

E.L.K. Energy Inc.
IRM Application (EB-2018-0027)
OEB Staff Questions

Staff Question #1
Ref: 2019 IRM Model

OEB staff has re-populated E.L.K. Energy's 2019 IRM model for the following; the UTRs on Sheet 11, the price escalator on Sheet 16, the regulatory charges on Sheet 17, and for some functionality corrections.

- a. Please review the model and confirm its accuracy.

E.L.K. Response:

E.L.K. has reviewed the model and confirmed its accuracy. Sheet 19 New Retailer Service Charges Effective May 1, 2019 requires updating to the new approved rates.

- b. When responding to OEB staff questions below, please use the updated IRM model sent with the questions.

E.L.K. Response:

E.L.K. confirms that when responding to OEB staff questions below, it will use the updated IRM model sent with the questions.

Staff Question #2
Ref: Tab 3. DVA Continuity Schedule, 2013, Columns Q and V

- a. The balance in Cell Q33 is incorrectly placed and should be placed in Account 1595 for the 2013 year. Please relocate the balance in the referenced cell to Cell Q32.

E.L.K. Response:

E.L.K. has relocated the balances in Account 1595 for the 2013 year.

- b. The balances recorded in column Q, with the exception of Account 1595, do not match the total claim as per the Settlement Agreement in EB-2011-0099 (page 43, Table #19). Please update column Q as necessary and ensure that OEB approved interest disposition is recorded correctly in column V.

E.L.K. Response:

E.L.K. has made the adjustments adding the approved interest disposition in Column V. Column Q and V match the total claim as per the Settlement Agreement in EB-2011-0099 (page 43, Table #19). Column Q represents the principal amount. The interest has been added in column V.

Staff Question #3**Ref: Tab 3. DVA Continuity Schedule, 2014, Column AA**

- a. Please provide a reconciliation of the balance in cell AA33.

E.L.K. Response:

This amount relates to the disposal of 1562 from Board Decision for EB-2011-0099. The disposal of 1562 was included in account 1595 but the sunset on disposition of account 1562 was April 30, 2016. As a result it was not included in the recoverable amount at that time. However, since this disposition has now completed there is a small residual amount that is due back to the customer in the amount of \$84,248.

- b. The balances recorded in column AA, with the exception of Account 1595, do not match the OEB approved disposition amounts outline in the Decision and Order (EB-2013-0123) on page 9, Table #1. Please update column AA as necessary and ensure that OEB approved interest disposition is recorded correctly in column AF.

E.L.K. Response:

E.L.K. has made the adjustments adding the approved interest disposition in Column AF. Column AA and AF match the OEB approved disposition amounts outlines in Decision and Order (EB-2013-0123) on page 9, Table #1. Column AA represents the principal amount. The interest has been added to column AF.

Staff Question #4**Ref: Tab 3. DVA Continuity Schedule, 2016, Columns AU and AZ**

- a. In EB-2015-0064, the OEB approved disposition of E.L.K.'s Group 1 accounts in the amount of (\$324,254). Please correctly complete columns AU and AZ to match the values presented in the Decision and Order (EB-2015-0064) on page 10.

E.L.K. Response:

E.L.K. has completed columns AU and AZ to match the values presented in the Decision and Order (EB-2015-0064) on page 10.

Staff Question #5

Ref: Tab 3. DVA Continuity Schedule, 2017 Columns

- a. Please revise the DVA Continuity Schedule to apportion the amounts between principal and interest for all accounts starting from January 1, 2017.

E.L.K. Response:

The DVA Continuity Schedule has been updated to apportion the amounts between principal and interest.

Account 1595 (2017) is not requested for disposition, but for the purpose of completeness, in the DVA Continuity Schedule the amount input in column “BE” OEB Approved Disposition during 2017 is (\$3,150,630). Per E.L.K.’s 2017 settlement agreement, the Group 1 DVA balance excluding Account 1595 approved for disposition was \$502,165 and the Account 1595 balance approved for disposition after a 10% reduction was \$2,415,675. Therefore, the amount in the OEB Approved Disposition during 2017 for Account 1595 (2017) should be (\$2,917,675).

- i. Please explain the difference and revise the DVA Continuity Schedule as necessary (including the revision to split out the interest).

E.L.K. Response:

The \$3,150,630 is made up of the 1595 Previous GA adjusted for 2011 balance totaling \$2,680,437 (which included \$3,645.03 already collected at the end of 2017) and prior to the 10% discount plus the Group 1 DVA balance excluding Account 1595 approved for disposition which was \$502,165 less \$31,971.82 which was collected through rate rider deferral account in 2017. E.L.K. has adjusted cell BE 36 by adding back the \$31,971.82 and \$3,645.03 and moving these same amounts to 2017 activity cell BD36.

Account 1595 balance approved for disposition prior to 10% discount	\$ 2,684,082.24
Group 1 DVA balance excluding Account 1595 approved for disposition	\$ 502,166.00
	<u>\$ 3,186,248.24</u>
Less:	
Account 1595 balance collected 2017 Activity	-\$ 3,645.03
Group 1 DVA balance excluding Account 1595 collected 2017 Activity	-\$ 31,971.82
	<u>\$ 3,150,631.39</u>

The 10% reduction (discount) was accounted for in full in 2018 in the amount of \$268,408.

- ii. Please explain any variances created between the 2017 balance and the RRR filing (column BV).

E.L.K. Response:

The variances created between the 2017 balance and the RRR filing column is the result that in prior years E.L.K. used one main 1595 account and not sub accounts. This has been rectified and sub accounts are being used. The variance of \$2881 is minimal and immaterial.

- iii. Please explain how E.L.K. accounted for the 10% reduction (\$268,408) in the DVA continuity schedule.

E.L.K. Response:

The 10% reduction (discount) was written off in full in 2018 in the amount of \$268,408, and does not appear in the DVA continuity schedule.

- b. There is \$0 transactions shown in 2017. However, per E.L.K.'s 2017 Decision and Rate Order, rates were effective and to be implemented November 1, 2017. Therefore transactions are expected for 2017.
 - i. Please explain why there is \$0 transactions in 2017 in the DVA Continuity Schedule and revise the schedule as needed.

E.L.K. Response:

The 2017 activity was originally grouped with the disposition amount. This has now been corrected and the DVA Continuity Schedule has been revised.

- ii. Please indicate whether there was any transactions recorded in E.L.K.'s general ledger for 2017 for Account 1595 (2017).

E.L.K. Response:

As outlined above in i), there were transactions recorded in E.L.K.'s general ledger for 2017 Account 1595 (2017). E.L.K. has also adjusted cell BE 36 by adding back the \$31,971.82 and \$3,645.03 and moving these same amounts to 2017 activity cell BD36, and not part of the disposition amount approved

Staff Question #6**Ref: Tab 3. DVA Continuity Schedule, Variance Column**

- a. Please explain why there is not a RRR balance for Account 1595 (2014).

E.L.K. Response:

In 2014 E.L.K. only used one main 1595 account. This has since been rectified.

- b. Once E.L.K. has updated its 2019 Continuity Schedule (Sheet 3 of IRM model), please provide an explanation of all variances in column BV.

E.L.K. Response:

All variances have now been explained through their respective questions from Sheet 3 on the IRM model.

Staff Question #7**Ref: Manager's Summary, part 6**

Under part 6 of the Manager's Summary, it was indicated that the Account 1595 that was approved for disposition in E.L.K.'s 2017 rate application was to be disposed over 4.5 years, commencing November 1, 2018. Please confirm that the commencement date is November 1, 2017 and not 2018.

E.L.K. Response:

E.L.K. can confirm the commencement date is indeed November 1, 2017.

Staff Question #8**Ref: Account 1595 Analysis Workform (2016), Tab 3. DVA Continuity Schedule****Ref: Manager's Summary**

- a. Please revise the Account 1595 Analysis Workform to allocate the amounts between principal and interest (fill in \$0 if there is no balance).

E.L.K. Response:

This has been updated. Please note E.L.K. decided to not collect any carrying charges on net principal account following the same principle in EB-2016-0066.

- b. Once principal and interest have been allocated, step 2 of the Workform will be generated. Please complete the variance analysis under step 2.

E.L.K. Response:

Please note E.L.K. decided to not collect any carrying charges on net principal account following the same principle in EB-2016-0066.

- c. The disposition period for Account 1595 (2016) was May 1, 2016 to April 30, 2017. In the DVA Continuity Schedule, there are no transactions shown in 2017. Please explain why and revise the DVA Continuity Schedule as necessary.

E.L.K. Response:

1595 (2016) beginning balance is (324,154) as per EB-2015-0064 page 10. Transactions for 2016 and 2017 have now been populated in the activity column in 2016 and 2017 respectively. They were originally all imputed in the 2016 column. This has been corrected.

The 2017 activity was put in the 2016 column in error. This has been corrected and the DVA Continuity Schedule has been revised.

- d. E.L.K. did not report a balance for Account 1595 (2016) in the RRR. There is a variance in the DVA Continuity Schedule between the 2017 balance in the DVA Continuity Schedule and the RRR.
- i. Please explain the variance.

E.L.K. Response:

The variances created between the 2017 balance and the RRR filing column is the result that in prior years E.L.K. used one main 1595 account and not sub accounts. This has been rectified and sub accounts are being used. The variance of \$2881 is minimal and immaterial. As part of the settlement EB-2016-0066 “the parties were able to address all outstanding concerns regarding the appropriate balance in Account 1595.”

- ii. Please provide the Account 1595 (2016) balances in E.L.K.’s general ledger as at December 31, 2016 and December 31, 2017.

E.L.K. Response:

Please refer to chart below for all details

Components of the 1595 Account Balances:	Principal Balance Approved for Disposition	Carrying Charges Balance Approved for Disposition	Total Balances Approved for Disposition	2016 Activity	2016 Ending Balance	2017 Activity	2017 Ending Balance	Residual Balances Pertaining to Principal and Carrying Charges Approved for Disposition	Difference
Total Group 1 and Group 2 Balances excluding Account 1589 - Global Adjustment	-\$1,271,978	-\$18,656	-\$1,290,634	-\$733,068	-\$557,566	-\$596,135	\$38,569	\$38,569	\$0
Account 1589 - Global Adjustment	\$952,509	\$13,970	\$966,479	\$250,109	\$716,370	\$238,832	\$477,538	\$477,538	\$0
Total Group 1 and Group 2 Balances	-\$319,469	-\$4,686	-\$324,155					\$516,107	

- e. E.L.K. noted that as part of preparing its 2017 rate application, it discovered that with respect to the General Service 50 to 4,999 Service Classification (the two rate riders called Disposition of Global Adjustment) - effective until April 30, 2014 and April 30, 2015 - were incorrectly used in E.L.K.’s CIS system through a

misinterpretation of the description of the rate rider. This rate rider is applicable for all non-RPP customers. E.L.K. originally applied this to retailer accounts only, but should have applied it to all non-RPP customers, which includes both retailers and non-retailers (i.e. weighted average price customers). The balance of this uncollected amount remains in Account 1595.

E.L.K. further stated that the issue was resolved by correcting the billing system in July 2016. Did E.L.K. correct the billing to the GS>50 class prospectively, or did E.L.K. go back and bill the missed customers for May and June 2016?

E.L.K. Response:

Yes, E.L.K. corrected the billing system in July 2016, and prospectively.

- f. E.L.K. noted that the error made to Account 1595 (2016) with regards to the misallocation to the embedded distributor class, was the same as that in E.L.K.'s 2017 rate application for prior 1595 accounts. During the 2017 rate proceeding, did E.L.K. disclose that the same error occurred for Account 1595 (2016) even though the rate riders were still active at the time of E.L.K.'s 2017 rate application?
 - i. If yes, please provide references to the evidence.

E.L.K. Response:

Yes, this was raised in E.L.K. Energy Inc. EB-2016-0066 Exhibit 9 Page 10 of 22 Filed: November 4, 2016 lines 7 to 11.

- ii. If no, please explain why this was not disclosed at that time.

E.L.K. Response:

Not Applicable

- iii. If the error is associated with the GA rate ride from EB-2015-0064, please explain why the debit amount of \$516,108 should be collected from all customers and not just the non-RPP customers.

E.L.K. Response:

It should be collected from non-RPP customers and ELK would seek assistance from OEB staff on how to do that within the model.

Staff Question #9

Ref: Account 1580, Sub-account CBR

Ref: IRM Model, Sheet 3, 6.2a and 6.2

E.L.K. noted that it has 1 class A customer as of July 1, 2017.

- a) Please complete line 25 (Variance WMS – Sub-account CBR class B) on Sheet 3 of the IRM model to represent the amount attributed to class B customers.

E.L.K. Response:

E.L.K. has now completed line 25 (Variance WMS – Sub-account CBR class B) on sheet 3 of the IRM model to represent the amount attributed to class B customers.

E.L.K. has created a new 1580 CBR Class B Only sub account to record the variance going forward. The variance amounts of \$13,368 in column BV with respect to account 1580 is the result of this change.

Due to the fact that E.L.K. only has 1 Class A customer, the Class A CBR charged to the customer matches the Capacity Based Recovery Amount for Class A Loads that is charged to E.L.K. by the I.E.S.O. As such there is no variance WMS – Sub-account CBR Class A. The entire amount relates to Class B customers. This will continue into future years as long as E.L.K. continues to only have 1 Class A customer.

- b) OEB staff is unable to reconcile the data entered in cells D20 and Tab 6.2a. Below is a table that staff prepared showing the “Validation of Data used in class B GA and CBR Allocations”. Staff notes a discrepancy for the 2017 consumption figure that is used in the “CBR B Allocation” of 2019 IRM rate model as below.

E.L.K. Response:

This tab allocates the CBR Class B balance to transition customers (i.e. Class A customers who were former Class B customers and Class B customers who were former Class A customers) who contributed to the current CBR Class B balance. The tables below calculate specific amounts for each customer who made the change. The general CBR Class B rate rider is not to be charged to the transition customers that are allocated amounts in the table below. Consistent with prior decisions, distributors are generally expected to settle the amount through 12 equal adjustments to bills.

Please enter the Year the Account 1580 CBR Class B was Last Disposed. (Note: Account 1580, Sub-account CBR Class B was established starting in 2015)

Allocation of total Consumption (kWh) between Class B and Class A/B Transition Customers

		Total	2017	2016	2015
Total Class B Consumption for Years During Balance Accumulation (Total Consumption LESS WMP Consumption and Consumption for Class A customers who were Class A for partial or full year)	A	228,399,812	103,286,229	125,113,583	-
Transition Customers' Class B Consumption (i.e. full year or partial year)	B	8,160,896	8,160,896	-	-
Transition Customers' Portion of Total Consumption	C=B/A	3.57%	95,125,333	125,113,583	-

Table 1 – Confirmation of 2017

Validation of Data used in Class B GA and CBR Allocations				
Total metered volume Excl WMP	A		219,820,871	Source I26 of tab 4. Billing Det. for Def-Var
Non-RPP excl WMP	B		112,352,024	Source C26 of tab 6.1 GA
Class A Full year	C		-	Source E26 of tab 6.1 GA
Class A Full Part year:				
While Class A	D	9,065,795		=+F-E
While Class B	E	8,160,896		Source D21 of tab 6.1a GA Allocation
	F		17,226,691	Source G26 of tab 6.1 GA
Total non-RPP excl WMP and full year volumes for class A customers who were class A for the full year, and the class A volumes who were class A part year	G= +B-C-D		103,286,229	Input in D20 of tab 6.1a GA Allocation
Total Class B Customers excl WMP and Full year volumes for customers who were class A for full year, and the class A customers who were class A part year	H=+A-C-D		210,755,076	Input in D20 of tab 6.2a CBR_B Allocation

- i. Please confirm whether or not E.L.K. agrees with the updated quantities per the Table 1 calculations for 2017. If not please explain why E.L.K. believes the values it used in its 2019 IRM Rate Generator Model are appropriate. Otherwise please update the 2019 IRM Rate Generator Model accordingly.

E.L.K. Response:

E.L.K. has recalculated the above Table 1 and agrees with the updated quantities. E.L.K. has updated the 2019 IRM Rate Generator Model accordingly.