year vs. 2015 Actuals)	Variance (Test Year vs. Last Rebasing Year (2012 Board-Approved)
Reporting Basis									
Customer Service, Billing & Collecting	412,000	423,100	424,333	468,632	436,822	495,279	472,941	36,119	60,941
Bad Debts	253,000	64,799	84,277	51,007	36,727	50,394	75,000	38,273	-178,000
Locates	100,000	126,644	135,735	159,904	180,468	182,862	395,734	215,266	295,734
Customer Engagement	10,000	20,659	10,567	8,549	-12,807	4,840	11,822	24,629	1,822
Executive, Financial, Professional & Insu	664,500	572,874	564,595	589,149	604,521	620,221	1,013,853	409,332	349,353
Regulatory Reporting and Assessments	109,408	146,939	249,939	33,619	68,693	170,076	150,000	81,307	40,592
Office Information & Technology	88,000	83,141	82,190	86,309	79,380	79,048	84,423	5,043	-3,577
Meter Maintenance & Readings	150,064	113,364	114,860	92,716	308,845	234,217	452,383	143,538	302,319
Overhead Operations/Maintenance	261,000	418,226	334,112	389,962	538,606	319,878	515,286	-23,320	254,286
Underground Operations/Maintenance	202,000	177,681	126,848	154,225	166,053	179,587	154,562	-11,491	-47,438
Distribution System Maintenance	61,000	51,209	57,925	41,344	41,825	49,078	45,264	3,439	-15,736
Education, Health & Safety	64,000	43,108	48,640	48,239	48,039	67,519	58,700	10,661	-5,300
Building & Maintenance/Fleet	64,000	97,212	67,038	89,280	83,638	71,515	79,434	-4,204	15,434
Miscellaneous	10,000	-152,155	-146,211	9,650	12,785	9,640	18,487	5,702	8,487
Sub-Total	2,448,972	2,186,801	2,154,848	2,222,585	2,593,595	2,534,155	3,527,889	934,294	1,078,917
Miscellaneous								0	0
Total	**2,448,972**	**2,186,801**	**2,154,848**	**2,222,585**	**2,593,595**	**2,534,155**	**3,527,889**	**934,294**	**1,078,917**

d. 2-K

Appendix 2-K
Employee Costs

	Last Rebasing Year - 2012-Board Approved	Last Rebasing Year - 2012-Actual	2013 Actuals	2014 Actuals	2015 Actuals	2016 Actuals	2017 Test Year
Number of Employees (FTEs including Part-Time)[1]							
Management (including executive)	4	4	4	4	4	4	6
Non-Management (union and non-union, directors and retirees)	30	30	31	31	31	30	32
Total	34	34	35	35	35	34	38
Total Salary and Wages including ovetime and incentive pay							
Management (including executive)	$ 392,411	$ 398,259	$ 424,501	$ 449,366	$ 497,936	$ 523,248	$ 761,329
Non-Management (union and non-union, directors and retirees)	$ 1,134,366	$ 1,178,610	$ 1,225,817	$ 1,241,039	$ 1,250,189	$ 1,154,194	$ 1,423,049
Total	$ 1,526,777	$ 1,576,869		$ 1,690,404	$ 1,748,125	$ 1,677,442	$ 2,184,378
Total Benefits (Current + Accrued) [2]							
Management (including executive)	$ 29,989	$ 25,407	$ 26,089	$ 24,224	$ 24,697	$ 26,705	$ 27,373
Non-Management (union and non-union, directors and retirees)	$ 117,780	$ 127,421	$ 99,012	$ 77,160	$ 75,851	$ 94,397	$ 96,757
Total	$ 147,769	$ 152,828	$ 125,101	$ 101,384	$ 100,548	$ 121,103	$ 124,130
Total Compensation (Salary, Wages, & Benefits)							
Management (including executive)	$ 422,400	$ 423,666	$ 450,590	$ 473,590	$ 522,633	$ 549,953	$ 788,702
Non-Management (union and non-union, directors and retirees)	$ 1,252,146	$ 1,306,031	$ 1,324,829	$ 1,318,199	$ 1,326,040	$ 1,248,592	$ 1,519,807
Total	$ 1,674,546	$ 1,729,697	$ 125,101	$ 1,791,788	$ 1,848,673	$ 1,798,545	$ 2,308,509

e. 2-CF

E.L.K. Response:

Tab 2-CF was not applicable

4-SEC-19
[Ex.4, p.7] Over the last 10 years, how long after an employee becomes eligible for retirement, do they, on average, actually retire?

E.L.K. Response:

E.L.K. requested this information from our benefits provider and they were unable to answer this question. E.L.K. currently has one employee still working who was eligible to retire in 1999.

4-SEC-20
[Ex.4, p.8] With respect to the 2 new linemen being trained, are they being hired to replace anticipated future retirements, or the lineman who has "just retired" and the one who planned to retire at the end of October 2016?

E.L.K. Response:

They are being hired to replace future retirements.

4-SEC-21
[Ex.4, p.8] With respect to the 4 new hires the Applicant proposes to make in 2017:

a. Please provide the status of each of the new hires the Applicant proposes to make in 2017 and each of their anticipated start-dates.

E.L.K. Response:

E.L.K. is currently in the process of further determining skill set, education requirements, and duty analysis for all positions. E.L.K. made the assumption the start date would be Jan 1, 2017.

b. For the purpose of the budget, what assumptions did the Applicant make regarding their start-date?

E.L.K. Response:

Please see (a) above

4-SEC-22
[Ex.4, p.27] Please breakdown the 2017 Payroll and Benefits cost driver into incremental costs for a) salary and wage increases for existing employees and positions, and b) new positions added.

E.L.K. Response

Table 4-10 within the application displays the incremental increases from 2016 regarding the new positions.

4-SEC-23
[Ex.4, p.47] Has the Applicant ever considered an incentive compensation mechanism for management employees? If so, please provide details.

E.L.K. Response:

No, E.L.K. has never really considered an incentive compensation mechanism for management employees.

4-SEC-24
[Ex.4, p.47] Please provide a version of the updated Appendix 2-K (requested in IR 4-SEC-18), showing a breakdown of total compensation allocated to each of OM&A and capital.

E.L.K. Response:

E.L.K. does not record this level of detail. E.L.K. records labour to capital and OM & A account as a whole.

4-SEC-25
[Ex.4, p.55] With respect to services provided to its affiliates:

a. Please explain how the Applicant determines the fully burdened employee rate.

E.L.K. Response:

E.L.K. determines the fully burdened employee rate by dividing payroll burdens by total wage which represents the burden amount.

b. Please provide details regarding the 'cost plus mark-up' method used for charging the Town of Essex for water & sewer billing services. Please explain how the cost is determined, what the mark-up is, and the basis of it.

E.L.K. Response:

Please refer to 3-Staff-23

4-SEC-26
[Ex. 4, p.78] Please provide a revised version of Table 4-32 to include 2016 actuals.

E.L.K. Response:

E.L.K. has followed up with KPMG and they have provided the below

Table 4-32
Tax
Calculations

Table 4-32 Tax Calculations

Item	2012 Board Approved	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Bridge	2016 Actual	2017 Test
Net Income before Taxes	**528,048**	**760,120**	**667,158**	**946,791**	**771,364**	**409,937**	**903,152**	**457,849**
Additions:								
Amortization of tangible assets	524,060	854,705	376,750	352,695	615,127	353,383	607,293	381,266
Interest and Penalties on taxes		-	-	116	-		712	
Amortization of intangible assets		-	625,581	-	-			
Other reserves on lines 270 and 275	2,027,261	2,027,261	2,119,226	2,182,330	2,138,891	2,486,211	2,486,211	2,486,211
Reserves from Financial Statements - balance end of year	687,547	2,808,529	2,875,386	2,827,343	3,067,788	635,015	3,628,584	608,296
Charitable Donations and gifts S2	-	50	-	20,150	25		-	
Non deductible meals and entertainment	-	266	880	755	808	1,000	81	1,000
Smart Meter Revenue	-	93,098	-	-	-			
Taxable/non-deductible other comprehensive income items	47,863	-	-	-	25,000		-	
OPEB adjusted through opening OCI	-	-	-	-	194,611		-	
Book loss on joint vetures or partnerships	-					908	-	
Deductions:								
Capital cost allowance from Schedule 8	837,035	827,526	767,727	740,094	742,793	757,376	751,670	829,806
Gain on disposal of assets per financial statements	-	3,500	3,500	20,000	-	50,260	100,644	
Reserves at End of Year - Post-Employment Benefits	-	-	-	-	-			
Unrealized gain on investment	-	11,026	16,457	6,494	1,815		12,398	
Cumulative Eligible Capital Deduction	27,290	27,290	25,379	23,603	21,950	20,414	20,414	18,985
Other Reserves on line 280 from S13	1,808,053	2,119,226	2,182,330	2,138,891	2,486,211	2,486,211	3,102,839	2,486,211
Reserves from Financial Statements - balance beginning of year	688,187	2,715,448	2,808,529	2,875,386	2,827,343	581,577	3,067,788	635,015
Miscellaneous deduction	-	50		20,150	250,338		-	
Equity in income from subsidiary or affiliates	-	-	-	-	-	-	-	453
Taxes included in movement of regulatory assets	-	-	-	-	104,000	-	-	-
Total Tax Adjustments to Accounting Income	(73,834)	79,843	193,901	(441,229)	(392,200)	(419,321)	(332,872)	(493,697)
Income for Tax Purposes	**454,214**	**839,963**	**861,059**	**505,562**	**379,164**	**(9,384)**	**570,280**	**(35,848)**
Tax Rate Reflecting Tax Credits (Federal + Provincial)	15.50%	22.33%	22.43%	22.27%	23.78%	0.00%	24.61%	0.00%
Total Income Taxes	70,403	187,591	193,180	112,604	90,178	-	140,325	-
Ontario Capital Tax	0	0	0	0	0	0		0
Total Taxes	70,403	187,591	193,180	112,604	90,178	-	140,325	-

4-AMPCO-10

Ref: Ex 4 Page 36

a) Please summarize any changes in ELK's asset inspection frequency since ELK's last Cost of Service application.

E.L.K. Response:

There has been no change in E.L.K.'s inspection frequency.

b) Please summarize any changes in ELK's asset maintenance practices since ELK's last Cost of Service application.

E.L.K. Response:

E.L.K. is transitioning from a run to fail model to a Total Useful Life model.

4-AMPCO-11

Ref: Ex 4 Page 17

Preamble: The evidence states "In 2015, E.L.K. reported 8 outages due to foreign interference, which resulted into 39 customer interruptions. A more stringent and improved tree trimming approach will address a number of these problems proactively for our customers."

a) Please define foreign interference.

E.L.K. Response:

Foreign Interference - Customer interruptions beyond the control of the distributor, such as those caused by animals, vehicles, dig-ins, vandalism, sabotage, and foreign objects.

b) Please explain how tree trimming addresses the problems identified in part (a).

E.L.K. Response:

Tree trimming would not address the problems identified in part (a).

4-AMPCO-12

Ref: Ex 4 Page 17

a) Please provide a breakdown of the budgeted and actual costs of the key work activities under Tree Trimming for the years 2012 to 2016 and forecast for 2017.

E.L.K. Response:

Please see below

	2012	2013	2014	2015	2016	2017
Budget	$81,000	$108,000	$143,000	$158,000	$223,000	$106,000
Actual	$176,950	$170,826	$231,615	$320,687	$74,828	

b) Please provide the work cycles for each of the key work activities in part (a) and indicate any proposed changes in 2017.

E.L.K. Response:

E.L.K. does not have separate work activities within tree trimming and try's to trim our service area on a 4 year rotation.

c) Please provide the planned and actual unit accomplishments for each of the work activities in part (a) for each of the years 2012 to 2016 and planned for 2017.

E.L.K. Response:

See b) above.

d) Please provide ELK's budget compared to actuals for storm repair for the years 2012 to 2016 and forecast for 2017, and indicate where in the budget these amounts are included.

E.L.K. Response:

E.L.K. does not possess this level of detail.

e) Please provide the % of tree trimming work undertaken by contractors in each of the years 2012 to 2017.

E.L.K. Response:

E.L.K. did not contract out any of the tree trimming in the period of 2012 to 2017.

4-AMPCO-13

Ref: Ex 4 Page 49 Table 4-16 Appendix 2-K

a) Please recast the table to show executive, union and non-union FTEs as well as overtime and incentives paid, as separate lines items in the Table.

E.L.K. Response:

Please refer to 4-VECC-39

b) Please provide the budgeted and actual overtime hours and costs for the years 2012 to 2016 and forecast for 2017.

E.L.K. Response:

Each year, E.L.K. forecasts total hours which includes overtime hours as a whole for reasonability and does not have specific budgeted overtime hours.

c) Please explain how ELK uses overtime.

E.L.K. Response:

Overtime is used for outages that require power to be restored.

4-AMPCO-14

Ref: Ex 4 Page 73

a) Please advise of any changes in the estimate of useful lives of the assets of ELK since ELK's last cost of service application.

E.L.K. Response:

There are no changes in the estimate of useful lives of the assets of E.L.K. since ELK's last cost of service application.

4-AMPCO-15

Ref: Ex 4 Page 331

a) Please provide ELK's Reactive/Emergency costs (Planned and Actual) for the years 2012 to 2016.

E.L.K. Response:

This terminology is new to E.L.K. and do not have details surrounding these costs specifically.

b) Please provide a summary of the assets replaced by year for each of the years 2012 to 2016.

E.L.K. Response:

Please see (a) above

c) Please provide ELK's forecast Reactive/Emergency budget for the years 2017.

E.L.K. Response:

Please see (a) above

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.

E.L.K. Response:

Yes, the debt has now been paid off. The shareholder promissory notes were payable on demand and accrued interest at 7.25% payable annually. These notes are subordinate to the bank term loan.

5.0-VECC-44
Reference: E5/pg.2

a) Please recalculate Appendix 2OA using the Board October 2016 cost of capital parameters

E.L.K. Response:

Appendix 2OA has been recalculated using the Board October 2016 cost of capital parameters. The impact on the 2017 test year is shown below.

Year: 2017

Particulars	Capitalization Ratio			Cost Rate		Return
	(%)		($)	(%)		($)
Debt						
Long-term Debt	56.00%		$6,720,373	2.95%		$198,251
Short-term Debt	4.00%	(1)	$480,027	1.76%		$8,448
Total Debt	60.0%		$7,200,400	2.87%		$206,699
Equity						
Common Equity	40.00%		$4,800,266	8.78%		$421,463
Preferred Shares	0.00%		$ -	0.00%		$ -
Total Equity	40.0%		$4,800,266	8.78%		$421,463
Total	100.0%		$12,000,666	5.23%		$628,163

5.0-VECC-45

Reference: E5/pg. 4 Appendix 2-OB

b) Please confirm that E.L.K. has retired all its affiliated debt.

E.L.K. Response:

E.L.K can confirm it has retired all its affiliated debt.

5-SEC-27
[Ex.5] For each year between 2012 and 2016, please provide the Applicant's actual regulatory return on equity.

E.L.K. Response:

Please refer to 2-VECC-11 (c).

7.0 COST ALLOCATION (EXHIBIT 7)

7.0 – VECC –46
Reference: Exhibit 7, pages 2-3
Preamble: ELK states that it has reviewed the weighting factors used in the Study and believes the factors to still be valid. (page 2, lines 27-28)

a) Does this statement apply to the Meter Capital values or have they been updated to reflect current costs?

E.L.K. Response:

Yes, this statement applies to the Meter Capital values.

b) Were the weighting factors used in the 2012 study ELK-specific factors?

E.L.K. Response:

The weighting factors used in the 2012 study was E.L.K-specific factors.

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?

E.L.K. Response:

a) The costs directly allocated to the Embedded Distributor rate class are costs related to information provided in Table 7-9 of the Application. However, the cost allocation model assigns additional general and administrative capital and operating costs associated with the costs in Table 7-9.

b) The difference between the allocated service revenue for the Embedded Distributor rate class of $65,764 and the allocated base revenue requirement of $58,476 is $7,288. This amount is the miscellaneous revenue that the cost allocation model assigns to this class. E.L.K. Energy understands this is automatically done by the cost allocation model and reduces the revenue to be collected in the proposed monthly fixed charge for this class.

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.

E.L.K. Response:

The calculation for the hourly cost of the truck, which is a heavy duty truck includes fuel, repair, amortization and allocated between light and heavy truck based on the percent of usage. The amounts are reviewed yearly.

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.

E.L.K. Response:

The Low Voltage charges for the past 5 years are as follows

2012 - $354,383
2013 - $313,023
2014 - $272,982
2015 - $294,525
2016 - $283,753

E.L.K. chose to only average 2 years for the forecast as E.L.K. felt that was the best predictor for 2017 as the amounts have generally been decreasing.

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.

E.L.K. Response:

E.L.K. does not have a formal strategic plan to reduce line loss as it is currently stable and reviewed yearly by our external auditors.

8.0 –VECC - 47
Reference: Exhibit 8, page 9

a) For what reasons would ELK be required to make a "service call" during regular or after regular hours?

E.L.K. Response:

Reasons to make a "service call" during regular or after regular hours may include the customer has part power, fire call, service upgrade, customer panel change or customer service requiring maintenance.

b) What charge, if any, are wireless attachments assessed for use of ELK's poles?

E.L.K. Response:

There is no charge for wireless attachments per the E.L.K. rate order.

c) Are temporary attachments (e.g. seasonal lighting) assessed a pro-rated rate based on the number of months they are attached?

E.L.K. Response:

No, there is no fixed rate for temporary attachments.

8-AMPCO-16

Ref: Ex 8 Page 5

a) Please provide the rate design, fixed/variable split and distribution and total bill impacts using the Minimum System with PLCC Adjustment (Ceiling Fixed Charge from Cost Allocation Model of $207.72 as the proposed 2017 Monthly Service Charge for the GS>50 kW customer.

E.L.K. Response:

When the Minimum System with PLCC Adjustment (Ceiling Fixed Charge from Cost Allocation Model) of $207.72 is set as the proposed 2017 Monthly Service Charge for the GS>50 kW customer the distribution volumetric charge is $1.9742 per kW. The resulting fixed/variable split is 39% fixed 61% variable. Using the same customer profile for the GS > 50 kW customer as was used in the Application the distribution and total bill impacts are 114.9% and 8.2%; respectively

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.

E.L.K. Response:

E.L.K. inquired with the OEB and received confirmation that if there were no Class A customers no changes were required.

b) Has E.L.K. Energy followed the OEB accounting guidance[1] and Filing Requirements related to accounting and disposition of CBR Sub-accounts?

E.L.K. Response:

Yes, E.L.K. has followed the OEB accounting guidance based on the clarification received from the OEB.

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.

E.L.K. Response:

There are no Account 1580 Sub-accounts CBR balances in the evidence as it was determined to not be applicable for E.L.K. after verifying with the OEB.

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.L.K. Response:

There is no Class A customer per the IESO invoice which was also confirmed with the OEB.

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.

E.L.K. Response:

Yes, E.L.K. bills the Global Adjustment to its embedded distributor class. However, there is no Global Adjustment variance associated with the embedded distributor since E.L.K. has a system in place to true-up the actual Global Adjustment amount for the embedded distributor on a monthly basis using the following process. The IESO Global Adjustment class B preliminary 1st estimate rate is entered into E.L.K's billing system once a month when it is available. This amount is applied to all customer classes as applicable. However, for the embedded distribution customer an adjustment is made each month on the embedded distributor account to true up the Global Adjustment difference between the preliminary 1st estimate Global Adjustment rate and the actual rate when the actual rate is available.

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

f) How did E.L.K. Energy determine that its embedded distributor is eligible to be treated like a Class A customer?

E.L.K. Response:

See response to (e) above

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.

E.L.K. Response:

a) The disposition of account 1595 relates to the Rate Rider for Disposition of Global Adjustment Account Applicable only for Non-RPP Customers - effective until April 30, 2015 which was included in E.L.K. Energy's rate order for rate effective May 1, 2014. However, in the process of preparing the Application it was discovered the Rate Rider for Disposition of Global Adjustment Account (2016) Applicable only for Non-RPP Customers - effective until April 30, 2017 was incorrectly used in ELK's CIS system.

b) No. The amounts in the variance accounts have simply not been disposed of for certain customer classes. E.L.K. is now seeking permission to dispose of those amounts for those certain classes as part of this rate application. Being unable to recover the amounts accrued in these accounts will put the utility's ongoing financial viability at risk. E.L.K. approximates net income and ROE to fall well outside the deemed ROE dead-band resulting in default of its required financial debt covenants.

c) E.L.K. has recorded interest on this account pursuant to the approved accounting order. Certain classes of ratepayers have benefited financially from not having to pay these amounts over time (due to the time value of money). Other classes of E.L.K. ratepayers would be subsidizing the difference if E.L.K. did not properly record interest on these accounts.

d) E.L.K. Energy does maintain a separate sub-account for Account 1595 GA

e) Please refer to live Excel file named "ELK 2015 1595 Analysis" which shows the calculation of the amount proposed for disposition.

f) In the Excel file provided in the response to e) the $1,799,386 is equal to the total of cells C17 and E17. This amount represents the residual principal claim in 2014 for the 2011 balance of account 1589 plus interest. As shown in the response to e) this amount impacts the 1595 claim of $2,826,024. However, the balance disposed in the 2016 proceeding of $966,479 reflects the balance of account 1589 for 2014 plus interest. The 2014 value includes activity in account 1589 from the beginning of 2012 to the end of 2014 and does impact the 1595 claim of 1595 claim of $2,826,024 since this claim only relates to 2011 balances.

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?

E.L.K. Response:

Please see the response to 9-Staff-40(b).

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

E.L.K. Response:

Please refer to live Excel file named "E.L.K. 2015 1595 Analysis" referenced in 9-Staff-40 e) which shows the calculation of the amount proposed for disposition for account 1595. The debit transaction of $616,497 is equivalent to the amount shown in cell H15. This number represents the balance of account

1595 as at December 31, 2013 for the 2011 DVA balances to be disposed of by the end of 2015. Since the balance as of December 31, 2012 was zero, the $616,497 also represents the activity during 2013 in account 1595 associated with 2011 DVA balances to be disposed of by the end of 2015. The amount is a debit since the Non-GA component in account 1595 was a refund to the customer and was properly disposed of but as outlined in 9-Staff-40 a) the GA component was incorrectly used in E.L.K.'s CIS system causing it to not be fully collected.

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 from the customers, and the transactions should be credits. Please explain this large value Debit transaction.

E.L.K. Response:

Please refer to live Excel file named "E.L.K. 2015 1595 Analysis" referenced in 9-Staff-40 e) which shows the calculation of the amount proposed for disposition for account 1595. The debit transaction of $1,258,068 is equivalent to the sum of the amounts shown in cells H17 to H23. This number represents the activity during 2014 in account 1595 associated with 2011 DVA balances to be disposed of by the end of 2015. The amount is a debit since the Non-GA component in account 1595 was a refund to the customer and was properly disposed of but as outlined in 9-Staff-40 a) the GA component was incorrectly used in E.L.K.'s CIS system causing it to not be fully collected.

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 from 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.

E.L.K. Response:

Please refer to live Excel file named "E.L.K. 2015 1595 Analysis" referenced in 9-Staff-40 e) which shows the calculation of the amount proposed for disposition for account 1595. The debit transaction of $910,610 is equivalent to the sum of the amounts shown in cells H27 to H31. This number represents the activity during 2015 in account 1595 associated with 2011 DVA balances to be disposed of by the end of 2015. The amount is a debit since the Non-GA component in account 1595 was a refund to the customer and was properly disposed of but as outlined in 9-Staff-40 a) the GA component was incorrectly used in E.L.K.'s CIS system causing it to not be fully collected.

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.

E.L.K. Response:

Please refer to live Excel file named "E.L.K. 2015 1595 Analysis" referenced in 9-Staff-40 e) which shows the calculation of the amount proposed for disposition for account 1595. The credit transaction of $375,969 is equivalent to the amount shown in cell B11. This number represents the first 50% of account 1562 to be refunded to customer as per the approved settlement agreement for ELK's 2012 cost of service rate application from May 1, 2013 to April 30, 2016.

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.

E.L.K. Response:

Please refer to live Excel file named "E.L.K. 2015 1595 Analysis" referenced in 9-Staff-40 e) which shows the calculation of the amount proposed for disposition for account 1595. The credit transaction of $387,674 is equivalent to the amount shown in cell B19. This number represents the first 50% of account 1562 to be refunded to customer as per the approved settlement agreement for ELK's 2012 cost of service rate application from May 1, 2014 to April 30, 2016.

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.

E.L.K. Response:

Interest is included in the main account balances.

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.

E.L.K. Response:

No restatement is required.

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.

E.L.K. Response:

As stated, E.L.K. 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. The only sheet that is unlocked in tab 5. Allocation of Balances. E.L.K. is unable to use the locked version since it will not address Account 1595 in accordance with E.L.K.'s proposal for this account.

b) Please ensure that interest transactions columns are completed properly.

E.L.K. Response:

Please refer to 9-Staff-42

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.

E.L.K. Response:

Account 1521 is not listed as an account in the EDDVAR model. As a result, E.L.K. is uncertain where this entry should be made. In any event the amount is a credit of $436.54 and would be part of the Group 2 accounts. This would not change E.L.K. position of not seeking the disposition of the Group 2 accounts as outlined below in response to 9-Staff-44 a).

d) Has E.L.K. Energy made the appropriate entry in its books to correct the double-counting error related to Account 1595?

E.L.K. Response:

E.L.K. has not yet made an entry in its general ledger.

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?

E.L.K. Response:

E.L.K. will need to address this issue with our financial auditors at the conclusion of this Cost of Service.

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.

E.L.K. Response:

E.L.K. will need to address this issue with our financial auditors at the conclusion of this Cost of Service.

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.

E.L.K. Response:

a) From the information provided in DVA Continuity Schedule model it is unclear to E.L.K. whether account 1592 is officially a Group 2 account or if it is a standalone item. Table 9-4 reflects E.L.K.'s understanding of the information provided in the 2016 Continuity Schedule of the DVA Continuity Schedule model showing account 1592 as standalone item. However, when the Allocation of Balances is determined in the DVA Continuity Schedule model, account 1592 is included in the calculation of Group 2. When account 1592 is included in Group the result is $59. As a result, E.L.K. Energy is not seeking the disposition of the Group 2 accounts

b) See response to a)

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?

E.L.K. Response:

The nature of this amount relate to Other regulatory assets, specifically Other Regulatory Assets- OEB cost assessments $390.00, Other Regulatory Assets- Pension Contributions $2010.34 and Other Regulatory Assets- Late Payment Penalty Class Action $12,603.93.

b) When were these amount recorded?

E.L.K. Response:

The last entries were made in 2014 which is the result of disposition from E.L.K.'s last cost of service.

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

E.L.K. Response:

These accounts were in existence prior to my arrival at E.L.K. and could not locate any formal documentation.

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.

E.L.K. Response:

The totals amount for disposition and rate riders calculated in Table 9-9 are consistent with the rate riders calculated in the DVA Continuity Schedule model. The information provided in Table 9-9 is the combination of the amounts and riders for Rate Rider Calculation for Group One Deferral/Variance Accounts Balances (excluding Global Adj.) for all and Non-WMP customers shown in Rate Rider Calculations of the DVA Continuity Schedule model. Since E.L.K Energy does not have any WMP market participants there is no need to have a separate rate rider the Non-WMP customers.

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?

E.L.K. Response:

Yes, E.L.K. does true-up its RPP settlements with the IESO.

b) How often are the true-ups performed (e.g. monthly, quarterly, annually)?

E.L.K. Response:

True-ups are performed monthly.

c) Has E.L.K. Energy trued-up the balances proposed for disposition in this proceeding for Accounts 1588 and 1589 with the IESO?

E.L.K. Response:

E.L.K. has paid all IESO invoices which have costs included in them that related to Accounts 1588 and 1589. As a result, it is E.L.K's understanding that the balances proposed for disposition in this proceeding for Accounts 1588 and 1589 have been trued-up 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?

E.L.K. Response:

No, there were no RPP settlement true ups that were done after December 31, 2015 that related to the variance account accumulation period.

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.

Response

The origin of the billing determinants used in the deferral and variance model is the 2017 proposed load forecast

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?

Response:

This rate class includes a mix of customers. For example, there are school boards, manufacturing facilities, municipal buildings, food and beverage restaurants, and grocery stores.

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

Response:

a) The Excel file provided in the response to 9-Staff-40 e) shows the December 31, 2015 balance for account 1595 as $2,785,175. This amount plus interest from January 1, 2016 to April 30, 2017 is the $2,826,024 mentioned above in the preamble. In the Excel file, cells C33 and E33 add to $2,777,954. This amount is the GA variance amount from 2011 that has not yet been collected and represents 99.7% of the $2,785,175. Since 99.7% of the 1595 account relates to total meter kWh for non-RPP customers less Class A consumption it is E.L.K. Energy view the allocation method should reflect this consumption.

b) See response to a)