

Exhibit 1

Administrative Documents

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Additional Documents Filed with this Application

Chapter 2 Appendices	Excel & PDF format
Revenue Requirement Work Form	Excel format
Cost Allocation Model	Excel format
LRAMVA Workform	Excel format
Tariff Schedule and Bill Impact Model	Excel format
Test Year Income Tax PILs Model	Excel format
RTSR Workform	Excel format
DVA Continuity Schedule	Excel format
GA Analysis Workform	Excel format
1595 Analysis Workform	Excel format
Benchmarking Spreadsheet Forecast Model (PEG)	Excel format
Load Forecast Model	Excel format
Load Profile Derivation	Excel format

TAB 2 - APPLICATION SUMMARY

1.0 Application Summary

In this exhibit E.L.K. Energy Inc. (“E.L.K.” or “the Company”) highlights the key elements of the Application. These include the capital and operational plans that underpin the Application and the corresponding work program funding that is required to enable the utility to continue providing efficient and reliable service to E.L.K. customers. This Exhibit also explains how these plans align with customer needs and expectations, as well as the expected impacts on customer bills. For details on the specific approvals that E.L.K. is requesting from the Ontario Energy Board (“OEB”) by way of this Application, please see Exhibit 1, Tab 3, Section 14, which is OEB Appendix 2-A - List of Requested Approvals.

This Application employs the Cost of Service method for rate-setting as per the Chapter 2 Filing Requirements dated June 24, 2021 and the modified approach for E.L.K. as approved by the OEB in the letter dated April 12, 2021 (Exhibit 1, Tab 2, Attachment 1). In 2021 and 2022 E.L.K. anticipates a need to undertake prudent levels of capital investment in its distribution system in order to maintain and improve reliability and service quality for its customers. This need is the result of several factors, including aging infrastructure and the effects of severe weather events. With respect to operational requirements, the utility continues to face numerous pressures, such as increased consumer expectations and workforce resourcing/retirements. Together, these and other challenges are driving the need for investments and solutions which will ensure that overall system performance is maintained, and customer expectations are met – all while maintaining rates at a reasonable level.

Both the capital and operational requirements outlined in this application also reflect E.L.K.’s response to the three OEB Directives resulting from E.L.K.’s 2016 rates application (see Tab 3, Section 9 of this exhibit for a summary of the reports and E.L.K.’s responses).

At the time this application is being submitted, E.L.K. is aware of pressures on costs that could not be incorporated into the application on a timely basis. In particular, the recent increases in inflation and supply chain issues, related in part to the COVID-19 pandemic, have put upward pressure on costs. The impacts of these changes are not fully understood as of the date of filing

1 this Application. E.L.K. will undertake to update this application for these cost changes and 2021
2 actual results during the interrogatory phase of the hearing process.

3 On January 6, 2000, E.L.K. was incorporated pursuant to the Business Corporations Act, of
4 Ontario, and is the successor corporation to the Hydro-Electric Commission for the Town of
5 Essex, the Corporation of the Town of Lakeshore Hydro-Electric Commission, and the Kingsville
6 Hydro Electric Commission. Initially, the three municipalities were shareholders of the corporation.
7 In 2008, E.L.K.'s shareholders entered into a share purchase agreement whereby the Town of
8 Essex agreed to purchase the common shares of the Town of Lakeshore and Town of Kingsville.
9 The transaction was approved by the Board in January 2009, and the Town of Essex became the
10 Company's sole shareholder. E.L.K. is therefore 100% owned by The Corporation of the Town
11 of Essex.

12 E.L.K. is one of the lowest cost LDC's by rates in the Province. E.L.K. continues to strive to
13 provide electricity to customers in a safe and efficient manner at a fair and reasonable cost. This
14 can be evidenced using the OEB's website tool "Calculate your Bill". E.L.K. calculated each utility
15 in the tool using the monthly average of 750 kWh and Time-of-use Pricing plan and the results
16 exhibited that there was only 1 other utility in both the Residential and Small Business Sector
17 whose bills were at lower cost than E.L.K.'s using this mechanism.

18 The Pacific Economics Group (PEG) report entitled "*Empirical Research in Support of Incentive*
19 *Rate Setting: 2020 Benchmarking Update*" issued by the Board on August 27, 2021 places E.L.K.
20 in the most efficient Group 1 category (i.e. a stretch factor of 0.0%). Based on the PEG results,
21 E.L.K. is ranked as the second most efficient LDC out of 59 LDCs in the Province.

22 The PEG report also shows that E.L.K.'s Benchmarking Performance for the period 2018-2020
23 was -51.4%, which represents an efficiency improvement of -4.8 % from the previous 2017-2019
24 period where E.L.K. had a Benchmarking Performance rating of -46.6%.

- 25 • E.L.K. prides itself on being efficient while at the same time improving operationally
26 through various productivity initiatives including:
 - 27 ○ New locate system in 2021 to increase productivity of Operations staff

- 1 ○ A paperless initiative to encourage customers to convert to e-bills and staff
2 conversion of paper based files to electronic documents.
- 3 ○ As a result of customer feedback hand delivered planned outage notifications were
4 changed to customer telephone calls/emails.
- 5 ○ As a result of customer feedback MicroFIT/fit customers can now enroll in direct
6 deposit as of August 2021.

7 E.L.K. Management continues to periodically review its business strategy and objectives to
8 ensure compliance and a direct alignment between the OEB's RRFE and E.L.K.'s business
9 strategy.

10 The key elements of this Application are as follows:

- 11 • E.L.K. is requesting the approval of its proposed Service Revenue Requirement of
12 \$4,511,397 an increase of \$300,665 or 7.14% over 2022 revenue at existing rates.
- 13 • The main drivers of the revenue deficiency (\$300,665) are:
 - 14 ○ Two additional staff in the Test Year to assist with respond to the recommendations
15 arising from the directives from its last Cost of Service rates proceeding and to
16 deal with future succession planning issues. These positions are: Supervisor,
17 Asset and Engineering Management and Regulatory Analyst; and
 - 18 ○ Cost increases in order to maintain the overhead and underground system.

19 E.L.K. is requesting a rate base of \$13,820,951. This rate base is also used to determine the
20 proposed Revenue Requirement found at Exhibit 6. The Rate Base for the 2022 Test Year is
21 forecast to increase \$854,218 (6.6%) over the 2021 Bridge Year as further described in Exhibit 2.

22 E.L.K. has described its approach for major capital investments as part of its Distribution System
23 Plan in Exhibit 2. Specifically, in the area of System Renewal, E.L.K. relies on asset demographic
24 and condition data to develop investment levels, which are then tied to portfolio performance
25 and relative reliability outcomes. For System Service projects, a prioritization method is used to

objectively assess material investments against corporate objectives as described. In addition, projections for System Access have been developed that include a forecast of new connections over the plan period, against which historic unit costs have been applied. Exhibit 2 details E.L.K.'s capital plan over the DSP period.

This Application is based on E.L.K.'s Business Plan for the regulated portion of its business. In developing the Business Plan, E.L.K. was mindful of the need to align its business principles with the objectives of the RRFE, particularly with respect to improvements in productivity, maintenance of safety, excellent customer service and a steady and fair financial return for the shareholder. E.L.K.'s Business Plan has changed from previous years to ensure a closer alignment with the objectives of the RRFE. E.L.K.'s Business Plan 2022-2026 can be found in Exhibit 1, Tab 2, Attachment 2.

2.0 E.L.K Mission

E.L.K.'s mission is to provide the highest quality service to our customers by ensuring that the electrical system is designed, constructed and maintained to ensure its reliability, safety and affordability while increasing shareholder value.

3.0 Core Objectives

E.L.K.'s objectives are defined in its Corporate Goals:

- Provide a safe and reliable electricity distribution system with the capacity to meet the expectations of our customers and support local economic growth.
- Promote and practise excellence in safety.
- Provide quality customer support and encourage customer feedback in order to improve customer satisfaction.
 - Customer Service is our focus with an open-door office to encourage and collect customer feedback. Providing quality customer service support.

- Establish the lowest retail rates possible without compromising the financial integrity of the Corporation in compliance to our Shareholder's direction and Corporate Strategic Plan.

E.L.K.'s key capital work activities in 2021 and 2022 are as outlined in Section 3.1 below.

3.1 Work Activities in 2021

Pole Replacement Program

The pole replacement program will see approximately 13 poles replaced that are at or beyond end of useful life and additional data will be collected on existing poles to update the asset database. Additional pole inspection and treatment will also be performed.

Pole and Pad Mount Transformer Replacement Program

The pole mount transformer replacement program will see approximately 16 poles replaced that are at/near useful life. The pad mount transformer replacement program will see approximately 9 units being replaced. These replacements are occurring throughout the entire E.L.K. Energy service territory.

Underground Asset Renewal

Finalized the underground rejuvenation on Augustine. The area will be fully converted to mini pad transformers and our normal distribution voltage of 27,600/16,000 volts.

Ministry of Transportation Highway 3 Expansion

This significant project includes both underground and overhead construction as well as asset relocation. Specific areas include the Victoria Street underground crossing, South Talbot Re-alignment, and Maidstone Re-alignment

3.2 Work Activities in 2022

Pole Replacement Program

The pole replacement program will see approximately 20 poles replaced that are at or beyond end of useful life as well as collecting additional data on existing poles to update the asset database. Additional pole inspection and treatment will also be performed.

1 **Pole and Pad Mount Transformer Replacement Program**

2 The pole mount transformer replacement program will see approximately 16 units replaced that
3 are at near useful life. The pad mount transformer replacement program will see approximately
4 48 units being replaced. These replacements are occurring throughout the entire E.L.K. Energy
5 service territory.

6 **Underground Asset Renewal**

7 Viscount Road Primary Cable upgrade. E.L.K. Energy to install conduit for our primary cable at
8 this busy intersection.

9 **Gosfield / Maidstone Intersection**

10 ELK to remove OH primary lines and install UG as part of renewal of the intersection.

11 **ESRI GIS system**

12 With the hiring of the Operations Asset Management Supervisor the focus will be on mapping all
13 of ELK assets and focusing on a replacement plan. Once the GIS is in place a smart outage map
14 will be added.

15 **Fault Indicator System**

16 In response to our Kingsville service area customer concerns, ELK will initiate a pilot project -
17 smart fault indicator system to assist operations in monitoring our distribution system and
18 providing quicker recovery times from outages.

19 **New Website/Messaging/Mobile app/Green Button Implementation**

20 A new website is planned for 2022 to respond to our customer suggestions for timely outage
21 messaging, online fillable forms; and mobile capabilities.

22 **Core OM&A Activities**

23 Core OM&A work activities over the 2021 to 2022 period include:

- 24 • Over-head and Under-ground maintenance expenses,
- 25 • Meter reading and customer billing,

- Distribution System Maintenance, and
- Vegetation Management.

4.0 Distribution System Plan (DSP) and Capital Expenditure Plan

E.L.K.'s capital plan is described in detail in the Distribution System Plan (DSP) in Exhibit 2. The DSP provides an overview of E.L.K.'s asset planning process, objectives and goals, a review of E.L.K.'s asset-related operational performance over a 5-year historical period, and a forecast of planned capital expenditures over the 2022-2026 period.

This DSP outlines how E.L.K. will develop, manage, and maintain its distribution system equipment to provide a safe, reliable, efficient, and cost-effective distribution system. It identifies the major initiatives and projects to be undertaken over the planning period, to meet customer and stakeholder requirements.

E.L.K.'s DSP has been prepared consistent with the requirements set out by the OEB in Chapter 5 - Consolidated Distribution System Plan Filing Requirements, issued June 24, 2021. Chapter 5 requirements are referenced by section and subsections and E.L.K. has followed this outline in numerical order by section.

The E.L.K. DSP also provides information required by the Board under the Renewed Regulatory Framework ("RRFE") to facilitate assessment of E.L.K.'s application, in the areas involving planned expenditures on the distribution system and other infrastructure. For the purposes of the filing, the DSP has consolidated documentation of E.L.K.'s asset management process and capital expenditure plan.

The DSP is consistent with Board expectations for distributors to optimize investments with present and future customers in mind. This Plan is focused on delivering value for money and aligns the interests of E.L.K. with those of its customers; it also supports the achievement of public policy objectives and sustaining financial viability. E.L.K. strives to ensure that the performance outcomes, as established by the OEB for electricity distributors, are being achieved in a planned manner.

1 The DSP consolidates documentation of E.L.K.'s Asset Management Process and the Capital
2 Expenditure Plan to maximize overall value to stakeholders in areas like service quality, customer
3 satisfaction, safety, asset renewal and financial performance.

4 In this application E.L.K. is requesting an increase in staff in the regulatory/accounting and the
5 operational and engineering departments. E.L.K. plans to hire two additional staff members, a
6 Regulatory Analyst and Supervisor, Asset and Engineering Management. These hires will allow
7 E.L.K. to better respond to the goals set out in the OEB's RRFE Customer Focus and Operational
8 Effectiveness focus areas as well as the recommendations from directives from the OEB in
9 E.L.K.'s last Cost of Service Rates Application (EB-2016-0066).

10 In 2021, E.L.K. increased its staff complement with a Supervisor, Asset and Engineering
11 Management position. This addition will help the Chief Financial Officer, Director of Stakeholder
12 Relations and Manager, Engineering and Operations to focus on a broader scope of work
13 activities, involvement in larger dynamic issues, increased participation in working groups, joining
14 councils and greater participation in industry-wide issues. Allowing the current CFO, Director of
15 Stakeholder Relations and Manager, Engineering and Operations to extend themselves into these
16 new initiatives will increase knowledge, thought processes and ultimately will help to provide
17 benefits from both a service and cost perspective for E.L.K. customers. Although there will be an
18 increase to OM&A expenses as a result of the addition of a Regulatory Analyst and Supervisor
19 Asset and Engineering Management, these positions will help to address operational and
20 administrative issues.

21 Business focus has changed from previous years as E.L.K. is in an efficiency and technology
22 stage to re-invent its brand. A new GIS system to proactively manage distribution assets is
23 imperative as well as a future smart outage map to respond to our customer's requests. A new
24 website with mobile app and green button implementation will respond to customer's requests for
25 increased account and timely usage information.

26 **5.0 Consistency with the OEB's Renewed Regulatory Framework**

27 The Ontario Energy Board (OEB) introduced an updated approach to rate setting at the end of
28 2012 with the Renewed Regulatory Framework. The Renewed Regulatory Framework is a

performance-based approach to regulation that focuses on the achievement of outcomes such as efficiency, reliability, sustainability, and financial viability. *The Report of the Board, Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach ("RRFE Report")* issued on October 18, 2012, outlines the following four (4) performance outcomes the Board expects distributors to achieve.

1. **Customer Focus**: services are provided in a manner that responds to identified customer preferences.;
2. **Operational Effectiveness**: continuous improvement in productivity and cost performance is achieved; and utilities deliver on system reliability and quality objectives;
3. **Public Policy Responsiveness**: utilities deliver on obligations mandated by government (e.g. in legislation and in regulatory requirements imposed further to Ministerial directives to the Board); and
4. **Financial Performance**: financial viability is maintained; and savings

The following sections outline E.L.K.'s actions to be aligned with these objectives. Further information on productivity and continuous improvement can be found in Exhibit 1, Tab 6, Section 4.

Plan to shift annual financial reporting to more regular reporting (tied to RRFE Financial Performance)

With the addition of a new Regulatory Analyst this will allow the CFO, Director of Stakeholder Relations to focus detailed variance analysis, comparisons to budget on a monthly basis. This will allow management to continuously manage and monitor financial performance over the year. This in turn will allow for productivity and continuous improvements and performance throughout the year. This is also responsive to customer feedback from the Oracle Poll 2020 survey and the METSCO 2021 customer survey whose results can be found at Exhibit 1, Tab 5, Section 2.1, and Exhibit 1, Tab 5, Section 2.2, respectively.

Plan to meet E.L.K.'s Service Quality Objectives by increasing formal customer engagement activities (tied to RRFE Customer Focus Outcome)

Historically, E.L.K. has consistently exceeded the OEB's Service Quality Indicator standards, and as set out in Exhibit 1, Tab 6. E.L.K. is targeting to maintain its performance at levels at or above the OEB standards for 2021 and 2022. E.L.K.'s customer base is growing at a rate of approximately 1-2% yearly. E.L.K. understands that customers need to be engaged more to allow them to have greater control of their consumption as well as a greater understanding of the electricity market. E.L.K.'s dedicated maintenance programs include tree trimming resulting in fewer outages that would have otherwise occurred during significant storm events. Responding to increased customer demand for up-to the minute information, E.L.K. is planning a new website with mobile app technology and green button implementation in 2022 plus more extensive use of social media messaging, such as, Twitter, Instagram and the launch of a pilot project with a new website introduction "ELK Green".

Plan to meet E.L.K.'s Conservation and Demand Management Objectives (tied to RRFE Customer Focus and Public Policy Responsiveness Outcomes)

The Conservation First Framework ("CFF") established rigorous targets for local distribution companies ("LDCs") to collectively deliver 7 TWh through locally delivered programs approved by the Independent Electricity System Operator ("IESO"). The CFF allowed LDCs like E.L.K. to design and manage the delivery of cost-effective programs to meet the needs of their customers. The IESO's role was to ensure compliance, evaluate program efficiency, and report results on an annual basis.

On March 21, 2019, the CFF was terminated and replaced by an Interim Framework, pursuant to a Ministerial directive. In turn, many LDC conservation programs were discontinued, including the Business Refrigeration Incentive, the Audit Funding Program, Residential New Construction, High Performance New Construction, Existing Building Commissioning, Monitoring and Targeting, Instant Discount (Deal Days), and the Heating and Cooling Incentive. The remaining programs were centralized with the IESO for delivery and program administration.

Plan to formalize asset management process (track project execution vs. timeline estimates, track project cost vs budget) (tied to RRFE Operational Effectiveness Outcomes)

Consistent with the response to the findings and actions of the Operation Review (Exhibit 1, Tab 3, Section 9), E.L.K. is in the process of introducing improvements to formalize its asset management process during the term of this COS and the DSP. E.L.K. currently tracks costs for each particular project and compares these actual amounts to budgeted amounts for proper reconciliation and variance analysis. 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.

Plan to meet E.L.K.'s Health, Safety and Wellness Objectives (tied to RRFE Customer Focus and Operational Effectiveness Outcomes)

In keeping with E.L.K.'s vision to pursue health and safety as a top priority, E.L.K. uses injury prevention procedures within the corporation. As well, joint health and safety representatives conduct workplace inspections, and review accident reports. E.L.K. participates in Electrical Safety and Conservation presentations to local elementary schools in the E.L.K. service territory. E.L.K. has shifted its focus more recently toward health and safety and has implemented a very detailed Workplace Violence and Harassment Policy and COVID policy in addition to the above. The costs associated with these factors are all part of E.L.K.'s normal operating budget. Priorities are being analyzed to achieve maximization of value.

E.L.K. is committed to maintaining distribution system reliability and quality to achieve or outperform the targets for E.L.K. established by the OEB through the following objectives:

- Managing, maintaining and operating the distribution system in a manner that will, cost effectively, minimize: (i) the average number of hours that power to E.L.K.'s customers is interrupted; and (ii) the frequency of such interruptions.
- Target: Within 0.80 – 2.82 average number of hours that power to a customer is interrupted.

- Target: Within 0.34 – 0.95 average number of times that power to customer is interrupted.

6.0 Positioning the Business for Change

E.L.K. will continue to evolve its business model to meet current and future demands from its customers, adding value for the community and the broader sector. The distribution sector in Ontario is poised for further change in the future. E.L.K. will identify different strategic business scenarios, critical success factors for each scenario and prepare itself for such change.

7.0 Key Elements of the Application

Below, E.L.K. presents summarized information on the following key elements of its application:

1. Revenue Requirement
2. Budgeting and Accounting Assumptions
3. Load Forecast Summary
4. Rate Base and DSP
5. Operations, Maintenance and Administration Expense
6. Cost of Capital
7. Revenue Deficiency
8. Cost Allocation and Rate Design
9. Deferral and Variance Accounts
10. Bill Impacts

7.1 Revenue Requirement (Exhibit 6)

E.L.K. is requesting the approval of a 2022 proposed Service Revenue Requirement of \$4,511,397, which reflects a revenue deficiency of \$300,665 which is shown in Table 1-1:

1

Table 1-1 Service Revenue Requirement

Service Revenue Requirement	2012 Approved (A)	2022 Revenue at Existing Rates Allocated in Proportion to 2012 Approved (B)	2022 Proposed (C)	Revenue Deficiency (D)=(C)-(B)
OM&A	2,449,010	2,389,250	3,531,441	1,142,190
Property Tax	23,000	22,439	20,000	-2,439
Depreciation	965,051	941,502	255,733	-685,769
Return on Rate Base	647,037	631,248	704,223	72,974
PILs	231,952	226,292	0	-226,292
TOTAL	4,316,050	4,210,732	4,511,397	300,665
				Difference (D)=(C)-(A)
Rate Base	12,324,592		13,820,951	1,496,358

2 The major contributors to revenue deficiency of \$300,665 are the increase are related to increases
3 in OM&A expenses that are discussed in Exhibit 4 and an increase in return on rate base. These
4 increases are partially offset by decreases in depreciation, and PILs. Based on the projected load
5 forecast and customer growth for the 2022 Test Year, E.L.K. has estimated a revenue deficiency
6 of \$300,665 based on its current rates. The computation of the revenue deficiency is shown in
7 Exhibit 6.

8 E.L.K. seeks the OEB's approval to revise its electricity distribution rates. The rates proposed to
9 recover its projected revenue requirement and other relief sought are set out in Exhibit 8 to this
10 application.

11 The information presented in this application sets out E.L.K.'s forecast for its 2022 Test Year.
12 E.L.K. is also presenting the 2012 Board Approved and historical actual information for fiscal
13 years 2016 to 2020 and forecast for the 2021 Bridge Year (consistent with the April 12, 2021 letter
14 from the OEB). E.L.K. is not relying on information from EB-2016-0066 as the relevant and correct
15 information for 2012-2015 has already been incorporated into the applicable Chapter 2
16 Appendices filed with this application

7.2 Budgeting and Accounting Assumptions

Developing E.L.K.'s budget is a key process that identifies past successes as well as future initiatives and projections for capital and operating costs. E.L.K. used general inflation, prior year actuals and specific cost drivers for its 2021 Bridge Year and 2022 Test Year forecasts. Labour costs reflect the annual wage rate adjustments that E.L.K. negotiated under its collective agreement with its unionized employees. For non-unionized employees, the labour cost forecast is largely driven by increases that reflect market competitive compensation.

Budget requirements are assessed through informed decision-making points that are also guided by E.L.K.'s customer feedback received, whether verbal, in writing or through formal survey. They're also assessed through the understanding of the OEB's RRFE objectives. As part of the OM&A and capital budgeting process, E.L.K. took into consideration the customer survey results.

With respect to E.L.K.'s weather normalized load forecast; it is developed in a three-step process. First, a total system weather normalized purchased energy forecast is developed based on multivariate regression model that incorporates variables that impact energy usage. Second, the weather normalized purchased energy forecast is adjusted by a historical loss factor to produce a weather normalized billed energy forecast. Finally, the forecast of billed energy by rate class is developed based on a forecast of customer numbers and historical usage patterns per customer.

Both the 2021 Bridge and 2022 Test Years have been prepared using the MIFRS method of presentation.

E.L.K. prepares budget information for the three major components of the budgeting process:

1. Revenue Forecasts;
2. Operating, Maintenance and Administration (OM&A); and
3. Capital Costs under the RRFE categories
 1. System Access
 2. System Renewal
 3. System Service

1 4. General Plant

2 E.L.K.'s budget is prepared annually by management and is reviewed and approved by E.L.K.'s
3 Finance Committee and subsequently by the E.L.K. Board of Directors. The budget is prepared
4 and approved in Q1 of each year. Once approved, it does not change and provides a plan against
5 actual results and variances are monitored.

6 **7.2.1 Revenue**

7 During a COS and IRM period, E.L.K. prepares a forecast of distribution revenues and other
8 revenues. Other revenues are viewed on an line item basis and are either based on historical
9 results or future initiatives.

10 **7.2.2 Operating Maintenance and Administration Expense**

11 The OM&A costs presented in Exhibit 4 are the result of a business planning and work
12 prioritization process that ensures that the most appropriate, cost-effective solutions are put in
13 place. The budgeting process used to determine the OM&A budget involves the following steps:

- 14 a) Detailed expenses for prior two years are analyzed.
- 15 b) Staffing levels are based on planned work activities.
- 16 c) Outside expenses for all department budgets are built based on analysis including
17 previous years actual information, current year forecast, known changes in external costs,
18 and changes in departmental activities or responsibilities in response to new
19 legislation/regulations or industry activities.
- 20 d) One-time regulatory costs for this application have been normalized over the five-year 4th
21 Generation IRM rate-setting period.
- 22 e) Analysis of material variances in spending from prior years.
- 23 f) The CFO, Director of Stakeholder Relations, together with the Operations Manager
24 prepares a total labour budget using projected wage and benefit cost. Overtime is based
25 on previous years' experience.

1 The CFO, Director of Stakeholder Relations compiles all forecasted OM&A expenditures
2 to compare the total projected expenditures and review year over year significant
3 variances.

4 **7.2.3 Amortization**

5 Amortization has been calculated based on useful lives consistent with the Kinectrics Study.

6 **7.2.4 PILs**

7 Regulatory PILs have been calculated using the Board Approved model.

8 **7.2.5 Capital**

9 All proposed capital projects are assessed within the framework of its capital budget priority as
10 outlined in The Distribution System Plan and are consistent with the Asset Management planning
11 process.

12 a) The capital budget was formulated on a project-by-project basis.

13 b) System Access investments are driven by third parties such as customers and other
14 authorities. These project requirements are dependent on developments and growth
15 within E.L.K.'s territory. E.L.K. coordinates with third parties and prospective developers
16 as described in Exhibit 2 when preparing the budget.

17 c) For System Renewal projects, E.L.K. reviews condition assessments and potential impact
18 on reliability in coordination with investment projects driven externally, and capital budget
19 expenditures, prioritizing investments based on asset condition evaluations along with
20 review of annual maintenance to determine short and long-term needs for asset
21 replacements and renewals.

22 d) General Plant projects are assessed and evaluated on an individual basis. Material
23 investments are planned well in advance.

7.3 Load Forecast Summary (Exhibit 3)

E.L.K.'s load forecast is weather normalized and considers factors such as historical power purchased load, weather, calendar related factors and the usage of the embedded distributor.

E.L.K. used the same regression analysis methodology approved by the OEB in its 2012 COS application (EB-2011-0099)¹ and updated the analysis for actual power purchases to the end of the 2020. As described below, the regression analysis and variables were refined to produce a regression in which predicted volumes are more aligned with actual volumes.

The updated regression analysis includes the variables used in the 2012 COS application with the exception of the Ontario Real GDP variables since it was not statistically significant and had a counterintuitive coefficient. The regression methodology used in this application is similar to the methodology used by a number of distributors in recent cost of service rate applications. With a regression analysis, E.L.K.'s purchases are correlated with other monthly explanatory variables such as heating degree days and cooling degree days which occur in the same month. The results of the regression analysis produce an equation that predicts the purchases based on the explanatory variables. This prediction model and forecasts of explanatory variables is then used to forecast the total level of weather normalized purchases for the Bridge Year and the Test Year which is converted to billed kWh and kW, where applicable, by rate class. A detailed explanation of the process is provided later in this evidence.

Based on the Board's approval of this methodology in a number of previous costs of service applications as well as the discussion that follows, E.L.K. submits the load forecasting methodology is reasonable at this time for the purposes of this Application.

Based on the load forecast methodology, the total billed 2022 Test Year kWh forecast is 240,081,043 which is a 0.002% decrease over the E.L.K. Board Approved kWh forecast of 240,658,928.

¹ The same methodology was also proposed in E.L.K.'s 2017 COS application (EB-2016-0066).

The 2022 forecast of customers by rate class was determined using a geometric mean analysis for all rates classes. The expected number of customers/connections for the 2022 Test Year is 15,497 which is a 9.3% increase over the 2012 E.L.K. Board Approved customers/connections of 14,176, or an annualized growth rate of 0.89% per year.

7.4 Rate Base and DSP (Exhibit 2)

E.L.K. has calculated its 2022 Test Year rate base to be \$13,820,951. This rate base is also used to determine the proposed Revenue Requirement found at Exhibit 6. Table 1-2 illustrates E.L.K.'s Rate Base Calculations for the Test Year.

Table 1-2: 2022 Test Year Rate Base

	2022
Net Capital Assets in Service	
Opening Balance	11,155,991
Ending Balance	11,996,180
Average Balance	11,576,086
Working Capital Allowance	2,244,865
Total Rate Base	13,820,951
Expenses for Working Capital	
2022	
Eligible Distribution Expenses	
Distribution - Operation	521,943
Distribution - Maintenance	924,630
Billing & Collecting	721,707
Community Relations	11,537
Administrative & General	1,346,346
Donations - LEAP	5,279
Taxes other than Income Taxes	20,000
Total Eligible Distribution Expenses	3,551,441
Power Supply Expenses	26,380,096
Total Expenses for Working Capital	29,931,537
Working Capital Factor	7.50%
Total Working Capital Allowance	2,244,865

E.L.K. has provided its rate base calculations for the years 2012 Board Approved, 2016 to 2020 Actuals, 2021 Bridge Year and 2022 Test Year in Table 1-3 below:

1

Table 1-3 – Summary of Rate Base

	2012 Approved	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Bridge Year	2022 Test Year
Net Capital Assets in Service								
Opening Balance	9,211,176	8,656,911	8,587,550	8,813,259	9,379,210	9,392,454	10,316,027	11,155,991
Ending Balance	8,784,978	8,587,550	8,813,259	9,379,210	9,392,454	10,316,027	11,155,991	11,996,180
Average Balance	8,998,077	8,622,231	8,700,405	9,096,235	9,385,832	9,854,241	10,736,009	11,576,086
WC Allowance	3,326,515	2,493,360	2,522,894	2,395,181	2,555,180	2,828,528	2,230,724	2,244,865
Total Rate Base	12,324,592	11,115,591	11,223,299	11,491,416	11,941,012	12,682,768	12,966,733	13,820,951

2 The Rate Base for the 2022 Test Year has been forecasted to increase \$854,218 (6.6%) over the
3 2021 Bridge Year. Furthermore, the Rate Base for the 2022 Test Year has increased by
4 approximately \$1.5 million over the last Board Approved Rate Base. The reasons for the variance
5 between the 2022 Test Year and 2012 Board Approved is mainly due to:

- 6 • The decrease in the working capital allowance rate has reduced the Rate Base. The
7 decrease is mainly attributed to the decrease in the working capital rate of 7.5% from
8 12.0% as approved during E.L.K.'s 2012 COS.
- 9 • Annual changes in cost of power and increases in OM&A expenses. E.L.K. has forecast
10 an increase in Power Supply Expenses and eligible distribution expenses since the last
11 Board Approved Rate.
- 12 • The average net capital asset in service has increased. The main drivers behind this are
13 the decrease in useful lives which results in a decrease in depreciation expense as well
14 as the increased investment in the distribution system.

15 E.L.K. has provided a summary of its calculations of the cost of power and controllable expenses
16 used in the calculations for determining working capital in Table 2-17 and Table 2-18 of Exhibit 2.

17 **7.4.1 Summary of the Distribution System Plan**

18 In creating the Distribution System Plan (the "DSP" filed as Exhibit 2, Tab 4, Attachment 1), E.L.K.
19 has applied its corporate goals, which include distributing electricity safely and reliably, providing

high operating efficiency and providing value for money. To meet these goals, E.L.K. developed protocols and strategies to ensure optimized and efficient planning. Optimal operation of the distribution system is achieved through the planning and implementation of “right sized” investments in renewal, replacement, asset repair, rehabilitation and preventative maintenance. Therefore, the DSP and capital expenditure plan seek to find the right balance between capital investments in new infrastructure and operating & maintenance costs so that the combined total cost over the life of the asset is optimized. Proposed capital investments are summarized in Table 1-4 below:

Table 1-4
Proposed Capital Investment
2022 to 2026

	2022	2023	2024	2025	2026	Average
System Access	\$866,834	\$942,997	\$1,107,530	\$1,144,189	\$1,183,298	\$1,048,970
System Renewal	\$306,566	\$369,703	\$452,291	\$493,994	\$539,012	\$432,313
System Service	\$41,600	\$41,600	\$41,600	\$41,600	\$83,200	\$49,920
General Plant	\$419,000	\$609,079	\$243,724	\$226,893	\$56,109	\$310,961
Total Expenditure	\$1,634,000	\$1,963,379	\$1,845,145	\$1,906,676	\$1,861,619	\$1,842,164
Percentage Change from Previous Year		20.2%	-6.0%	3.3%	-2.4%	-1.0%

The main capital projects over the 2022 to 2026 period are discussed below:

7.4.2 System Access

Expenditures within the System Access category are driven by external requirements such as servicing new customer loads and relocating distribution assets to suit road or municipal authorities. The timing of investments in this category are driven by the needs of external parties and are considered mandatory. Most of the forecasted investments in this category are based on historical averages, while being supported by information from external agencies and municipalities in the E.L.K. service territory.

There are two main categories that E.L.K. anticipates System Access investments to fall into: Subdivision development and rebuilds. Subdivision developments including new electrical supply and materials to residential and commercial developments where no current supply exists. System Access rebuilds include the relocation or enhancement of assets because of infrastructure development driven outside of an E.L.K. need, such as road rebuilds.

7.4.3 System Renewal

Expenditures within the System Renewal category are largely driven by the condition of distribution system assets and are driven by the overall reliability, safety, and sustainment of the distribution system. E.L.K. conducted both an asset condition assessment and pole health assessment to inform decisions for System Renewal within this DSP. The output of these assessments and processes led to targeted programs for capital expenditure and prioritization of System Renewal

There are two major focus areas for E.L.K.'s System Renewal activities: transformer replacements and upgrade, and pole replacement and treatment. As part of these asset renewal projects, E.L.K. intends to replace on average 18 poles per year that are in "very poor" or "poor" health condition as well as undertake treatment activities on other at-risk poles in the service territory. Additionally, for the transformer replacement project, E.L.K. intends to identify and replace degraded or end of useful life transformers within the system. These investments are aimed at maintaining the safety and reliability of the distribution system while mitigating the cost impacts to customers.

7.4.4 System Service

Expenditures in the System Service category are driven by the need to ensure that the distribution system continues to meet its operational objectives, while being able to anticipate future customer electricity requirements. Investments in System Service are captured in Table 1-4 above.

The main investment activity comprising System Service for E.L.K. within this DSP is the installation and deployment of fault circuit indicators onto the distribution lines in E.L.K. service territories. E.L.K. forecasts deploying ten sets of fault circuit indicators per year starting with a test

1 year in Kingsville service territory. These fault indicators will allow for more accurate visibility on
2 faults within the distribution system to identify targeted areas for power service restoration and
3 monitoring

4 **7.4.5 General Plant**

5 Expenditures in the General Plant category are driven by the need to modify, replace or add to
6 assets that are not part of the distribution system but support E.L.K.'s daily operations. The items
7 within this category are important and contribute to the safe and reliable operation of a distribution
8 system. If General Plant investments are ignored or deprioritized this could lead to future
9 operational risks or increased investments in future years. E.L.K.'s planned capital investments
10 in General Plant are highlighted in Table 1-4 above.

11 The main investment activity with the General Plant category will be the procurement of two large
12 vehicles for the E.L.K. fleet. Existing units have reached end of useful life and need to be replaced,
13 which leads to the large capital investments in 2022 and 2023. Procurement and delivery of the
14 chassis of the vehicle is expected in 2022, with the final delivery of the body of the vehicle
15 anticipated in 2023. The delivery of these fleet vehicles will allow E.L.K. to safely operate and
16 maintain the distribution system across its service territories. In addition, supported by feedback
17 from customers, E.L.K. will be undertaking a comprehensive review and upgrade of various IT
18 systems. The IT strategy is planned to include a new GIS system, integration of an Outage
19 Management System (OMS), improvements to E.L.K.'s website, and the generation of Outage
20 Maps for E.L.K. customers. These are considered fundamental systems that are required to track
21 and monitor important information about assets and the overall system. This is also considered
22 good utility practice as demonstrated by the implementation of similar systems by other
23 distribution companies in Ontario and beyond.

24 **7.4.6 Customer Preference**

25 E.L.K. regularly seeks to obtain customer feedback to help inform the direction and prioritization
26 of future capital investments in the E.L.K. system. The objective for E.L.K. is to facilitate access
27 so that customers can easily contact and communicate with the utility, and E.L.K. does through

customer-facing representation and a culture of leadership that delivers distribution service excellence to both customers and employees.

E.L.K. maintains multiple communication channels to engage with its customers, including a recent open-door policy to the head offices to allow physical interaction with E.L.K. staff and serviced customers. Along with customer satisfaction and safety surveys that are completed on a yearly basis, E.L.K. is continued to expand the communication channels to its customers.

Specifically for this DSP, E.L.K. completed a customer survey to outline the proposed capital investments associated with this DSP and to solicit feedback for general satisfaction of service and reliability of E.L.K. customers.

The customer engagement process has yielded results consistent with what E.L.K. anticipated and has heard through face to face and interactions on social media. Details can be found in the DSP (in Exhibit 2). The priorities identified from the customer engagement are:

- 1) Ensure reliable electric service
- 2) Deliver electricity at reasonable prices
- 3) Prioritize investments that will help improve system reliability, power quality, utility efficiency and operations.
- 4) Reduce the overall number of outages

7.5 Operations, Maintenance and Administration Expenses (Exhibit 4)

OM&A expenditures in the 2022 Test Year of \$3,531,441 represent an increase of \$1,083,604 or 3.73% per year over the 2012 Board Approved OM&A expenditures of \$2,449,010. The following Table 1-5 summarizes the changes.

1

Table 1-5: OM&A for 2016 Actual and 2022 Test Year

Description	2012 Board Approved	2020 Actual	2021 Actual	2022 Test Year	Variance from Board Approved to Test Year
Operations	\$291,000	\$284,999	\$387,414	\$521,943	\$236,944
Maintenance	\$455,000	\$578,700	\$804,383	\$924,630	\$345,930
Billing & Collecting	\$775,064	\$551,626	\$678,651	\$721,707	\$170,080
Community Relations	\$10,000	\$3,438	\$10,000	\$11,537	\$8,099
Administrative & General	\$917,946	\$1,029,074	\$1,334,836	\$1,351,625	\$322,552
Total OM&A Expense	\$2,449,010	\$2,447,837	\$3,215,284	\$3,531,441	\$1,083,604
Percentage Change (Total)					44.25%
Percentage Change (Compound Annual Growth Rate)					3.73%

2 The proposed OM&A expenditures for the 2022 Test Year has been developed through a detailed
3 budgeting and business planning process aligned to meet E.L.K.'s core business objectives.
4 These expenditures are required for E.L.K. to maintain distribution business service quality and
5 reliability standards in compliance OEB regulatory requirements (e.g., the Distribution System
6 Code) and requirements of other groups (IESO, ESA, etc....), as well as responding to customer
7 needs. The levels of OM&A in 2021 and 2022 also reflect E.L.K.'s response to the OEB directives
8 arising from its 2016 Cost of Service Application (see Tab 3, Section 9 of this Exhibit for a
9 summary of E.L.K.'s response and the directed studies). The OM&A costs in the 2022 Test Year
10 reflect the resourcing mix and investments required to meet customer and broader public policy
11 objectives. With these resources and investments, E.L.K. will better be able to meet increased
12 customer expectations.

13 For planning purposes, E.L.K. used a general inflationary rate of approximately 2% where the
14 expense increase could not be specifically identified for non-wage related expenses, which is

reasonable considering the major Canadian banks CPI estimates from 2021 to 2022 are greater than 3%.²

A major component of OM&A is compensation. Provided below in Table 1-6 is the total compensation for the test year as well as the last OEB approved.

Table 1-6 Total Compensation Test Year and 2012 Board Approved

Total Compensation (Salary, Wages & Benefits)	2012 Board Approved	2022 Test Year	Difference	% Change
Management (including executive)	\$422,400	\$864,730	\$442,330	
Non-Management (union and non-union)	\$1,252,146	\$1,308,896	\$56,750	
Total	\$1,674,546	\$2,173,626	\$499,080	29.80%

Table 1-7 Staff Levels 2012, 2016 to 2022

Staff Levels (FTE's)	2012	2016	2017	2018	2019	2020	2021	2022
Management	4.0	4.0	4.0	4.0	4.0	4.0	4.3	5.0
Non-Management	16.0	15.0	15.0	13.5	13.5	12.5	12.5	13.5
Total	20.0	19.0	19.0	17.5	17.5	16.5	16.8	18.5

Compensation costs increase in 2022 due to the addition of two additional staff.

7.6 Cost of Capital (Exhibit 5)

E.L.K. has a deemed capital structure consistent with that approved by the OEB in the *“Report of the OEB on the Cost of Capital for Ontario’s Regulated Utilities”* issued December 11, 2009. This capital structure is 56% long-term debt, 4% short-term debt and 40% equity.

² Based on review of forecasts as of December 2021: RBC (3.3%), Scotiabank (3.2%), and BMO (3.5%).

1 In this application, where appropriate, E.L.K. has used the most recent cost of capital parameters
2 issued by the Board on October 28, 2021. These are:

- 3 -Long-Term Debt: 3.49% (for Affiliated Debt)
- 4 -Short-Term Debt: 1.17%, and
- 5 -Return on Equity: 8.66%

6 E.L.K. does not have affiliated debt. For the cost of Long-Term Debt, E.L.K. has used a blended
7 rate of 2.83% which represents the weighted average of third-party debt at a placeholder rate of
8 1.36% (pending update at the interrogatory stage of this proceeding) and notional debt at the OEB
9 approved Long Term Debt rate.

10 E.L.K. confirms that that the cost of capital parameters currently used in this application will be
11 updated as necessary to reflect those approved by the OEB at the time of their Decision regarding
12 this proceeding.

13 **7.7 Revenue Deficiency (Exhibit 6)**

14 There is a revenue deficiency of \$300,665. The major contributors to revenue deficiency are the
15 increase are related to increases in OM&A expenses that are discussed in Exhibit 4. The
16 increases in OM&A are partially offset by decreases in depreciation and PILs. Based on the
17 projected load forecast and customer growth for the 2022 Test Year, E.L.K. has estimated a
18 revenue deficiency of \$300,665 based on its current rates. The computation of the revenue
19 deficiency is provided in Exhibit 6.

20 **7.8 Cost Allocation and Rate Design (Exhibits 7 and 8)**

21 E.L.K. has prepared its cost allocation and rate design consistent with the Board's methodology.

22 **Cost Allocation**

23 The data used in the 2022 cost allocation study is consistent with E.L.K.'s cost data that supports
24 the proposed 2022 revenue requirement outlined in this Application. The breakout of assets,
25 capital contributions, depreciation, accumulated depreciation, customer data and load data by

primary, line transformer and secondary categories were developed from the best data available to E.L.K. from its engineering records, and its customer and financial information systems.

As shown in Table 1-8, the resulting 2022 cost allocation study indicates the revenue to cost ratios for General Service < 50 kW, Street Lights, Unmetered Loads, and the Embedded Distributor are outside the Board's range. E.L.K.'s rates have not been rebalanced since 2012 so the results reflect 10 years of changes in relative loads, costs, and changes to the OEB's cost allocation methodology. For 2022, it is proposed the ratio for the Embedded Distributor is set at 120% and the ratio of each class below the 80% threshold to be set at 83.3% to maintain revenue neutrality. The ratio of the Sentinel Light class is above 80%, however, it is below the proposed floor of 83.3% that is applicable to other classes to maintain revenue neutrality so the proposed ratio for the Sentinel Lights class is also set at 83.3%.

Table 1-8 Revenue to Cost Ratios

Rate Class	2012 Board Approved	2022 Cost Allocation	2022 Proposed Ratios	Board Targets	
				Min	Max
Residential	98%	102.26%	102.26%	85%	115%
General Service < 50 kW	95%	74.01%	83.30%	80%	120%
General Service > 50 kW	120%	109.14%	109.14%	80%	120%
Street Lights	95%	65.46%	83.30%	80%	120%
Unmetered Loads	95%	77.67%	83.30%	80%	120%
Sentinel Lights	95%	80.71%	83.30%	80%	120%
Embedded Distributor	100%	218.90%	120.00%	80%	120%

Rate Design

Except for the Embedded Distributor class, E.L.K. proposes to maintain the fixed/variable proportions assumed in the current rates to design the proposed monthly service charges.

Table 1-9 outlines a comparison between the 2021 current and the 2022 proposed distribution rates.

Table 1-9: Distribution Charges

Rate Class	Monthly Service Charge			Unit	Distribution Volumetric Charge		
	2021 Current	2022 Proposed	% Diff.		2021 Current	2022 Proposed	% Diff.
Residential	\$19.10	\$20.64	8.1%	kWh	\$-	\$-	
GS < 50 kW	\$16.48	\$18.43	11.8%	kWh	\$0.0052	\$0.0075	44.3%
GS > 50 kW	\$195.44	\$195.44	0.0%	kW	\$1.6534	\$1.8719	13.2%
Street Lights	\$1.23	\$1.74	41.4%	kW	\$11.9494	\$16.8958	41.4%
Unmetered Loads	\$6.70	\$7.85	17.1%	kWh	\$0.0019	\$0.0022	17.1%
Sentinel Lights	\$3.27	\$3.66	12.0%	kW	\$6.1531	\$6.8894	12.0%
Embedded Dist.	\$1,932.35	\$1,408.29	-27.1%	kW	\$0.2874	\$-	-100.0%

7.9 Deferral and Variance Accounts (Exhibit 9)

E.L.K. has included in this Cost of Service (“COS”) Application, a request for approval for disposition of Group 1 and Group 2 Deferral and Variance Account (“DVAs”) balances as at December 31, 2020 (except accounts 1588 & 1589) and the forecasted interest through April 30, 2022. E.L.K. requests for approval disposition of the balances of Accounts 1588 and 1589 as at December 31, 2015 and forecast interest of those balances through April 30, 2022. E.L.K. has followed the Board’s guidance in the Accounting Procedures Handbook and FAQ’s (“APH”) for recording amounts in the deferral and variance accounts. Such guidance also includes the Report of the Board on Electricity Distributors’ Deferral and Variance Account Review Initiative (“EDDVAR Report”).

Table 9-1 contains a summary of all the outstanding DVAs. E.L.K. confirms that it has used the DVAs in the same manner described in the APH, and the account balance in Table 9-1 reconciles with the trial balance reported through the Electricity Reporting and Record-keeping Requirements and E.L.K.’s Audited Financial Statements. Reconciled differences are explained in Exhibit 9.

E.L.K. is requesting a net disposition of \$473,901 to be paid to customers over 24 months, based on the 2020 year-end balances (excluding accounts 1588 and 1589 which are 2015 principal

balances with interest to 2022) less the amounts approved through the 2021 IRM process (EB-2020-0014). E.L.K. has provided a continuity schedule of the Group 1 and Group 2 DVAs in live Excel format.

E.L.K. will continue or discontinue using the Group 2 accounts on a go-forward basis as outlined in Table 9-5. E.L.K. confirms that the IESO Global Adjustment Charge is pro-rated into the Regulated Price Plan ("RPP") and Non-RPP portions.

E.L.K. is requesting a new variance account for Incremental PILs/Income Tax in this COS application.

7.10 Bill Impacts

In preparing this application, E.L.K. has considered the impacts on its customers, with a goal of minimizing those impacts. Table 1-10 provides a summary of total bill impacts (\$ and %) for typical customers in all rate classes.

E.L.K.'s bill impacts are influenced by the required distribution rate increase necessary to increase revenues at current rates to the proposed revenue requirement, revenue rebalancing among classes in accordance with the results of the cost allocation model, and negative deferral and variance account balances. An average 8.07% rate increase is required to recover E.L.K.'s \$300,665 revenue deficiency. As rates have not been adjusted since 2012, there are material changes to the share of revenues to be collected from each class. In particular, the costs allocated to the Embedded Distributor have declined and the revenues recovered from Street Light customers has declined more than allocated costs following E.L.K.'s LED conversion. Disposition of negative deferral and variance account balances exceed the revenue requirement increase in the test year so overall rate impacts are negative for all classes except Street Lights.

Table 1-10: Total Bill Impacts

Rate Class	Monthly kWh	Monthly kW	\$ Change	% Change
Residential	750		-\$1.60	-1.4%
General Service < 50 kW	2,000		-\$1.91	-0.7%
General Service > 50 kW	75,000	200	-\$475.65	-3.9%
Street Lights	15,583	45	\$411.90	11.8%
Unmetered Loads	650		-\$1.66	-1.9%
Sentinel Lights	700	1.8	-\$4.22	-4.3%
Embedded Distributor	1,000,000	2,000	-\$1,080.80	-0.9%

Incorporated in the overall monthly bill impact is the effect of the following major components of the electricity bill, which includes:

- Distribution rates (monthly service charge and volumetric rates);
- Disposition of deferral and variance accounts;
- Retail Transmission Service rates;
- Wholesale Market Service rates; and
- Loss Factor

8.0 Business Plan

E.L.K.'s 2022-2026 Business Plan has been filed as Exhibit 1, Tab 2, Attachment 2.



Ontario
Energy
Board | Commission
de l'énergie
de l'Ontario

BY EMAIL

April 12, 2021

John A. D. Vellone
Borden Ladner Gervais LLP
22 Adelaide Street West
Toronto, ON M5H 4E3
jvellone@blg.com

Dear Mr. Vellone:

**Re: E.L.K. Energy Inc. (E.L.K. Energy)
2022 Cost of Service Application
Ontario Energy Board File Number: EB-2021-0016**

The OEB acknowledges receipt of E.L.K. Energy's letter dated March 31, 2021 regarding requested adjustments to its 2022 Cost of Service (COS) application. In its letter, E.L.K. Energy proposed a modified approach to its 2022 COS application by reducing the amount of information that needs to be filed. E.L.K Energy stated that some of the historical years (2012-2015) for the 2022 COS application was evidence in the 2017 COS application and was already tested in the interrogatory phase. The same information is required again in this application because E.L.K Energy agreed to withdraw its application as part of a settlement proposal, which was accepted by the OEB.¹

E.L.K. Energy proposed the following modified approach:

- Incorporate into the record of E.L.K. Energy's 2022 COS application evidence already on the record in EB-2016-0066 for E.L.K. Energy's historical data from 2012-2015.
- In its 2022 COS Application, E.L.K. Energy will be explicit in terms of identifying exactly what information from the record in EB-2016-0066 reflects the correct and most current information and will include references as appropriate.
- To the extent that there is additional data or changes required to the record in EB-2016-0066, E.L.K. Energy will explicitly identify those as part of its 2022 COS Application.

¹ EB-2016-0066 Decision and Rate Order, November 2, 2017

- To facilitate comparison over the entire historical period and as requested by the Intervenor and to the extent that the following Chapter 2 Appendices are part of 2022 Chapter 2 Filing Requirements, E.L.K. Energy undertakes to provide these appendices with data from 2012 to 2022 (historical, bridge and test years):
 - 2-AA Capital Projects
 - 2-AB Capital Expenditures
 - 2-BA Fixed Asset Continuity Schedule
 - 2-JA OM&A Summary Analysis
 - 2-JB Recoverable OM&A Cost Drivers
 - 2-JC OM&A Programs
 - 2-K Employee Costs
 - 2-OB Debt Instruments

E.L.K. Energy stated that the purpose of the modified approach is to help reduce the workload and financial burden on E.L.K Energy and not intended to limit Intervenor or OEB Staff from asking relevant interrogatories related to information on the evidentiary record, including information pertaining to the 2012 to 2015 period.

The OEB has considered E.L.K. Energy's request and grants approval for a modified approach as proposed by E.L.K. Energy.

Yours truly,

Original signed by

Christine E. Long
Registrar

c: Mark Danelon, E.L.K. Energy Inc.
Intervenor from EB-2016-0066



E.L.K.
Business Plan
2022-2026

December 2021

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1. INTRODUCTION

This Business Plan has been prepared in conformance with the requirements set forth in the Ontario Energy Board's ("OEB's") *Handbook for Utility Rate Applications*.

2. COMPANY OVERVIEW

On January 6, 2010, E.L.K. was incorporated pursuant to the *Business Corporations Act*, of Ontario, and is the successor corporation to the Hydro-Electric Commission for the Town of Essex, the Corporation of the Town of Lakeshore Hydro-Electric Commission, and the Kingsville Hydro Electric Commission. Initially, the three municipalities were shareholders of the corporation. In 2008, E.L.K.'s shareholders entered into a share purchase agreement whereby the Town of Essex agreed to purchase the common shares of the Town of Lakeshore and Town of Kingsville. The transaction was approved by the Board in January 2009, and the Town of Essex became the Company's sole shareholder. E.L.K. is therefore 100% owned by The Corporation of the Town of Essex.

3. STRATEGIC PLAN

POSITIONING E.L.K. FOR CHANGE

E.L.K. has served the Towns of Essex, Lakeshore and Kingsville which include six non-contiguous service areas, serving the communities of Belle River, Comber, Cottam, Essex, Harrow and Kingsville for the last 20 years. Residents, businesses and institutions who receive electricity distribution services from E.L.K. will be affected by the Application.

E.L.K. must continue to evolve its business to meet current and future demands from its customers, adding value from the community and the broader sector. The distribution sector in Ontario is poised for further change in the future. E.L.K. will identify different strategic business scenarios, critical success factors for each scenario and prepare itself for eventual change.

The executive team at E.L.K. comprises the Chief Executive Officer as well as the Director, Finance & Regulatory Affairs.

MISSION AND OBJECTIVES

OUR MISSION

E.L.K.'s mission statement is to provide the highest quality service to our customers by ensuring that the electrical system is designed, constructed and maintained to ensure its reliability, safety and affordability while increasing shareholder value.

OUR OBJECTIVES

E.L.K.'s objectives are defined as:

- Provide a safe and reliable electricity distribution system with the capacity to meet the expectations of our customers and support local economic growth.
- Promote and practice excellence in safety.
- Provide quality customer support and encourage customer feedback in order to improve customer satisfaction.
- Establish the lowest retail rates possible without compromising the financial integrity of the Corporation in compliance to our Shareholder's direction.

MAINTAINING SUCCESS - ORGANIZATIONAL VALUES

1. Create sustainable value for our shareholder by promoting business strengths and pursuing appropriate business opportunities.
2. Keeping up to date on regulatory and provincial changes
3. Regular review of fixed assets and the Distribution System Plan
4. Continued Technological advancements to optimize effectiveness and efficiency.
5. Strong and effective fiscal management.

REMAINING SUCCESSFUL AND BUILDING ON CURRENT SUCCESS

The Ontario Energy Board (OEB) introduced a new approach to rate setting at the end of 2012 with the Renewed Regulatory Framework. The Renewed Regulatory Framework is a performance-based approach to regulation that focuses on the achievement of outcomes such as efficiency, reliability, sustainability, and financial viability. *The Report of the Board, Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach* (“RRFE Report”) issued on October 18, 2012, outlines the following four (4) performance outcomes the Board expects distributors to achieve.

1. **Customer Focus**: services are provided in a manner that responds to identified customer preferences;
2. **Operational Effectiveness**: continuous improvement in productivity and cost performance is achieved; and utilities deliver on system reliability and quality objectives;
3. **Public Policy Responsiveness**: utilities deliver on obligations mandated by government (e.g. in legislation and in regulatory requirements imposed further to Ministerial directives to the Board); and
4. **Financial Performance**: financial viability is maintained; and savings

E.L.K. has adopted these for performance outcomes as a basis of developing its plans.

4. INTEGRATED PLANNING & PERFORMANCE MANAGEMENT FRAMEWORK

E.L.K.’s Business Plan for the period 2022-2026 provides an overview of the changing business climate and trends within Ontario’s electricity system—policy and regulations, technological changes, and costs and financial projections for the next five years. E.L.K.’s Strategic Plan is centered on meeting our continued commitment to delivering electricity, safely, efficiently and reliably and at an affordable cost to our customers, producing a dividend for our shareholder, and becoming an important partner to sustain and grow the local economy.

The cost of electricity is increasing the pressure on some families and their ability to pay, especially during the COVID-19 pandemic—and E.L.K. staff are responding by providing information on financial support for low-income families, and ways to rethink how electricity is used and how to manage consumption. As part of our license from the Ontario Energy Board,

E.L.K. is responsible for outreach programs to encourage consumers to conserve electricity and manage demand by using less electricity during peak hours—the point at which electricity is most expensive.

The electricity industry has changed and continues to evolve, transforming itself to become more customer centric providing more end user control. The main drivers of this transformation are cost, technology advancements, and government regulation.

The **Distribution System Plan** (DSP) presented in Exhibit 2 of E.L.K.'s 2022 Rates Application supports the capital and maintenance programs needed to maintain and enhance the reliability of E.L.K.'s distribution system.

Budget Preparation:

Developing E.L.K.'s budget is a key process that identifies past successes as well as future initiatives and projections for capital and operating costs. E.L.K. used general inflation, prior year actuals and specific cost drivers for its 2022 Bridge Year and 2021 Test Year forecasts. Labour costs reflect the annual wage rate adjustments that E.L.K. is required to pay under its collective agreement for its unionized employees. For non-unionized employees, the labour cost forecast is largely driven by increases that reflect market competitive compensation. In conjunction with known or planned requirements, E.L.K. reviews its process through a benefit-risk lens for new, large, and key budget items. All assessments are made through informed decision-making points that are also guided by E.L.K.'s customer feedback received, whether verbal, in writing or through formal surveys, as well as through the understanding of the OEB's RRFE objectives. E.L.K. took into consideration the survey results that were generated as part of the budgeting process of OM&A and capital costs throughout this Cost of Service Rates Application. With respect to E.L.K.'s weather normalized load forecast, it is developed in a three-step process. First, a total system weather normalized purchased energy forecast is developed based on multivariate regression model that incorporates variables that impact energy usage. Second, the weather normalized purchased energy forecast is adjusted by a historical loss factor to produce a weather normalized billed energy forecast. Finally, the forecast of billed energy by rate class is developed based on a forecast of customer numbers and historical usage patterns per customer.

EL.K. compiles budget information for the three major components of the budgeting process:

- revenue forecasts,
- operating, maintenance and administration (“OM&A”), and
- capital costs

E.L.K.’s budget is prepared annually by management and is reviewed and approved by the E.L.K. Board of Directors. Once approved, it does not change and provides a plan against which actual results will be evaluated.

The OM&A costs presented at Exhibit 4 are the result of a business planning and work prioritization process that ensures that the most appropriate, cost-effective solutions are put in place.

The Director of Finance compiles all forecasted OM&A expenditures to compare the total projected expenditures and reviews year over year variances.

The forecasted capital budget is influenced, among other factors, by E.L.K.’s capacity to finance capital projects and condition of the assets. Also, the availability of the workforce to complete a planned capital project is equally influential. All proposed capital projects are assessed within the framework of its capital budget priority as outlined in (Capital Expenditures by Project).

E.L.K.’s budget is prepared annually by management and is reviewed and approved by E.L.K.’s Finance Committee and subsequently by the E.L.K. Board of Directors. The budget is prepared and approved in Q1 of each year. Once approved, it does not change and provides a plan against actual results.

Core Capital Projects in 2021 and 2022

Noted below are the key capital work activities in 2021 and 2022

2021

- **Pole Replacement Program**

The pole replacement program will see approximately 13 poles replaced that are at or beyond end of useful life as well as collecting additional data on existing poles to update the asset database. Additional pole inspection and treatment will also be performed.

- **Pole and Pad Mount Transformer Replacement Program**

The pole mount transformer replacement program will see approximately 16 unit poles replaced that are at near useful life. The pad mount transformer replacement program will see approximately 9 units being replaced. These replacements are occurring throughout the entire E.L.K. Energy service territory.

- **Underground Asset Renewal**

Finalize the underground rejuvenation on Augustine. The area will be fully converted to mini pad transformers and our normal distribution voltage of 27,600/16,000 volts.

- **Ministry of Transportation Highway 3 Expansion**

This significant project includes both underground and overhead construction as well as asset relocation. Specific areas include the Victoria Street underground crossing, South Talbot Re-alignment, and Maidstone Re-alignment.

2022

- **Pole Replacement Program**

The pole replacement program will see approximately 20 poles replaced that are at or beyond end of useful life as well as collecting additional data on existing poles to update the asset database. Additional pole inspection and treatment will also be performed.

- **Pole and Pad Mount Transformer Replacement Program**

The pole mount transformer replacement program will see approximately 16 unit poles replaced that are at near useful life. The pad mount transformer replacement program will see approximately 48 units being replaced. These replacements are occurring throughout the entire E.L.K. Energy service territory.

- **Underground Asset Renewal**

Viscount Road Primary Cable upgrade. Elk to install conduit for our primary cable at this busy intersection.

- **Gosfield / Maidstone Intersection**

ELK to remove OH primary lines and install UG as part of renewal of the intersection ESRI GIS system.

With the hiring of the Operations Asset Management Supervisor the focus will be on mapping all of ELK assets and focusing on a replacement plan. Once the GIS is in place a smart outage map will be added.

- **Fault Indicator system**

In response to our Kingsville service area customers' concerns ELK will initiate a pilot project - smart fault indicator system to assist operations in monitoring our distribution system and providing quicker recovery times from outages.

- **NEW Website/Messaging/Mobile app/Green Button Implementation**

Budgeted website in 2021 was unable to be implemented after the RFP process with the abrupt leaving of the CFO. Therefore, a new website is in the works for 2022 to respond to our customer's suggestions for timely outage messaging, online fillable forms; and mobile capabilities.

Core OM&A work programs over the 2021 to 2022 period include:

- Over-head and Under-ground maintenance expenses,
- Meter reading and customer billing,
- Distribution System Maintenance,

- Vegetation Management, and
- Acquisition of third-party professional services

5. CUSTOMER NEEDS & PREFERENCES

Providing customers with value for money and providing a customer experience that is driven by choice are key aspects of E.L.K.'s business planning. In step with our overall business strategy to have a customer focus on everything we do, E.L.K. endeavors to ensure that its capital and operational investment plans are guided and informed by customer needs, preferences, and priorities.

METSCO, on behalf of E.L.K., conducted a customer engagement survey as part of developing the Distribution System Plan. Based on the results outlined in this report (filed as part of E.L.K.'s 2022 Cost of Service Application) customers have identified a strong preference towards E.L.K. addressing day-to-day reliability, reducing the number of outages on the system, and ensuring that investments are made towards improving system services, reliability and operations.

There remains room to improve customer satisfaction with respect to overall service, system reliability and outage response time. Those who indicated they are not satisfied with these services have also indicated that E.L.K. should improve communications when an outage occurs and reduce the number of outages experienced while ensuring that investments made to address these concerns are made prudently for the benefit of system performance.

Most customers were found to be either satisfied with E.L.K.'s proposed pace of investments in the DSP or preferred to see a further increase in the pace of investments proposed. This supports E.L.K.'s proposed plans, particularly under the System Renewal and General Plant categories. ELK's proposed plans, including the proactive replacements of deteriorating and end of life assets, bucket truck replacements, the deployment of a line fault indicators pilot project, and the development and implementation of an IT strategy, are all in favour of meeting ELK's customer needs and priorities, while also ensuring the continued safe and reliable operation of the distribution system at affordable rates for customers. E.L.K. will continue to propose and execute on these investments to address customer concerns, while balancing what the system needs and ensuring that rates remain affordable.

6. BUSINESS ENVIRONMENT

E.L.K. has formulated its corporate vision and objectives against the backdrop of numerous trends and shifts that are unfolding in the operational, business, and policy environments in which the utility carries out its activity. E.L.K.'s Strategic Direction is outlined above

State of the Economy

The condition of our local, provincial and national economy significantly affects our business through factors such as interest rates, inflation, and customer credit conditions. Increases in any of these aforementioned factors would reduce our net income and slow down the anticipated growth in customers in Renfrew. Our Town's history has shown that a poor economy can cause our local number of businesses to decrease, negatively impacting our financial position and further stagnating growth.

Market Renewal

E.L.K. is a registered participant in the provincial electricity market administered by the IESO. In its capacity as a market participant, the company purchases electricity from the IESO on behalf of its customers. Since 2016, the IESO has been exploring a series of enhancements to the design and administration of Ontario's markets. Several of these proposals contemplate changes to the structures and methodologies for determining the wholesale price of electricity. E.L.K. is monitoring this initiative closely.

Policy and Regulatory Environment

Shifts in Public Policy & Regulation

Over the course of 2017-2020 rate period, there were numerous policy and regulatory developments which had profound effects on the utility and the sector at large: establishment and subsequent cancellation of a provincial cap-and-trade program; implementation of numerous electricity rate mitigation and assistance programs; changes to the OEB's customer service rules, including the institution of a moratorium on residential disconnections during winter; adoption of the Ontario Cyber Security Framework; issuance of OEB guidance on corporate governance;

cancellation of Ontario's conservation framework; and reforms to the OEB's governance structure. In addition, and most significantly, has been the impact on the electricity sector during the period of the COVID pandemic, including many rate changes. These many changes have required changes in systems and processes at all Ontario LDCs and E.L.K. has incurred costs to properly manage these changes.

7. CAPITAL & OPERATIONAL PLANS

The E.L.K. business strategy is the set of plans, which organize and govern E.L.K.'s proposed investments in capital and operational programs over the 2022 to 2026 period.

Capital expenditures relate to items that, have lasting benefits over many years. These include the overhead and underground infrastructure (stations, poles, wires) that serve as the backbone of the distribution system, as well as supporting assets and equipment, such as facilities, vehicles, and computer systems. Operating expenditures pertain to recurring expenses that are incurred in the day-to-day management of E.L.K.'s activities, like maintenance of assets and equipment, tree trimming, customer billing, workforce training, and employee payroll.

Based upon customer feedback, E.L.K. has developed capital and operational plans that are based on the following four core principles:

1. Minimize rate increases
2. Maintain reliability and service quality
3. Address key pressures to the system, including:
 - Aging infrastructure
 - An expanding customer base and continued population growth
 - The effects of severe weather events
4. Make prudent investments in emerging technologies to enhance service offerings and/or reduce operation costs.

Capital Plan

E.L.K.’s assessments of its capital needs, and its proposed expenditures for meeting them, are captured in the utility’s Distribution System Plan (“DSP”). The DSP details how capital investments will be prioritized, paced, and optimized, while minimizing rate impacts for customers and facilitating continuous improvement and productivity. The DSP is a core deliverable emerging from multiple internal and external planning processes related to capital investment, asset management, regional planning, customer engagement, and business strategy.

The investment proposals set forth in the DSP are organized into four categories consistent with the OEB’s definitions – System Access, System Renewal, System Service, and General Plant. Projected expenditures, as well as the breakdown of programs, within each of these categories are outlined in Table 1 below.

Table 1 – Annual Capital Investments (\$’000,000s)

Investment Category	2020 Actuals	2021	2022	2023	2024	2025	2026
System Access	726	659	867	943	1,108	1,144	1,183
System Renewal	492	152	307	370	452	494	539
System Service	0	0	42	42	42	42	83
General Plant	539	475	419	609	244	227	56
Capital Contributions	-530	-468	-468	-477	-487	-497	-507
TOTAL	864	925	1,447	1,476	1,505	1,535	1,566

Operational Plan

E.L.K.’s responsibility to manage a safe and reliable distribution system, serve customers in a manner that is responsive to their preferences, and maintain compliance with a broad range of legislative and regulatory requirements require that the utility incur a level of costs that is consistent with the magnitude of its operational obligations. These costs are spread across 5 different operations, maintenance and administration (“OM&A”) program categories that serve to structure the myriad of activities which are part and parcel of keeping the lights on. Annual OM&A expenditures for the 2021-2026 term are outlined in the table below.

Table 2 – Annual OM&A Program Expenditures (\$'000,000s)

Category	2020 Actuals	2021	2022	2023	2024	2025	2026
Operations	275,510	272,000	406,253	387,143	385,323	471,734	416,765
Maintenance	570,349	477,300	713,660	742,207	771,895	802,771	834,882
Billing and Collecting	551,626	590,000	608,290	622,951	637,994	653,429	669,268
Community Relations	2,777	1,000	9,270	9,548	9,835	10,130	10,433
Administration & General	1,195,264	1,624,000	1,663,497	1,729,255	1,797,628	1,869,101	1,943,423

The principal cost drivers underlying E.L.K.'s forecasted OM&A expenses include costs associated with legislative and regulatory compliance; operational investments needed for safety and reliability; employee compensation and training; ongoing support, maintenance, licensing, and protection of the company's IT systems; fuel; market priced contracts; and inflation.

E.L.K. staff levels over the period 2016 to 2022 are shown in Table 3 below.

Table 3 – E.L.K. Staffing Levels 2016 to 2022

Staff Levels (FTE's)	2016	2017	2018	2019	2020	2021	2022
Non-Mgmt. (union & non union)	15.0	15.0	13.5	13.5	12.5	12.5	13.5
Management	4.0	4.0	4.0	4.0	4.0	4.3	5.0
Total	19.0	19.0	17.5	17.5	16.5	16.8	18.5

E.L.K.'s total operating costs are reported every year to the OEB and benchmarked against other distribution companies in Ontario. In the last year of publicly available data collected by the OEB, E.L.K.'s total operating cost per customer was \$232. Consistent with the pattern of recent years, this result compared favourably to the average cost per customer across all electricity distributors in the province (\$612).

Incorporating Customer Feedback

E.L.K. has incorporated customer feedback into its operations and this application in several ways. For example;

- As a result of customer feedback on the MicroFIT and FIT programs E.L.K. made a conversion in July 2021 to allow for a direct deposit method of payment
- As a result of customer surveys, in particular customer's preference for phone calls in regard to planned outages, E.L.K. converted from paper hand delivered notices to CSR staff calling customer's directly or emailing customer's
- As a result of customer's indicating they like the ability to come into the office to voice concerns or have questions regarding their bill explained to them in person E.L.K. has an open office accessible by our customer's
- As a result of customer's indicating they would prefer online forms to fill out an initiative was put in place to change forms to PDF online fillable
- E.L.K. has issued an RFP for new website (received August 2021) to streamline process for greater customer service

It is important for E.L.K. to implement multiple Customer Service Strategies that will allow E.L.K. to respond to customer concerns brought forth. Some suggestions for actions that will be taken to improve the customer experience include:

- Increasing Energy Understanding- Regarding Bills
- Improving Customer Communication
- Improving Outage Reporting
- Engaging the use of social media

8. PRODUCTIVITY AND CONTINUOUS IMPROVEMENT

E.L.K. committed to ensuring that productivity and continuous improvement initiatives are built into its 2023 rate plan.

COST REDUCTIONS AND PRODUCTIVITY IMPROVEMENTS NOW AND IN THE FUTURE

1. E.L.K. will continue to offer and promote ebilling to maintain and potentially increase the number of customers using this billing option.
2. E.L.K. will continue with in-house monthly bill production and printing. E.L.K. is already billing all customers on a calendar month basis.
3. E.L.K. will continue to utilize an Operational Data Store.
4. E.L.K. will continue to improve on communication of our company strengths and accomplishments to our customers and shareholders.
5. E.L.K. will continue to anticipate and react quickly to constant legislative and regulatory changes.

Benchmarking

The preparation of this Business Plan was supported by year-over-year comparisons of E.L.K.'s costs and outcomes, along with evaluations of the utility's performance against its peers. Tracking and analysis of trends in the achievement of system reliability, customer value, and financial strength outcomes have informed the development of particular capital and OM&A programs. A summary of key benchmarking results, as shown in our 2020 OEB Scorecard, is shown below.

- **Efficiency Assessment**

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC on behalf of the OEB to produce a single efficiency ranking. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. In 2020, for the ninth year in a row, E.L.K. was placed in Group 1, where a Group 1 distributor is considered most efficient. E.L.K. was one of seven utilities in Group 1 in 2020.

In 2020, E.L.K. Energy Inc. (E.L.K.) exceeded its performance targets. In 2021, E.L.K. will continue to strive to achieve positive scorecard results and continue to look for ways to improve the customer experience.

- **Total Cost per Customer**

Total cost per customer is calculated as the sum of E.L.K.'s capital and operating costs and dividing this cost figure by the total number of customers that E.L.K. serves. The cost performance result is \$380/customer, and a 5-year average of \$402/customer.

- **Total Cost per Km of Line**

This measure uses the same total cost that is used in the Cost per Customer calculation above. The total cost is divided by the kilometers of line that E.L.K. operates to serve its customers. E.L.K.'s rate is \$28,537 per Km of line, which is lower than 2019.

Additional benchmarking information is provided in Exhibit 1 of E.L.K.'s 2022 Cost of Service Application.

9. ALIGNMENT WITH THE RENEWED REGULATORY FRAMEWORK

The primary objectives animating E.L.K. Hydro's corporate vision are consistent with the main performance outcomes promoted under the OEB's Renewed Regulatory Framework ("RRF"). These objectives are:

1. **Customer Focus**: services are provided in a manner that responds to identified customer preferences,
2. **Operational Effectiveness**: continuous improvement in productivity and cost performance is achieved; and utilities deliver on system reliability and quality objectives,
3. **Public Policy Responsiveness**: utilities deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board), and
4. **Financial Performance**: financial viability is maintained; and savings

E.L.K. remains committed to firmly entrenching RRF principles and objectives throughout its operations and business

Performance Measures

E.L.K.'s OEB 2020 Scorecard is shown below. EL.K. has met or exceeded all targets in 2020.

Scorecard - E.L.K. Energy Inc.

10/22/2021

Performance Outcomes	Performance Categories	Measures	2016	2017	2018	2019	2020	Trend	Target	
									Industry	Distributor
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	93.90%	94.44%	99.04%	99.34%	99.50%	↑	90.00%	
		Scheduled Appointments Met On Time	98.90%	98.83%	100.00%	100.00%	99.07%	↑	90.00%	
		Telephone Calls Answered On Time	97.20%	96.60%	96.25%	97.69%	95.08%	↓	85.00%	
	Customer Satisfaction	First Contact Resolution	Excellent	Excellent	Excellent	Excellent	Excellent			
		Billing Accuracy	99.97%	99.99%	99.96%	99.98%	99.95%	↓	98.00%	
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Customer Satisfaction Survey Results	88% Satis.	90% Satis	90% Satis	91% Satis	91% Satis			
		Level of Public Awareness	78.00%	82.00%	82.00%	83.00%	83.00%			
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	C	↔		C
	System Reliability	Serious Electrical Incident Index	0	0	0	0	0	↔		0
		Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000	↔		0.000
		Average Number of Hours that Power to a Customer is Interrupted ²	0.25	0.63	1.63	1.85	3.34	↓		0.99
		Average Number of Times that Power to a Customer is Interrupted ²	0.09	0.21	0.48	0.72	1.15	↓		0.34
	Asset Management	Distribution System Plan Implementation Progress	In progress	In progress	In progress	In progress	In Progress			
		Efficiency Assessment	1	1	1	1	1			
	Cost Control	Total Cost per Customer ³	\$416	\$304	\$402	\$418	\$380			
		Total Cost per Km of Line ³	\$31,239	\$30,987	\$30,795	\$31,613	\$28,537			
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time								
		New Micro-embedded Generation Facilities Connected On Time	100.00%	100.00%	100.00%			↔	90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	2.04	1.85	2.51	2.95	2.67			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.52	0.43	0.35	0.28	0.21			
		Profitability: Regulatory Return on Equity	9.12%	8.78%	8.78%	8.78%	8.78%			
		Deemed (included in rates) Achieved	8.36%	11.15%	16.17%	9.66%	11.76%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).
2. An upward arrow indicates decreasing reliability while downward indicates improving reliability.
3. A benchmarking analysis determines the total cost figures from the distributor's reported information.

Legend:
5-year trend
↑ up
↓ down
↔ flat
Current year
● target met
● target not met

10. REVENUE REQUIREMENT & BILL IMPACTS

The Revenue Requirement and Bill Impacts associated with E.L.K.'s proposed 2021-2023 capital and operational plans are summarized in the tables below.

**Table 4 – Summary of Revenue Requirement and Revenue Sufficiency/Deficiency
(\$'000s)**

	2021	2022
Return on Rate Base	\$540,402	\$704,223
Distribution Expenses (not including amortization)	\$3,235,284	\$3,551,441
Amortization	\$252,817	\$255,733
Payment in Lieu of Taxes	\$0	\$0
Service Revenue Requirement	\$4,028,503	\$4,511,397
Less Revenue Offsets:	\$586,342	\$486,747
Revenue Requirement from Rates	\$3,442,161	\$4,024,650
Forecasted Load at 2020 Rates	\$3,695,020	\$3,723,985
Cumulative Revenue (Deficiency) over 2020		(\$47,806)
Yearly Revenue Sufficiency/(Deficiency) over 2020	\$252,859	(\$300,665)

Table 5 – Distribution Bill Impacts by Customer Class

Rate Class	Year-over-Year Distribution % Change		
	2021	2022	Average 2021 to 2022
Residential	1.60%	8.07%	3.59%
GS < 50 kW	1.74%	24.37%	6.51%
GS > 50 kW	1.60%	8.31%	3.65%
Street Lighting	1.60%	41.39%	8.14%
Sentinel Lighting	1.60%	11.97%	4.38%
Unmetered Scattered Load	1.39%	17.11%	4.88%
Embedded Distributor	1.59%	-43.83%	-19.6%

11. CONCLUSION

E.L.K. has served the Towns of Essex, Lakeshore and Kingsville which include six non-contiguous service areas, serving the communities of Belle River, Comber, Cottam, Essex, Harrow and Kingsville for the last 20 years. Residents, businesses and institutions who receive electricity distribution services from E.L.K. will be affected by the Application.

E.L.K. must continue to evolve its business to meet current and future demands from its customers, adding value from the community and the broader sector. The distribution sector in Ontario is poised for further change in the future. E.L.K. will identify different strategic business scenarios, critical success factors for each scenario and prepare itself for eventual change.

TAB 3 - ADMINISTRATION

1.0 Application

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c.15, 3 Schedule B, as amended (the "OEB Act");

AND IN THE MATTER OF an Application by E.L.K. Energy Inc. (E.L.K.) under Section 78 of the OEB Act to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of May 1, 2022.

(this "Application")

Applicant's Name: E.L.K. Energy Inc. (the "Applicant" or "E.L.K.").

Background:

1. The Applicant is a corporation incorporated pursuant to the Business Corporations Act (Ontario) with its head office in the Town of Essex. The Applicant carries on the business of distributing electricity serving more than 12,434 customers in the Towns of Essex, Lakeshore and Kingsville. Within these towns, which cover a large geographic area in Southwestern Ontario, E.L.K. has six non-contiguous service areas, serving the communities of Belle River, Comber, Cottam, Essex, Harrow and Kingsville.
2. The Application has been prepared pursuant to the OEB's Renewed Regulatory Framework for Electricity Distributors as detailed in the Report of the Board dated October 18, 2012 (the "RRFE").
3. Unless specifically stated otherwise in the Application, the Applicant followed Chapter 2 of the OEB's Filing Requirements for Electricity Distribution Rate

1 Applications last revised on June 24, 2021 (the "Filing Requirements") in preparing the
2 Application.

3 4. The Applicant has prepared a Consolidated Distribution System Plan ("DSP") in
4 accordance with Chapter 5 of the OEB's Filing Requirements for Electricity
5 Transmission and Distribution Applications.

6 5. The Applicant has used the OEB cost of capital parameters issued on October 28,
7 2021, and acknowledges that should the OEB publish a further update that will affect
8 the Revenue Requirement that the Applicant has requested in this Application.

9 **1.1 Proposed Effective Date of Rate Order**

10 The Applicant requests that the OEB make its Rate Order effective May 1, 2022, in accordance
11 with the Filing Requirements.

12 In the event that the OEB is unable to provide a Decision and Order in this application for
13 implementation by the Applicant as of May 1, 2022, the Applicant requests that the OEB declare
14 its current rates interim, effective May 1, 2022, pending the implementation of the OEB's Rate
15 Order for the 2022 rate year.

16 Form of Hearing: The Applicant requests that this Application be disposed of by way of a written
17 hearing.

18

1 **1.2 Certification of Application**

2 As the CFO, Director of Stakeholder Relations of E.L.K, I certify that the evidence filed in
3 E.L.K.'s 2022 Cost of Service Application (EB-2021-0016) is accurate, complete and consistent
4 with the Filing Requirements to the best of my knowledge and belief.

5 I also confirm that documents filed in support of this Application EB-2021-0016 do not include
6 any personal information as defined in the Freedom of Information and Protection of Privacy
7 Act.

8 DATED at Essex, Ontario, this 3rd day of February 2022.

9
10 
11

12 Cheryl Tratechaud, CPA, CMA

13 CFO, Director of Stakeholder Relations

2.0 Contact Information

The Applicant's Address for Service:

2.1 The Applicant:

E.L.K. Energy Inc.
172 Forest Avenue
Essex, Ontario
N8M 3E4

Primary Application Contact:

E.L.K. Energy Inc.
Cheryl Tratechaud, CPA, CMA
CFO, Director of Stakeholder Relations
172 Forest Ave
Essex ON, N8M 3E4
Tel.: (519) 776-5291 ext. 204
Email: ctratechaud@elkenenergy.com

2.2 The Applicant's Legal Representation:

Borden Ladner Gervais LLP

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON M5H 4E3

Primary Legal Contact:

John A.D. Vellone, LL.B., M.B.A., B.A.Sc. (Electrical Engineering)
Partner
Telephone: 416-367-6730

1 Fax: 416-367-6749
2 Email: **jvellone@blg.com**

3 **2.3 Confirmation of Internet Address and Social Media:**

4 E.L.K.'s website address is <https://www.elkenenergy.com>

5 E.L.K.'s social media accounts: Twitter; Google

6 **3.0 Publication Information**

7 Residents, businesses and institutions in the Towns of Essex, Lakeshore and Kingsville which
8 include six non-contiguous service areas, serving the communities of Belle River, Comber,
9 Cottam, Essex, Harrow and Kingsville who receive electricity distribution services from E.L.K. will
10 be affected by the Application.

11 The Application and related materials will be posted on the E.L.K.'s website, and will be available
12 for viewing at the following internet address: [https://www.elkenenergy.com/business-](https://www.elkenenergy.com/business-commercial/business-rates/)
13 [commercial/business-rates/](https://www.elkenenergy.com/residential/rates/) as well as <https://www.elkenenergy.com/residential/rates/>

14 E.L.K. also has a Twitter account and google account to respond to customer feedback.

15 Per filing requirement 2.1.4 Notice information needs to be provided recommending publication
16 media (e.g. local newspaper(s)). The Notice information will be published in The Windsor Star.

17 **4.0 Bill Impacts**

18 In preparing this application, E.L.K. has considered the impacts on its customers, with a goal of
19 minimizing those impacts. Table 1-11 provides a summary of total bill impacts (\$ and %) for typical
20 customers in all rate classes. These impacts reflect E.L.K.'s proposal for a two-year disposition
21 period for the Deferral and Variance Accounts.

Table 1-11: Total Bill Impacts

Rate Class	Monthly kWh	Monthly kW	\$ Change	% Change
Residential	750		-\$1.60	-1.4%
General Service < 50 kW	2,000		-\$1.91	-0.7%
General Service > 50 kW	75,000	200	-\$475.65	-3.9%
Street Lights	15,583	45	\$411.90	11.8%
Unmetered Loads	650		-\$1.66	-1.9%
Sentinel Lights	700	1.8	-\$4.22	-4.3%
Embedded Distributor	1,000,000	2,000	-\$1,080.80	-0.9%

Incorporated in the overall monthly bill impact is the effect of the following major components of the electricity bill:

- Distribution rates (monthly service charge and volumetric rates);
- Disposition of deferral and variance accounts;
- Revised Retail Transmission rates;
- Wholesale Market Service rates; and
- Loss Factors.

Further information pertaining to the causes of these bill impacts can be found in Exhibit 8.

5.0 Statement as to the Form of Hearing Requested

E.L.K. requests that, pursuant to Section 32.01 of the Board's Rules of Practice and Procedure, this proceeding be conducted by way of written hearing. E.L.K. submits that this is the most efficient and cost-effective manner to process the Application.

The requested effective date for the application is May 1, 2022.

6.0 Statement of Deviations

E.L.K. has adhered to Board's filing documents listed below in preparing this application.

- 1 • OEB “Filing Requirements for Electricity Distribution Rate Applications – 2021
2 Edition for 2022 Rate Applications – Chapter 2: Cost of Service”, issued June 24,
3 2021;
- 4 • OEB “Filing Requirements for Electricity Distribution Rate Applications – 2021
5 Edition for 2022 Rate Applications – Chapter 5: Consolidated Distribution System
6 Plan”, issued June 24, 2021.

7 E.L.K. also used the modified approach as approved by the OEB in the letter dated April 12, 2021
8 (Exhibit 1, Tab 2, Attachment 1).

9 **7.0 Statement of Changes to Methodologies**

10 The pro-forma projections for the 2022 Test Year have been prepared in accordance with E.L.K.’s
11 usual process, with the following exception:

- 12 • One-time Regulatory costs have been normalized over the five-year application period. In
13 non-COS years, the total regulatory expense is accounted for in the specific year in
14 question.

15 **8.0 Statement Regarding Monthly Billing**

16 E.L.K. confirms that that it implemented monthly billing for all customers by December 31, 2016
17 pursuant to the OEB’s April 15, 2015 DSC amendment.

18 **9.0 Response to Board Directives from Previous Board Decisions**

19 **9.1 Directives from EB-2011-0099**

20 There are two previous Board Decisions that related to E.L.K.’s COS in 2012, (EB-2011-0099)
21 described below and how they were handled by E.L.K.

- 22 1. E.L.K.’s decision and rate order dated May 2, 2013, regarding EB-2011-0099 stated:

1 “The second concern pertained to issues 2.4 and 4.2, specifically in regard to the proposal to
2 consider the disposition of any balances in Account 1576 – Accounting Changes Under CGAAP
3 (“account 1576”) in the 2014 IRM proceeding. The Board established account 1576 to allow
4 distributors to record the impact of changes in depreciation rates and capitalization of overheads
5 policy on Property Plant and Equipment account balances. The Settlement Agreement provides
6 that account 1576 is to be addressed in E.L.K.’s 2014 IRM proceeding while the account
7 description states that the disposition of the account is to be considered at the distributor’s next
8 cost of service hearing. Board staff submitted that the Board may wish to address this difference,
9 should it approve the settled issue as filed. In that Board staff is not objecting to the proposed
10 treatment account 1576, E.L.K. submitted that it did not object to the clarification suggested by
11 Board staff. The Board recognizes that the account description provides that the disposition of
12 the account balance is to occur in the distributor’s next cost of service application. As described
13 in the Settlement Agreement, the depreciation rates and amounts of overheads capitalized
14 reflected the rate base and revenue requirement are to be reviewed over the next few months
15 and E.L.K.’s rates will be subsequently adjusted, as required, for purposes of preparing the 2014
16 IRM application. The Board concludes that the impact of departing from the Board’s accounting
17 policy in this case is a practical outcome of the agreement and results in no harm to rate payers.
18 The Board reminds E.L.K. that pursuant to the Board’s policy direction dated July 17, 2012, the
19 adoption of IFRS based regulatory accounting changes to depreciation expense and capitalization
20 policies is mandatory in 2013.

21 In response to the above decision, E.L.K. addressed this matter in its 2014 IRM application.
22 Specifically, E.L.K implemented a Rate Rider for Disposition of Accounting Changes under
23 CGAAP Account 1576 which took effect for rates beginning May 1, 2015, until April 30, 2016.

24 2. E.L.K.’s decision and rate order dated May 2, 2013, regarding EB-2011-0099 also stated:

25 “The parties have also agreed for the purposes of settlement that E.L.K. will credit its customers
26 for 50% of its gain on the disposition of the Kingsville Satellite location. As no disposition has yet
27 taken place, the Parties have agreed that E.L.K. will track the gain, if any, on the disposition of

the property and that E.L.K. will include the 50% of that amount for disposition at its next Cost of Service Application.”

The Kingsville Satellite location sold in Q2 of 2016 and 50% of the gain (\$50,259) was recorded in USofA account #1508. This amount, plus interest, will be returned to customers and is included for disposition in this application. Further details are provided in Exhibit 9.

9.2 Directives from EB-2016-0066

Pursuant to the Decision and Rate Order (EB-2016-0066) dated November 2, 2017, the Ontario Energy Board (“OEB”) accepted the revised settlement proposal filed by E.L.K. Energy³ (“Revised Settlement Proposal”). The following are the three undertakings made by E.L.K. Energy in the Revised Settlement Proposal, to be completed prior to E.L.K. bringing its next cost of service rebasing application. E.L.K. Energy has responded to each of these undertakings as set out below.

a) Regulatory Audit

Regulatory Audit: cooperate with and participate in an audit of its regulatory and accounting practices. The scope of the audit will be determined with the assistance of OEB staff, in their sole and absolute discretion. OEB staff’s assistance with the scoping of the audit will not in any way limit the OEB from undertaking a new or different audit pursuant to their statutory mandate and powers, which shall remain in the sole and absolute discretion of the OEB. If OEB staff choose not to perform the audit, E.L.K. will retain a qualified, independent third-party auditor to complete the audit. Upon conclusion of the audit, E.L.K. Energy will prepare a reporting letter, attaching a copy of the audit report, which will be delivered to the Parties and to the OEB under this EB-2016-0066 file number. A further reporting letter will be delivered to Parties and filed after all recommended changes have been implemented.

³ EB-2016-0066: Revised Settlement Proposal, Decision and Rate Order, E.L.K. Energy Inc., November 2, 2017 [**Revised Settlement Proposal**].

- 1
- 2 • *"The Parties agree with E.L.K. Energy's request for approval for disposition of the balance of*
- 3 *its Group 1 deferral and variance accounts with the exception of accounts 1588 and 1589.*
- 4 *These 2 accounts (being accounts 1588 and 1589) will be included as part of the regulatory*
- 5 *audit discussed in the Summary above prior to disposition. The parties also agree that the*
- 6 *disposition of all other Group 1 deferral and variance account balances (excluding accounts*
- 7 *1595, 1588 and 1589) be over 6 months."*⁴
- 8 • *"In E.L.K. Energy's 2017 rate proceeding, the OEB accepted a settlement proposal between*
- 9 *participating parties, which formed a part of the OEB's Decision and Order."*⁹ *Among other*
- 10 *things, the settlement proposal provided that Group 1 accounts would be disposed as at*
- 11 *December 31, 2015, with the exception of Accounts 1588 and 1589. Accounts 1588 and 1589*
- 12 *were to be included as part of a regulatory audit to be completed before E.L.K. Energy files*
- 13 *its next cost of service rebasing application for 2022 rates.*¹⁰ *Therefore, there is no request for*
- 14 *disposition of these accounts in this application."*⁵

15 The scope of the audit, E.L.K. was limited to Accounts 1588 and 1589 for the year ended

16 December 31, 2015, as these two accounts were expressly identified in the Revised Settlement

17 Proposal and the 2017 Decision and Rate Order.

18 The Regulatory Audit is provided at Exhibit 1, Tab 3, Attachment 1 and was filed with Industry

19 Relations on February 4, 2022.

⁴ Revised Settlement Proposal, at page 16.

⁵ EB-2017-0036: Decision and Rate Order, E.L.K. Energy Inc., March 22, 2018 at page 6.

1 The recommendations arising from the Regulatory Audit Report and E.L.K.'s response is shown in the following table.

2 **Table 1-12 E.L.K.'s Response to the Regulatory Audit Report**

	Regulatory Audit Report Recommendation	Steps Taken by E.L.K. Energy
1	<ul style="list-style-type: none"> – Each month, after the settlement entry is booked, the change in the account balance should be compared to account 4705 Power Purchased. The change in RSVA Power account should be no more than 1% of the month's transactions in account 4705 Power Purchased. – Review procedures currently being done should include checks and balances around the settlement process, data inputs and data outputs such as: <ul style="list-style-type: none"> ○ Data entry ○ Comparison of kWh billed to kWh purchased - difference comparable to line loss (data integrity check) ○ Comparison of sum of amounts billed in Table 30 to payments for cost of power in table 27 (charge type 101 + 1412 + payments to embedded distributors). Difference should be unaccounted for energy (data output check) <p>These procedures should be performed prior to uploading the settlement.</p>	<p>Management agrees with the recommendation and plans to implement effective January 1, 2022.</p> <p>In addition, management will retain KPMG to assist with a detailed audit of Accounts 1588 and 1589 balances for the 2016-2020 calendar years to ensure historical account balances are correct</p>

	Regulatory Audit Report Recommendation	Steps Taken by E.L.K. Energy
2	A review control should be designed and implemented to check the effective date prior to commencing billing for the month.	Management agrees with the recommendation and this has already been implemented. Specifically, in 2015, management put in place an internal control where the GA rate is entered in CIS system by the Supervisor of Finance & Customer Service and the rates are subsequently reviewed by the CFO with a checkoff list initialed.
3	E.L.K. should use the OEB's Commodity Model provided for illustrative purposes to perform the RPP settlement and true-up as outlined in the OEB's Accounting Guidance for Account 1588 – RSVA Power and Account 1589 – RSVA Global Adjustment	<ul style="list-style-type: none"> • Management agrees with the recommendation and will implement effective January 1, 2022. • Based on the recommendation, the billing period will be on a calendar month basis going forward starting January 1st 2022 to simplify RPP and non-RPP kWh data gathering. <p>In addition, this will be corrected by management as part of KPMG's detailed</p>

	Regulatory Audit Report Recommendation	Steps Taken by E.L.K. Energy
		audit of Accounts 1588 and 1589 balances for the 2016-2020 calendar years.
4	The process used for embedded generation settlement with the IESO should be revised to true-up to HOEP on an hourly basis. Hourly kWh data should be retained for embedded generation in order to prepare the above true-up.	Management agrees with the recommendation and will adjust process accordingly effective January 1, 2022.
5	The accounting for embedded generation should be revised to expense payments as they are made adjusted for the monthly IESO settlement for embedded generation as outlined in the OEB's Accounting Guidance for Account 1588 – RSVA Power and Account 1589 – RSVA Global Adjustment	Management agrees with the recommendation and will adjust process accordingly effective January 1, 2022.

b) Operations Review

Operations Review. undertake an independent third-party review and risk assessment of its operations, which will comprise an examination of E.L.K. Energy's:

- (i) accounting procedures and practices;*
- (ii) budgeting processes, business planning processes, and management oversight;*
- (iii) distribution system planning information, processes and procedures;*
- (iv) information technology systems, data control, and privacy and security procedures;*
and
- (v) human, fleet and financial resources compared to an organization of its size and revenue requirement.*

This requirement may be satisfied if the OEB elects to undertake this assessment as part of its public interest function. The review will include a comparison of E.L.K. Energy's data and records, practices and procedures against industry best practices, and recommendations for improvements where possible. Upon conclusion of the operational review, E.L.K. Energy will prepare a reporting letter attaching copies of the aforementioned reviews which will be delivered to the Parties and to the OEB under this EB-2016-0066 file number. The letter will include an explanation from management about how the findings and recommendations of these reviews will inform the E.L.K. Energy business plan going forward.

On August 5, 2020, E.L.K. Energy submitted an Operational Review Report prepared by KPMG dated November 29, 2019 ("Operational Review Report") for the OEB's review and comment (provided at Exhibit 1, Tab 3, Attachment 2). The OEB responded on December 14, 2020 with a request for follow-up information, and E.L.K. Energy responded in January 2021.

The major findings from Operations Review Report and E.L.K.'s response is shown in the following table.

1

Table 1-13 Summary of Operations Review Report

	Operational Review Report Findings	Operational Review Report Recommendation	Steps Taken by E.L.K. Energy
	Accounting Procedures and Practices		
1.	All surplus cash is maintained in the E.L.K.'s bank accounts. In the event E.L.K. were to invest surplus cash, any proposed investments would be presented to the Audit Committee, Board of Directors by the CFO, Director of Customer Relations for approval.	While the entity currently engages in limited investment activity (e.g., investment of surplus cash in GICs), creation of a formal investment policy would provide further guidance for potential future investments.	E.L.K has created a formal investment policy that provides further guidance for potential future investments. The EL.K. Audit Committee reviewed and approved an Investment Policy on October 21, 2021, and the E.L.K. Board approved it on October 28, 2021

	Operational Review Report Findings	Operational Review Report Recommendation	Steps Taken by E.L.K. Energy
2.	<p>Bank Reconciliations – on a monthly basis, E.L.K. performs a reconciliation of cash balances per each of E.L.K.'s (4) bank statements to cash balances per the General Ledger.</p> <p>Currently, two bank accounts have bank reconciliations prepared by the CFO, Director of Stakeholder Relations, without a second, independent review.</p>	<p>While the current level of segregation of duties may be adequate for an organization of this size, a key control such as a bank reconciliation, should be reviewed by a second member of the finance/management team. Review should be evidenced (e.g. initials, signature, dates etc.) to provide evidence after the control was completed by whom and when.</p> <p>A compensating control for one of these bank reconciliations is with respect to the Affordability Fund Trust which is monitored by the Trust and supported by funding from the Government of Ontario.</p>	<p>E.L.K. has implemented this secondary review for the very small other bank account that was prepared by the Chief Financial Officer. The secondary review is performed by the Chief Executive Officer. The main general bank account already has multiple reviews and sign-off.</p> <p>The Affordability Fund Trust account has now ended that was monitored by the Trust and supported by the Government of Canada. No additional activity is currently occurring. Please note the secondary review of this bank reconciliation was also completed.</p> <p>E.L.K. can report that this account was closed effective August 31, 2021</p>
3.	Purchasing Policy — All purchases are made in accordance with the	All policy and procedure documents should include a version date. Policies	E.L.K. has already begun to review all policies to ensure a version date

	Operational Review Report Findings	Operational Review Report Recommendation	Steps Taken by E.L.K. Energy
	<p>Purchasing Policy, which stipulates required quotes and approvals based on stepped dollar thresholds. Documentation related to all purchases, including requests for proposal and received quotes are attached to the relevant invoices/contracts.</p> <p>Harassment and Violence Policy All new employees sign a copy of the policy, and a record of the acknowledgement is maintained in their personnel folder.</p>	<p>and narrative documents of the organization should be reviewed on a periodic basis (e.g. annual, bi-annual etc.) to help ensure accuracy and currency of the documentation. These reviews can be performed on a rolling basis to spread the work load over time.</p>	<p>is documented with a control sheet of periodic reviews to formalize the documentation of reviews.</p>
4.	<p>Standing Data Changes — All standing payroll data (hires/terminations, changes in rate of pay) are promptly updated in the payroll system. New hire documentation (employment contracts, etc.) are maintained in individual employee personnel folders, in a secure area of E.L.K.'s offices.</p>	<p>Formal onboarding/offboarding checklist should be utilized and maintained in the employees' files and adds and removes of employees from the payroll system should be performed on a timely basis in addition to the compensating control. Employees should sign off to acknowledge a review of a policy.</p>	<p>E.L.K. has now fully implemented a formalized on-boarding/offboarding checklist for employees.</p>

	Operational Review Report Findings	Operational Review Report Recommendation	Steps Taken by E.L.K. Energy
5.	Master Vendor Listing — E.L.K. maintains a list of all relevant vendor data, with editing rights limited to the CFO, Director of Stakeholder Relations and the Supervisor, Finance and Customer Service.	All changes to Master Vendor Data should be reviewed and approved by a second member of management to mitigate/prevent the risk of loss or payment to an incorrect party.	All changes to Master Vendor data is now reviewed by the CFO, Director of Stakeholder Relations.
6.	On an annual basis the entity completes a count of 100% of the inventory on hand. To provide oversight of the count, the CFO, Director of Stakeholder Relations performs random test counts, with a mix of sheet to floor (existence) and floor to sheet (completeness) test counts performed. Inventory items are pictured on the count sheets, to allow counters with nonspecific knowledge of equipment such as transformers to understand what they are counting. Management noted that due to the relatively low balance of inventory, the external auditor has not completed an inventory count in recent years (the	Formal inventory count instructions should be communicated to all participating employees in both verbal and written form.	In addition to verbal instructions, E.L.K. has created formal written instruction for inventory counts.

	Operational Review Report Findings	Operational Review Report Recommendation	Steps Taken by E.L.K. Energy
	balance of inventory is not material to the audit).		
	Budgeting Processes, Business Planning Processes and Management Oversight		
7.	<p>The annual operating and capital budget are reviewed and approved by the Audit Committee. Upon approval of the Audit Committee, the budget is presented to the Board of Directors for review and approval.</p> <p>The budget to actual is regularly, informally reviewed by the CFO, Director of Stakeholder Relations together with the CEO. On an annual basis, the CFO, Director of Stakeholder Relations prepares an analysis of budget to actual for the prior year's capital and operating budget for presentation to the Audit Committee and Board of Directors. Along with a variance analysis (actual results compared to budgeted plan),</p>	<p>Oversight into the performance of E.L.K. Energy by the Audit Committee and the Board of Directors could be improved with more frequent periodic reporting of budget to actual variance analysis e.g. semi-annually.</p>	<p>E.L.K. has fully implemented more periodic formal reporting to budget versus actual and submitted to the Board of Directors in 2020.</p>

	Operational Review Report Findings	Operational Review Report Recommendation	Steps Taken by E.L.K. Energy
	management prepares a discussion and analysis of the significant variances.		
	Information Technology Systems, Data Control, and Privacy and Security Procedures		
8.	E.L.K. does not have a documented IT security policy or acceptable use policy in place. E L K. does have IT security procedures documented that could be formalized in an IT security policy and also relies on policy statements regarding ethical conduct. E.L.K. reported the absence of an information security policy to the OEB in their submission of the self-assessment tool in April of 2019. The absence of an information security policy removes an important governance control and enforcement mechanism should an employee or third party provider breach security or confidentiality.	Implement an information security policy, have it approved by senior management and communicate its contents to employees and third-party providers.	E.L.K. has engaged its IT professional and has fully and formally documented its IT & Information Security Policy, complete with business continuity/disaster recovery plan. Its contents have been communicated to employees and third-party providers. E.L.K confirms that its IT & Information Security Policy has been communicated to E.L.K.'s employees and third-party providers This documentation has been completed.
9.	IT security procedures consist of IT operational management procedures to	Document procedures for the following user and access privilege processes,	E.L.K. has engaged its IT professional and has fully and

	Operational Review Report Findings	Operational Review Report Recommendation	Steps Taken by E.L.K. Energy
	manage remote access granted to vendors. However E.L.K. does not have formal documentation of the process followed for the on-boarding of new users, the assignment and removal of access rights, or the removal of user access accounts in the event of termination_ The absence of documented procedures places undue reliance on personnel responsible for these processes to ensure they are applied in a consistent manner, introducing the risk of human error.	including procedures documents to address: <ul style="list-style-type: none"> - User account creation; - Access privilege assignment; and - User account removal. 	formally documented its IT & Information Security Policy, complete with business continuity/disaster recovery plan. This document is attached as Exhibit 1, Tab 3, Attachment 3.
10.	E.L.K. does not follow a consistent practice of conducting periodic backup / restore testing to validate the completeness and accuracy of the content of backup tapes As a consequence, there is a risk that some critical information may not be retrievable should the backed up data become corrupted. A mitigating control noted; E.L.K. receives daily backup	Annually (or more frequently as decided by management) restore critical systems and data from backup. This can be combined with a full disaster recovery or a business resumption test process.	E.L.K. has engaged its IT professional and has fully and formally documented its IT & Information Security Policy, complete with business continuity/disaster recovery plan. E.L.K. has created a virtual network system that automatically backs up all of its systems complete with data

	Operational Review Report Findings	Operational Review Report Recommendation	Steps Taken by E.L.K. Energy
	reporting via email i.e. dashboard report and detail report log noting status as "OK" or otherwise. Recipients of this reporting includes the CFO, Director of Stakeholder Relations, the Supervisor, Finance and Customer Service and E.L.K.'s outsource IT service provider.		on a weekly basis as well as some daily backups.
11.	<p>KPMG reviewed the OEB Cyber self-assessment submissions, and noted E.L.K. management self assessment included the following:</p> <ul style="list-style-type: none"> • No self-audits or third party audits have been completed, nor have audits been completed on the • IT environment managed by the third party provider; • E.L.K. is connected physically or logically to the Town of Essex municipal network, increasing the risk of financial or infrastructure impacts should a 	<p>KPMG agrees with E.L.K. Energy management's self-assessment to further enhance their IT control environment by:</p> <ul style="list-style-type: none"> • Applying enhanced security monitoring controls on E.L.K. Energy network and Town of Essex connection points to increase the likelihood of detecting malware or attacks emerging from this external network; • Implementing network segmentation between the OT and IT networks and/or enhanced 	<p>E.L.K. has engaged its IT professional and has fully and formally documented its IT & Information Security Policy, complete with business continuity/disaster recovery plan.</p> <p>E.L.K. has created a virtual network system that automatically backs up all of its systems complete with data on a weekly basis as well as some daily backups.</p> <p>E.L.K. has also purchased all new computer systems updated with Windows 10 functionality. E.L.K. continues to work with its IT</p>

	Operational Review Report Findings	Operational Review Report Recommendation	Steps Taken by E.L.K. Energy
	<p>breach of the cyber security of either entity occur;</p> <ul style="list-style-type: none"> IT and Operational Technology (OT) environments are directly connected at E.L.K., increasing the risk of infrastructure impacts should a breach of the cyber security of either network take place. The inherent risk is mitigated, to some extent, given that there is no SCADA network connectivity as part of this OT environment; and E.L.K. permits un-encrypted USBs to be inserted into computing devices. This increases the risk of malware infection and of data exfiltration. 	<p>monitoring at this connection point;</p> <ul style="list-style-type: none"> Implementing anti-malware solutions to enable scan-on-connect capabilities for remote connections to help reduce the risk of malware being introduced to the corporate network; and Implementing Windows 10 functionality to enforce password protection on USB sticks. 	<p>professional to further enhance its IT control environment wherever possible.</p> <p>Anti-malware or malware related detections and protection is addressed in E.L.K.'s IT Policy.</p>

c) Asset Condition Assessment.

Asset Condition Assessment: undertake an independent third-party asset condition assessment of its distribution system infrastructure, which will form an input into E.L.K. Energy's distributions system plan, and for the purposes of building an asset registry. This requirement may be satisfied if the OEB elects to undertake this assessment as part of its public interest function. The Parties agree that E.L.K. Energy staff may be utilized to collect information and data to inform the asset condition assessment. E.L.K. Energy will file this independent asset condition assessment when completed and delivered to the Parties and the OEB under EB-2016-0066 file number.

E.L.K. Energy engaged two independent third parties to perform asset condition assessments of its distribution system infrastructure. E.L.K. Energy engaged Kinectrics Inc. ("Kinectrics") to prepare a general asset condition assessment and Kinectrics prepared a 2020 Asset Condition Assessment Report ("ACA") dated October 21, 2020. This can be found at Appendix Exhibit 1, Tab 3, Attachment 4. E.L.K. Energy engaged EDM International, Inc. to perform pole inspection and prepare a Pole Inspection Report dated October 2020 ("Pole Inspection Report"). This study can be found at Exhibit 1, Tab 3, Attachment 5.

The Pole Inspection Report and ACA were also delivered to the Parties and the OEB under EB-2016-0066 on August 31, 2021.

The recommendations in the Pole Inspection Report and steps taken by E.L.K. Energy's management team in response are as follows:

1. It is recommended that ELK continue wood pole inspections, focusing on the pre 2000s in all areas. The recommendation is to complete the initial inspection as quickly as reasonably possible. It is also recommended that ELK continue analyzing data as more poles are inspected, to refine long term pole management program. An inspection cycle of 8 – 12 years would be practical after the initial inspection cycle and the implementation

1 of a life extension program. The life extension program will slow the degradation of the
2 pole to allow the longer cycles.

- 3 2. The poles with a recommended action of less than 25% Urgent replacement should
4 continue to be replaced when identified. The required pole replacements classed as
5 medium priority (25-50% Mitigate/Replace) can be planned with E.L.K.'s other projects to
6 take advantage of opportunities to gain efficiency.
- 7 3. It is recommended that E.L.K. perform life extension at the same time as the pole
8 inspection. This is a cost-effective way to extend the life of the pole. Activities include
9 applying internal treatments to slow or eliminate decay, external treatment at ground line
10 to preserve the wood at that point, and treatments to control insects. Poles showing decay
11 or insect damage would receive these treatments at the time of inspection. A study
12 conducted by Osmose for the Electric Power Research Institute (EPRI) *Wood Pole Life*
13 *Extension & The Case for Capitalization*, studied the data from over 600,000 poles to
14 analyze the differences in service life for poles that received remedial retreatment and
15 those that did not.

16 The major findings from the Asset Condition Assessment and the Pole Inspection Report along
17 with E.L.K.'s responses are provided in Table 1-14 and Table 1-15 below:

1

Table 1-14 ACA Report

	ACA Finding	ACA Recommendations	Steps Taken by E.L.K. Energy
1.	The Health Index formulations developed and used in this study are based only on E.L.K.'s available data. There are additional parameters or	Historic records of asset removal need to be collected for all the asset groups, so as to improve the accuracy of asset degradation curves.	We have updated what information we could over the past few years and record it on go forward basis.
2.	tests that E.L.K. may not collect but that are important indicators of the deterioration and degradation of assets. While these will not be included in the HI formula, they are referred to as data gaps.	Inspection records at component level need to be collected for all the asset groups, so as to improve the input granularity for better assessment of component condition status.	Inspection forms are to come out of the ACA RFT and will be used in 2021.
3.	<ul style="list-style-type: none"> As there was insufficient condition data available, the Health Index assessment for Pole Mounted Transformers was based simply on age and the cumulative likelihood of survival at a given age. There were a total of 818 units of Pad Mounted Transformers. Among them, 668 units had sufficient data for a Health 	Loading data need to be collected for both Pole Mounted Transformers and Pad Mounted Transformers.	Over the past 2 years we have been adding the transformers to the CIS and attaching customers to the transformers so the loading module can be utilized.

	ACA Finding	ACA Recommendations	Steps Taken by E.L.K. Energy
	Indexing The data used for Pad Mounted Transformers assessment included age only.		

1

Table 1-15 Pole Inspection Report

	Pole Inspection Report Findings	Pole Inspection Report Recommendations	Steps Taken by E.L.K. Energy
1.		Determine the condition of all their poles using inspections and data gathering. Initial inspections should focus on poles installed before 2000 and initial inspection should be completed as quickly as reasonable.	Targeting 500 poles to test and treat in 2021 & 2022 focusing on poles installed before 2000.
2.	60% of the poles (68 out of 113) that had defects are recommended for life extension.	It is recommended that E.L.K. perform life extension at the same time as the pole inspection. This is a cost-effective way to extend the life of the pole.	Targeting 500 poles to test and treat in 2021 & 2022.
3.	A comparison of poles requiring replacement/ mitigation as a percentage compared to number inspected is an initial indicator of which community has experienced more degradation of wood poles. Belle River has the highest number of	E.L.K. Energy should continue analyzing data as more poles are inspected, to refine long term pole management program.	Targeting 500 poles to test and treat in 2021 & 2022 to firm up the data pool for analyzing.

	Pole Inspection Report Findings	Pole Inspection Report Recommendations	Steps Taken by E.L.K. Energy
	<p>degraded wood poles at 18%, followed by Comber at 15% and Essex at 14%. The sample size is small, making trend analysis difficult.</p> <p>A possible indicator is that older Lodgepole Pine and Red Pine poles are requiring replacement/ mitigation sooner than other species. These species make up 51% of pre-2000 poles inspected but make up 70% of pre-2000 poles requiring replacement or mitigation.</p> <p>Another possible indicator is pole proximity to water. Poles located closer to water are showing more defects.</p>		
4.	The information gathered from the on-site testing task was used to calculate remaining strength of each	13 poles (Less than 25% urgent replacement) – Should continue to be replaced when identified	All 13 replaced

	Pole Inspection Report Findings	Pole Inspection Report Recommendations	Steps Taken by E.L.K. Energy
	<p>pole using D-CalcTM. Poles that do not meet the Canadian Standards Association, CSA C22.3 No. 1, "Overhead Systems" clause 8.3.1.3 stating, "When the strength of a structure has deteriorated to 60 percent of the required capacity, the structure shall be reinforced or replaced," were identified for replacement/ mitigation. The results of the calculations were supplied to E.L.K. within the electronic data file.</p> <p>Remaining strength calculations and inspector observations were used to determine recommended actions.</p>	14 poles (25-50% Mitigate /replace)	To be reviewed, engineered, redesign or replace in 2021 budget
		18 poles (50-70% Non-restorable)	Nothing
		23 poles (50-70% Restorable)	To be treated in the 2021 testing
		45 poles (Greater than 70% maintain)	To be treated in the 2021 testing
		181 poles (Pass)	Nothing needs to be done.

1 In performing all the above undertakings, E.L.K. Energy has worked closely with OEB staff and
2 responded promptly to any informational requests by OEB staff.

3 **10.0 Conditions of Service**

4 E.L.K.'s Conditions of Services are found at <https://www.elkenenergy.com>

5 On May 15, 2014, the OEB issued a Notice of Amendment to Distribution System Code (DSC)
6 that would require distributors to include certain minimum requirements in their conditions of
7 service in relation to unmetered load customers. E.L.K. has amended its Condition of Service to
8 include the following points in relation to unmetered loads:

- 9 • The rights and obligations of unmetered load customers and the distributor in relation
10 to each other.
- 11 • The process by which unmetered load customers are to file updated data and evidence
12 necessary to validate the data.
- 13 • The process by which unmetered load customer billing updates will take place.
- 14 • Communication and engagement with unmetered load customers in relation to the
15 preparation of cost allocation studies, load profile studies and other rate-related
16 materials which may materially affect unmetered load customers.

17 **10.1 Charges Listed in Conditions of Service**

18 E.L.K. confirms there are no rates or charges listed in the Conditions of Service that are not on
19 the E.L.K.'s Tariff of Rates and Charges.

20 **10.2 Embedded Distributor (Hydro One)**

21 More detailed information can be found in Exhibit 7.

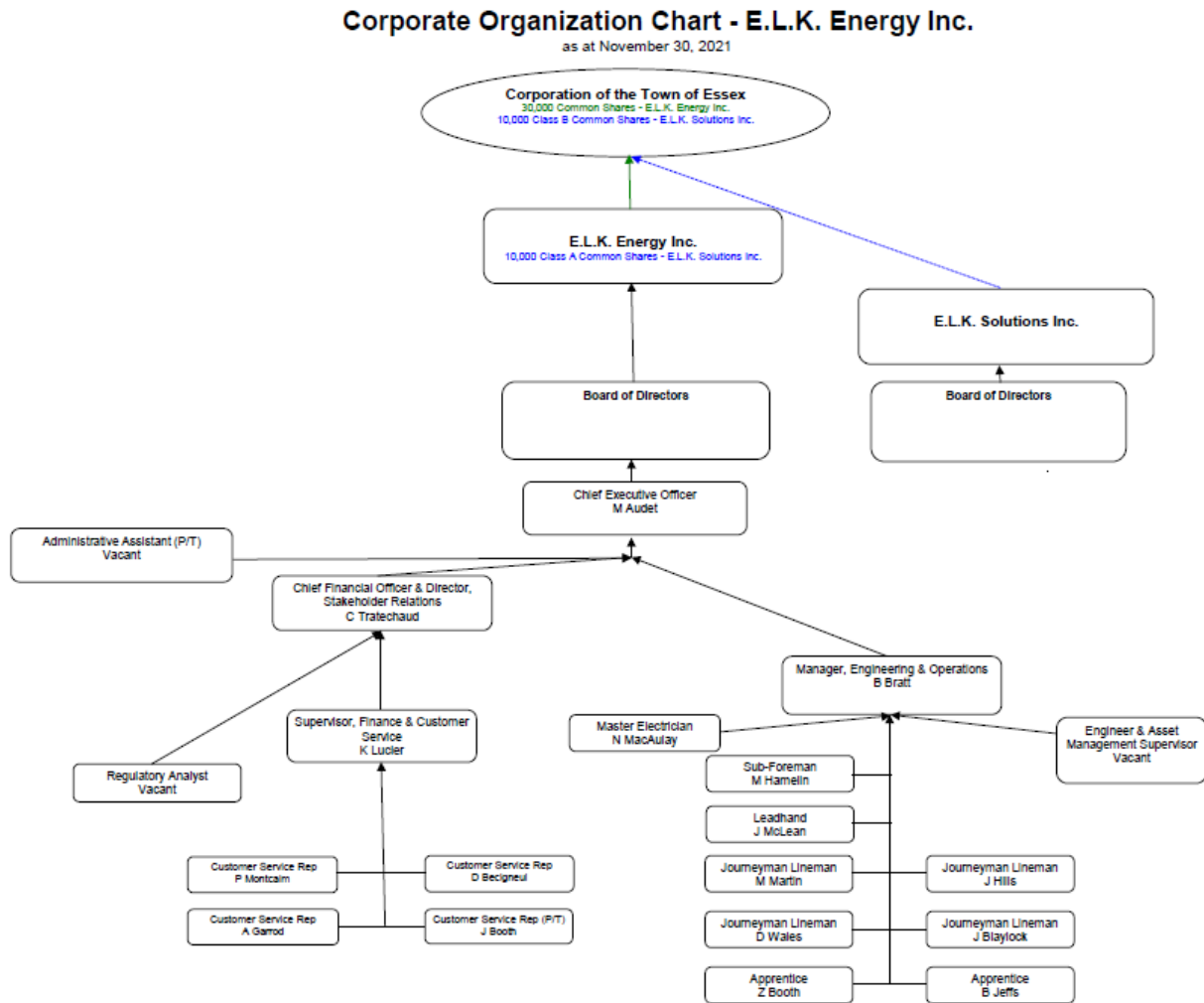
11.0 Corporate and Utility Organizational Structure

On January 6, 2000, E.L.K. was incorporated pursuant to the Business Corporations Act, of Ontario, and is the successor corporation to the Hydro-Electric Commission for the Town of Essex, the Corporation of the Town of Lakeshore Hydro-Electric Commission, and the Kingsville Hydro Electric Commission. Initially, the three municipalities were shareholders of the corporation. In 2008, E.L.K.'s shareholders entered into a share purchase agreement whereby the Town of Essex agreed to purchase the common shares of the Town of Lakeshore and Town of Kingsville. The transaction was approved by the Board in January 2009, and the Town of Essex became the Company's sole shareholder. E.L.K. is therefore 100% owned by The Corporation of the Town of Essex.

The executive team at E.L.K. comprises the Chief Executive Officer as well as the CFO, Director of Stakeholder Relations.

A chart illustrating E.L.K.'s corporate family and utility organizational structure (including main units and management positions) is provided in Figure 1-1 below. The *Regulatory Analyst* and *Engineer & Asset Management Supervisor* positions are new positions and are vacant as of November 30, 2021.

Figure 1-1 Corporate & Utility Organizational Structure



12.0 Corporate Governance

12.1 Board Meetings

E.L.K. holds monthly Board Meetings.

E.L.K.'s Board Representation:

The E.L.K. Board is appointed by E.L.K.'s shareholder. The Corporation of the Town of Essex identifies and selects new members of the Board.

E.L.K.'s Board of Directors consists of nine directors, none of which is an employee or officer of the utility. Of the nine directors, four are independent, and do not sit on the Board of any E.L.K. affiliate. This conforms to the Affiliate Relationship Code ("ARC") whereby at least one-third of its directors must remain independent from Affiliate Boards.

12.2 Board Committees

There is one regular committee of the E.L.K. Board, that being the Finance Committee.

12.3 Board and Management

The E.L.K. Board and Management work together. Some general principles of corporate governance include:

- Each of the Board and Management has a fiduciary duty in relation to the Company.
- The Board and Management must work together and in harmony and collaborate together not independent from one another.
- Management develops plans, procedures, guidelines and reports; the Board provides advice, feedback and perspective.
- A tone of trust and respect is important to the relationship between Management and Board.

Open, frank and honest discussions are encouraged at all Board meetings. Management provides the E.L.K. Board with written reports, oral reports, verbal and written responses to E.L.K. Board inquiries, that are crucial to the successful realization of E.L.K.'s corporate goals and objectives. These practices, enable E.L.K. Board members to understand the issues facing the utility, and

1 assist the Board in exercising its independent judgement in carrying out its responsibilities.
2 The E.L.K. Board conducts an annual assessment of E.L.K.'s performance and discusses
3 individual management's member's performance.

4 **12.4 Board Mandate**

5 The board's primary duty is to supervise the management of the business and affairs of E.L.K.
6 and to protect the investment of the Shareholder by managing the exposure of inherent risks.

7 The Board's oversight relationship with management and accountability to the Shareholder is to
8 be guided by the Company's Statement of Mission, Vision and Values.

9 Directors are expected to work with their fellow Directors to fulfill the mandates of the Board and
10 the committees of the Board.

11 Board members have diverse and complementary skills that can be leveraged to the Benefit of
12 the Company.

13 **Reporting Relationships**

- 14 • The Chief Executive Officer (CEO) reports to the Board of Directors of E.L.K. Reporting
15 to this position as it relates to the LDC are the following:
 - 16 ○ CFO, Director of Stakeholder Relations
 - 17 ○ Operations Manager
 - 18 ○ Administrative Assistant (vacant)
- 19 • Reporting to the CFO, Director of Stakeholder Relations is the Supervisor, Finance &
20 Customer Service and Regulatory Analyst (vacant)
- 21 • Reporting to the Operations Manager are the Engineer & Asset Management Supervisor,
22 Foreman, Leadhand and Journeyman Lineman

1 **12.5 Orientation and Continuing Education:**

2 The E.L.K. Board receives information through Board Reports and Board Meetings.
3 From time-to-time, external subject matter experts are utilized to assist with the education
4 process. E.L.K. Board members, through their professional careers are also active in industry
5 related issues and receive continuous education through this experience.

6 **12.6 Code of Conduct:**

7 E.L.K.'s Code of Conduct can be found at Exhibit 1, Tab 3, Attachment 7.

8 **12.7 Planned Changes in Corporate and Operational Structure:**

9 E.L.K. is not planning any material changes to its corporate or operational structure.

10 **13.0 Accounting Standards for Regulatory and Financial Reporting**

11 The useful lives proposed by E.L.K. in this Application are consistent with the useful lives in the
12 Kinectrics Report commissioned by the OEB dated July 8, 2010. E.L.K.'s accounting methodology
13 change in this regard took effect January 1, 2013, and was approved by the Board in the
14 Applicant's 2014 IRM (EB-2013-0123).

15 E.L.K. attests that it does not and will continue to not capitalize administration and other general
16 overhead costs no longer permitted under IFRS, as clarified by the Board in its letter dated
17 February 24, 2010. E.L.K. understands the need for comparability between distribution utilities.

18 Regulatory costs, which are incremental one-time costs, have been normalized by allocating one
19 fifth of that total to the 2022 Test Year.

20 E.L.K. is not proposing other changes in methodology.

14.0 List of Specific Approvals Requested

In this proceeding, E.L.K. is requesting the following approvals as summarized below and also described in Exhibit 1, Tab 3, Attachment 8, which is Chapter 2 Appendix 2-A:

1. The Applicant applies for an Order or Orders approving the proposed distribution rates, to recover a base revenue requirement of \$4,057,997 and other charges set out in Exhibit 8 to this Application as just and reasonable rates and charges pursuant to Section 78 of the OEB Act, to be effective effective May 1, 2022, in accordance with the Filing Requirements.
2. In the event that the OEB is unable to provide a Decision and Order in this application for implementation by the Applicant as of May 1, 2022, the Applicant requests that the OEB declare its current rates interim, effective May 1, 2022, pending the implementation of the OEB's Rate Order for the 2022 rate year.
3. Approval of the following as detailed in Exhibit 8
 - (i) Adjusted Retail Transmission Network and Connection rates
 - (ii) Adjusted Low Voltage rates
 - (iii) Adjusted Loss Factors
 - (iv) Continuance of Specific Service Charges
4. Approval of the following as described in Exhibit 9
 - i. Rate riders for disposition of Group 1 and Group 2 Deferral and Variance Account balances
 - ii. Continuance/Discontinuance of Group 2 accounts
5. Approval of an "Incremental PILs/Income Tax Variance Account" to record any PILs/Income Taxes payable by E.L.K. in the year after the Cost of Service rate re-set up until the effective date that rates are next adjusted through a Cost of Service application.



February 1, 2022

Industry Relations

Sent by email: industryrelations@oeb.ca

RE: EB-2016-0066

Pursuant to EB-2016-0066

"Upon conclusion of the audit, E.L.K. Energy will prepare a reporting letter, attaching a copy of the audit report, which will be delivered to the Parties and to the OEB under this EB-2016-0066 file number. A further reporting letter will be delivered to Parties and filed after all recommended changes have been implemented."

E.L.K. Energy Inc. confirms that a copy of the audit report from KPMG dated January 28, 2022 was filed via email to industryrelations@oeb.ca on January 31, 2022. Please be advised that E.L.K. Energy Inc. can confirm that all recommendations from KPMG regulatory audit have been implemented. Recommendations are included in the cost of service application.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Cheryl Tratechaud', is written over a light blue circular stamp.

Cheryl Tratechaud, CPA, CMA
CFO, Director of Stakeholder Relations
E.L.K. Energy Inc.
ctratechaud@elkenenergy.com



KPMG LLP
618 Greenwood Centre
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of E.L.K. Energy Inc.:

Opinion

We have audited the schedule of account balances – 1588, 1589 of E.L.K. Energy Inc. (the "Entity") as at December 31, 2015

In our opinion, the accompanying schedule as at December 31, 2015 is prepared, in all material respects in accordance with the financial reporting provisions as set out in the Accounting Procedures Handbook issued by the Ontario Energy Board ("OEB") dated December, 2011 (Hereinafter referred to as the "schedule").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Schedule"** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the schedule in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged With Governance for the Schedule

Management is responsible for the preparation of the schedule in accordance with the financial reporting provisions as set out in the Accounting Procedures Handbook issued by the Ontario Energy Board ("OEB") dated December, 2011, and for such internal control as management determines is necessary to enable the preparation of schedule that is free from material misstatement, whether due to fraud or error.



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In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the schedule.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada
January 28, 2022

E.L.K. Energy Inc.**Schedule of account balances - 1588, 1589****As at December 31, 2015**

Account	Principal	Interest
	December 31, 2015	December 31, 2015
1588	(806,593)	(115,597)
1589	202,059	135,265



E.L.K. Energy Inc.

Operational Review

November 29, 2019



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1 Introduction

E.L.K. Energy ("E.L.K. or "Company") is a local distribution company serving approximately 12,411 residential and commercial electricity customers in the Towns of Essex, Lakeshore and Kingsville. In 2016, The Company sought the approval of the Ontario Energy Board (the "OEB") for the rates it charges to distribute electricity to its customers, as is required of licenced and rate-regulated distributors in Ontario. Three intervening parties were recognized by the OEB. On October 5, 2017, E.L.K. Energy entered into a settlement proposal with the intervening parties that was recognized by the OEB. As a result of the interveners' concerns, the Company agreed to complete three undertakings prior to its next cost of service application planned for 2022.

- i. Undertake to complete a detailed regulatory audit to ensure that E.L.K. Energy has proper accounting procedures and practices;
- ii. Undertake a detailed operational review to help create a plan to address E.L.K. Energy's resourcing requirements; and,
- iii. Undertake a formal independent asset condition assessment to address concerns regarding E.L.K. Energy's lack of information about its assets.

KPMG was engaged by E.L.K. to help respond to the second undertaking, to conduct specified procedures to review operations at E.L.K. to help inform management for their creation of a plan to address and support the Company's resourcing requirements.



2 Engagement Approach

KPMG's approach included a comparison of E.L.K. Energy's data, records, practices and procedures against appropriate and applicable standards of practice, and included recommendations for improvements (where applicable).

The approach included three phases: I) Planning; II) Conduct; and III) Reporting.

Phase I) Planning:

KPMG met with the Director, Finance and Regulatory Affairs on September 9, 2019 to commence the review and structure the scope of the review. KPMG requested and received documents of the Company to review in advance of field work.

KPMG drafted a project charter that included the specified procedures, including common risks and controls, for each line of review. This project charter was provided to E.L.K. in advance of our on-site conduct.

Details of the specified procedures are included in Appendix A - Specified Procedures by Line of Review.

Phase II) Conduct:

The Conduct phase was completed both remotely from KPMG's offices, and on-site at the Company's Essex office on October 30 and 31, 2019.

The review included a combination of documentation review, interviews with management of the Company, process walkthroughs and testing of sample transactions and/or data controls, as applicable. KPMG performed this combination of work for each of the five lines of review, as discussed in Section 4 - Scope of Review.

Supporting documents of the Company reviewed during the engagement have been listed in Section 5 - Results of Specified Procedures.

Phase III) Report:

Following the completion of the Conduct Phase discussed above, KPMG debriefed management of the Company regarding preliminary observations.

This report includes our observations and recommendations based on the detailed specified procedures completed.



3 Restrictions

Our report is prepared for the purpose of assisting E.L.K. with assessing, examining, and understanding the matter per the approved settlement agreement. Our report is confidential and is not intended for general use outside of the Company. We understand that in this case, our report may be provided to the Ontario Energy Board and intervenors in accordance with the 2017 settlement proposal. We consent to such uses of our report, however it is not to be published, circulated, reproduced or used for any purpose without our prior written permission in each specific instance, except as noted above.

We will not assume any responsibility or liability for any costs, damages, losses, liabilities or expenses suffered by E.L.K. or the Ontario Energy Board as a result of circulation, publication, reproduction, use of or reliance upon our report contrary to the provisions of this section. We will not assume any responsibility or liability for any costs, damages, losses, liabilities, or expenses incurred by anyone else as a result of circulation, publication, reproduction, use of or reliance upon our report. Comments in our report are not intended, nor should they be interpreted to be, legal advice or opinion.

We have relied upon the completeness, accuracy and fair presentation of all the information obtained (the "Information"). Our observations are conditional upon the completeness, accuracy and fair presentation of such Information. Subject to the exercise of professional judgment, we have not audited or otherwise independently verified the accuracy or fair presentation of any of the Information. Should additional information be provided to us after the date of this report, we reserve the right, but will be under no obligation, to review this information and adjust our report.



4 Scope of Review

The scope of work included a review of specified procedures conducted against E.L.K. Energy's current approach for the following lines of review:

- i. Accounting procedures and practices;
- ii. Budgeting processes, business planning processes, and management oversight;
- iii. Distribution system planning information, processes and procedures;
- iv. Information technology systems, data control, and privacy and security procedures; and
- v. Human fleet and financial resources management.

The review included a comparison of E.L.K. Energy's data and records, practices and procedures against appropriate and applicable specified procedures, detailed in Appendix A – Specified Procedures by Line of Review.

KPMG identified common controls expected to be in place at E.L.K., to address risks that are relevant to each line of review. The controls were identified based on KPMG's prior experience with similar processes. Unless otherwise identified, KPMG did not test the operating effectiveness of the controls.

4.1 Expected Controls

Following is a summary of the expected controls for each line of review:

Accounting procedures and practices:

- Control 1: Segregation of duties;
- Control 2: Management monitoring; and
- Control 3: Timely accounting and reporting.

Budgeting Processes, Business Planning Processes and Management Oversight:

- Control 1: Budget process is documented and communicated;
- Control 2: Budget completion and appropriate approval; and
- Control 3: Budget to actual is regularly monitored with significant variances explained;

Distribution System Planning Information, Processes and Procedure:

- Control 1: Management of distribution system including forecasting, needs identification, planning, implementation and monitoring;
- Control 2: Asset life cycle management including need identification, additions, maintenance, and end of use; and
- Control 3: Proactive approach to manage health and safety.



Information Technology Systems, Data Control, and Privacy and Security Procedures

- Control 1: Documented IT security policies and procedures e.g. business continuity, disaster recovery, acceptable use etc.;
- Control 2: Active monitoring of threats to E.L.K. systems and information; and
- Control 3: Security restricting access to IT systems and data.

Human Resources Management

- Control 1: Effective resource management including forecasting, planning, execution, monitoring and reporting.

As noted above, in Engagement Approach, KPMG conducted walkthroughs with management for each line of review, to further understand the processes in place and to understand and evidence the E.L.K. controls.



5 Results of Specified Procedures

The results of the specified procedures completed by KPMG are detailed in this section by line of review.

5.1 Accounting Procedures and Practices

5.1.1 Review Available Documentation Related to Policies, Procedures, and Roles and Responsibilities

KPMG obtained and reviewed the following documentation:

- Accounts Payable batch entry instructions, 2019;
- Audit Findings Report for the year ended December 31, 2018;
- Audit Findings Report for the year ended December 31, 2017;
- Audit Management Representation Letter for the year ended December 31, 2018;
- Audit Management Representation Letter for the year ended December 31, 2017;
- Audited, non-consolidated Financial Statements of E.L.K. Energy Inc. for the Year Ended December 31, 2018;
- Audited, non-consolidated Financial Statements of E.L.K. Energy Inc. for the Year Ended December 31, 2017;
- Capitalization Policy, 2013;
- Collective Agreement between E.L.K. Energy Inc. & International Brotherhood of Electrical Workers, Local 636 dated January 14, 2019;
- Depreciation and Amortization Memo, 2013;
- Electricity Distribution License ED-2003-0015 E.L.K. Energy Inc. valid until March 23, 2023;
- E.L.K. Energy Inc. minutes of the meeting of the Board of Directors, June 27, 2019;
- E.L.K. Energy Inc. minutes of the meeting of the Board of Directors, May 23, 2019;
- E.L.K. Energy Inc. minutes of the meeting of the Board of Directors, April 25, 2019;
- E.L.K. Energy Inc. minutes of the meeting of the Board of Directors, February 28, 2019;
- E.L.K. Energy Inc. Finance Committee presentation to the Board of Directors for 2019 budget, April 22, 2019;
- E.L.K. Energy Inc. presentation to the Board of Directors for 2018 Annual Resolutions, April 22, 2019;
- E.L.K. Energy Inc. OEB Scorecard, 2017;



- E.L.K. Energy Inc. OEB Scorecard, 2016;
- E.L.K. Energy Inc. OEB Scorecard, 2015;
- Month-end customer billing process, 2019;
- Month-end reporting instructions, Sage, 2010;
- Payroll instructions, AccPac, 2010;
- Payroll T4 preparation instructions, 2011;
- Payroll T5 preparation instructions, 2006;
- PPE Componentization and Useful Lives Conclusion Document for IAS 16, 2013;
- PPE Capitalization of Overhead for IAS 16, 2013;
- Procurement Policy, October 12, 2006;
- Workplace Harassment and Violence Policy, 2003;
- Year End Financial Close Checklist and Guide; and
- Yearbook of Electricity Distributors 2018, published by the Ontario Energy Board on August 19, 2019.

5.1.2 Review Audited Financial Statements and Management Representation Letters for Last Two Years Available

KPMG obtained and reviewed the following documentation:

- Audited, non-consolidated Financial Statements of E.L.K. Energy Inc. for the Year Ended December 31, 2018;
- Audit Management Representation Letter addressed to KPMG for the audit of the Non-consolidated Financial Statements of E.L.K. Energy Inc. for the Year Ended December 31, 2018;
- Audited, non-consolidated Financial Statements of E.L.K. Energy Inc. for the Year Ended December 31, 2017; and
- Audit Management Representation Letter addressed to KPMG for the audit of the Non-consolidated Financial Statements of E.L.K. Energy Inc. for the Year Ended December 31, 2017.

Findings:

The audit opinions for both 2017 and 2018 concluded with a 'clean' opinion, i.e. "the non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of E.L.K. Energy Inc. as at December 31, 2017, and its non-consolidated financial performance and its non-consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards".



5.1.3 Identify, Document and Assess Risks and Design of Key Financial Reporting Controls

KPMG conducted a walkthrough of the Company's accounting and financial reporting cycle and noted the following controls.

Treasury

- **Bank Reconciliations** - On a monthly basis, the Company performs a reconciliation of cash balances per the each of the Company's (4) bank statements to cash balances per the General Ledger.
- **Investments** - All surplus cash is maintained in the Company's bank accounts. In the event the Company were to invest surplus cash, any proposed investments would be presented to the Finance Committee, Board of Directors by the Director, Finance and Regulatory Affairs for approval.
- **Signatories** - Internal (non-Board of Director) bank signatories (the CEO, the Director, Finance and Regulatory Affairs and the Supervisor, Finance and Customer Service) have satellite key tags, which refresh regularly to provide unique access keys required to gain access to company banking information and balances. The keys can only be used through the individual online profile/computer of the assigned signatory. All disbursements exceeding \$20,000 require two signatories.
- **Cheques** - Blank cheques are locked in the Company's vault until required for distribution.
- **Cash payments** - The Company accepts cash payments at their office. A daily reconciliation is performed for each Customer Service Representative of opening and closing balances to receipts.

Procurement (Payables)

- **Purchasing Policy** - All purchases are made in accordance with the Purchasing Policy, which stipulates required quotes and approvals based on stepped dollar thresholds. Documentation related to all purchases, including requests for proposal and received quotes are attached to the relevant invoices/contracts.
- **Master Vendor Listing** - The Company maintains a list of all relevant vendor data, with editing rights limited to the Director, Finance and Regulatory Affairs and the Supervisor, Finance and Customer Service.
- **Invoice Approval** - All invoices are reviewed by three members of management prior to payment of the invoice. ELK is managed and operated by 17 full time staff and management have knowledge of the underlying needs to purchase, and for invoiced items. When unsure of the nature of a purchase, the approvers follow up with the appropriate individual for explanation.
- **Board Review of Disbursements** - On a monthly basis, the Board of Directors reviews and approves all disbursements made by the Company in the preceding month.

Billing (Revenue)

- **Billing** – All customers are billed by the Company for the complete month. Each Customer Service Representative completes either an electric or multi-service (electric and water) billing cycle (water is billed by the Company on behalf of Town of Essex). Smart metres disaggregate customer data by time of use. The monthly data retrieved through the MDM/R (Meter Data Management Repository) is uploaded to Harris North Star. Billing is sent by hard copy in traditional mail, or via e-billable if the customer has selected this option. Per the 2017 OEB Scorecard, the Company had 99.99% billing accuracy in that fiscal year.
- **Revenue Reconciliation** – At year end, the Director, Finance and Regulatory Affairs performs a reconciliation of the full year's (12) monthly North Star reports to revenue per the General Ledger. Typical reconciling items are the regulatory asset and liability accounts.
- **Disconnection** – In non-winter months the entity disconnects power to customers with greater than \$250 outstanding on their account. During winter months the OEB has implemented a disconnection ban which E.L.K. adheres to.

Payroll

- **Review of Time Sheets** – all employee time sheets are reviewed by at least one appropriate member of management. Employee time sheets for finance employees involved in the payroll process are reviewed by an independent member of management.
- **Segregation of Duties** – Complete payroll registers are prepared and reviewed and approved by different members of management. If payroll is prepared by the Supervisor, Finance and Customer Service it is approved by either the Director, Finance and Regulatory Affairs or the CEO. Once payroll is keyed into the CIBC online banking portal for distribution, a second member of management must approve the distribution electronically.
- **Vacation/Sick Day Accrual** – for new employees (< 1 year of employment), eligibility for sick and vacation days are manually tracked and reconciled. Sick and Vacation days for all employees are tracked in a labour distribution report. The reports are reviewed by an appropriate member of management. At the end of each year, each employee is provided with the sick accrual report as at December 31.
- **Standing Data Changes** – All standing payroll data (hires/terminations, changes in rate of pay) are promptly updated in the payroll system. New hire documentation (employment contracts, etc.) are maintained in individual employee personnel folders, in a secure area of the Company's offices.
- **Harassment and Violence Policy** – All new employees sign a copy of the policy, and a record of the acknowledgement is maintained in their personnel folder.

Inventory

- **Inventory Count** – On an annual basis the entity completes a count of 100% of the inventory on hand. To provide oversight of the count, the Director, Finance and Regulatory Affairs performs random test counts, with a mix of sheet to floor (existence) and floor to sheet (completeness) test



counts performed. Inventory items are pictured on the count sheets, to allow counters with non-specific knowledge of equipment such as transformers to understand what they are counting. Management noted that due to the relatively low balance of inventory, the external auditor has not completed an inventory count in recent years (the balance of inventory is not material to the audit).

- **Inventory Movements** – All inventory movements received and/or issued for work are recorded in an inventory movement binder. Use of inventory is recorded in a Work Order (small jobs and large jobs) and project worksheets.
- **Economic Evaluation Model (OEB)** – The OEB prescribes a process to true up the cost to developers, when readying new developments for energization. After job completion the estimated costs of hook up are trued up. Since developers would dispute/scrutinize material increases in cost (estimate vs. trued-up actual), this control mitigates the risk that inventory items allocated to jobs is not utilized as intended.

Financial Reporting

- **Management Awareness** – Due to the relatively small size of the Company, the CEO and the Director, Finance and Regulatory Affairs have involvement and/or oversight of all accounting processes.
- **Financial Reporting Checklist** – The Company performs financial reporting procedures on a monthly basis, and on an annual basis (for the year ended December 31). The Company maintains a financial reporting checklist, which includes 30 financial reporting processes. All checklist items are completed as an element of financial reporting.
- **Preparation and External Audit of Year End Financial Statements** – At the end of the fiscal year the Supervisor, Finance and Customer Service performs the month-end financial reporting duties. As an element of financial reporting, the Director, Finance and Regulatory Affairs along with the Supervisor, Finance and Customer Service prepare binders of support, including reconciliations, for the external auditor. An audit of the financial statements is completed by the external auditor in mid-march. The financial statements, including the accompanying notes are drafted by the external auditor, using the Company's audited trial balance.
- **Board Approval of Financial Statements** – On an annual basis the Finance Committee reviews and approves the audited, non-consolidated financial statements of the Company. Following Finance Committee approval, the Finance Committee along with the Director, Finance and Regulatory Affairs present the financial statements to the Board of Directors for approval.

Findings:

KPMG's detailed procedures and analysis identified that E.L.K. has controls in place aligned to the typical risks and aligned to the expected controls noted for the accounting line of review in Section 4.1.

Recommendations:

KPMG makes the following recommendations, for management consideration, to further enhance their control environment:

- While the entity currently engages in limited investment activity (e.g. investment of surplus cash in GICs), creation of a formal investment policy would provide further guidance for potential future investments.
- Currently, two bank accounts have bank reconciliations prepared by the Director, Finance and Regulatory Affairs, without a second, independent review. While the current level of segregation of duties may be adequate for an organization of this size, a key control such as a bank reconciliation, should be reviewed by a second member of the finance/management team. Review should be evidenced (e.g. initials, signature, dates etc.) to provide evidence after the control was completed by whom and when. A compensating control for one of these bank reconciliations is with respect to the Affordability Fund Trust which is monitored by the Trust and supported by funding from the Government of Ontario.
- All policy and procedure documents should include a version date. Policies and narrative documents of the organization should be reviewed on a periodic basis (e.g. annual, bi-annual etc.) to help ensure accuracy and currency of the documentation. These reviews can be performed on a rolling basis to spread the work load over time.
- A formal onboarding / offboarding checklist should be utilized by the entity, and maintained in the employee personnel files. This will help ensure the organization continues to communicate all relevant policies to employees, and adds and removes employees from the payroll system on a timely basis in addition to the compensating control noted whereby employees sign off to acknowledge review of a policy.
- All changes to Master Vendor Data should be reviewed and approved by a second member of management, to help ensure changes are appropriate (ex. existence of vendors, accuracy of banking information) in order to mitigate/prevent the risk of loss, or payment to an incorrect party. This is partially mitigated by a detective control whereby all payments are initiated by one individual and approved by a second individual.
- Formal inventory count instructions (annual inventory count) should be communicated to all participating employees, verbally and in written form.

5.1.4 Identify Appropriate Performance Indicators and Benchmark (Where Possible)

Performance indicators and benchmarks were obtained from the Ontario Energy Board, Yearbook of Electricity Distributors for the years 2017 and 2018.

E.L.K. has a mutual assistance plan with other LDCs in the area (EDA Western District). This plan has been in place for almost twenty years (initial plan dated January 2001, last revision May 2016). Following are the LDCs who are including in the mutual assistance plan with E.L.K.:



- Bluewater Power Distribution Corp.;
- Entegrus (previously St Thomas Energy);
- Enwin Utilities Ltd.;
- ERTH (previously Erie Thames Powerline Corp);
- Essex Powerlines Corporation;
- London Hydro; and
- Tillsonburg Hydro Inc.

General Benchmarks Following are general benchmarks that compare the number of customers serviced and kWh delivered.

E.L.K. serviced 12,411 customers as of 2018 and is the second smallest LDC of the mutual assistance comparators.

Total Number of Customers		
Local Distribution Company	2017	2018
London Hydro Inc.	157,188	159,039
Enwin Utilities Ltd.	88,422	88,978
Entegrus Powerlines Inc	41,142	59,186
Bluewater Power Distribution Corporation	36,585	36,691
Essex Powerlines Corporation	29,756	30,012
ERTH (Erie Thames Powerlines Corp)	18,948	19,238
E.L.K. Energy Inc.	12,344	12,411
Tillsonburg Hydro Inc.	7,201	7,123

E.L.K. delivered 252,552,933 kWh in 2018 and represents 2.6% of the total kWh delivered by this group of LDCs i.e. 9,621,197,626 kWh.

kWh Delivered		
Local Distribution Company	2017	2018
London Hydro Inc.	3,195,491,862	3,326,260,132
Enwin Utilities Ltd.	2,423,395,058	2,498,453,617
Entegrus Powerlines Inc	923,425,886	1,256,991,995
Bluewater Power Distribution Corporation	1,000,844,635	1,019,735,531
Essex Powerlines Corporation	539,734,798	558,276,019
ERTH (Erie Thames Powerlines Corp)	492,231,607	518,420,545
E.L.K. Energy Inc.	236,059,300	252,552,933
Tillsonburg Hydro Inc.	189,742,027	190,506,854



Financial Benchmarks Following are financial benchmarks that compare the following: current ratio, debt to asset ratio and return on assets.

E.L.K.'s current ratio (current assets / current liabilities) is 2.51, the highest of the comparator group.

Current Ratio		
Local Distribution Company	2017	2018
E.L.K. Energy Inc.	1.85	2.51
Enwin Utilities Ltd.	1.83	2.24
Tillsonburg Hydro Inc.	2.04	1.64
Bluewater Power Distribution Corporation	1.32	1.36
Entegrus Powerlines Inc	1.36	1.34
London Hydro Inc.	1.31	1.27
ERTH (Erie Thames Powerlines Corp)	0.90	0.87
Essex Powerlines Corporation	0.65	0.67

E.L.K.'s debt to asset ratio is 0.15, the second lowest of the comparator group.

Debt to Asset Ratio		
Local Distribution Company	2017	2018
Entegrus Powerlines Inc	0.42	0.42
ERTH (Erie Thames Powerlines Corp)	0.37	0.39
Essex Powerlines Corporation	0.29	0.37
London Hydro Inc.	0.30	0.34
Bluewater Power Distribution Corporation	0.24	0.25
Enwin Utilities Ltd.	0.15	0.24
E.L.K. Energy Inc.	0.17	0.15
Tillsonburg Hydro Inc.	0.03	0.05

E.L.K.'s return on assets is 3.55%, the third highest of the comparator group.

Return on Assets		
Local Distribution Company	2017	2018
Bluewater Power Distribution Corporation	3.35	4.52
Enwin Utilities Ltd.	2.12	3.94
E.L.K. Energy Inc.	2.74	3.55
Essex Powerlines Corporation	2.21	3.41
Tillsonburg Hydro Inc.	3.69	3.25
London Hydro Inc.	3.66	3.15
Entegrus Powerlines Inc	3.13	2.64
ERTH (Erie Thames Powerlines Corp)	1.59	2.10



5.2 Budgeting Processes, Business Planning Processes and Management Oversight

5.2.1 Review Available Documentation Related to Policies, Procedures, and Roles and Responsibilities

KPMG obtained and reviewed the following documentation:

- Budget Process narrative, undated
- OEB approved scorecard for E.L.K. Energy, 2017;
- OEB approved scorecard for E.L.K. Energy, 2016;
- OEB approved scorecard for E.L.K. Energy, 2015;
- PEG Benchmarking Report 2019;
- PEG Benchmarking Report 2018;
- PEG Benchmarking Report 2017;
- Proposed 2019 Budget presentation, as prepared for the Board of Directors; and
- Proposed 2018 Budget presentation, as prepared for the Board of Directors.

5.2.2 Review Budget to Actual Comparisons for last 2 Years to Assess Reasonableness of Budgets Comparing Actual Results to Planned Budget

KPMG obtained and reviewed the following documentation:

- 2019 Budget commentary (notes prepared by management for presentation to the Board of Directors), which includes a comparison of budget to actual for the year ended December 31, 2018;
- 2018 Budget commentary (notes prepared by management for presentation to the Board of Directors), which includes a comparison of budget to actual for the year ended December 31, 2017;
- Proposed 2019 Budget presentation, as prepared for the Board of Directors; and
- Proposed 2018 Budget presentation, as prepared for the Board of Directors.

Findings:

Based on our walkthrough of the budget process (detailed in the following section), review of the 2017 and 2018 budget documentation and related variance reporting prepared, the budget to actual comparisons are performed, documented, monitored regularly, and appear complete and fully documented.

5.2.3 Identify, Document and Assess Risks and Design of Key Controls

KPMG conducted a walkthrough of the Company's budgeting and business planning process and noted the following controls.

- **Management Awareness** – Due to the relatively small size of the Company and management team, the level of awareness of all general operations of E.L.K. by members of management is high. This awareness is further strengthened by low historical employee turnover at all levels. In addition, the CEO and Director, Finance and Regulatory Affairs meet informally on a regular basis to discuss budget to actual performance of the Company.
- **Preparation of Budget by Appropriate Members of Management** – Each member of management is involved in the preparation of the budget for their area of responsibility. For example, the preliminary operating budget is prepared by the Director of Operations, and the administrative portion of the operating budget is prepared by the Director, Finance and Regulatory Affairs, reflective of their assigned responsibilities. Preparation of the preliminary budget is guided by prior year actuals, forecasted operational changes (including forecasted customer and development growth) and changes to applicable collective bargaining agreements.
- **Review of the Budget by the Finance Committee** – The annual operating and capital budget are reviewed and approved by the Finance Committee. Upon approval of the Finance Committee, the budget is presented to the Board of Directors for review and approval.
- **Annual Review of Budget to Actual** – The budget to actual is regularly, informally reviewed by the Director, Finance and Regulatory Affairs together with the CEO. On an annual basis, the Director, Finance and Regulatory Affairs prepares an analysis of budget to actual for the prior year's capital and operating budget for presentation to the Finance Committee and Board of Directors. Along with a variance analysis (actual results compared to budgeted plan), management prepares a discussion and analysis of the significant variances.
- **Low turnover on the Finance Committee and Board of Directors** – The organization has historically enjoyed low turnover rates on the Board of Directors that fosters Board awareness and insights of the Company's operations.
- **Regulatory Oversight of Financial Performance** – All Ontario electric distributors are subject to oversight by the OEB regarding financial performance. On an annual basis the Company receives a "scorecard" from the OEB assessing the performance of the Company on multiple metrics, including financial ratios, asset management and cost control. Further, as directed by OEB, Pacific Economics Group ("PEG") prepares an annual report of Ontario electric distributors. As an element of this report, PEG performs statistical cost benchmarking of electric distributors in support of rate setting. In each of 2019, 2018 and 2017 the Company was included in the lowest "stretch factor group", a good indicator of E.L.K.'s financial management.

Finding:

KPMG's procedures identified that E.L.K. has controls in place aligned to the typical risks and aligned to the expected controls noted for the budgeting line of review in Section 4.1.

Recommendation:

KPMG makes the following recommendation, for management consideration, to further enhance their control environment:

- Oversight into the performance of the Company by the Finance Committee and the Board of Directors could be improved with more frequent periodic reporting of budget to actual variance analysis e.g. semi-annually.

5.2.4 Identify Appropriate Performance Indicators and Benchmark Where Possible e.g. Timing of Budget Approval, Time to Budget, Significant Over/Under Budget

Refer to benchmarking results in section 5.1.4

5.3 Distribution System Planning Information, Processes and Procedure

5.3.1 Review Available Documentation Related to Policies, Procedures, and Roles and Responsibilities

KPMG obtained and reviewed the following documentation:

- Distribution System Planning Memo – E.L.K.'s approach to distribution system planning;
- 2018 Asset Management Plan – Table of contents includes: introduction, general and administrative matters, distribution system plan, asset management process and capital expenditures plan;
- Renewable Energy Generation Investments Plan (2016 – 2020) - E.L.K. Energy's best efforts to enable the connection of renewable generation facilities and to create a Smart Grid development strategy;
- Annual Audit Report 2017 & 2018 – independent audit report from third party professional engineer;
- Vehicle Replacement Program – analysis;
- E.L.K. Energy Safety Measures-2013-2018;
- E.L.K. OEB Approved Scorecard 2015-2018;
- E.L.K. Electrical Safety Authority Report 2016 & 2018 - Public Safety Awareness Survey;
- PEG Benchmarking Report 2017 & 2018;
- Service Quality and Emergency Response 2017 & 2018;
- Emergency Preparedness Plan; and



- Map of E.L.K.'s Distribution Area.

5.3.2 Identify, Document and Assess Risks and Design of Key Controls

KPMG conducted a walkthrough of the Company's distribution planning process and noted the following controls.

5.3.2.1 Distribution System

Distribution plant assets includes poles, wires, transformers and meters.

The Operations Manager is responsible for the direction, planning, co-ordination and supervision of the activities of the operations department.

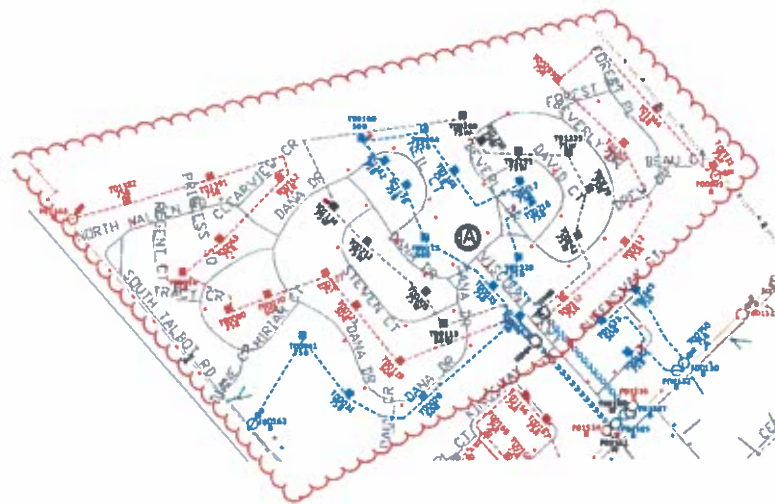
KPMG conducted a walkthrough of the distribution system planning with the Operations Manager and noted the following controls:

- **Management awareness** - The relatively small size of E.L.K., i.e. 12,411 customers, enables the Operations Manager to be aware of operational services required including outages and requests for new services from developers.
- **Outage verification** - All outages are verified by E.L.K. staff and reported to the Operations Manager.
- **Outage tracking** - Copies of all service outage reports are maintained and tracked in a listing by type of incident following a standard list of issues including for example: loss of supply; tree contacts, lightning, adverse weather, and foreign interference.
- **Combined remediation planning** - The Operations Manager uses the results of service outage tracking combined with the data and firsthand knowledge to group issues to efficiently plan remediation to address multiple issues as part of one remediation project.
- **Cost of service application** - As part of the cost of service application, approximately every 5 years, E.L.K. prepares analysis to support changes to the cost of service.

KPMG reviewed an example project submitted as part of the 2012 Cost of Service application. The example project was to replace a portion of a development (i.e. Viscount Estates) underground primary cable and live front transformers. E.L.K. determined the root cause based on the outage reports that 35% of the primary underground cable failures related were from this development and accounted for 66% of the failures in 2011.

- **Asset inspection** - Currently distribution assets are inspected as part of any service work orders. E.L.K. is planning to complete a comprehensive Asset Condition Assessment with assistance from a third party that will be used as a basis to support the next cost of service rate application.
- **Information management** - E.L.K. maintains databases for each of its six service areas. Following is the list of data bases including a brief description:
 - DIP – Primary underground dip, transition from aerial to underground at pole;

- FU – Primary fuse switch
 - OH SERVICE WIRE – Overhead service wire to customers;
 - PAD_TX – Pad mounted transformers;
 - PME – Primary Meter Enclosure, bulk metering points for either the energy supply into E.L.K.'s service area or the energy supplied through E.L.K.'s service area to an embedded distributor e.g. Hydro One;
 - POLE – Distribution poles;
 - RECLOSERS – Re-closures;
 - RS – Primary underground riser, transition from underground to aerial at a pole;
 - SD_TX – Step down transformer, 16kV to 2.4 kV;
 - ST_LIGHT – Street lights;
 - SW – Primary switch;
 - SC_CUB – Pad mounted primary switching cubicle;
 - TX – Pole mounted transformers; and
 - UG SERVICE WIRE – Underground service wire to customers.
- **AutoCAD Map 3D** – E.L.K. maintains the distribution system on AutoCAD Map3D. KPMG reviewed an example project (Viscount Estates, noted previously) and noted the following details from AutoCAD Map3D related to the transformers and underground cabling that were replaced.



- **Planning group** - E.L.K. is a member of the Windsor-Essex planning group to consider planning requirements for both E.L.K.'s customers and other LDCs. The group meets as needed, typically monthly or more frequently towards the end of the year. At the time of drafting the 2018 Asset Management Plan, demand for electricity was noted to be around 300MW and had been in a slow decline from 2007 to 2017. The Operations Manager noted that demand for electricity is currently experiencing significant growth due to the introduction of greenhouse agriculture operations in the region around E.L.K.'s service territory. Participation on the planning group helps to ensure future distribution system requirements are considered and planned for. E.L.K. confirmed that within its distribution system there are no current or unforeseen capacity constraints.
- **Active member with Utility Standards Forum** - The E.L.K. Operations Manager is a member of the Utility Standards Forum, "a non-profit, volunteer based corporation owned by 53 Ontario electricity distributor Members"¹. The standards being set by this group will help inform the Asset Condition Assessment to be completed to support distribution planning as well as the next round of cost of services rate application.
- **Emergency Preparedness Plan** – Includes: Emergency planning organization, Emergency response, and Administration.

5.3.2.2 *General Plant Assets Life Cycle Management*

General plant assets include buildings, tools and equipment, fleet of vehicles, IT systems hardware and software.

The E.L.K. Operations Manager is responsible for the direction, planning, co-ordination and supervision of the activities of the operations department.

KPMG conducted a walkthrough of the general plant assets life cycle management with the E.L.K. Operations Manager and noted the following controls:

- **Management awareness** – E.L.K.'s general plant assets include one site for its head office, garage, yard for storing transformers and vehicles. E.L.K.'s vehicles are comprised of 6 heavy duty (i.e. > 3,500 kg) and 3 light duty (i.e. < 3,500 kg). Annual spend on tools and equipment is approximately \$10K. The limited quantity, of general plant assets to support its customer base, permits the Operations Manager and Director, Finance and Regulatory Affairs awareness of general plant assets to be managed.
- **Annual planning** – The Operations Manager and Director, Finance and Regulatory Affairs collaborate annually to prepare the annual budget for E.L.K. including any additions to general plant assets. Management endeavors to balance new vehicle purchase costs against excessive repair bills and operational downtime that occur when vehicles are kept for too long. Annual planning is supported by analysis considering the following factors:
 - Age of vehicle;
 - Kilometers on vehicle;

¹ <http://utilitiesstandardsforum.ca/> <<Accessed Oct 25, 2019>>



- Repairs and maintenance costs;
- Condition of the fleet asset including annual structural and electrical testing;
- Changing emissions, weight, and road safety regulations; and
- Operations and office needs.

Results of current planning has resulted in management's decision to replace its radial boom derrick truck in 2018 and a bucket truck in 2019.

- **Review by CEO and Board** – The annual budget is reviewed by the CEO and then by the Finance Committee and subsequently by the Board of Directors.
- **Third party for IT assets** – E.L.K. has contracted its IT support to a third party service provider (i.e. PCOutlet) which provides advice and input to the Operations Manager and Director, Finance and Regulatory Affairs to support E.L.K.'s IT asset life cycle management.
- **Procurement** – The process to procure general assets includes approval by the Operations Manager and Operational staff matching the Purchase Order to shipping documents upon receipt of the asset and Finance issuing payment.

5.3.2.3 Health and Safety

The Operations Manager leads E.L.K.'s approach to health and safety.

KPMG conducted a walkthrough of the general plant assets life cycle management with the Operations Manager and noted the following controls:

- **Policy statement** – E.L.K. has a documented Health and Safety Policy and all policies are reviewed by E.L.K. employees and signed off to acknowledge their understanding of the policy.
- **Certification** – The Operations Manager and Sub Foreman are both certified. E.L.K. provided an example certification from the Infrastructure Health and Safety Association for completion of Utility Work Protection Code training completed by the Sub-Foreman.
- **Ontario Regulation 22/04 Audit** – Annually completed by a third party Engineering firm to assess the extent of compliance of E.L.K. to the regulation, to measure whether it has appropriate processes in place to comply with the safety standards and follows its processes. The opinion included in the audit report stated "the distributor (referring to E.L.K.) is in full compliance with Ontario Regulation 22/04" and "the distributor demonstrates commitment to safety through all levels of the organization".
- **Electrical Safety Authority** – Annually E.L.K. submits reporting (Annual Audit Report, Declaration of Compliance and Due Diligence Inspections) to the ESA as required under Ontario Regulation 22/04. ESA reviews these submissions annually and provides a compliance assessment summary to E.L.K. E.L.K. is in full compliance.

Findings:

KPMG's procedures identified that E.L.K. has controls in place aligned to the typical risks and aligned to the expected controls noted for the distribution planning line of review in Section 4.1.

5.3.3 Review Key Benchmarks for Last Two Years

Performance indicators and benchmarks were obtained from the Ontario Energy Board, Yearbook of Electricity Distributors for the years 2017 and 2018.

E.L.K. has a mutual assistance plan with other LDCs in the area (EDA Western District). This plan has been in place for almost twenty years (initial plan dated January 2001, last revision May 2016). Following are the LDCs who are included in the mutual assistance plan with E.L.K.:

- Bluewater Power Distribution Corp.;
- Entegrus (previously St Thomas Energy);
- Enwin Utilities Ltd.;
- ERTH (previously Erie Thames Powerline Corp);
- Essex Powerlines Corporation;
- London Hydro; and
- Tillsonburg Hydro Inc.

Operational Benchmarks Following are operational benchmarks that compare average power outage duration (SAIDI) and average number of interruptions (SAIFI).

SAIDI is the average power outage duration (hours) for each customer served.

E.L.K. experienced an average power outage duration of 1.63 hours which compares favorably to the industry experience of 2.59 hours.

SAIDI (Average Outage Duration)		
Local Distribution Company	2017	2018
Industry Benchmark	2.85	2.59
Entegrus Powerlines Inc	1.72	1.89
Tillsonburg Hydro Inc.	1.14	1.83
Essex Powerlines Corporation	0.83	1.82
E.L.K. Energy Inc.	0.63	1.63
Bluewater Power Distribution Corporation	1.31	1.60
Enwin Utilities Ltd.	0.72	1.11
ERTH (Erie Thames Powerlines Corp)	0.90	1.11
London Hydro Inc.	0.93	0.82

SAIFI a reliability indicator and is the average number of interruptions that a customer would experience.

E.L.K. had 0.48 as the average number interruptions its customers experienced in 2018, or the second lowest of the comparator group, and compares favourably to the industry benchmark.

SAIFI (Average Number of Interruptions)		
Row Labels	2017	2018
Tillsonburg Hydro Inc.	1.10	2.28
Enwin Utilities Ltd.	1.70	2.22
Bluewater Power Distribution Corporation	0.96	1.67
Industry Benchmark	1.44	1.48
London Hydro Inc.	1.00	1.40
Essex Powerlines Corporation	0.57	1.29
Entegrus Powerlines Inc	1.07	1.21
E.L.K. Energy Inc.	0.21	0.48
ERTH (Erie Thames Powerlines Corp)	0.35	0.38

5.4 Information Technology Systems, Data Control, and Privacy and Security Procedures

5.4.1 Review Available Documentation Related to Policies, Procedures, and Roles and Responsibilities

E.L.K. has defined IT policies and/or established procedures for the following key IT operations areas:

- An information privacy policy ("E.L.K. Energy Policy Document – Privacy Statement");
- E.L.K.'s Customer Dispute Policy;
- On-site and off-site backup procedures;
- Remote access configuration procedures;
- Network diagrams;
- Change management processes;
- Third party access management procedures; and
- A description of applicable IT procedures prepared in response to queries in this project.

Additionally, KPMG conducted interviews with the Director, Finance, Regulatory Affairs and IT consultant to ascertain the governance and control attributes of certain IT processes that have not yet been documented.

5.4.2 Identify, Document and Assess Risks and Design of Key Controls

KPMG conducted a walkthrough of the Company's information technology systems, data control, and privacy and security process and noted the following controls.

5.4.2.1 Documented IT Security Policies and Procedures

Security Policy and Procedures

KPMG conducted interviews with the Director, Finance and Regulatory Affairs and IT to ascertain the extent of the user account management procedures followed, including user account creation, access provisioning, access de-provisioning, and user account removal upon termination.

E.L.K. does not have a documented IT security policy or acceptable use policy in place. E.L.K. does have IT security procedures documented that could be formalized in an IT security policy and also relies on policy statements regarding ethical conduct. E.L.K. reported the absence of an information security policy to the OEB in their submission of the self-assessment tool in April of 2019. The absence of an information security policy removes an important governance control and enforcement mechanism should an employee or third party provider breach security or confidentiality.

IT security procedures consist of IT operational management procedures to manage remote access granted to vendors. However E.L.K. does not have formal documentation of the process followed for the on-boarding of new users, the assignment and removal of access rights, or the removal of user access accounts in the event of termination. The absence of documented procedures places undue reliance on personnel responsible for these processes to ensure they are applied in a consistent manner, introducing the risk of human error.

Privacy Policy and Procedures

E.L.K. has a documented and approved privacy policy which aligns to the 10 principles set out in the CSA Model Code for the Protection of Personal Information that forms the foundation of Canada's applicable privacy legislation (PIPEDA).

E.L.K.'s documented policy statements and accountabilities align to the OEB framework control category for privacy complaint handling. This is set out in Principle 10 Challenging Compliance on page 14 of the policy. This policy, along with the "Customer Dispute Policy" (dated November 19, 2009), are presented to the public on the E.L.K. website.

Backup and Recovery Procedures

E.L.K. has IT process and technology recovery capabilities in the case of physical system failure or data loss. The basic design consists of 2 physical servers each having a copy of E.L.K.'s mission critical data and systems. One server has the live running copy, while the other has a dormant copy ready to be activated if the live version experiences a failure. In addition, backups of live servers are completed on a nightly basis.

KPMG confirmed the weekday backup schedule for the mission-critical servers, by reviewing the documentation of the backup frequency for the Accounting, NorthStar and APS (i.e. the new settlement servers) as well as virtual machines.



All backup processes are monitored and any backup failures are actioned. Hardware failures are monitored by E.L.K. staff and reported immediately to IT to facilitate prompt response.

E.L.K. does not follow a consistent practice of conducting periodic backup / restore testing to validate the completeness and accuracy of the content of backup tapes. As a consequence, there is a risk that some critical information may not be retrievable should the backed up data become corrupted. A mitigating control noted; E.L.K. receives daily backup reporting via email i.e. dashboard report and detail report log noting status as "OK" or otherwise. Recipients of this reporting includes the Director, Finance and Regulatory Affairs, the Supervisor, Finance and Customer Service and E.L.K.'s outsource IT service provider.

5.4.2.2 Active Monitoring of Threats to E.L.K. Systems and Information

Monitoring of Security Events

E.L.K. has implemented active network monitoring for key elements of its IT infrastructure using a combination of devices and technologies integrated within the IT network architecture. Such monitoring consists of the following mechanisms enabled in the Watchguard firewall technology managed by E.L.K.'s outsourced IT provider including the following:

- Intrusion detection system (IPS) which detects potential attacks based on attack signatures and disables the external connection;
- Botnet detection and blocking;
- Website reputation analysis which detects websites known to distribute malware and blocks them automatically;
- Gateway and end points anti-malware systems; and
- Traffic blocking based on geo-location (i.e. blocking known sources of malware, hacking and phishing).

5.4.2.3 Security Restricting Access to IT Systems and Data

User Account Creation and System Access Assignment

E.L.K. has a repeatable access provisioning process for new users. Upon joining the organization a request is put in to IT in order to create the user account in Active Directory (AD) and the Director, Finance and Regulatory Affairs determines the access level that is required for the new employee according to their job function. IT actions the request accordingly by adding the user to one or more of the following AD functional groups (ACCOUNTING, CRS, EXECUTIVE, OPERATIONS) which are aligned to the related business functions. In this manner, access rights are assigned following a principle of "least privilege", as the access privileges for all users are restricted through their membership to these groups. As noted in 6.4.2.1 above, these procedures have not been documented in a formal and approved procedure.



Periodic access reviews are also performed by the Director, Finance and Regulatory Affairs to validate that the access rights as assigned are consistent with the user's job functions.

User Account Removal

When an E.L.K. employee leaves the organization, the Director, Finance and Regulatory Affairs informs IT in order to ensure that access is removed. The user account is immediately disabled in order to ensure that the person is not able to access information subsequent to their termination. Should there be a time lag between an employee's termination and the disabling of their user account, it is important to note that individual would not be able to gain access remotely to the network.

Findings:

KPMG's procedures identified that E.L.K. has controls in place aligned to the typical risks and aligned to the expected controls noted for the information technology line of review in Section 4.1.

Recommendations

KPMG makes the following recommendations, for management consideration, to further enhance their control environment:

- E.L.K. should implement an information security policy, have it approved by senior management, and communicate its contents to employees and third party providers.
- E.L.K. should document procedures for the following user and access privilege processes, including procedures documents to address:
 - User account creation;
 - Access privilege assignment;
 - Access privilege adjustment or removal; and
 - User account removal.
- E.L.K. should perform an exercise, annually at a minimum, or more frequently as decided by management, to restore critical systems and data from backup. This testing could be combined with a full disaster recovery or a business resumption test process.

5.4.3 Review and Assess OEB Submissions

In accordance with the OEB's regulatory submissions requirements, E.L.K. completed their Cybersecurity self-assessment filing on April 10, 2019, in advance of the April 30, 2019 deadline. E.L.K.'s submission package included the Inherent Risk Profile which indicated that E.L.K. self-assessed the organization's inherent risk profile as "Low" in consideration that the scope of E.L.K.'s operations is limited, and the network and IT infrastructure is not complex when compared with other LDCs.

Findings:



KPMG reviewed the OEB Cyber self-assessment submissions, and noted E.L.K. management self-assessment included the following:

- No self-audits or third party audits have been completed, nor have audits been completed on the IT environment managed by the third party provider;
- E.L.K. is connected physically or logically to the Town of Essex municipal network, increasing the risk of financial or infrastructure impacts should a breach of the cyber security of either entity occur;
- IT and Operational Technology (OT) environments are directly connected at E.L.K., increasing the risk of infrastructure impacts should a breach of the cyber security of either network take place. The inherent risk is mitigated, to some extent, given that there is no SCADA network connectivity as part of this OT environment; and
- E.L.K. permits un-encrypted USBs to be inserted into computing devices. This increases the risk of malware infection and of data exfiltration.

KPMG agrees with management's self-assessment to further enhance their IT control environment by:

- Applying enhanced security monitoring controls on E.L.K. network and Town of Essex connection points to increase the likelihood of detecting malware or attacks emerging from this external network;
- Implementing network segmentation between the OT and IT networks and / or enhanced monitoring at this connection point;
- Implementing anti-malware solutions to enable scan-on-connect capabilities for remote connections to help reduce the risk of malware being introduced to the corporate network; and
- Implementing Windows 10 functionality to enforce password protection on USB sticks.

5.5 Human Resources Management

5.5.1 Review Available Documentation Related to Policies, Procedures, and Roles and Responsibilities

KPMG obtained and reviewed the following documentation:

- Organization Chart – 17 full time and 1 part time positions;
- Job Descriptions – Accountant, Administrative Assistant, CEO, Customer Service Representative (full and part time), Director Finance, Lead Hand, Operations Manager, Supervisor Finance;
- Yearly Overtime Analysis – 2017 and 2018
- Policies and Procedures – Accessibility Training, Banner, Call Script (Electricity Outage), Company Credit Cards, Continuous Service Agreement Landlord, Customer Complaint and



Dispute Resolution, Office Etiquette, Employee Service Recognition, Environmental Stewardship, Hiring Policy, Move-In Move-Out Standard Operating Procedure, Non Smoking Policy, Privacy Policy, Retirement Service Recognition, Travel Policy, Workplace Harassment Policy, and Workplace Violence Policy.

5.5.2 Identify, Document and Assess Risks and Design of Key Controls

KPMG conducted a walkthrough of the Company's human resource management process and noted the following controls.

5.5.2.1 HR Management

The Director, Finance and Regulatory Affairs leads HR management with input from the CEO and Operations manager.

KPMG conducted a walkthrough of HR management with the Director, Finance and Regulatory Affairs and noted the following controls:

- **Management awareness** - The relatively small size of E.L.K., i.e. 17 full time and 1 part time employee, combined with low turnover of staff permits the management team to have a good awareness of E.L.K.'s HR requirements.
- **Hiring** – E.L.K. experienced a recent retirement, following is a summary of the process and controls followed to replace this position that is followed for all hires:
 - Job posting prepared by Operations Manager (retiree from Operations) and reviewed by Director, Finance and Regulatory Affairs;
 - Job posting includes posting internally in staff area
 - An outsource service provider provides support to E.L.K. including job postings;
 - Operations Manager reviews all applications;
 - Director, Finance and Regulatory Affairs reviews the list of candidates;
 - CEO reviews the list of candidates;
 - Operations Manager conducts interviews including test case scenarios to assess applicant's capabilities;
 - CEO approves management decision of successful candidate;
 - Letter of offer extended; and
 - Finance adds new hire to its system to process payroll going forward.
- **Cross function capability** – Capabilities for finance, customer relations, HR and other support functions are spread across management and staff at E.L.K. providing continuity in the event an individual staff member is unable to perform duties. Similar capabilities for operations exist to help ensure continuity of operational services.



Findings:

KPMG's procedures identified that E.L.K. has controls in place aligned to the typical risks and aligned to the expected controls noted for the human resources line of review in Section 4.1.

5.5.3 Review and Assess Key OT Statistics for Last Two Years

Operational needs require that there is always an E.L.K. operational staff member on call to be contacted in the event of a power outage in its distribution system.

Additionally, management noted one large customer that has a requirement for E.L.K. to shut down the portion of the distribution system providing service for periodic maintenance by the customer. Any overtime incurred as a result is paid for by the customer.

The following summary illustrates E.L.K.'s annual overtime as a percentage of total hours.

Annual Overtime Compared to Total Hours			
	2016	2017	2018
Total hours	25,962	23,703	24,575
Overtime hours	1,032	598	1,105
% of OT to total hours	4.0%	2.5%	4.5%

Findings

Overtime is an operational requirement and the amount of overtime incurred over the last three years appears reasonable.

5.5.4 Identify appropriate performance indicators and benchmarks where possible (i.e. salary cost, asset maintenance cost, major "surprises" in cost, etc.)

Benchmarks were not available for comparison.



A Appendix A - Specified Procedures by Line of Review

Line of Review	Specified Procedure
1. Accounting procedures and practices	<p>Review available documentation related to policies, procedures, and roles and responsibilities.</p> <p>Review audited financial statements for last 2 years and management letters where available (assess clean audit opinion).</p> <p>Identify, document and assess design of key financial reporting risks / controls. Preliminary key risks include:</p> <ul style="list-style-type: none">- Lack of segregation of duties / Segregation of duties;- Lack of monitoring by management / Management monitoring; and- Untimely accounting and reporting / timely accounting and reporting. <p>Identify appropriate performance indicators and benchmark where possible.</p>
2. Budgeting processes, business planning processes, and management oversight	<p>Review available documentation related to policies, procedures, and roles and responsibilities.</p> <p>Review budget to actual comparisons for last 2 years to assess reasonableness of budgets comparing actual results to planned budget.</p> <p>Identify, document and assess key risks / controls. Preliminary key risks / controls include:</p> <ul style="list-style-type: none">- Lack of understanding of budget process / Budget process is documented and communicated;- Budget is not completed on a timely basis and/or not approved / Budget completion and appropriate approval; and- Lack of monitoring over time / Budget to actual is regularly monitored with significant variances explained. <p>Identify appropriate performance indicators and benchmark (where possible).</p>

Line of Review	Specified Procedure
<p>3. Distribution system planning information, processes and procedure</p>	<p>Review available documentation related to policies, procedures, and roles and responsibilities.</p> <p>Identify, document and assess key risks / controls. Preliminary key risks / controls include:</p> <ul style="list-style-type: none"> - Distribution system does not meet the needs of constituents / management of distribution system including forecasting, needs identification, planning, implementation and monitoring; - Lack of asset life cycle management / Asset life cycle management including need identification, additions, maintenance, and end of use; and - Lack of proactive approach to health and safety / Proactive approach to manage health and safety. <p>Review key benchmarks for last 2 years.</p>
<p>4. Information technology systems, data control, and privacy and security procedures</p>	<p>Review available documentation related to policies, procedures, and roles and responsibilities.</p> <p>Identify, document and assess key risks / controls. Preliminary key risks / controls include:</p> <ul style="list-style-type: none"> - Lack of IT security policies and procedures / Documented IT security policies and procedures e.g. business continuity, disaster recovery, acceptable use etc.; - Lack of active monitoring of threats / Active monitoring of threats to E.L.K. systems and information; and - Access to IT systems and data / Security restricting access to IT systems and data. <p>Review and assess OEB submissions (i.e. IT, Cyber, Privacy) for significant gaps, etc.</p>
<p>5. Human resources management</p>	<p>Review available documentation related to policies, procedures, and roles and responsibilities.</p> <p>Identify, document and assess key risks / controls. Preliminary key risks / controls include:</p> <ul style="list-style-type: none"> - Lack of effective human resource management / Effective resource management. <p>Review and assess key OT statistics for last 2 years to assess whether appropriate staff mix.</p> <p>Identify appropriate performance indicators and benchmarks where possible (i.e. salary cost, asset maintenance cost, major "surprises" in cost, etc.</p>



Statement of Policy and Procedure

Manual:	Corporate	SPP No.	TBD
Section:	Information Technology	Issued:	
Subject:	Information Technology	Effective:	May 2020
Issue to:	E.L.K. Management	Page:	
Issued by:	Information Technology (IT) – Joe Duczman	Replaces:	
		Dated:	

1 POLICY

E.L.K. Energy Inc. deems it desirable to have a policy in place to govern and regulate information security.

2 PURPOSE

The purpose of this Statement of Policy and Procedure is to provide guidance regarding information technology systems, data control, and privacy and security procedures.

3 SCOPE

This Statement of Policy and Procedure applies to E.L.K. Energy Inc.

4 PROCEDURES

Change Management Policy and Associated Documented Procedures
 (Changes regarding Network Access, Firewall policy changes, Server Applications and configuration the following procedure applies:

- a. Changes are requested by employee or Application Vendor.
- b. Changes are approved in principle by Chief Financial Officer, Director Stakeholder Relations.
- c. Information Technology (IT) is advised in writing of changes that need to take place.
- d. IT cites all resources requiring changes and applies them (Firewall Configuration are kept for a period of year or more so previous configuration can be examined or reapplied).
- e. Chief Financial Officer, Director Stakeholder Relations is advised that all changes are made.
- f. Changes are tested by original requestor.



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Sensitive information classification and personal information policy (as applicable to IT resources)

- Information files are classified into Corporate and Individual categories.
- Corporate Files are stored by department into the I: drive on PCs. Active Directory groups are assigned permission to these department folders.
- Users are made members of the departments that contain files they are allowed to access.
- Individual user's files can be stored on their H: drive (if they are assigned one) where only they and administrators can access the files.
- Complex passwords are assigned to users and passwords are NOT shared amongst non-managing employees.
- Managers have access to passwords for all users if needed.

Acceptable use of technology policy

- Employees are aware that IT resources are to be used for Business related purposes.
- All personal use of IT resources are limited to explicitly allowed functions and during acceptable times while on premise.
- Employees are made aware that emails containing links and or files are to be treated as hostile malware until the sender and the contents are vetted. IT is engaged if there is any uncertainty. Most malware or hostile emails are pre-filtered by corporate class WatchGuard firewall. Firewall will automatically lock certain email attachments file types where if needed IT personal can unlock, examine and deliver only safe attachments.
- If email attachments need to be further examined IT can examine them in an isolated computer to limit exposure to a single PC.
- By default standard employees are not allowed to store files on cloud storage sites or services. Use of these sites by management



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is at their discretion. These actions are enforced by Firewall policies.

Access provisioning procedures or policy

- Request for access to network resources by a new Employee or outside partner are given to IT by Chief Financial Officer, Director Stakeholder Relations in writing.
- Users are assigned a complex password by IT and information is added to records in a secure file.
- The user is added to the Active Directory and given membership in the approved Active Directory groups for the departments they belong to. This will allow them access to folders on the I: drive.
- If the user is allowed remote access they are also added to the SSL VPN group which is needed for any outside access including file access and Smartphone email access and Server access.

Access termination and removal procedure or policy

- Request to remove Employees or outside partner are given to IT by Chief Financial Officer, Director Stakeholder Relations in writing.
- Records are updated to reflect pending change to the secure file that contains user information.
- The user is removed from Active Directory.
- If the removal needs to be done in haste in the case of a hostile employee with remote access, the Chief Financial Officer, Director Stakeholder Relations will contact IT directly (usually by voice call) and the user is disabled immediately and removed from SSL VPN group.



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Third party access management procedures

- a. Trusted third parties (e.g. Harris) are assigned to SSL VPN AD group **or** they are given access that is locked down to their Public Static IP address as enforced by Firewall.
 - a. 3rd parties doing maintenance respond to tickets that are requested by staff members and approved by Chief Financial Officer, Director Stakeholder Relations.
 - b. Changes are expected and can be tested on applications affected by 3rd party.
- b. 3rd parties with access to applications are allowed remote access and application access as limited by their application user credentials.
- c. IT Technicians are an outsourced 3rd party (PC Outlet) and changes made by PC Outlet are assigned to PC Outlet in writing by Chief Financial Officer, Director Stakeholder Relations. Changes are documented and (where applicable) copies of configuration files are stored on server (Example Firewall changed configurations are stored on the server and subsequently backed up).

Server and end user computing patching procedures

- a. Server and End user PCs are set to receive all windows updates and other application patches automatically (Ex. Windows updates, Java updates, etc.).
- b. The users are encouraged to install windows updates as they are alerted by Windows operating system and other Application alerts.
- c. Server operating system patches and security updates are installed automatically.
- d. Since automatic updates are not guaranteed even when set to automatic, Chief Financial Officer, Director Stakeholder Relations. will schedule with IT to have a network tune-up completed every 1 or 2 years. The network tune-up includes a comprehensive examination, cleanup of unneeded files as well as malware and



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patching of all IT resources including confirmation that all application and operating system patches have been applied.

Mobile devices procedures or policy

- Users who are allowed Smart device email application usage are added to SSL VPN group.
- SSL VPN software is added to the phone and Email application is installed and configured.
- Usage of Email application can be revoked simply by removing user from SSL VPN group membership.

On-site and off-site backup procedures

- Server Image backups, Incremental Data backups and External Device Backups are performed automatically on a scheduled basis
- Server Image backups (VMware virtual machines) are done nightly.
- Incremental Data backups are performed nightly using Ahsay Backup software to a separate backup and security server.
- Complete Copy of Incremental Data backups are transferred to an external backup drive once per week.
- External backup drives are kept in a fire and water damage proof safe that is onsite.

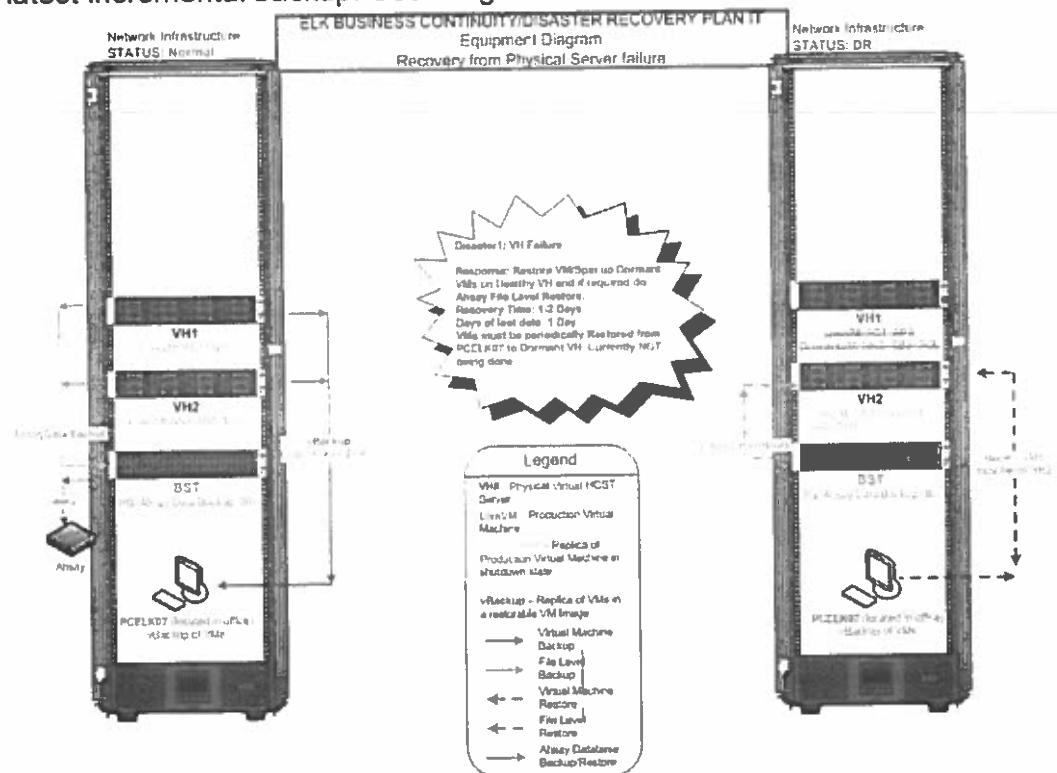


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BCP and DR plans

- E.L.K. has 2 VMWare virtual host servers (VH1 and VH2)
- VH1 and VH2 each have either a dormant copy or running copy of each Virtual Machine.
- In the event of a Server failure the most recent copy of the dormant server can be booted up and if needed a data restore from the latest incremental backup. See Diagram:



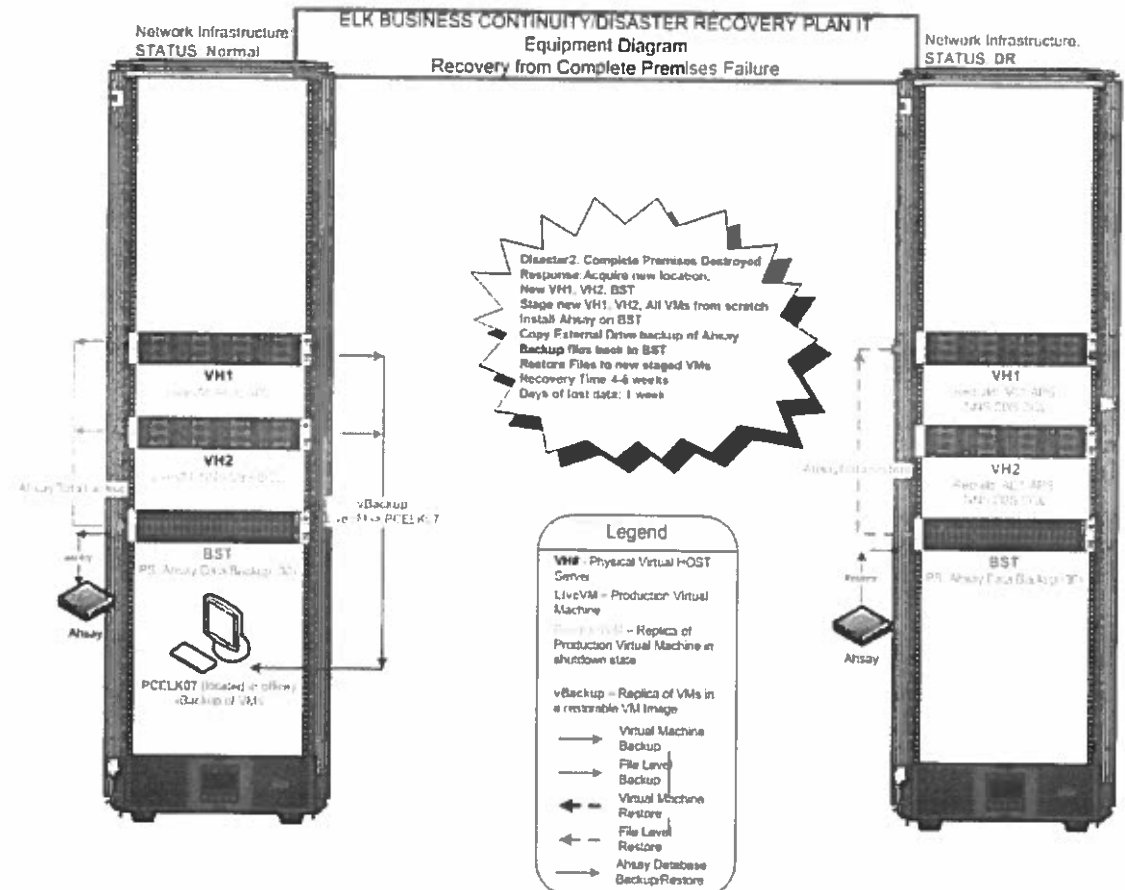


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- d. In the event of total site devastation the offsite Incremental backup would be our only means of accessing our data. Physical servers would need to be acquired and completely installed and then data recovered.

See Diagram:

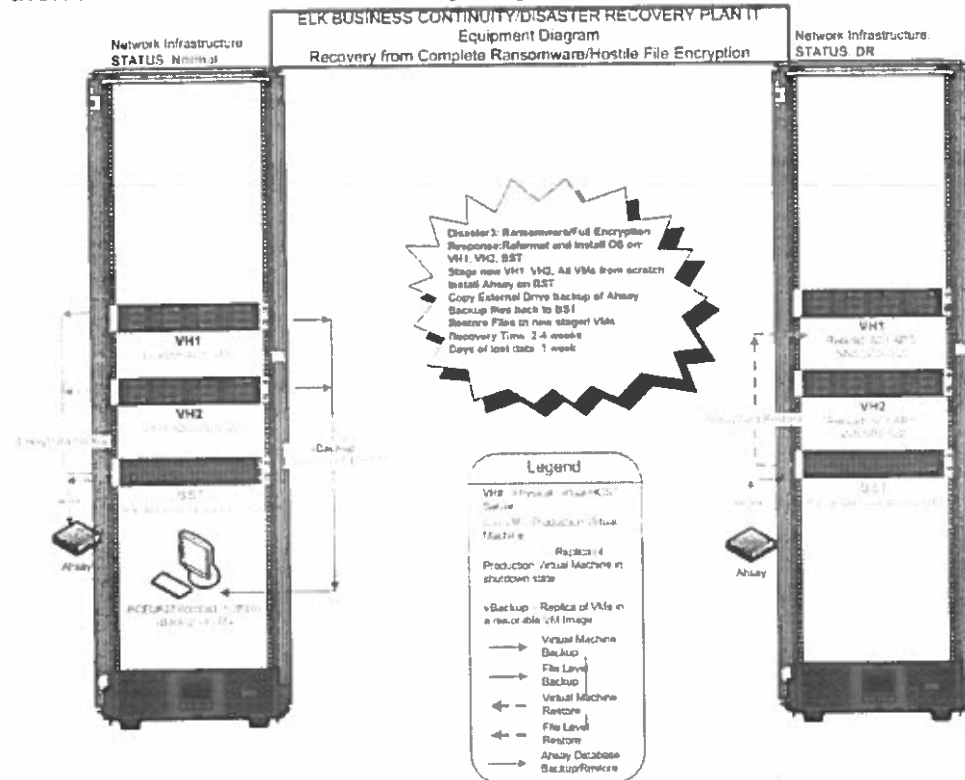




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- e. In the event of ransomware or other hostile encryption malware attack all the Virtual Host Servers and Virtual Machines would have to be restaged. Ahsay files from offsite External Backup would need to be restored to Ahsay Backup Server (BST). Files would then need to be restored to newly staged VMs. See Diagram:





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Antivirus management processes

- We use a corporate class WatchGuard UTM firewall appliance that performs Gateway antivirus scans on attachments and files being opened over the internet by use of firewall proxies.
- The firewall also makes use of Geolocation blocking (block unwanted access to and from IPs by country), Website Reputation enabled defenses (Sites with high probability of malware are blocked), Intrusion prevention (Stop signature based attacks).
- We use the enabled and built in Windows Antivirus software on our PCs and rely on security patches.
- In the event of infection by malware we use scrubbing software like Malwarebytes antimalware to clean PCs.

External applications available to the public

- Webserver for Website
- Customer Portal Website



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External access available to third parties

- a. Remote Access to Network for PC Outlet (Outsourced IT Management) from PC Outlet's Public IP Address only. This is kept this way in case of an Active Directory (AD) failure limiting the use of SSLVPN-Users group when connecting to firewall.
- b. Mobile SSL VPN to Active Directory members of SSL VPN Group
- c. MDMR has limited TCPIP Traffic allowed only for AS2 transactions
- d. Trusted partners who are the primary support for the application they provide (like Harris Northstar) have SSLVPN Access NOT straight access to our network. Trusted partners can access over Secure VPN to servers they need to. This makes responding to support needs quick and efficient.
- e. When any other third parties requires access to E.L.K. systems it is only for the specific period of time or in a live session usually monitored by the user and terminated at the end of the session.
e.g. Using teamviewer.
- f. As already mentioned we are NOT vulnerable from RDP or any other remote access brute force attack from any hostile locations. These type of connections are denied or dropped with the exception of connections from PC Outlet's Public IP address.
- g. E.L.K.'s business plan for recovery of IT resources has been shown above. It covers 3 different scenarios (Physical server failure, Premises loss, Ransomware attack).



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Cyber security controls

- a. E.L.K. manages privileged user's roles & responsibilities by giving the users Active Directory group membership as their position and job responsibility warrants. Once the user is trained and skill set vetted they are able to perform the tasks required. Privileged access to certain servers and workstations requires both training, passwords and AD group membership. No unauthorized access is allowed by network and access can be removed by simply removing the user from a Group or from Active directory altogether.
- b. The process to manage users and user's rights and roles are as follows: Chief Financial Officer, Director Stakeholder Relations discusses with CEO and determines what the users will be allowed to access and any changes needed. Chief Financial Officer, Director Stakeholder Relations makes requests to IT for a new user. IT will add User to the system and make them members of the groups needed to allow them network resource access based on job roles and levels of trust. Access (including remote access) is determined by what AD groups they belong to. The removal of a user is as simply as removing or disabling their AD account. Strong passwords are utilized through the system.
- c. IPS system and how they are in effect
WatchGuard UTM appliances with an entire array of IPS and IPS related Gateway security services. Including:
 - **IPS** (Intrusion Prevention Services) Signature based and updated perpetually as long as security service renewals are purchased.
 - **BotNET** blocking
 - **Reputation enabled defenses** (Sites known to distribute viruses are not allowed)
Webblocker (Sites based on categories are blocked)
Gateway Antivirus (Files coming in through firewall are all



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inspected and blocked if viruses are detected)
Spam filtering

- **Geolocation Blocking** (countries that can pose a cyber risk are blocked both incoming and outgoing traffic).
- Account Lockout - The WatchGuard firewall utilizes Account lockout to stop brute force attacks on both normal user login and also on Management session login.
- Security events are not monitored, instead all events that are configured to be logged are sent to a WatchGuard log server. If an incident occurs adversely affecting the network (e.g. A website not working, email not being received, a PC is sending out spam) the log server retains logs for an extended period of time (up to 1 year depending on space used) and the PC or Network resource can be searched by IP address in the logs. If a change needs to take place it can then be done.
- All Backup Failures are monitored and dealt with promptly. Hardware failures are monitored by E.L.K. Staff and reported immediately to IT where repairs are also made promptly.



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d. Response plan executed during or after an event

- Hard drive failure (where Hard disk Drive fails or predictive failure is indicated by LED colors on physical hard disks). Replacement Hard drive is ordered and installed.
- Downtime due to hardware failure (where main board or raid controller fails). IT is contacted and if required help from hardware manufacturer (like HP) is used to identify failed hardware and new hardware is ordered.

Report:

Pole Inspection

Submitted to:

E.L.K. Energy Inc.



Prepared by:

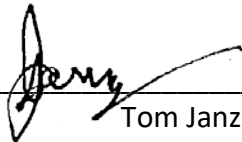
EDM International, Inc.

October 2020

E. L. K. Energy Inc.
Pole Inspection Report

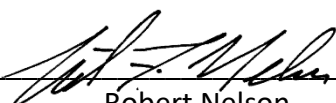
October 21, 2020

Prepared by:



Tom Janzen
T&D Asset Management Specialist

Reviewed and Approved by:



Robert Nelson
Project Director

Dated: _____ October 22, 2020

EXECUTIVE SUMMARY

E.L.K. Energy (ELK) has contracted Kinectrics to develop an asset management plan. EDM International, Inc. (EDM) is assisting with the development of the pole management aspect of this plan. EDM has completed an initial inspection and analysis of 294 ELK poles. The results were used to identify poles for replacement, poles that have defects but not requiring replacement at this time, and poles with no defects. There were 13 poles (4%) identified for Urgent replacement and 14 poles (5%) for medium priority mitigate or replacement. EDM has developed a longer-term plan for pole inspections based on the inspection results and analysis of those results.

EDM recommends ELK determine the condition of all their poles using inspections and data gathering. Initial inspections should focus on poles installed before 2000. EDM also recommends the development of a life-extension program for wood poles. The pole management plan should continue to be refined as more data is obtained on the performance of different species of wood used for poles and different preservative treatments in different environmental conditions. Detailed recommendations are provided in Section 3.

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1 BACKGROUND

E.L.K. Energy (ELK) operates and maintains more than 3,200 wood poles within the Ontario communities of Belle River, Comber, Cottam, Essex, Harrow, and Kingsville. Most of these poles were installed before 2000. The oldest pole in the sample was 58 years old. The poles are of different species and treatments which vary based on availability and changes in the industry. The performance of different species of wood is dependent on the environmental conditions, manufacturing processes, original treatment, and the individual characteristic of each pole. Individual poles may be damaged when hit by vehicles, snow removal equipment and other equipment.

2 ACTIVITIES

The following activities were performed to develop the initial pole management plan:

- Initial plan and site work preparation
- On-site testing and data collection
- Data interpretation and analyses
- Pole management program development

3 INITIAL PLAN AND SITE WORK PREPARATION

EDM performed the following tasks for the initial site work preparation:

- Imported the pole information supplied by ELK into a field inspection software (CartoPac). The information typically included installation year, pole height, pole class, and location. Installation year was known for approximately 25% of the poles.
- Researched historical information on poles in the different areas.
- Researched and compiled environmental conditions affecting pole life which will include wind strength and direction, as well as the impact of degradation mechanisms (e.g. advanced decay, insects, etc). The moderate temperatures for much of the year along with the moisture result in a moderate decay zone.
- CartoPac was configured to ensure the required information was collected to assess the poles and perform initial analysis on trends. The information gathered included

- Setting – soil, asphalt, cement
- Inspection type
- Species
- Original preservative
- Height
- Class
- Year of manufacture – obtained from pole stamp
- Ground line circumference
- Previous inspections
- Details of defects found including defect type, location on pole, size (width, height, and depth)

The priority areas to be inspected in 2020 were determined based on research and information provided by ELK. The groupings were based on operations input, pole age, treatment, size, class, and environmental area. The physical location of poles was also used as a factor. This included whether the poles were set in soil, asphalt or cement and proximity to water. Selections were refined to ensure inspections take place in all areas.

One hundred fifty-seven poles were selected using the methods noted above. The inspectors were provided with criteria to select the remaining poles. This included inspection types, pole age, pole species, and treatments. A total of 294 poles were inspected.

3.1 On Site Testing and Data Collection

The inspectors performed the testing and data gathering from September 21- 26, 2020. Inspections were performed by probing and sounding to detect internal decay, drilling into the pole at ground line near the largest check, and drilling at other locations where internal decay was suspected. The highest level where a test performed was 54 inches (1.4m). Defects above this level were noted in comments but are not quantified. If a pole was condemned by probing and sounding, an intrusive test would not be required.

Intrusive tests consisted of a minimum of three holes, 6-8 inches below ground line (the distance below ground will be increased in rocky areas), at 120 degrees apart, at an angle of 45-60 degrees from the pole. Shell thickness was measured through the inspection holes by using a shell gauge and the measurements were noted in field inspection software. Average shell

thickness was determined using a minimum of three measurements on a pole. Holes were plugged using appropriately sized plastic plugs.

Poles with less than two inches shell were marked for replacement. Poles in critical condition were identified for urgent replacement or repair and the information was forwarded to ELK.

Inspection methods used were:

Inspection Description	Quantity
Visual, sound and bore	75
Visual, sound and bore, dig three divots 6-8 inches deep	140
Visual, sound and bore, dig three divots 12inches deep	74
Visual, sound and bore, dig three divots 18inches deep	5

The inspections were spread across the following years of manufacture:

Decade	Quantity
1960s	2
1970s	5
1980s	86
1990s	189
2000s	8
2010s	4
Total	294

The species of poles inspected was obtained from pole stamps and were as follows:

Species	Quantity
Jack pine	14
Lodgepole pine	93
Ponderosa pine	2
Red pine	86
Southern pine	64
Unknown	5
Western cedar	30
Total	294

The treatment of poles inspected was obtained from pole stamps and characteristics observed. The treatments found were as follows:

Original Treatment	Quantity
Copper naphthenate	42
Penta	218
Creosote	32
Unknown	2
Total	294

The number of poles inspected were dispersed across the different areas:

Area	Quantity
Belle River	50
Comber	33
Essex	51
Harrow	85
Kingsville	75
Total	294

3.2 Data Interpretation and Analyses

The information gathered from the on-site testing task was used to calculate remaining strength of each pole using D-Calc™. Poles that do not meet the Canadian Standards Association, CSA C22.3 No. 1, "Overhead Systems" clause 8.3.1.3 stating, "When the strength of a structure has deteriorated to 60 percent of the required capacity, the structure shall be reinforced or replaced," were identified for replacement/ mitigation. The results of the calculations were supplied to ELK within the electronic data file.

Remaining strength calculations and inspector observations were used to determine recommended actions. Table 3-1 shows the results of that work.

Table 3-1. Recommended actions and numbers of poles requiring each action.

Recommended Action	Quantity
Less than 25% urgent replacement	13
25-50% Mitigate/replace	14
50-70% Non-restorable	18
50-70% Restorable	23
Greater than 70% maintain	45
Pass	181
Grand Total	294

The geographical location of the poles inspected, and the recommended actions are depicted in Figure 3–1 through to Figure 3–6.







Symbol	Recommended Action
 1	Less than 25% Urgent replacement
 10	Pass
 2	25-50% Mitigate or Replace
 3	50-70% Non-restorable
 4	50-70% Restorable
 5	Greater than 70% maintain

Figure 3–1. Figure legend.

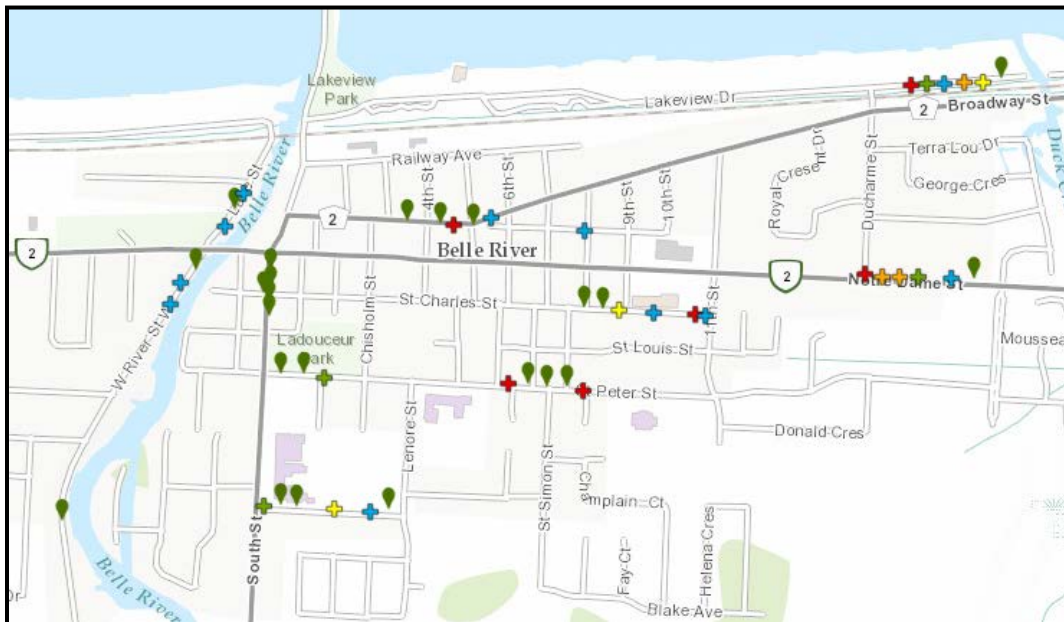


Figure 3–2. Belle River - inspected poles.

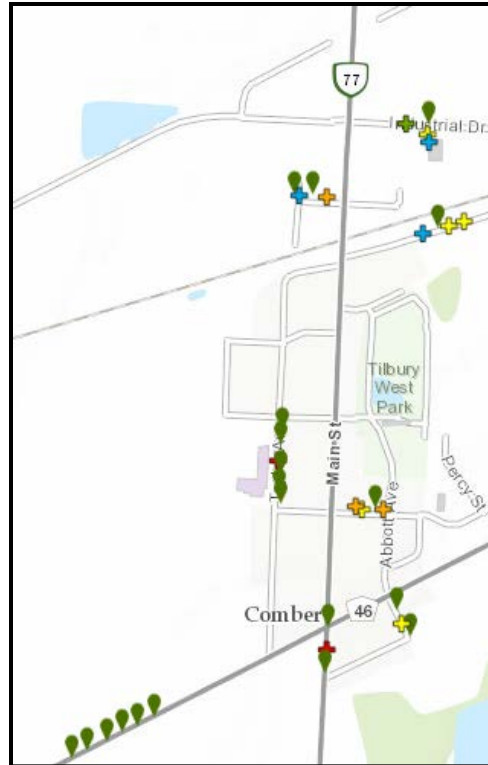


Figure 3-3. Comber - inspected poles.



Figure 3-4. Essex - inspected poles.

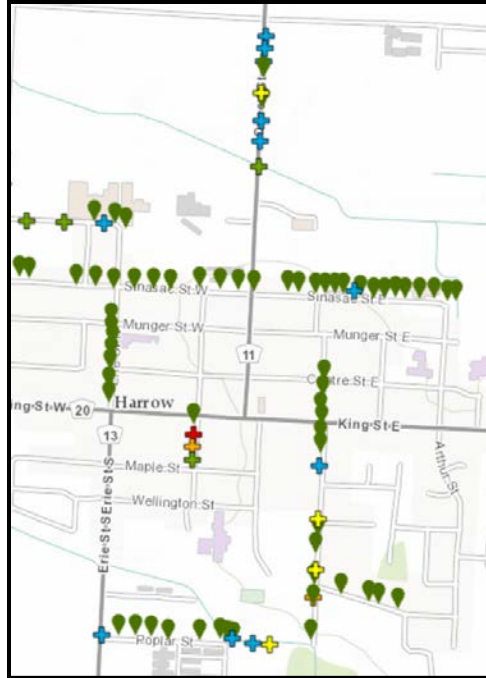


Figure 3–5. Harrow - inspected poles.



Figure 3–6. Kingsville - inspected poles.

Table 3-2 shows the percentage of each species inspected in each area compared to the total poles inspected.

Table 3-2. Comparison of species inspected.

Species	Belle River	Comber	Essex	Harrow	Kingsville
Jack pine	0%	1%	0%	2%	1%
Lodgepole pine	3%	7%	8%	6%	7%
Ponderosa pine	0%	0%	0%	0%	0%
Red pine	4%	2%	5%	10%	8%
Southern pine	3%	1%	3%	10%	6%
Unknown	1%	0%	0%	0%	0%
Western cedar	6%	0%	0%	1%	3%
Total	17%	11%	17%	29%	26%

Table 3-3 shows the percentage of each manufacture decade inspected in each area compared to the total poles inspected.

Table 3-3. Comparison of decade of manufacture inspected.

Decade	Belle River	Comber	Essex	Harrow	Kingsville
1960s	0%	0%	1%	0%	0%
1970s	1%	0%	0%	0%	0%
1980s	6%	4%	8%	4%	8%
1990s	10%	6%	8%	24%	16%
2000s	0%	1%	1%	1%	0%
2010s	0%	0%	0%	0%	1%
Total	17%	11%	17%	29%	26%

Table 3-4 shows the percentage of poles requiring replacement/ mitigation compared to total inspected in all areas.

Table 3-4. Comparison of poles requiring replacement/mitigation.

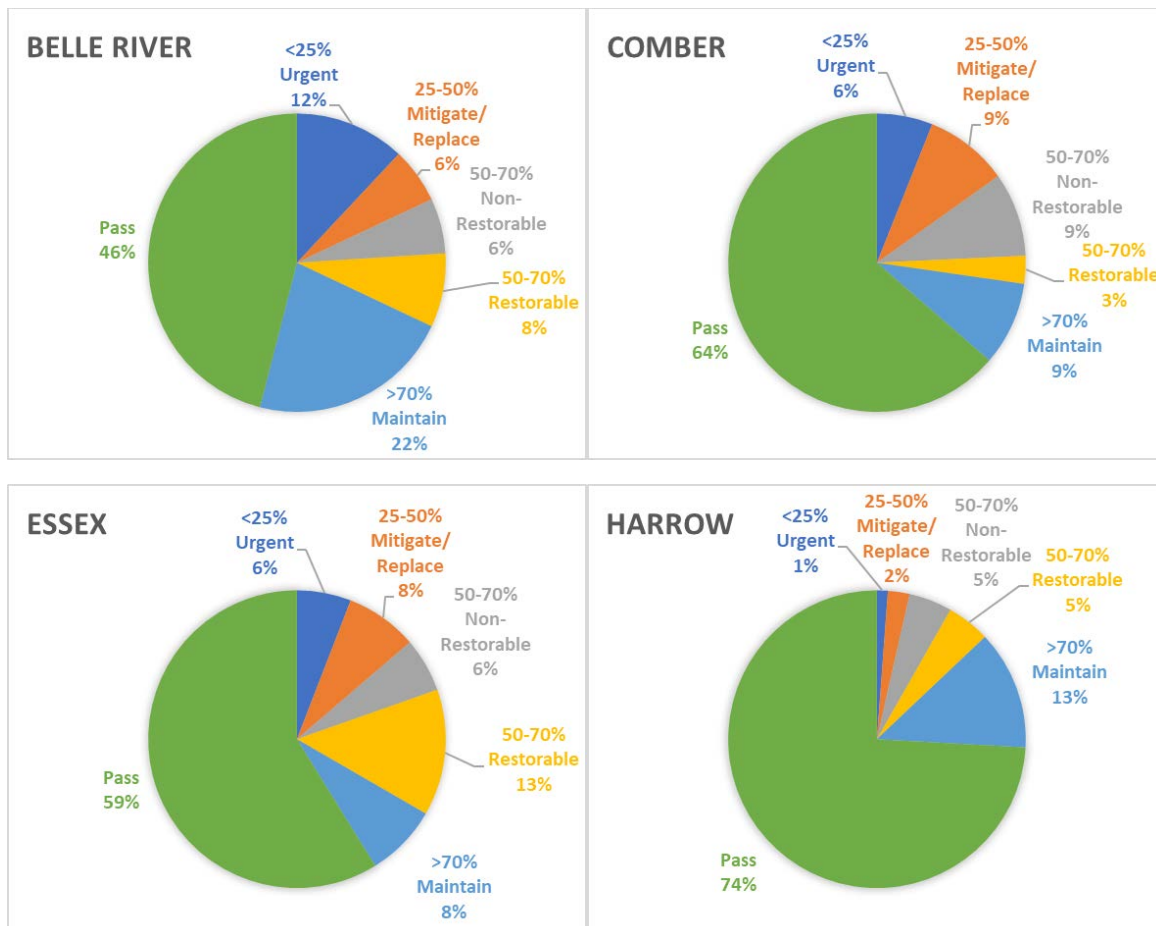
Recommended Action	Belle River	Comber	Essex	Harrow	Kingsville	Total
Less than 25% urgent replacement	2%	1%	1%	0%	0%	4%
25-50% Mitigate/replace	1%	1%	1%	1%	1%	5%
Total	3%	2%	2%	1%	1%	9%

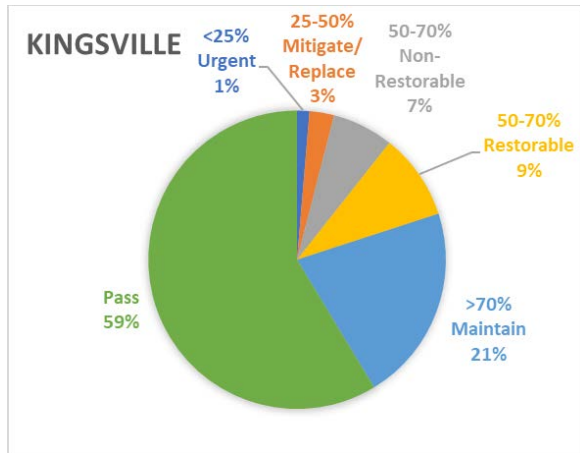
3.3 Pole Management Program

3.3.1 Trends

A comparison of poles requiring replacement/ mitigation as a percentage compared to number inspected is an initial indicator of which community has experienced more degradation of wood poles. The charts below show that Belle River has the highest number of degraded wood poles at 18%, followed by Comber at 15% and Essex at 14%. The sample size is small, making trend analysis difficult. A possible indicator is that older Lodgepole Pine and Red Pine poles are requiring replacement/ mitigation sooner than other species. These species make up 51% of pre-2000 poles inspected but make up 70% of pre-2000 poles requiring replacement or mitigation. Another possible indicator is pole proximity to water. Poles located closer to water are showing more defects.

The following series of charts show the comparison of recommended actions to the total in each area.





Overall, the trend shows 9% of the poles inspected will require mitigation or replacement. If the trend continues, just under half of those poles that require replacement will require *urgent* replacement. This high percentage will reduce in future inspections, as the bulk of the defective poles will already be replaced. The number of poles to be inspected that are pre 2000 is unknown. It is estimated that it will be 55 – 80% of the poles in service.

Table 3-5 shows that 59% of the poles requiring replacement or mitigation were installed in the 1980s and 41% were in the 1990s.

Table 3-5. Percentage of Replacement or mitigation actions by decade of pole installation.

Recommended Action	1980s	1990s	Total
Less than 25%u replacement	26%	22%	48%
25-50% Mitigate/replace	33%	19%	52%
Total	59%	41%	100%

Table 3-6 shows the quantity of inspected poles by decade of pole installation by recommended action.

Table 3-6. Quantity of all recommended actions by decade of pole installation.

Recommended Action	1960s	1970s	1980s	1990s	2000s	2010s	Total
Less than 25%u replacement			7	6			13
25-50% Mitigate/replace			9	5			14
50-70% Non-restorable			11	7			18
50-70% Restorable		1	11	11			23
Greater than 70% maintain		2	15	27	1		45
Pass	2	2	33	133	7	4	181
Total	2	5	86	189	8	4	294

3.3.2 Recommend Future Inspection Areas and Initial Cycles Based on the Analysis.

It is recommended that ELK continue wood pole inspections, focusing on the pre 2000s in all areas. The recommendation is to complete the initial inspection as quickly as reasonably possible. It is also recommended that ELK continue analyzing data as more poles are inspected, to refine long term pole management program. An inspection cycle of 8 – 12 years would be practical after the initial inspection cycle and the implementation of a life extension program. The life extension program will slow the degradation of the pole to allow the longer cycles.

The poles with a recommended action of less than 25% Urgent replacement should continue to be replaced when identified. The required pole replacements classed as medium priority (25-50% Mitigate/Replace) can be planned with ELK's other projects to take advantage of opportunities to gain efficiency.

It is recommended that ELK perform life extension at the same time as the pole inspection. This is a cost-effective way to extend the life of the pole. Activities include applying internal treatments to slow or eliminate decay, external treatment at ground line to preserve the wood at that point, and treatments to control insects. Poles showing decay or insect damage would receive these treatments at the time of inspection. A study conducted by Osmose for the Electric Power Research Institute (EPRI) *Wood Pole Life Extension & The Case for Capitalization*, studied the data from over 600,000 poles to analyze the differences in service life for poles that received remedial retreatment and those that did not. The graph below came from that 2014 report.

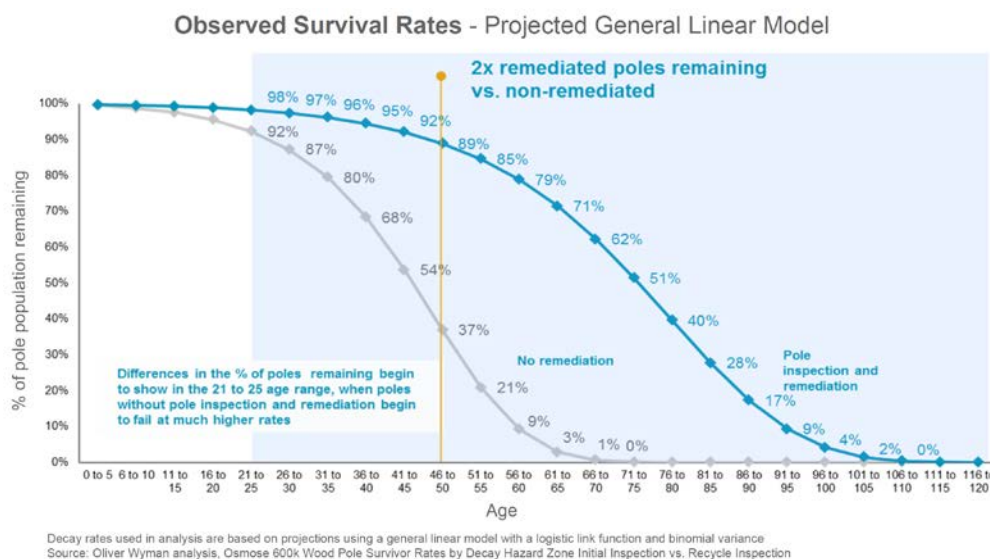


Table 3-7 shows that 60% of the poles (68 out of 113) that had defects are recommended for life extension.

Table 3-7. Recommended actions by percentage.

Recommended Action	Percentage
Less than 25% urgent replacement	12%
25-50% Mitigate/replace	12%
50-70% Non-restorable	16%
50-70% Restorable	20%
Greater than 70% maintain	40%
Grand Total	100%

The most common defects were heart rot and surface rot which can be managed using internal treatments and ground line treatments.

APPENDIX A – POLES REQUIRING REPLACEMENT/MITIGATION

Poles requiring urgent replacement.

Structure #	Feeder	Year	Length	Class	Species	Pole Setting	Recommended Description	Main Condition
P800011	COMBER_2012	1990	40	3	LP	S	<25% Urgent Replacement	SR
P800165	COMBER_2012	1988	40	3	LP	S	<25% Urgent Replacement	HR
P900090	BELLE_2012	1983	45	2	UN	S	<25% Urgent Replacement	HR
P900782	BELLE_2012	1995	45	3	LP	S	<25% Urgent Replacement	HR
P900788	BELLE_2012	1995	45	3	LP	S	<25% Urgent Replacement	HR
P000803	ESSEX_2012	1986	30	4	LP	C	<25% Urgent Replacement	SR
P200357	HARROW_2012	1995	45	3	RP	S	<25% Urgent Replacement	HR
P001264	ESSEX_2012	1995	35	5	LP	S	<25% Urgent Replacement	SR
P400135	KINGSVILLE_2012	1989	45	3	RP	S	<25% Urgent Replacement	HR
P900755	BELLE_2012	1990	45	3	WC	S	<25% Urgent Replacement	HR
P900257	BELLE_2012	1985	45	3	LP	S	<25% Urgent Replacement	SR
P900371	BELLE_2012	1985	45	4	WC	S	<25% Urgent Replacement	HR
P000446	ESSEX_2012	1987	45	3	SP	S	<25% Urgent Replacement	SR

Poles requiring replacement.

Structure #	Feeder	Year	Length	Class	Species	Pole Setting	Recommended Description	Main condition
P800238	COMBER_2012	1994	45	4	LP	S	25-50% Mitigate or Replace	SR
P800138	COMBER_2012	1989	30	6	JP	S	25-50% Mitigate or Replace	HR
P800182	COMBER_2012	1985	40	4	LP	S	25-50% Mitigate or Replace	HR
P900095	BELLE_2012	1985	40	3	RP	S	25-50% Mitigate or Replace	SR
P000802	ESSEX_2012	1986	45	3	RP	C	25-50% Mitigate or Replace	HR
P200358	HARROW_2012	1992	45	4	RP	S	25-50% Mitigate or Replace	SR
P001265	ESSEX_2012	1995	45	3	LP	S	25-50% Mitigate or Replace	SR
P400611	KINGSVILLE_2012	1992	35	5	LP	S	25-50% Mitigate or Replace	SR
P400430	KINGSVILLE_2012	1986	45	3	SP	S	25-50% Mitigate or Replace	HR
P900260	BELLE_2012	1985	45	3	SP	S	25-50% Mitigate or Replace	SR
P900259	BELLE_2012	1985	45	3	SP	S	25-50% Mitigate or Replace	SR
P000447	ESSEX_2012	1987	45	3	LP	S	25-50% Mitigate or Replace	SR
P001292	ESSEX_2012	1987	40	4	LP	S	25-50% Mitigate or Replace	HR
P200081	HARROW_2012	1995	45	4	RP	S	25-50% Mitigate or Replace	HR

APPENDIX B – POLES TO BE CONSIDERED FOR LIFE EXTENSION

Structure #	Feeder	Year	Length	Class	Species	Pole Setting	Recommended Description	Main condition
P800240	COMBER_2012	1994	45	3	LP	S	>70% Maintain	MSe
P800218	COMBER_2012	1991	35	5	LP	S	>70% Maintain	
P800219	COMBER_2012	1991	45	3	SP	S	50-70% Restorable	
P800205	COMBER_2012	1981	40	3	RP	S	>70% Maintain	MSI
P000382	ESSEX_2012	1980	45	3	LP	A	50-70% Restorable	HR
P000538	ESSEX_2012	1980	45	2	LP	C	50-70% Restorable	MWe
P000540	ESSEX_2012	1980	50	2	LP	S	>70% Maintain	SR
P900091	BELLE_2012	1975	40	3	RP	S	50-70% Restorable	
P900094	BELLE_2012	1975	40	3	UN	S	>70% Maintain	HR
P900451	BELLE_2012	1995	45	3	LP	S	>70% Maintain	MSI
P900450	BELLE_2012	1995	45	3	RP	S	>70% Maintain	
P900416	BELLE_2012	1993	45	3	WC	S	>70% Maintain	MSI
P900412	BELLE_2012	1993	45	3	LP	S	>70% Maintain	
P200245	HARROW_2012	1985	45	4	LP	S	>70% Maintain	
P200216	HARROW_2012	1992	45	4	LP	C	50-70% Restorable	SR
P200217	HARROW_2012	1992	50	4	SP	S	>70% Maintain	
P200218	HARROW_2012	1992	50	3	RP	S	>70% Maintain	
P200222	HARROW_2012	1992	45	3	LP	S	>70% Maintain	
P200223	HARROW_2012	1992	45	4	LP	S	>70% Maintain	SR
P200224	HARROW_2012	1992	45	4	JP	S	>70% Maintain	SR
P200071	HARROW_2012	1986	45	4	SP	S	>70% Maintain	SR
P200359	HARROW_2012	1992	45	3	LP	S	50-70% Restorable	
P001268	ESSEX_2012	1993	35	5	LP	S	50-70% Restorable	HR
P001139	ESSEX_2012	1970	45	5	LP	S	>70% Maintain	
P400367	KINGSVILLE_2012	1980	45	4	LP	S	50-70% Restorable	SR
P400379	KINGSVILLE_2012	1995	45	3	LP	S	>70% Maintain	
P400378	KINGSVILLE_2012	1995	45	4	LP	S	>70% Maintain	
P400377	KINGSVILLE_2012	1995	45	4	RP	S	>70% Maintain	MWe
P400376	KINGSVILLE_2012	1980	45	3	PP	S	50-70% Restorable	SR

Structure #	Feeder	Year	Length	Class	Species	Pole Setting	Recommended Description	Main condition
P400939	KINGSVILLE_2012	1990	25	4	LP	S	50-70% Restorable	SR
P400420	KINGSVILLE_2012	1990	45	4	RP	S	>70% Maintain	PR
P400182	KINGSVILLE_2012	1990	45	3	LP	S	>70% Maintain	
P400185	KINGSVILLE_2012	1985	45	3	WC	C	50-70% Restorable	PR
P400187	KINGSVILLE_2012	1985	45	4	WC	S	>70% Maintain	
P400188	KINGSVILLE_2012	1980	45	3	WC	S	>70% Maintain	
P400190	KINGSVILLE_2012	1980	45	3	WC	C	>70% Maintain	
P400160	KINGSVILLE_2012	1980	45	3	WC	S	50-70% Restorable	PR
P400612	KINGSVILLE_2012	1990	35	4	JP	S	>70% Maintain	
P400615	KINGSVILLE_2012	1990	35	4	LP	S	>70% Maintain	
P400561	KINGSVILLE_2012	1995	45	3	RP	S	>70% Maintain	PR
P400250	KINGSVILLE_2012	1998	45	3	RP	S	>70% Maintain	SR
P400254	KINGSVILLE_2012	1989	50	3	SP	S	>70% Maintain	PR
P400257	KINGSVILLE_2012	1989	50	3	SP	S	>70% Maintain	PR
P400429	KINGSVILLE_2012	1987	50	3	SP	S	50-70% Restorable	SR
P400434	KINGSVILLE_2012	1989	45	3	WC	S	>70% Maintain	
P400466	KINGSVILLE_2012	1998	45	3	RP	S	>70% Maintain	HR
P400545	KINGSVILLE_2012	1994	45	3	SP	S	50-70% Restorable	
P900823	BELLE_2012	1990	45	3	WC	S	>70% Maintain	
P900830	BELLE_2012	1990	45	3	WC	S	50-70% Restorable	HR
P900708	BELLE_2012	1992	45	3	RP	S	50-70% Restorable	HR
P900753	BELLE_2012	1988	45	3	LP	S	>70% Maintain	
P900756	BELLE_2012	1995	45	3	WC	S	>70% Maintain	PR
P900263	BELLE_2012	1985	45	2	SP	S	>70% Maintain	
P900261	BELLE_2012	1985	45	3	SP	S	50-70% Restorable	SR
P900152	BELLE_2012	1985	45	3	WC	S	>70% Maintain	
P900213	BELLE_2012	1985	45	3	WC	S	>70% Maintain	
P000718	ESSEX_2012	1995	45	3	LP	S	50-70% Restorable	SR
P000719	ESSEX_2012	1990	40	3	LP	S	>70% Maintain	SR

Structure #	Feeder	Year	Length	Class	Species	Pole Setting	Recommended Description	Main condition
P000428	ESSEX_2012	1989	45	3	LP	S	50-70% Restorable	SR
P000448	ESSEX_2012	1987	35	4	SP	S	50-70% Restorable	SR
P000026	ESSEX_2012	1987	45	3	SP	S	50-70% Restorable	SR
P001310	ESSEX_2012	1990	45	3	SP	S	>70% Maintain	
P200092	HARROW_2012	2001	30	3	WC	S	>70% Maintain	
P200088	HARROW_2012	1991	35	4	LP	S	>70% Maintain	
P200127	HARROW_2012	1995	45	4	LP	S	>70% Maintain	SR
P200308	HARROW_2012	1990	45	4	SP	S	50-70% Restorable	SR
P200310	HARROW_2012	1990	45	3	SP	S	50-70% Restorable	SR
P200313	HARROW_2012	1987	45	3	WC	S	>70% Maintain	



E. L. K. Energy Inc 2020 ASSET CONDITION ASSESSMENT

Kinectrics Report: K-814217-RA-0001-R00

October 21, 2020

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E. L. K. ENERGY INC

2020 ASSET CONDITION ASSESSMENT

Kinectrics Report: K-814217-RA-0001-R00


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EXECUTIVE SUMMARY

In 2020 E. L. K. Energy Inc (ELK) determined a need to perform a condition assessment of its key distribution assets. ELK selected and engaged Kinectrics Inc. (Kinectrics) to assist with this work. This report presents the results of 2020 Asset Condition Assessment (ACA) study, and is based on the available condition data as of the end of December 2019.

Asset Categories Considered

The asset groups included in the 2020 ACA are as follows, including 6 categories or 8 sub-categories:

- Pole Mounted Transformers
- Pad Mounted Transformers
- Overhead Switches
- Pad Mounted Switchgear
- Underground Cables

For each asset category, available data were assessed, Health Index distribution was determined, and condition-based Flagged for Action plan was developed.

Overall Health Index Distribution

In general, Pole Mounted Transformers, Overhead Switches and Underground Cables had over 80% of their units classified as “good” or “very good”, and all these 3 categories had an average Health Index score of greater than 80%.

With respect to the asset categories of concern, Pad Mounted Switchgear had half of its units classified as “very poor”, with an average Health Index of 61%. As this asset group had only 2 units in total, this represented only 1 unit in “very poor” condition.

Flagged for Action Plans

Pad Mounted Transformers showed major backlog in terms of flagged for action numbers in the first year. All other categories either had no unit flagged for action, or had their flagged for action plans showing little variations throughout the next 10 years

In the short term, it was determined that Pad Mounted Transformers had the highest percentage of units flagged for action in first year, being 5.9% of population.

Furthermore, within the next 10 years, over 30% of Pad Mounted Transformers and Pad Mounted Switchgear are expected to require some action to be taken to address their condition.

The actual replacement plans might be only a subset of the Flagged for Action plans after ELK's review based on ELK's maintenance and replacement strategy.

Data Availability

All the asset groups in this study had age information only.

Recommendations

For the purpose of improving ACA study in the future, it is recommended that ELK enhance data collection in the following areas:

- Collection of inspection and maintenance data for all the asset groups.
- Acquisition of loading data for all the transformers.
- Historic records of asset removal for all the asset groups, for the purpose of developing ELK specific asset degradation curves in the future.

The results presented in this study are based solely on asset condition as determined by available data. Note that there are numerous other considerations that may influence ELK's planning process. Among these are obsolescence, system growth, corporate priorities, technological advancements, etc.

DEFINITIONS

Terminology	Acronym	Definition
Age Limiter	AL	The final HI assigned to an individual asset may also be limited by the asset's age. The AL is generally equal to the cumulative survival probability at a given age of an asset group. If the calculated HI is less than or equal to the AL, the final HI assigned is the calculated HI. Otherwise, the final HI assigned is equal to the AL.
Asset Condition Assessment	ACA	Process of using asset information to determine the condition of assets. Condition data can include nameplate information, test results, asset inspection records, corrective maintenance records, operational experience, etc.
Condition Parameter Score	CPS	Score of an asset for a particular condition parameter. In this study, the scoring system used ranges from 0 through 4 (0 = worst; 4 = best).
Condition Parameters	CP	Asset characteristics or properties that are used to derive the HI.
Criticality Index	CI	Index used to determine asset Criticality. CI ranges from 0% to 100%, with 100% representing the unit with the highest possible consequence of failure.
Cumulative Distribution Function	CDF	Cumulative distribution function. Assumed in this methodology as the Weibull function representing the cumulative likelihood of removals.
Data Availability Indicator	DAI	A measure of the amount of condition parameter data that an asset has, as measured against the full data sets that are practically available and included in the HI formula. It is determined by the weighted ratio of the condition parameters availability of an individual unit, over the maximum condition parameters availability of an asset group.

Data Gap		A data gap is the case where none of the units in an asset group has data for a particular item as requested by “ideal” data sets. A data gap means the data is either unavailable or not in a useable format.
De-rating Multiplier	DR	Multipliers used to adjust a condition or sub-condition parameter score or calculated Health Index so as to reflect certain conditions.
Flagged for Action Plan	FFA Plan	Number of units that are expected to require attention annually.
Flagged for Action Year	FFA Year	The year that a particular unit is flagged for action.
Health Index	HI	Health Indexing quantifies equipment condition based on numerous condition parameters that are related to the factors that cumulatively lead to an asset’s end of life. HI is given in terms of a percentage range of 0%-100%, with 100% representing as new condition.
Probability Density Function	PDF	Probability density function. Assumed in this methodology as the Weibull function representing the likelihood that an asset will be removed from service when its age is within a particular range.
Removal Rate		Weibull hazard function. Assumed in this methodology as the rate of removal (removals per year for given age, including failures, proactively replaced, removal for non-condition reasons).
Sample Size		Subset of an asset population with enough data (i.e. age or condition data) to calculate the HI.
Sub-Condition Parameter Score	SCPS	Score of an asset for a particular sub condition parameter. In this study, the scoring system used ranges from 0 through 4 (0 = worst; 4 = best).
Sub-Condition Parameters	CP	Asset characteristics or properties that are used to derive the HI. Each condition parameter can be comprised of multiple sub-condition parameters.
Weibull Distribution		Continuous function used, in this methodology to model, the removal rates of assets.

Weight of Condition Parameter	WCP	In the HI formula, condition parameters are assigned a weight that is based on the degree of contribution or relevance to asset degradation.
Weight of Sub-Condition Parameter	WSCP	In the HI formula, condition parameters are assigned a weight that is based on the degree of contribution or relevance to asset degradation.

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I INTRODUCTION

E. L. K. Energy Inc (ELK) engaged Kinectrics Inc (Kinectrics) in 2020 to perform an Asset Condition Assessment (ACA) on selected distribution assets. An assessment produces a quantifiable evaluation of asset condition and also aids in prioritizing and allocating sustainment investments. This undertaking, if done continuously over time, would allow ELK to monitor trends in the condition of its assets and to continuously improve its assessment process and asset management practices. This assessment covered ELK's asset population as of December 2019. This report presents results based on the available data. Year 0 shown in all figures is for 2021, year 1 for 2022, year 2 for 2023 etc.

I.1 Objective and Scope of Work

The categories and sub-categories of assets considered in this study are as follows:

- Pole Mounted Transformers
- Pad Mounted Transformers
- Overhead Switches
- Pad Mounted Switchgear
- Underground Cables

I.2 Deliverables

The deliverable in this study is a Report that includes the following information:

- Description of the Asset Condition Assessment methodology
- For each asset category the following were included:
 - Health Index formulation
 - Age distribution
 - Health Index distribution
 - Condition-based Flagged For Action Plan
 - Assessment of data availability and a Data Gap analysis

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II ASSET CONDITION ASSESSMENT METHODOLOGY

The Asset Condition Assessment (ACA) Methodology involves the process of determining asset Health Index, as well as developing a condition-based Flagged for Action Plan for each asset group. The methods used are described in the subsequent sections.

II.1 Health Index

Health Indexing quantifies equipment condition based on numerous condition parameters that are related to the degradation factors that lead to an asset's end of service life. The Health Index is an indicator of the asset's overall health and is typically given in terms of percentage, with 100% representing an asset in brand new condition. Health Indexing provides a measure of long-term degradation and thus differs from defect management, whose objective is finding defects and deficiencies that need correction or remediation in order to keep an asset operating prior to reaching its end of life.

Condition parameters are the asset characteristics or properties that are used to derive the Health Index. A condition parameter may be comprised of several sub-condition parameters. For example, a parameter called "Oil Quality" may be a composite of parameters such as "Moisture", "Acid", "Interfacial Tension", "Dielectric Strength" and "Colour".

In formulating a Health Index, condition parameters are ranked, through the assignment of *weights*, based on their contribution to asset degradation. The *condition parameter score* for a particular parameter is a numeric evaluation of an asset with respect to that parameter.

Health Index (HI), which is a function of scores and weightings, is therefore given by:

$$HI = \frac{\sum_{m=1}^{\forall m} \alpha_m (CPS_m \times WCP_m)}{\sum_{m=1}^{\forall m} \alpha_m (CPS_{m, \max} \times WCP_m)} \times DR$$

Equation 0-1

where

$$CPS = \frac{\sum_{n=1}^{\forall n} \beta_n (CPF_n \times WSCP_n)}{\sum_{n=1}^{\forall n} \beta_n (WSCP_n)}$$

Equation 0-2

CPS	Condition Parameter Score
WCP	Weight of Condition Parameter
α_m	Data availability coefficient (1 if available; 0 if not available)
CPF	Sub-Condition Parameter Score
WSCP	Weight of Sub-Condition Parameter
β_n	Data availability coefficient for sub-condition parameter (1 if available; 0 if not available)
DR	De-Rating Multiplier

The scale that is used to determine an asset's score for a particular parameter is called the *condition criteria*. For this project, a condition criteria scoring system of 0 through 4 is used. A score of 0 represents the worst score while 4 represents the best score. I.e. $CPF_{\max} = 4$. De-Rating multipliers are applied to the calculated HI. These may be used to represent the impact of non-condition issues such as design or operating environment.

II.1.1 Health Index Results

As stated previously, an asset's Health Index is given as a percentage, with 100% representing "as new" condition. The Health Index is calculated only if there is sufficient condition data. The subset of the population with sufficient data is called the *sample size*. Results are generally presented in terms of number of units and as a percentage of the sample size. If the sample size is sufficiently large and the units within the sample size are sufficiently random, the results may be extrapolated for the entire population.

The Health Index distribution given for each asset group illustrates the overall condition of the asset group. Further, the results are aggregated into five categories and the categorized distribution for each asset group is given. The Health Index categories are as follows:

Very Poor	Health Index < 25%
Poor	$25 \leq \text{Health Index} < 50\%$
Fair	$50 \leq \text{Health Index} < 70\%$
Good	$70 \leq \text{Health Index} < 85\%$
Very Good	Health Index $\geq 85\%$

Note that for critical asset groups, such as Power Transformers, the Health Index of each individual unit is given.

II.2 Condition Based Flagged for Action Plan

The condition based Flagged for Action Plan outlines the number of units that are expected to require attention in the next 10 years. The numbers of units are estimated using either a *proactive* or *reactive* approach. In the proactive approach, units are considered for action prior to failure, whereas the reactive approach is based on expected failures per year.

Both approaches consider asset removal rate and probability of failure. The removal rate is estimated using the method described in the subsequent section.

II.2.1 Removal Rate and Probability of Removal

Where removal rate data is not available, a frequency of removal that grows exponentially with age provides a good model.

Depending on its application, there have been various forms derived from the original equation. Based on Kinectrics' experience in removal rate studies of multiple power system asset groups, Kinectrics has selected the Weibull equation to model the removal curves. The Weibull function has no specific characteristic shape and, as such, can model the exponentially increasing removal rate using appropriate parameters.

The Weibull removal density function is defined as:

$$f(t) = \frac{\beta^{\beta-1}}{a^{\beta}} e^{-\left(\frac{t}{a}\right)^{\beta}}$$

Equation 0-3

f = removal rate per unit time
 t = time
 α, β = constant that control the scale and shape of the curve

Depending on its application, there have been various forms derived from the original equation. Based on Kinectrics' experience in removal rate studies of multiple power system asset groups, the following variation of the removal rate formula has been adopted:

The corresponding cumulative removal distribution is therefore:

$$Q(t) = 1 - R(t) = 1 - e^{-\left(\frac{t}{a}\right)^{\beta}}$$

Equation 0-4

$Q(t)$ = cumulative failure distribution
 $R(t)$ = survival function

Finally, the removal rate function (i.e. hazard function) is then:

$$\lambda(t) = \frac{f(t)}{1 - Q(t)} = \frac{\beta^{\beta-1}}{a^{\beta}}$$

Equation 0-5

$\lambda(t)$ = hazard function (removals per year)

Different asset groups experience different removal rates and therefore different removal distributions. The parameters α and β are determine the shapes of these curves. For each asset group, the values of these constant parameters were selected to reflect typical useful lives for these assets.

Consider, for example, an asset class where at the ages of 40 and 75 the asset has cumulative probabilities of removal of 20% and 95% respectively. It follows that when using Equation 5, α and β are calculated as 57.503 and 4.132 respectively. The removal rate and probability of removal graphs for these parameters are as follows:

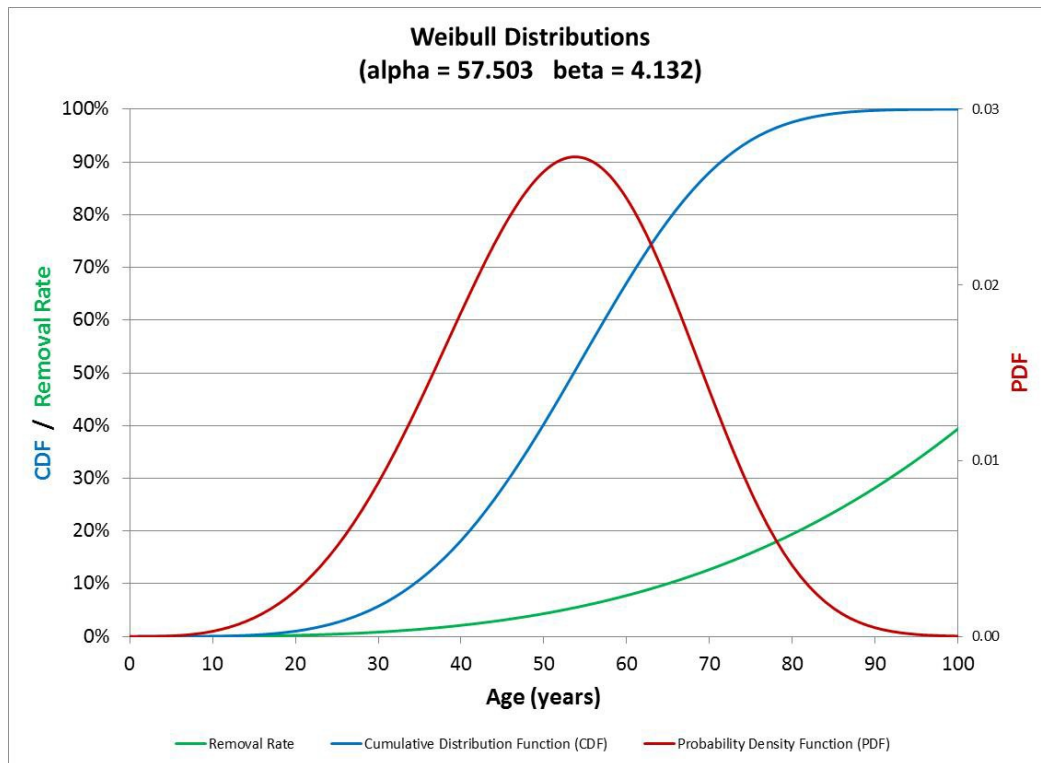


Figure 1 Removal rate vs. Age

II.2.2 Projected Flagged for Action Plan Using a Probabilistic Approach

For assets that have low consequences of failure or that are run to failure, a probabilistic approach is taken to estimate the number of units that are flagged for action in a given year.

For such asset types, the number of units expected to be replaced in a given year are determined based on the asset's removal rates. The number of failures per year is given by Equation 0-5.

An example of such a Flagged for Action Plan is as follows: Consider an asset distribution of 100 - 5 year old units, 20 - 10 year old units, and 50 - 20 year old units. Assume that the removal rates for 5, 10, and 20 year old units for this asset class are $\lambda_5 = 0.02$, $\lambda_{10} = 0.05$, $\lambda_{20} = 0.1$ failures / year respectively. In the current year, the total number of replacements is $100(0.02) + 20(0.05) + 50(0.1) = 2 + 1 + 5 = 8$.

In the following year, the expected asset distribution is, as a result, as follows: 8 - 1 year old units, 98 - 6 year old units, 19 - 11 year old units, and 45 - 21 year old units. The number of replacements in year 2 is therefore $8(\lambda_1) + 19(\lambda_6) + 45(\lambda_{11}) + 45(\lambda_{21})$.

Note that in this study the "age" used is in fact "effective age", or condition-based age if available, as opposed to the chronological age of the asset.

For all the asset categories in this study, the probabilistic approach is used to estimate the FFA Plan. It is also important to note that the FFA gives the estimated number of assets per year that need to be addressed; the year that a specific unit needs to be addressed is not calculated.

II.3 Data Assessment

The condition data used in ACA study included the following:

- Test Results (e.g. Oil Quality, DGA)
- Inspection Records
- Loading
- Make, Model, and Type
- Age

There are two components that assess the availability and quality of data used in this study: data availability indicator (DAI) and data gap.

II.3.1 Data Availability Indicator (DAI)

The Data Availability Indicator (DAI) is a measure of the amount of condition parameter data that an asset has, as measured against the full data sets that are practically available and included in the HI formula. It is determined by the weighted ratio of the condition parameters availability of an individual unit, over the maximum condition parameters availability of an asset group. The formula is given by:

$$DAI = \frac{\sum_{m=1}^{\forall m} (DAI_{CPSm} \times WCP_m)}{\sum_{m=1}^{\forall m} (WCP_m)}$$

Equation 6

where

$$DAI_{CPSm} = \frac{\sum_{n=1}^{\forall n} \beta_n \times WCFn}{\sum_{n=1}^{\forall n} (WCPFn)}$$

Equation 7

DAI_{CPSm}	Data Availability Indicator for Condition Parameter m with n Condition Parameter Factors (CPF)
β_n	Data availability coefficient for sub-condition parameter (=1 when data available, =0 when data unavailable)
$WSCP_n$	Weight of Condition Parameter Factor n
DAI	Overall Data Availability Indicator for the m Condition Parameters

WCP_m Weight of Condition Parameter m

For example, consider an asset with the following condition parameters and sub-condition parameters:

Condition Parameter		Condition Parameter Weight (WCP)	Sub-Condition Parameter		Sub-Condition Parameter Weight (WCF)	Data Available? ($\beta = 1$ if available; 0 if not)
m	Name		n	Name		
1	A	1	1	A_1	1	1
2	B	2	1	B_1	2	1
			2	B_2	4	1
			3	B_3	5	0
3	C	3	1	C_1	1	0

The Data Availability Indicator is calculated as follows:

$$DAI_{CP1} = (1 \cdot 1) / (1) = 1$$

$$DAI_{CP2} = (1 \cdot 2 + 1 \cdot 4 + 0 \cdot 5) / (2 + 4 + 5) = 0.545$$

$$DAI_{CP3} = (0 \cdot 1) / (1) = 0$$

$$\begin{aligned} DAI &= (DAI_{CP1} \cdot WCP_1 + DAI_{CP2} \cdot WCP_2 + DAI_{CP3} \cdot WCP_3) / (WCP_1 + WCP_2 + WCP_3) \\ &= (1 \cdot 1 + 0.545 \cdot 2 + 0 \cdot 3) / (1 + 2 + 3) \\ &= 35\% \end{aligned}$$

An asset with all available condition parameter data represented will, by definition, have a DAI value of 100%. In this case, an asset will have a DAI of 100% regardless of its Health Index score. Bear in mind that a DAI of 100% does not mean there is no data gap (to be discussed in the following section). What it really indicates is that, at the time of study, an asset has information on all the condition parameters that a utility is able to provide information for.

Provided that the condition parameters used in the Health Index formula are of good quality and there are little data gaps, there will be a high degree of confidence that the Health Index score accurately reflects the asset's condition.

II.3.2 Data Gap

The Health Index formulations developed and used in this study are based only on ELK's available data. There are additional parameters or tests that ELK may not collect but that are important indicators of the deterioration and degradation of assets. While these will not be included in the HI formula, they are referred to as data gaps. I.e. A data gap is the case where none of the units in an asset group has data for a particular item as requested by "ideal" data

sets. The situation where data is provided for only a sub-set of the population is not considered as a data gap.

As part of this study, the data gaps of each asset category are identified. In addition, the data items are ranked in terms of importance. There are three priority levels, the highest being most indicative of asset degradation.

Priority	Description	Symbol
High	Impactive data; most useful as an indicator of asset degradation	☆☆☆
Medium	Important data; can indicate the need for corrective maintenance or increased monitoring	☆☆
Low	Helpful data; least indicative of asset deterioration	☆

When filling up data gaps, it is generally recommended that data collection be initiated for the items marked with higher priority, because such information will result in higher quality Health Index formulas.

The more impactful and important data included in the Health Index formula of a certain asset group, and the higher the Data Availability Indicator of a particular unit in that group, the higher the confidence in the Health Index calculated for the particular unit.

If an asset group has significant data gaps and lacks good quality condition, there is less confidence that the Health Index score of a particular unit accurately reflects its condition, regardless of the value of its DAI.

To facilitate the incorporation of data gap items into improved Health Index formulas for future assessments, the data gaps items are presented in this report as sub-condition parameters. For each item, the parent condition parameter is identified. Also given are the object or component addressed by the parameter, a description of what to assess for each component or object, and the possible source of data.

The following is an example for “Tank Corrosion” on a Pad-Mounted Transformer:

Data Gap (Sub-Condition Parameter)	Parent Condition Parameter	Priority	Object or Component Addressed	Description	Source of Data
Tank Corrosion	Physical Condition	☆☆	Oil Tank	Tank surface rust or deterioration due to environmental factors	Visual Inspection

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III RESULTS

This section summarizes the findings of this study.

III.1 Health Index Results

A summary of the Health Index evaluation results is shown in Table 1. For each asset category the population, sample size (number of assets with age a vaialble), average age, age availability and average DAI are given. The average Health Index and distribution are also shown. A summary of the Health Index distribution for all asset categories are also graphically shown in Figure 2. Note that the Health Index distribution percentages are extrapolated from the asset group's sample size.

It can be observed that out of the 5 categories, 3 of them had over 80% of their units classified as "good" or "very good", and all these 3 groups had an average Health Index score of greater than 80%.

It can be seen from the results that among all the asset categories, Pad Mounted Switchgear were the one of concern percentage-wise. Half of the units in these asset groups were classified as "fair", with an average Health Index score of 77%. Given the fact that there were only 2 assets in this group, this represented only 1 unit.

Table 1 Health Index Results Summary

Asset Category		Population	Sample Size	Average Health Index	Health Index Distribution					Average Age	Average DAI	Age Availability
					Very Poor (< 25%)	Poor (25 - <50%)	Fair (50 - <70%)	Good (70 - <85%)	Very Good (>= 85%)			
Pole Mounted Transformers		851	628	87%	6	19	37	120	446	33	Age Only	74%
Pad Mounted Transformers		818	668	85%	40	54	55	45	474	25	Age Only	82%
Overhead Switches		11	11	98%	0	0	0	0	11	29	Age Only	100%
Pad Mounted Switchgear		2	2	77%	0	0	1	0	1	19	Age Only	100%
Underground Cables (km)		124.4	113.1	99.6%	0.0	0.0	0.0	1.4	111.7	19	Age Only	91%

0%  100%

 Age Only No information other than age

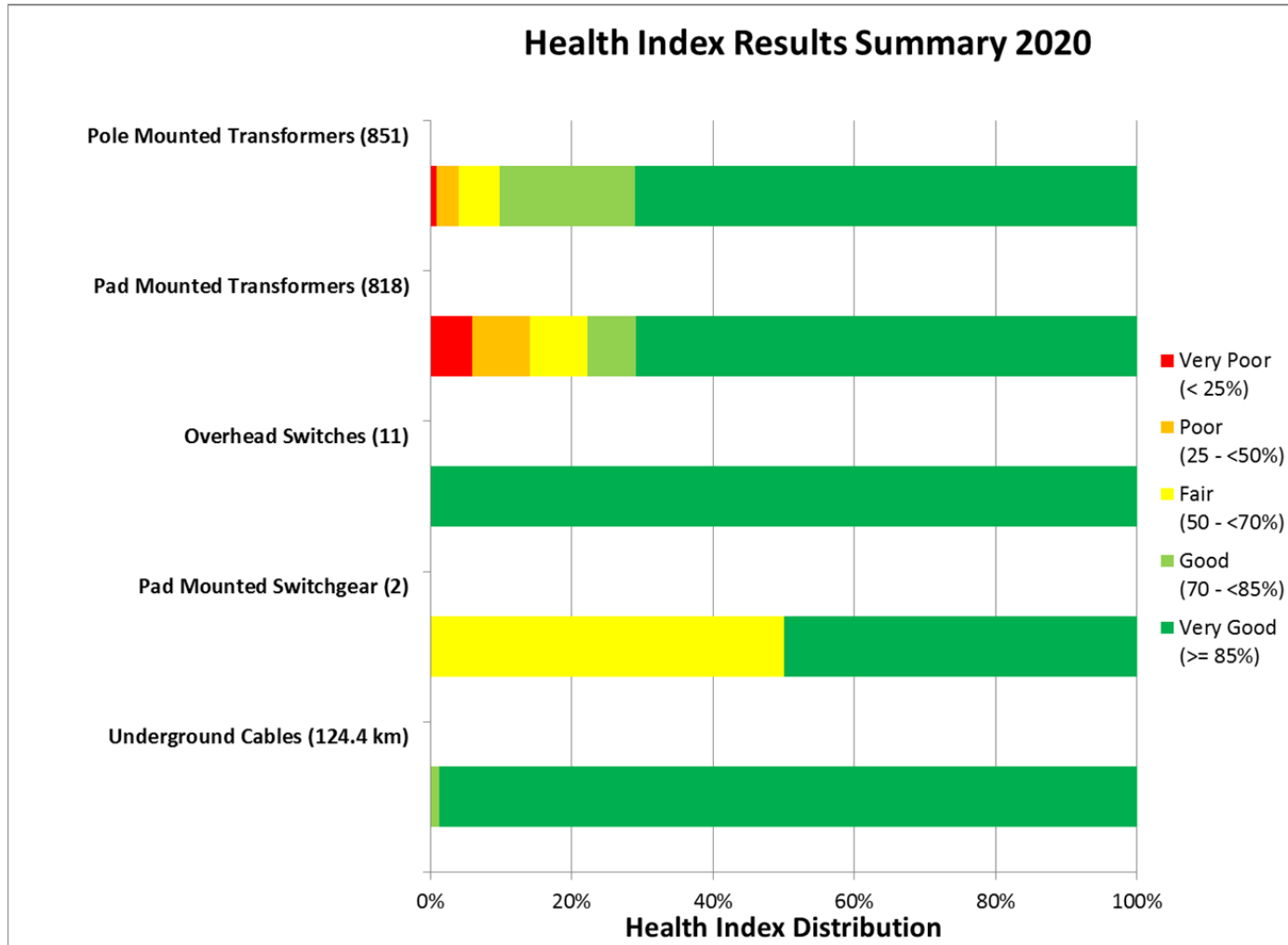


Figure 2 Health Index Results Summary

E. L. K. Energy Inc
2020 Asset Condition Assessment

III.2 Condition-Based Flagged for Action Plan

The Flagged for Action Plan estimates the number of units expected to require attention in a given year.

Table 2 shows the Year 0 (year 2021) and 10 Year cumulative Flagged for Action Plan. Table 3 shows the 10 Year Flagged for Action Plan annually.

Table 2 Summary of Flagged for Action

Asset Category		1st Year Action		10 Year Action in Total		Replacement Strategy
		Quantity	Percentage	Quantity	Percentage	
Pole Mounted Transformers		16	1.9%	194	22.8%	Reactive
Pad Mounted Transformers		48	5.9%	269	32.9%	Reactive
Overhead Switches		0	0.0%	0	0.0%	Reactive
Pad Mounted Switchgear		0	0.0%	0	0.0%	Reactive
Underground Cables (km) (km)		0	0.0%	2.1	1.7%	Reactive

100%  0%

E. L. K. Energy Inc
2020 Asset Condition Assessment

Table 3 Ten Year Flagged for Action Plan

Asset Category		Flagged for Action Plan by Year										
		0	1	2	3	4	5	6	7	8	9	10
Pole Mounted Transformers		16	16	18	18	20	20	20	21	22	23	23
Pad Mounted Transformers		48	42	36	30	26	22	20	17	15	13	12
Overhead Switches		0	0	0	0	0	0	0	0	0	0	0
Pad Mounted Switchgear		0	0	0	0	0	0	0	0	0	0	0
Underground Cables (km) (km)		0	0.1	0.2	0.2	0.2	0.2	0.1	0.2	0.4	0.5	0.7

* Year 0 = 2021, year 1 = 2022, year 2 = 2023 ... etc

It is evident from Table 3 that in general, all the asset groups except for pad mounted transformers had fairly levelled flagged for action plans, indicating small variations in terms of yearly flagged for action numbers.

Pad mounted transformers show backlog in terms of flagged for action plan in the first year.

It is important to note that the Flagged for Action plan suggested in this study is based solely on asset condition. It uses a probabilistic, non-deterministic, approach and as such can only show expected failures or probable number of units that are expected to be candidates for replacement or other action. While this condition-based Flagged for Action Plan can be used as a guide or input to ELK's distribution system plan, it is not expected that it be followed directly or as the final deciding factor in making sustainment capital decisions. There are numerous other factors and considerations that will influence ELK's Asset Management decisions, such as obsolescence, system expansion, regulatory requirements, municipal demand and customer preferences etc.

III.3 Data Assessment Results

Data assessment determines the data availability for each asset group, as well as identifying the data gaps for each asset group. Data availability is a measure of the amount of data that an individual unit has in comparison with the set of data currently available in for its respective asset category.

Data gaps are items that are indicators of asset degradation, but are currently not collected or available for any asset in an asset category. The fewer the data gaps, the higher the quality of available condition data and Health Index formulas.

In this study, all the asset groups had age information only. As a consequence, data availability index (DAI) was not applicable.

Data gap recommendation was made for each of the asset group in this study, under the section of Data Gaps of each asset group in Appendix A.

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IV CONCLUSIONS

An Asset Condition Assessment was conducted for five of ELK's distribution asset categories. For each asset category, the Health Index distribution was determined and a condition-based Flagged for Action plan was developed.

The following conclusions were drawn based on the ACA findings of this study.

- 1) In general, 3 out of 5 ELK's asset categories had over 80% of their asset units in good condition ("good" or "very good"), with all these 3 categories having an average Health Index score of greater than 80%.
- 2) With respect to the asset groups that were of concern percentage-wise, Pad Mounted Switchgear was found to be in the relatively speaking inferior condition, with an average Health Index of 77%. This however addressed only 2 asset units in total for this group.
- 3) In terms of flagged-for-action plans, only pad mounted transformers had high backlog of units to be addressed immediately.
- 4) For 10-year long term flagged-for-action plans, Pad Mounted Transformers and Pad Mounted Switchgear had over 30% of the population to be addressed.
- 5) It is important to note that the Flagged for Action plan presented in this study is based solely on asset condition and that there are numerous other considerations that may influence ELK's Asset Management Plan, such as obsolescence, system growth, regulatory requirements, municipal initiatives, etc.

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V RECOMMENDATIONS

The following recommendations were made based on the study results:

- a) In the future, historic records of asset removal need to be collected for all the asset groups, so as to improve the accuracy of asset degradation curves.
- b) Inspection records at component level need to be collected for all the asset groups, so as to improve the input granularity for better assessment of component condition status.
- c) Loading data need to be collected for both Pole Mounted Transformers and Pad Mounted Transformers.

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VI APPENDIX A: RESULTS FOR EACH ASSET CATEGORY

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1 POLE MOUNTED TRANSFORMERS

1.1 Health Index Formula

As there was insufficient condition data available, the HI assessment for this asset category was based simply on age and the cumulative likelihood of survival at a given age.

In ideal situation where both age and condition status information is available, age is used as a limiting factor to reflect the degradation of asset unit as time passed by. The calculated overall HI result (after taking into account all the possible de-rating multipliers) is then compared with an age limiting factor.

$$\text{Final overall HI} = \begin{matrix} HI_{\text{calculated}} & \text{if } HI_{\text{calculated}} \leq \text{Age_Limiter} \\ \text{Age_limiter} & \text{if } HI_{\text{calculated}} > \text{Age_Limiter} \end{matrix}$$

The age limiting is the Weibull survival function (1 – cumulative distribution function), assuming it could be modeled by the Weibull distribution.

$$\text{Age_Derating} = S_f = e^{-\left(\frac{x}{\alpha}\right)^\beta}$$

Equation 6

- S_f = survivor function
- x = age in years
- α = constant that controls scale of function
- β = constant that controls shape of function

As in this case, there was no calculated HI based on condition status, the final HI would be equal to age limiting factor value.

In this project, the parameters of Pole Mounted Transformers age limiting curve are shown in the following table, based on ELK expert feedback.

Table 1-1 Age Limiting Curve Parameters - Pole Mounted Transformers

Asset Type	α	β
Pole Mounted Transformers	54.8043	4.7634

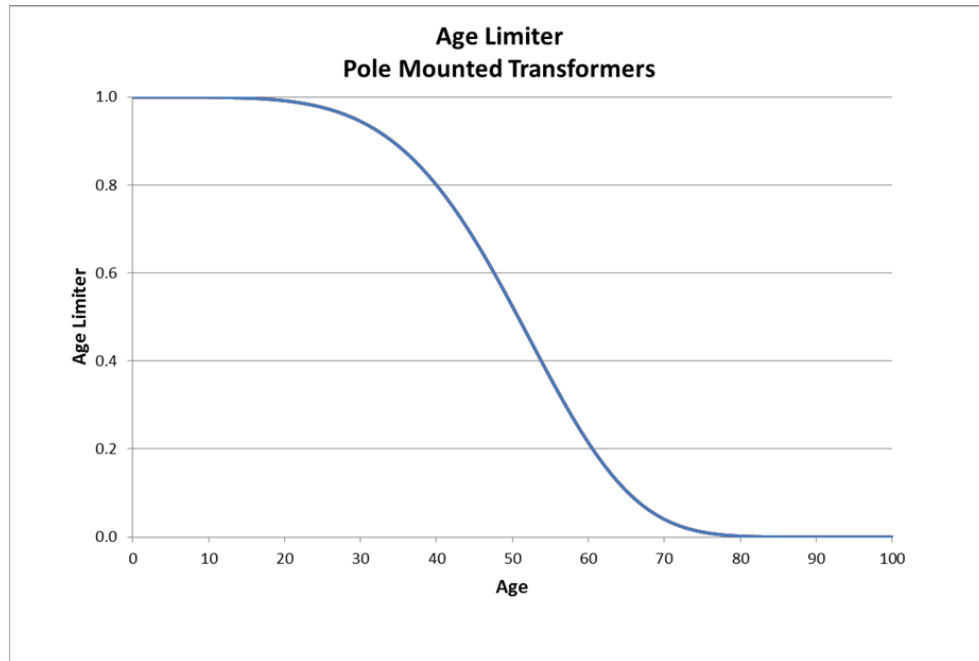


Figure 1-1 Age Limiting Factor Criteria - Pole Mounted Transformers

1.2 Age Distribution

The average age of the units was 33 for Pole Mounted Transformers respectively.

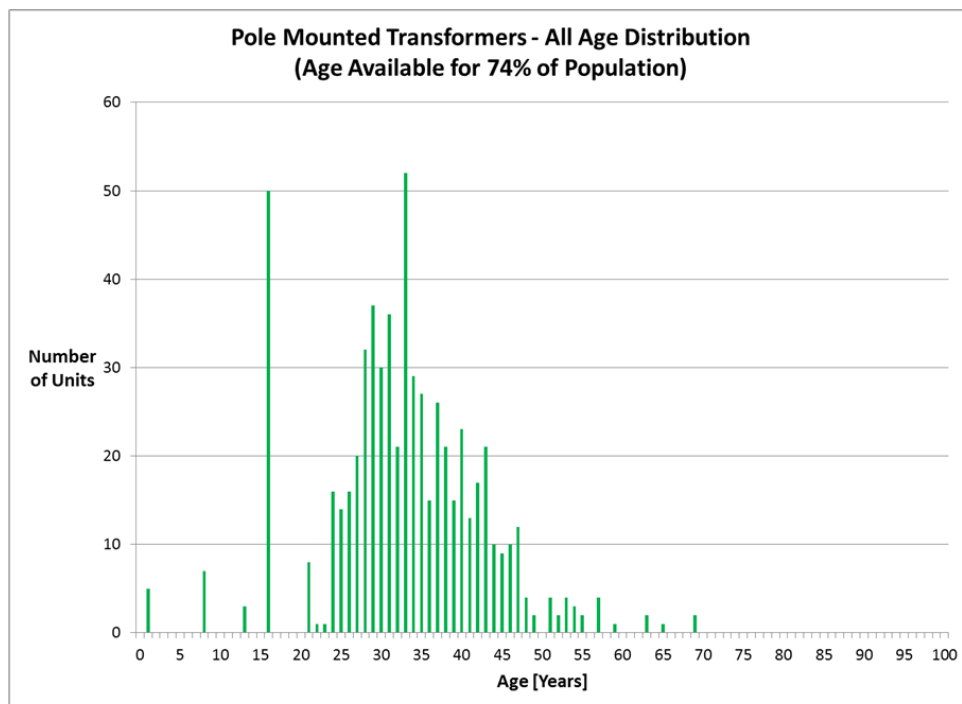


Figure 1-2 Age Distribution - Pole Mounted Transformers

1.3 Health Index Results

There were a total of 851 units of Pole Mounted Transformers. Among them, 628 units had sufficient data for a Health Indexing.

The average Health Index score was 87%, for Pole Mounted Transformers.

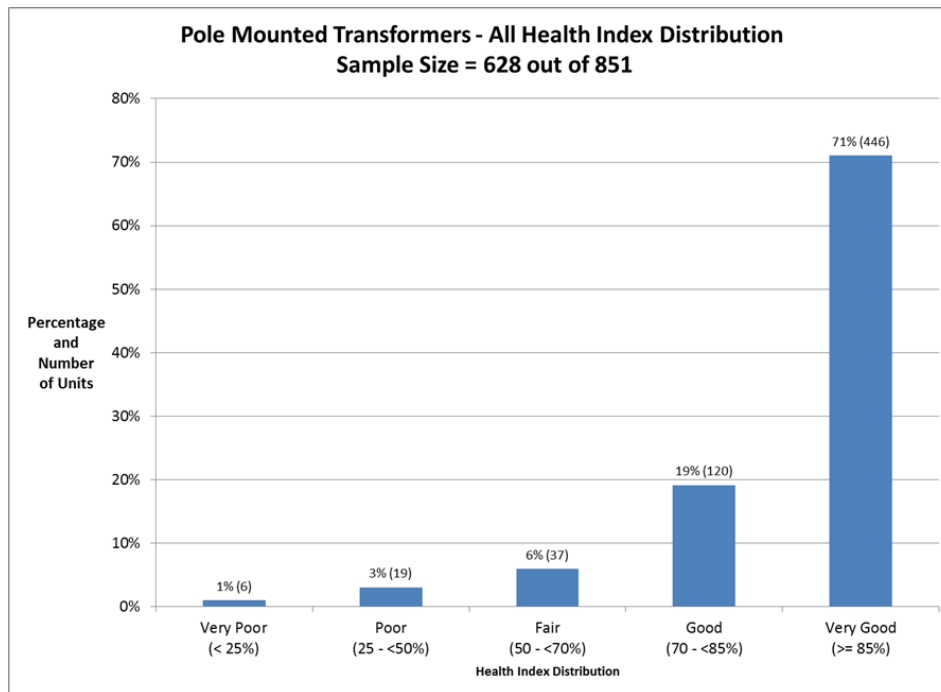


Figure 1-3 Health Index Distribution - Pole Mounted Transformers

1.4 Flagged for Action Plan

The flagged for action plan of Pole Mounted Transformers was based on the asset removal rate.

The flagged for action plans for Pole Mounted Transformers were based on the data from sample size and extrapolated to the entire population. The following diagram shows the flagged for action plans:

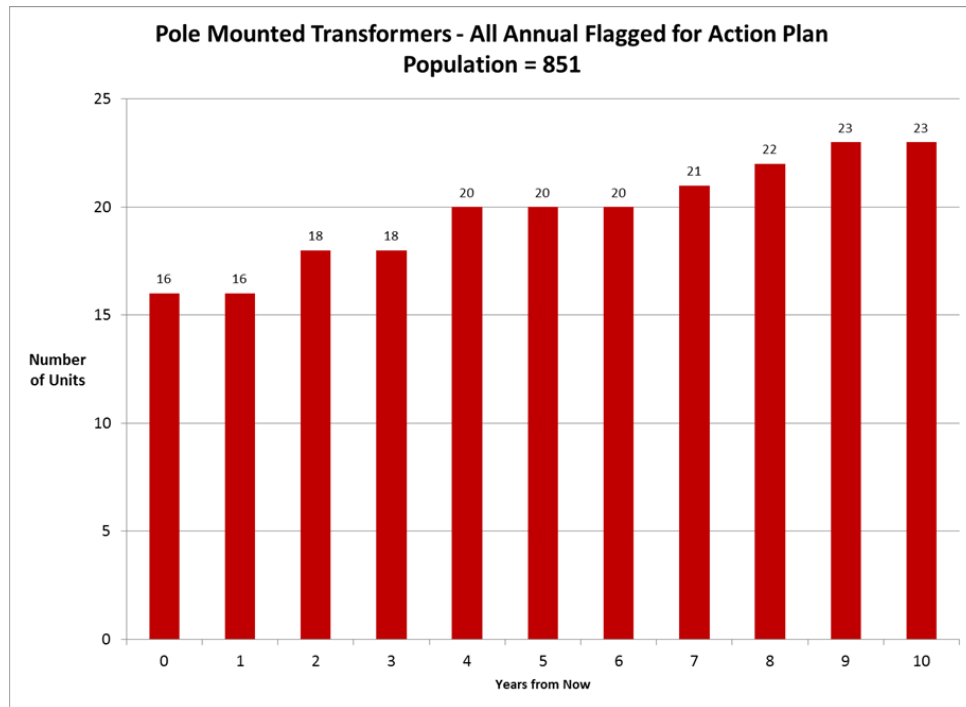


Figure 1-4 Flagged for Action Plan - Pole Mounted Transformers

1.5 Data Gaps

The data used for Pole Mounted Transformers assessment included age only.

The data gaps are as follows.

Table 1-2 Data Gap for Pole Mounted Transformers

Data Gap (Sub-Condition Parameter)	Parent Condition Parameter	Priority	Object or Component Addressed	Description	Source of Data
Tank Corrosion	Physical Condition	★	External status	Physically worn- out	On-site visual inspection
Oil Leak	Connection and Insulation Condition	★ ★ ★	Transformer Oil	Leakage	On-site visual inspection
Elbow		★ ★	Coonection	Loose connection	
Grounding		★	Connection	Loose connection	
Loading	Service Record	★	Transformer load	Monthly 15 min peak load throughout years	Operation Record
Historic Removal Record		★ ★ ★	Age at removal		Inventory Database

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2 PAD MOUNTED TRANSFORMERS

2.1 Health Index Formula

As there was insufficient condition data available, the HI assessment for this asset category was based simply on age and the cumulative likelihood of survival at a given age.

Age was used as a limiting factor to reflect the degradation of asset unit as time passed by. Refer to section 1.1 for principle.

In this project, the parameters of Pad Mounted Transformers age limiting curve are shown in the following table, based on ELK expert feedback.

Table 2-1 Age Limiting Curve Parameters - Pad Mounted Transformers

Asset Type	α	β
Pad Mounted Transformers	46.0252	10.6901

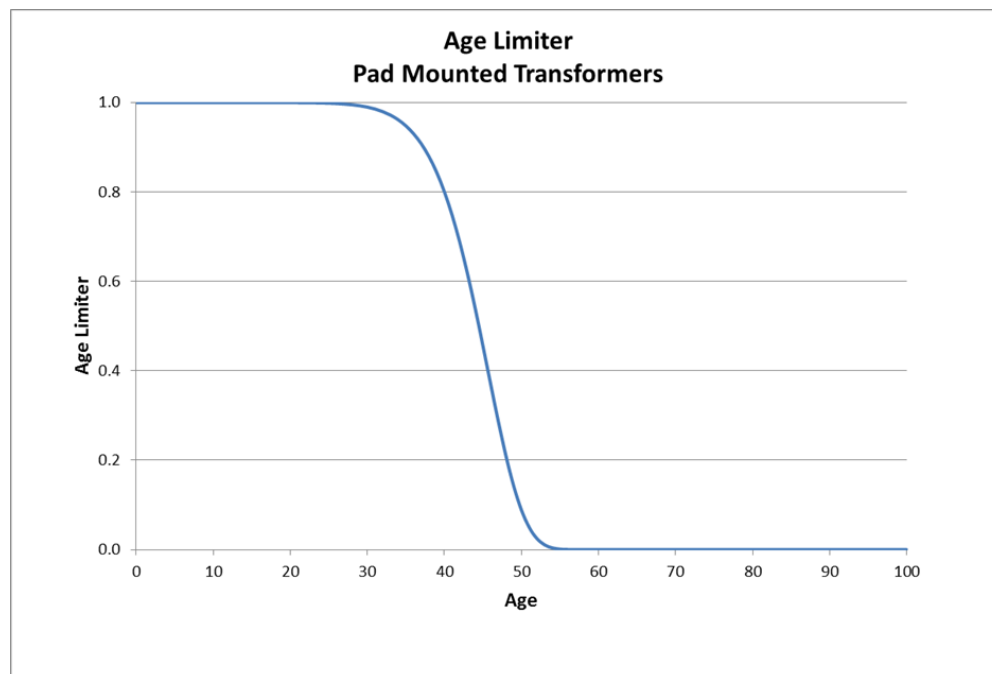


Figure 2-1 Age Limiting Factor Criteria - - Pad Mounted Transformers

2.2 Age Distribution

The average age of the units was 25 for Pad Mounted Transformers.

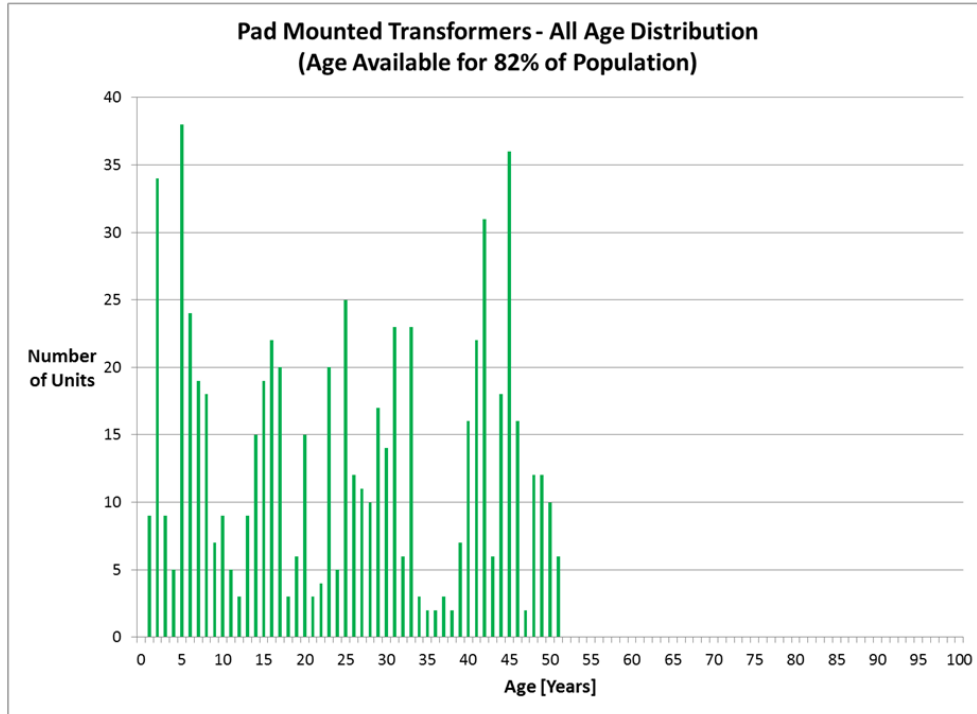


Figure 2-2 Age Distribution - Pad Mounted Transformers

2.3 Health Index Results

There were a total of 818 units of Pad Mounted Transformers. Among them, 668 units had sufficient data for a Health Indexing.

The average Health Index score for this asset group was 85% for Pad Mounted Transformers.

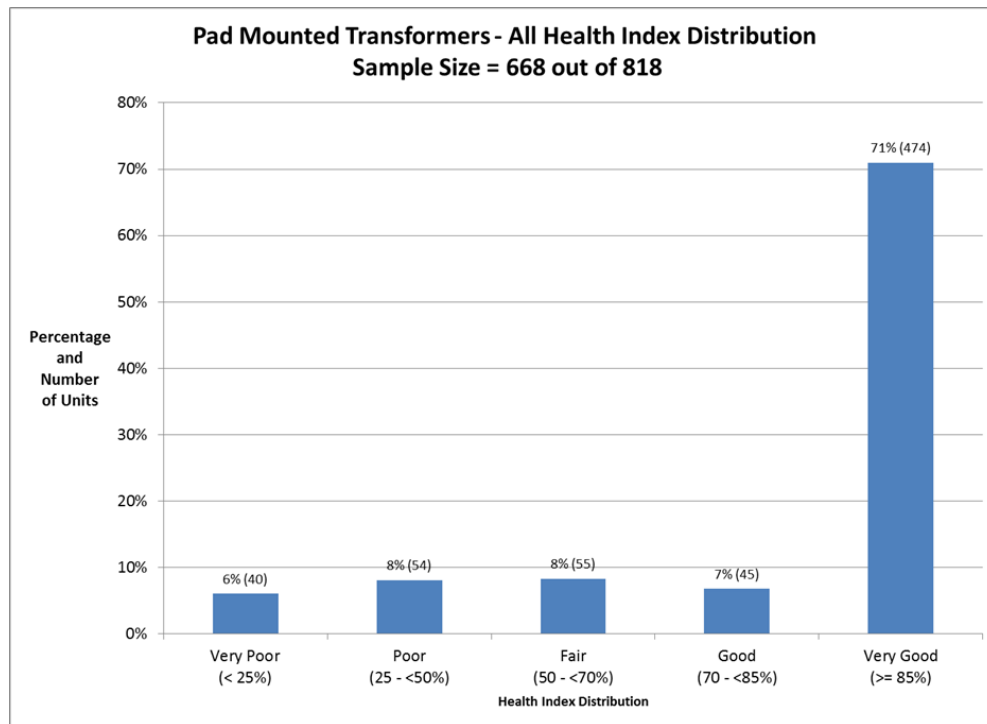


Figure 2-3 Health Index Distribution - Pad Mounted Transformers

2.4 Flagged for Action Plan

The flagged for action plan of Pad Mounted Transformers was based on the asset removal rate.

The flagged for action plans for Pad Mounted Transformers were based on the data from sample size and extrapolated to the entire population. The following diagram shows the flagged for action plans:

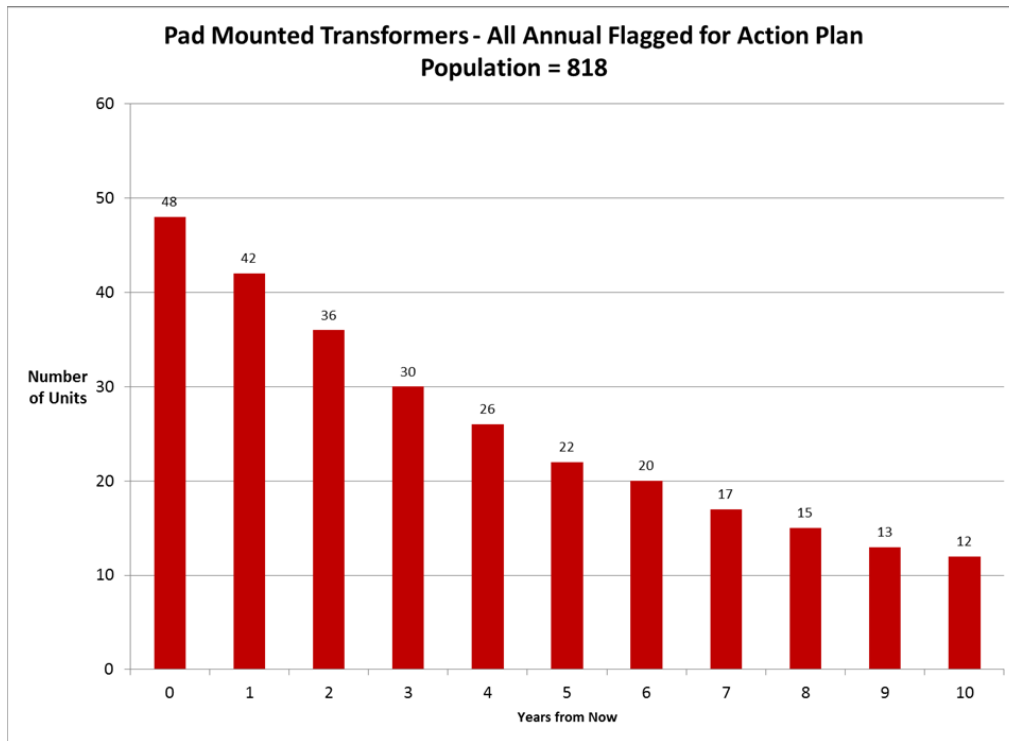


Figure 2-4 Flagged for Action Plan - Pad Mounted Transformers

2.5 Data Gaps

The data used for Pad Mounted Transformers assessment included age only.

The data gaps are as follows.

Table 2-2 Data Gap for Pad Mounted Transformers

Data Gap (Sub-Condition Parameter)	Parent Condition Parameter	Priority	Object or Component Addressed	Description	Source of Data
Tank Corrosion	Physical Condition	★	External status	Physically worn- out	On-site visual inspection
Access		★	Entrance	Physically locked	On-site visual inspection
Base		★	Foundation	Physically worn- out	On-site visual inspection
Oil Leak	Connection and Insulation Condition	★★★	Transformer Oil	Leakage	On-site visual inspection
Elbow		★★	Coonection	Loose connection	On-site visual inspection
Grounding		★	Connection	Loose connection	On-site visual inspection
Insulator		★★	Insulation	Insulation Defect	Test
Gasket	Connection	★	Gasket	Sealing issue	On-site visual inspection
Loading	Service Record	★	Transformer load	Monthly 15 min peak load throughout years	Operation Record
Historic Removal Record		★★★	Age at removal		Inventory Database

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3 OVERHEAD LINE SWITCHES

3.1 Health Index Formula

As there was insufficient condition data available, the HI assessment for this asset category was based simply on age and the cumulative likelihood of survival at a given age.

Age was used as a limiting factor to reflect the degradation of asset unit as time passed by. Refer to section 1.1 for principle.

In this project, the parameters of Overhead Line Switches age limiting curve are shown in the following table, based on industry practice.

Table 3-1 Age Limiting Curve Parameters - Overhead Line Switches

Asset Type	α	β
Overhead Line Switches	58.1804	9.8989

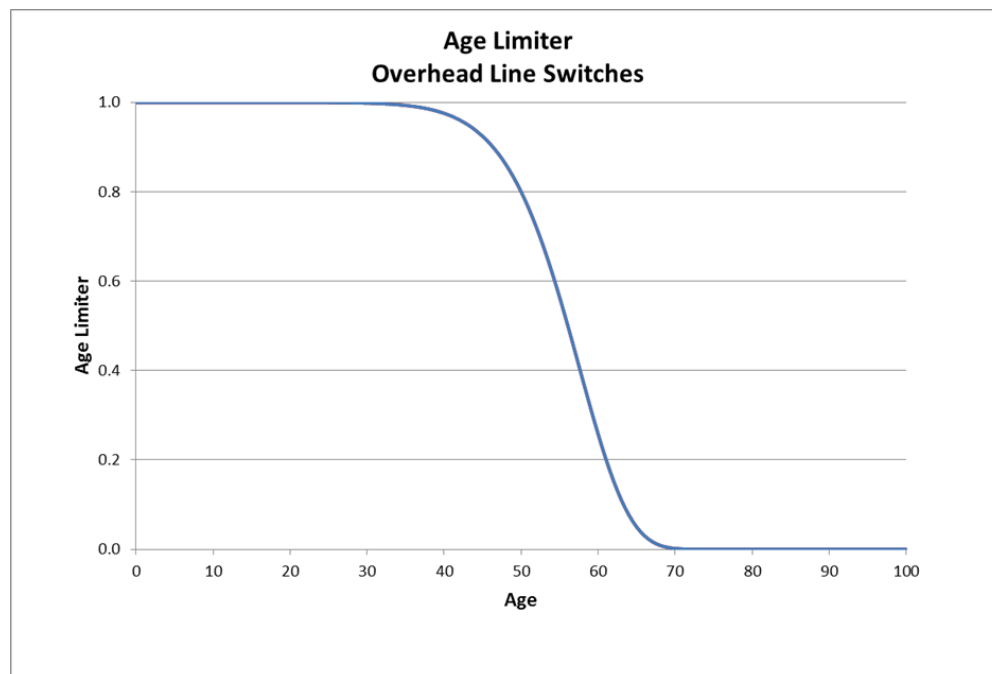


Figure 3-1 Age Limiting Factor Criteria - - Overhead Line Switches

3.2 Age Distribution

The average age of the units was 29 for Overhead Line Switches.

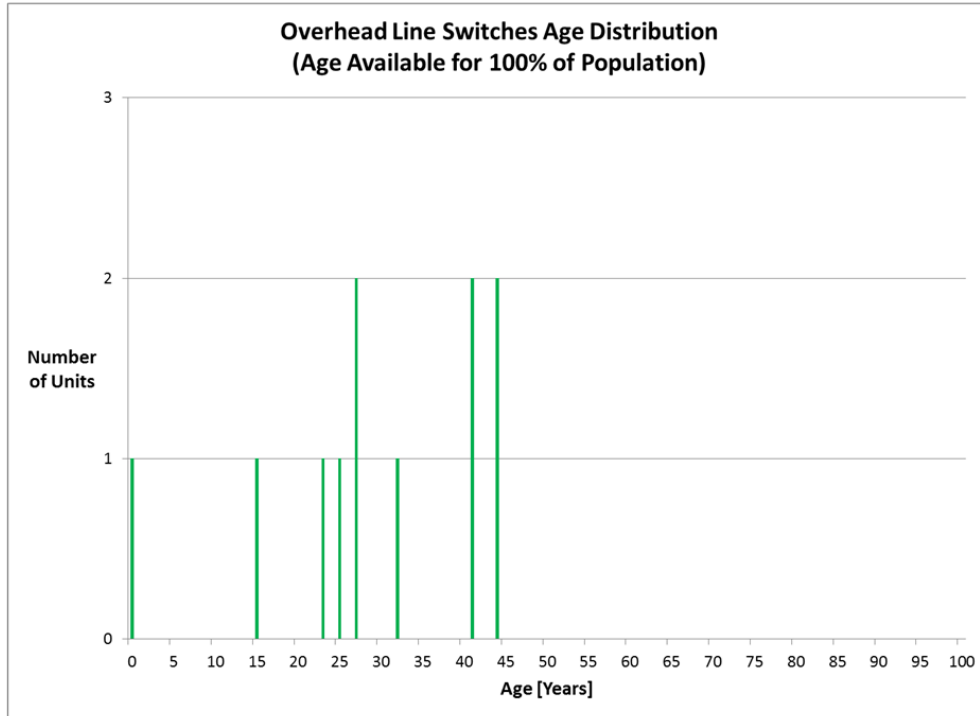


Figure 3-2 Age Distribution - Overhead Line Switches

3.3 Health Index Results

There were a total of 11 units of Overhead Line Switches. All of them had sufficient data for a Health Indexing.

The average Health Index score for this asset group was 98% for Overhead Line Switches.

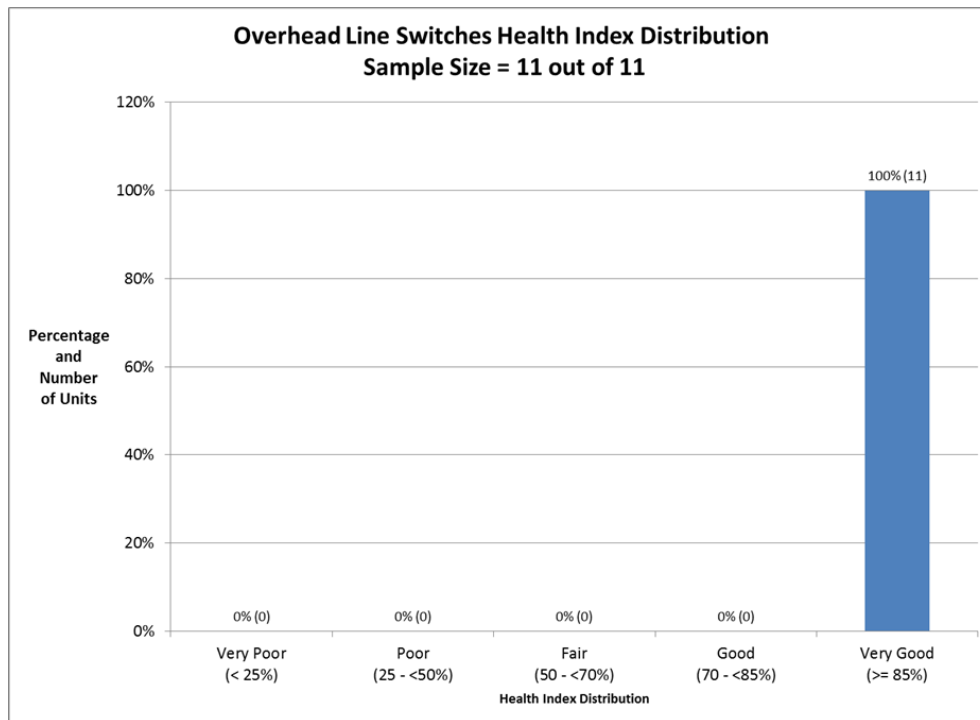


Figure 3-3 Health Index Distribution - Overhead Line Switches

3.4 Flagged for Action Plan

The flagged for action plan of Overhead Line Switches was based on the asset removal rate.

The flagged for action plans for Overhead Line Switches were based on the data from sample size and extrapolated to the entire population. Based on the existing data, there was no unit flagged for action in the coming 10 years.

3.5 Data Gaps

The data used for Overhead Line Switches assessment included age only.

The data gaps are as follows.

Table 3-2 Data Gap for Overhead Line Switches

Data Gap (Sub-Condition Parameter)	Parent Condition Parameter	Priority	Description	Source of Data
Motor Mechanism	Operation Mechanism	☆☆☆	Mechanical part and linkage issue	Inspection/ Maintenance Records
Load Break handle		☆☆	Mechanical part and linkage issue	
Switch Mounting		☆	Loose installation	
Arc Interrupter	Arc Extinction	☆☆☆	Arc extinction part surface worn-out	
Insulator	Insulation	☆	Crack	
Historic Removal Record		☆☆☆	Age at removal	Inventory Database

4 PAD MOUNTED SWITCHGEAR

4.1 Health Index Formula

As there was insufficient condition data available, the HI assessment for this asset category was based simply on age and the cumulative likelihood of survival at a given age.

Age was used as a limiting factor to reflect the degradation of asset unit as time passed by. Refer to section 1.1 for principle.

In this project, the parameters of Pad Mounted Switchgear age limiting curve are shown in the following table, based on ELK expert feedback and industry practice.

Table 4-1 Age Limiting Curve Parameters - Pad Mounted Switchgear

Asset Type	α	β
Pad Mounted Switchgear	32.80	5.53

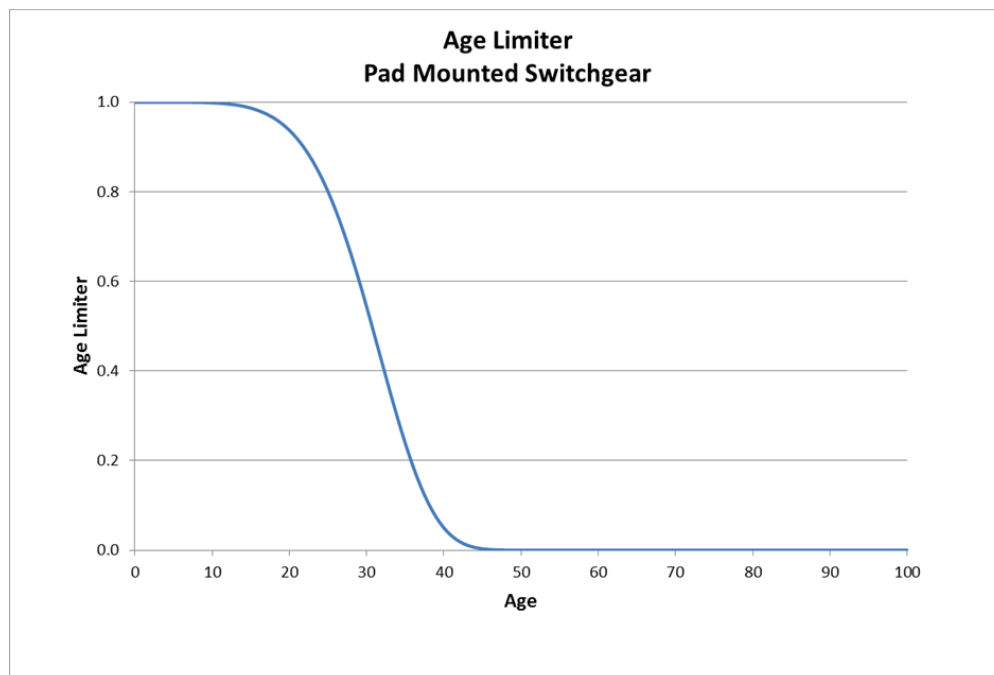


Figure 4-1 Age Limiting Factor Criteria - - Pad Mounted Switchgear

4.2 Age Distribution

The average age of the units was 19 for Pad Mounted Switchgear.

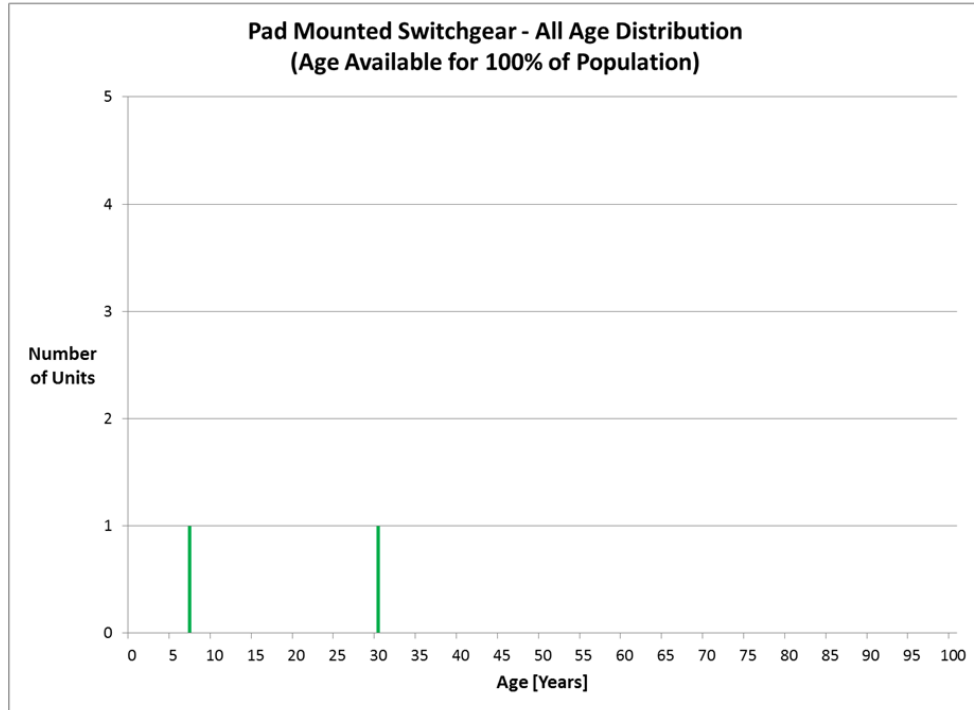


Figure 4-2 Age Distribution - Pad Mounted Switchgear

4.3 Health Index Results

There were a total of 2 units of Pad Mounted Switchgear. Both of them had sufficient data for a Health Indexing.

The average Health Index score for this asset group was 77% for Pad Mounted Switchgear.

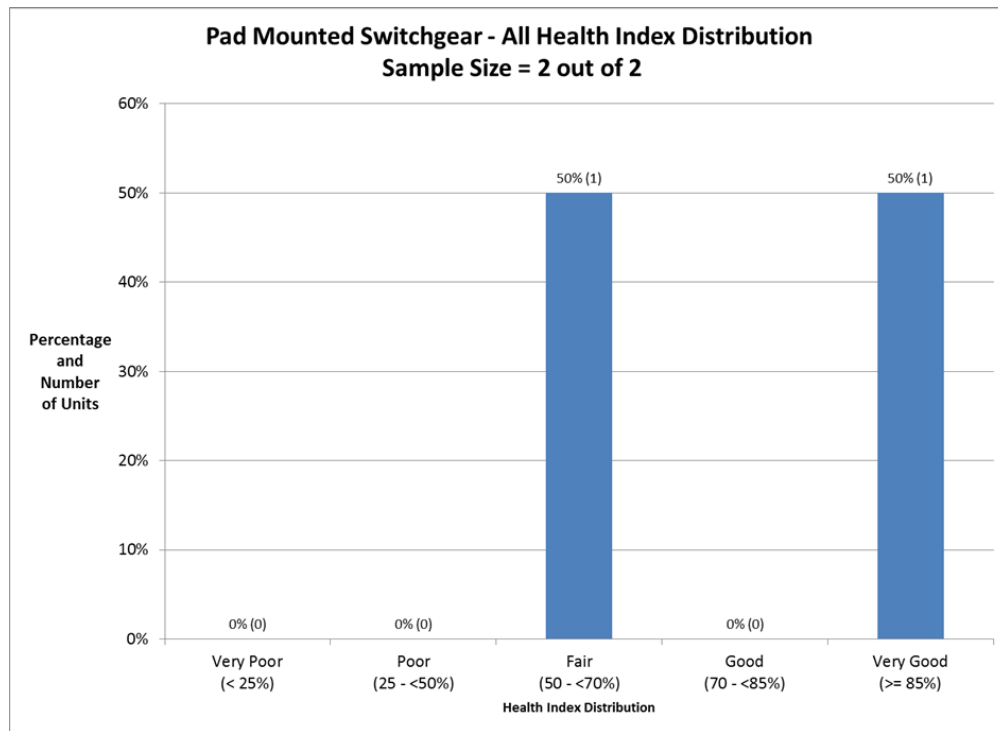


Figure 4-3 Health Index Distribution - Pad Mounted Switchgear

4.4 Flagged for Action Plan

The flagged for action plan of Pad Mounted Switchgear was based on the asset removal rate.

The flagged for action plans for Pad Mounted Switchgear were based on the data from sample size and extrapolated to the entire population. Based on the existing data, there was no unit flagged for action in the coming 10 years.

4.5 Data Gaps

The data used for Pad Mounted Switchgear assessment included age only.

The data gaps are as follows.

Table 4-2 Data Gap for Pad Mounted Switchgear

Data Gap (Sub-Condition Parameter)	Parent Condition Parameter	Priority	Object or Component Addressed	Description	Source of Data
Concrete Pad	Physical Condition	★	Foundation	Physically worn-out	On-site visual inspection
Corrosion		★★ ★	External status	Physically worn-out	On-site visual inspection
Excess Moisture		★	Environment	Humid operating condition	On-site visual inspection
Fuse Holder	Switch/Fuse Condition	★★★	Fuse	Abnormal breaking performance	On-site visual inspection
Grounding		★	Grounding	Grounding connection	On-site visual inspection
Insulators	Insulation Condition	★★ ★	Insulation	Insulation defect	On-site visual inspection
Barriers		★★ ★			On-site visual inspection
Cable Terminations		★★ ★	Cabling	Loose connection or overheating	On-site visual inspection
Connections		★★ ★	Connection		On-site visual inspection
Historic Removal Record		★★★	Age at removal		Inventory Database

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5 UNDERGROUND CABLES

5.1 Health Index Formula

As there was insufficient condition data available, the HI assessment for this asset category was based simply on age and the cumulative likelihood of survival at a given age.

Age was used as a limiting factor to reflect the degradation of asset unit as time passed by. Refer to section 1.1 for principle.

In this project, the parameters of Underground Cables age limiting curve are shown in the following table, based on ELK expert feedback and industry practice.

Table 5-1 Age Limiting Curve Parameters - Underground Cables

Asset Type	α	β
Non TR Direct Buried	46.0252	10.6901
TR In Duct	70.6002	18.1489

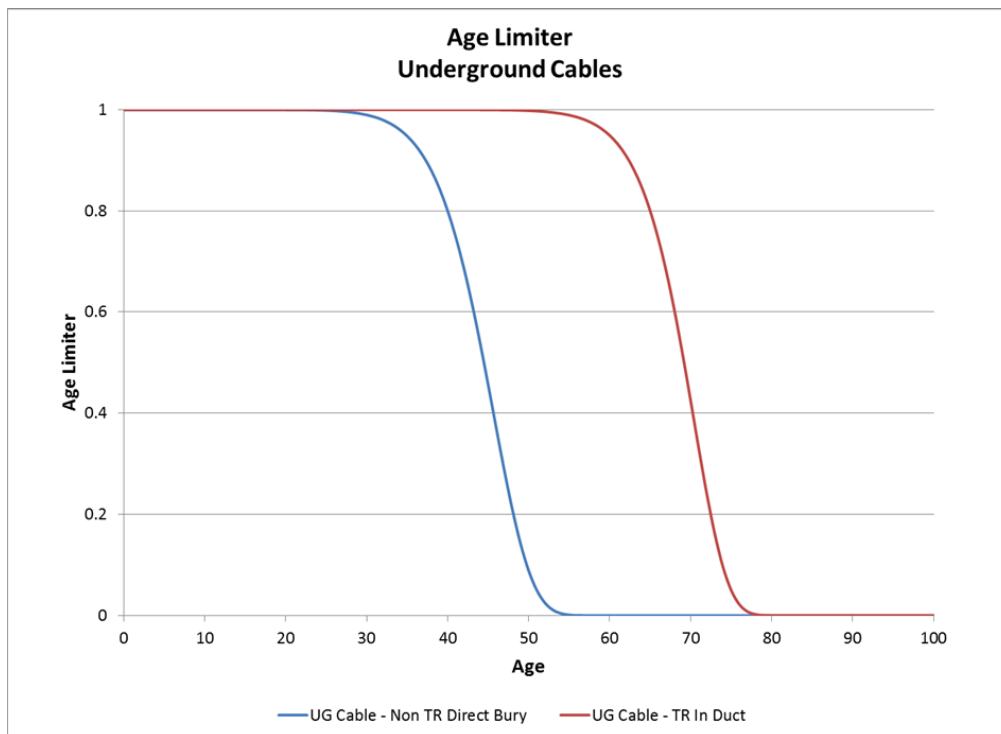


Figure 5-1 Age Limiting Factor Criteria -- Underground Cables

5.2 Age Distribution

The average age of the units was 19 for Underground Cables.

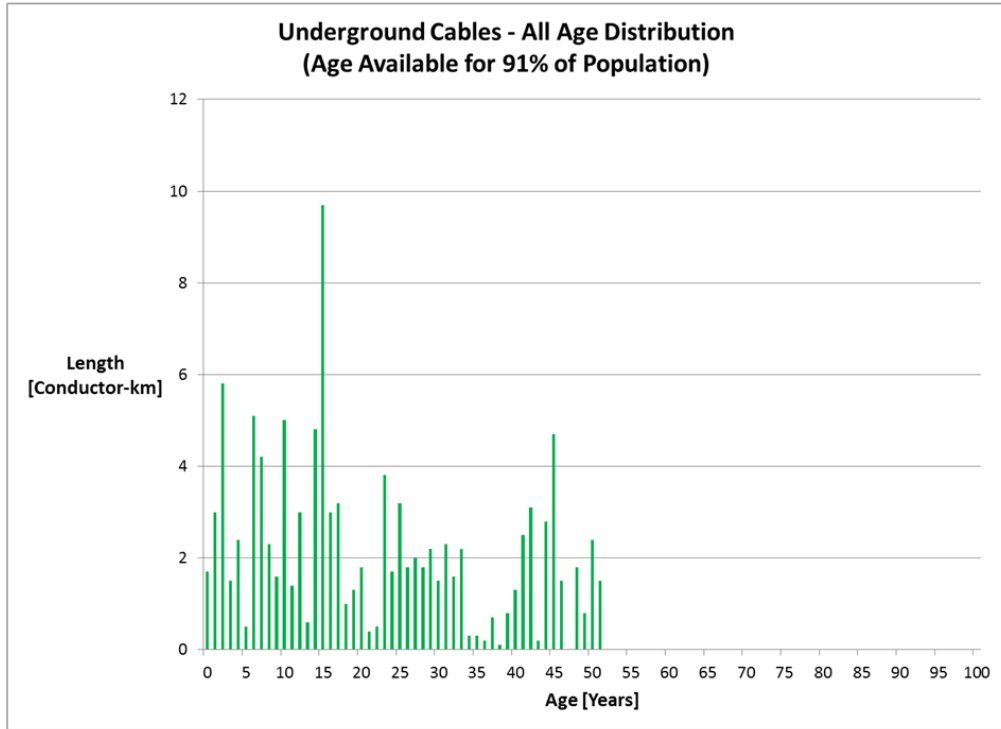


Figure 5-2 Age Distribution - Underground Cables

5.3 Health Index Results

There were a total of 124.4 conductor-km of Underground Cables. Among them, 113.1 conductor-km had sufficient data for a Health Indexing.

The average Health Index score for this asset group was 99.6% for Underground Cables.

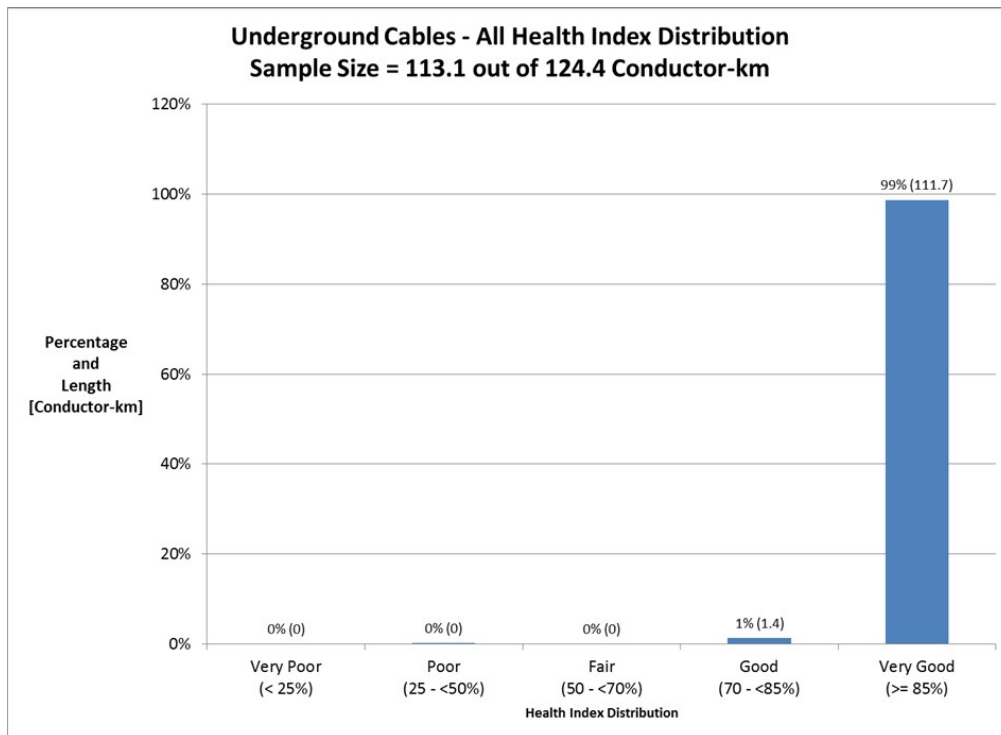


Figure 5-3 Health Index Distribution - Underground Cables

5.4 Flagged for Action Plan

The flagged for action plan of Underground Cables was based on the asset removal rate.

The flagged for action plans for Underground Cables were based on the data from sample size and extrapolated to the entire population. The following diagram shows the flagged for action plans:

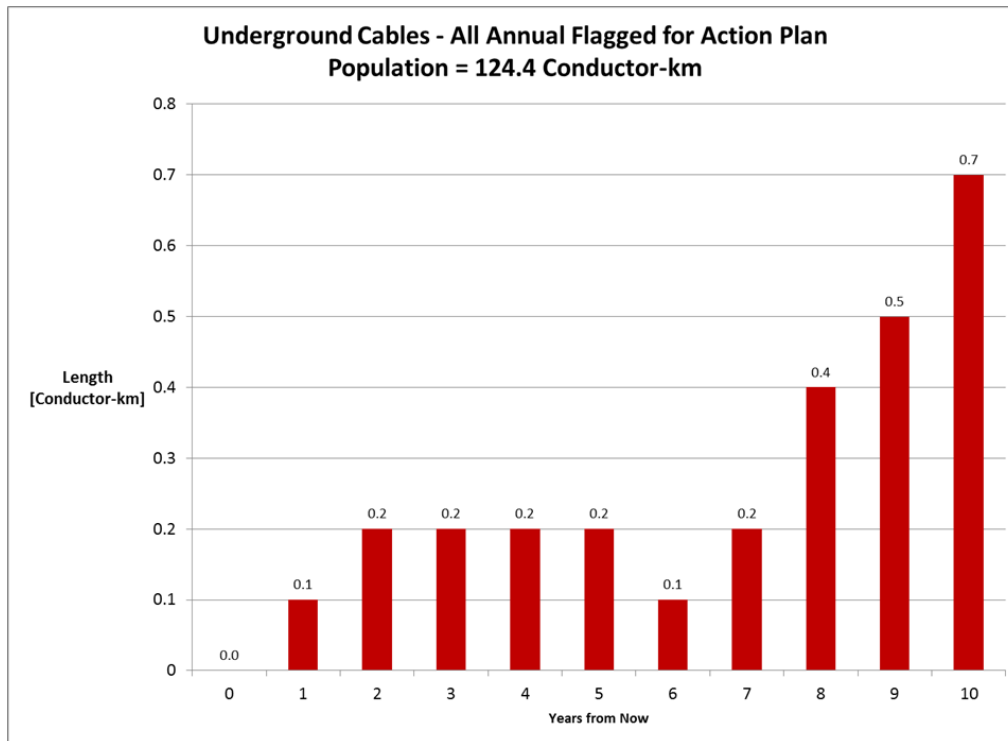


Figure 5-4 Flagged for Action Plan - Underground Cables

5.5 Data Gaps

The data used for Underground Cables assessment included age only.

The data gaps are as follows.

Table 5-2 Data Gap for Underground Cables

Data Gap (Sub-Condition Parameter)	Parent Condition Parameter	Priority	Object or Component Addressed	Description	Source of Data
Dielectric Loss	Insulation	☆☆☆	Cable	Insulation defect	On-site test
Splices	Accessories	☆☆	Cable Connection	Connection defect	On-site test
Terminations		☆☆			
Neutral Corrosion		☆	Other Component	Neutral defect	
Fault rate at Segment Level	Service Record	☆☆☆	Cable	Failure records	Historic records
Historic Removal Record		☆☆☆	Age	Age at Removal	Inventory Database



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OVERALL PRINCIPLES

Our reputation as an organization can only be maintained if we always act ethically, with integrity and with the highest standards.

You are expected to conduct all of E.L.K. Energy Inc. (E.L.K.) business in this manner, at all times and to obey the laws wherever we do business. You are also expected to act respectfully and ethically with anyone inside and outside of the organization.

Most of the time, your common sense and good judgment will ensure that your decisions and actions are in the best interest of E.L.K.

When in doubt, ask yourself how would a reasonable third-party perceive your actions and conduct?

Areas of focus solely for Directors of E.L.K. have been highlighted. However, with the exception of provisions of the Code which state expressly that they apply “in the case of employees” or “if you are an employee”, all provisions of the Code apply to employees, contractors and directors of E.L.K.



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How to use the Code?

Although common sense will guide you in most situations, there are times when issues will arise. The Code of Conduct and Ethics (Code) sets out guidelines for:

- identifying and handling conflicts of interest;
- giving and receiving gifts and entertainment;
- outside activities and sitting on boards;
- what happens if a relative works at E.L.K.;
- handling E.L.K. information properly; and
- communicating outside E.L.K., in general or specifically communicating directly or indirectly with directors and councillors regarding E.L.K. matters.

These guidelines are designed to help you make the right decision, but they cannot cover every aspect of ethical conduct. When you are not sure of the appropriate thing to do, always act in the best interest of E.L.K. and ask yourself the following questions:

- Is it legal?
- Is it in conflict with the best interest of E.L.K.? Will your action hold up under public scrutiny?
- Could it hurt E.L.K.'s reputation or that of E.L.K. employees?

Where to go for help?

If you have any questions or concerns about the Code or what you should do in a situation where you are unsure of the right thing to do, you should speak to your supervisor. In the case of the Chief Executive Officer or Board members other than the Chair, references to "your supervisor" mean the Chair, and in the case of the Chair, references to "your supervisor" mean the Chair of the Audit Committee.

Personal and Professional Conduct

The Code sets out the minimum level of professionalism we expect from you. The standards set out in the Code apply to the duration of your employment, engagement or directorship at E.L.K., including non-working hours and leaves of absence. Obligations of confidentiality apply forever.

You are expected to treat people fairly, with dignity, and to help to ensure that our workplace is free of discrimination, harassment and violence. If you are a supervisor, you are responsible for maintaining this standard, for taking all complaints seriously, and investigating appropriately.



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During your employment, engagement, or directorship with E.L.K., you are expected to advise us immediately of information that may be relevant to the position you hold. This could include the loss or restriction of any required professional designations, any charges for criminal offences or outstanding civil actions alleging fraud, theft, deceit, misrepresentation or similar misconduct.

Conflicts of Interest

A conflict of interest can be real or perceived. It is a situation where you allow, or appear to allow, your personal interests or the interests of others (e.g. family, friends or associates) to affect your decision-making and ability to perform your work or role impartially and effectively.

Potential conflict of interest situations are common in business, so you are expected to identify them and communicate them to your supervisor and act in a way to avoid them where possible. This includes situations in which you or your family, friends or associates could directly or indirectly benefit personally from a transaction or contract with E.L.K., or from your knowledge of or ability to influence decisions for the organization. You are also prohibited from receiving special treatment not available to the public.

If you are an employee, you are expected to devote your full-time and attention to E.L.K. and to act in its best interest. This means making decisions in your work that are independent of your personal interests. While we all have commitments outside of work that involve obligations to family and social relationships, these must not play a role in our work for E.L.K. that may harm, discredit or hurt the E.L.K. "brand".

E.L.K. Directors: Board Members must declare their conflicts or potential conflicts to the Board at their earliest opportunity. The Board may vote to exclude Directors from involvement in issues where the Board determines they are conflicted.

Gifts and Entertainment

While routine entertainment is a normal part of business development and can be an effective way to get to know business partners, it must not become a way to influence decisions inappropriately. The same is true of gifts. Gifts given or received must be of nominal value and not in any way offered to influence transactions between parties. You must use your best judgment to avoid situations of both real and perceived conflict.

It is important that gifts and entertainment do not create a conflict or appear to create a conflict. *If in doubt, ask yourself if a reasonable third-party would question your impartiality if you received such a gift, or your motives if you gave such a gift.*

It is particularly important that the giving of gifts or entertainment to government officials or employees or parties with whom E.L.K. does or seeks to do business not violate bribery and corruption laws.



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Accepting Gifts: You may accept gifts if they are within normal industry standards for business relationships and hospitality and are of nominal value. Gifts may include event tickets where the host is not present, for example to a sporting or cultural event; however, please note the following general requirements.

You must:

- report and obtain approval to receive gifts with an estimated value in excess of \$100 from your supervisor; and
- share any holiday gift baskets or other seasonal gifts with your team members or raffle them off for charity; these do not have to be reported.

You must not:

- accept multiple gifts from the same supplier or vendor over a short period of time; or
- accept cash, bonds, negotiable securities, personal loans, airline tickets or use of a vacation property.

Accepting Entertainment: You may accept entertainment from third parties if it is clearly in the interests of E.L.K. Acceptable entertainment would include meals or a sporting or cultural event where the third-party is present and there is an opportunity to discuss E.L.K. business. You should always consider how the entertainment would be perceived by a reasonable third-party.

You must:

- report and obtain approval to receive entertainment with an estimated value over \$100

Note: E.L.K. must pay for the travel and/or hotel portion for any such event unless your manager approves otherwise.

You must not:

- accept multiple offers of entertainment by the same supplier, vendor or third-party over a short period of time.

Educational Conferences: Educational conferences or industry meetings related to your business functions are not considered gifts and do not need to be reported. The accommodation for any such event must be paid by E.L.K. unless your supervisor approves otherwise.

Giving Gifts and Entertainment:

You must:

- get approval from your supervisor before providing or offering to provide any gifts or entertainment that are more than nominal, either directly to someone or through a third-party.



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You must not:

- offer or give gifts of cash or cash equivalents.

E.L.K. Directors: Board Members are only required to report gifts and entertainment given or received in relation to their E.L.K. role. Board Members should consider whether the motive behind gifts and entertainment relates to this role.

Outside Activities and Directorships

If you are an employee you are expected to devote your time, best effort, knowledge, skills and energy to the interests of E.L.K. while you are working on E.L.K.'s behalf. You are free to choose how to spend your non-working hours; however, you must not be involved in any outside activity which could conflict with E.L.K.'s interests or reputation, or your job responsibilities, or bring you into competition with E.L.K. such as communicating E.L.K. internal data and occurrences to outside parties that could potentially hurt E.L.K., its reputation or employees in any way. Internal communication between staff, between third party and staff, governmental agencies and staff are confidential to E.L.K. and must not be communicated directly or indirectly to outside parties as this could result in direct or indirect harm to E.L.K., its reputation and/or its employees. It is contrary to E.L.K.'s best interests for an employee to publicly criticize E.L.K. or its management.

If you are an employee, you may:

- spend time during working hours participating in professional organizations or courses related to business functions, with your direct supervisor's agreement; and
- spend time on other outside activities during working hours, or use E.L.K. facilities or resources as long as you have prior approval from your direct supervisor.

If you are an employee you may not:

- imply that E.L.K. sponsors or supports the outside organization or its initiatives;
- engage in any communication directly or indirectly with Board members, Councillors or the Shareholder regarding any interest of E.L.K.
- be employed or engaged as a consultant elsewhere, unless it does not compete or create conflict with our interests or adversely affect our reputation, and has been approved by your supervisor;
- have a financial interest in or borrow from a supplier or service provider of E.L.K., or be employed by such a supplier or service provider in a capacity where you are able to influence decisions about the relationships with E.L.K.;
- receive fees or benefits for referring E.L.K. employees to an outside business or referring an outside business to them.



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If you are an employee and sit on a board of directors at the request of E.L.K, any securities or fees awarded to you as a director must be given to E.L.K.

For any other directorships, as an employee, you must obtain approval from your supervisor. Approval is not required for not-for-profit or charitable directorships, although you must disclose any such board positions.

E.L.K. Directors: Board Members are not required to obtain approval for other engagements or directorships but should be aware of possible conflicts and consult with the Chair accordingly.

Charitable and Political Participation

To ensure we are directing our resources appropriately, E.L.K. will determine what charitable and political activity it can support or sponsor and provide our employees and directors with information on the events and how they can participate.

If you wish to support other causes, you must ensure that your contribution is personal and is not associated, or perceived to be associated, with E.L.K. in any way. Requesting donations from individuals or from our suppliers or service providers, if done at all, should only be done with the approval of your supervisor.

Employment of Relatives

Conflicts of interest may arise when related employees are working in circumstances where one can make management decisions affecting the other.

E.L.K. encourages employment opportunities to be available to all persons on the basis of applicable qualifications and skills.

When hiring, E.L.K. shall give due regard to the Human Rights Code, the Employment Standards Act, Collective Agreements and/or policies as the case may be, and any other pertinent legislation.

E.L.K. may hire a relative of an employee but will not be initially hired into a position which would result in a direct reporting relationship with that employee or appointed representative of E.L.K.

However, in the event that a direct reporting relationship between relatives is the result of a personal decision (e.g. marriage) or job change (e.g. promotion or transfer), every effort will be made to transfer one of the affected employees to a comparable position within the organization.

Handling E.L.K. Information Properly

Privacy and Confidentiality

You may have access to confidential information during your employment with E.L.K. This could include:

- the personal information of other employees, or directors or their families;



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- information on company assets, processes, procedures, inspections, audits, reviews;
- third-party information, which is business information received from a third-party including as part of a confidentiality agreement signed with that third-party; and
- proprietary information, which includes sensitive business information, or any information E.L.K. wishes to keep confidential.
- staff protocol and policies
- labour negotiations

You may never seek out confidential information unless it is necessary to fulfill your duties with E.L.K. You may also not give this information to third-parties directly or indirectly without prior authorization or to other employees, Board Members, the Shareholder or Councillors unless they need this information to do their jobs at E.L.K.

To ensure that confidential information does not accidentally fall into the hands of someone who is not authorized to have it or use it, you should take basic steps when handling physical documents. These include basic steps such as not leaving confidential documents where they can be seen or taken, locking filing cabinets, securing computers and mobile devices with passwords, texting information to third parties, shredding or disposing of documents once you are finished with them, and not talking about confidential topics in public places where you could be overheard, such as elevators, or restaurants. You must also never use confidential information to further your own or family or friends personal interests.

E.L.K. Directors: The Board of Directors as a whole supervises and gives direction to management. It is inappropriate for a director, without the knowledge and consent of the Board, to seek confidential E.L.K. information from an employee or third party or give direction and communicates to an employee, directly or indirectly.

The only exceptions to this are:

- the Chair and Vice Chair, as well as Committee Chairs, may in advance of Board or Committee meetings have discussions with or seek information from management; and
- the Chair in his/her capacity as a "supervisor" under the Code may give approvals and directions to the Chief Executive Officer with respect to issues arising under the Code,

provided in each case the content of such discussions, approvals, directions or information is shared with the Board or applicable Committee at its next meeting.

Accurate Records

Maintaining accurate business records is a fundamental way that we maintain our integrity and protect E.L.K. and its stakeholders. Employees must prepare and maintain accurate and complete business records. Never participate in the creation of a false or misleading record, or the destruction of records other than in accordance with authorized practices regarding record retention.



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E.L.K. Directors: Board Members are not required to keep records of meetings. All official records will be maintained by the E.L.K. Board Secretary in the meeting minutes.

Communicating Outside of E.L.K.

To maintain E.L.K.'s reputation it is important that messages we send outside of E.L.K. are consistent and not negative in nature that could harm E.L.K. This is especially true when communicating to small or wide audiences through press releases, social media and presentations at conferences.

You must:

- refer all media enquiries to the Director, Finance & Regulatory Affairs.
- not make any E.L.K. material public, or post it to the internet without prior approval from the Director, Finance & Regulatory Affairs;

E.L.K. Directors: While your job as director is to supervise management's and E.L.K.'s performance with a critical eye, you must confine your criticisms to the Board table. It is contrary to E.L.K.'s best interests for a director to publicly criticize E.L.K. or its management.

Responding to Incidents of Non-Compliance

You are expected to adhere to the Code, as well as all of our policies, as a condition of your employment, directorship or engagement with E.L.K. If you violate the Code, you will be subject to disciplinary action, depending on the severity of the violation, up to and including, in the case of employees or contractors, termination of your employment or engagement.

Monitoring and Reporting by Employees

You have a responsibility to report any fraud incidents or concerns you see or know regarding another employee. If you are aware of a suspected fraud, inappropriate or unethical behavior by others that violates or appears to violate the Code, you must report it to your supervisor.

There will be no reprisal against you for making a report in good faith. Failure to report a fraud incident or violation of this Code may lead to disciplinary action, up to and including, in the case of employees or contractors, termination of your employment or engagement, as well.

Appendix 2-A

List of Requested Approvals

The distributor must fill out the following sheet with the complete list of specific approvals requested and relevant section(s) of the legislation must be provided. All approvals, including accounting orders (deferral and variance accounts) new rate classes, revised specific service charges or retail service charges which the applicant is seeking, must be separately identified, as well being clearly documented in the appropriate sections of the application.

Additional requests may be added by copying and pasting blank input rows, as needed.

If additional requests arise, or requested approvals are removed, during the processing of the application, the distributor should update this list.

E.L.K. Energy Inc. is seeking the following approvals in this application:

1		An Order or Orders approving the proposed distribution rates, to recover a base revenue requirement of \$4,024,650 and other charges set out in Exhibit 8 to this Application as just and reasonable rates and charges pursuant to Section 78 of the OEB Act, to be effective effective May 1, 2022, in accordance with the Filing Requirements.
2		In the event that the OEB is unable to provide a Decision and Order in this application for implementation by the Applicant as of May 1, 2022, the Applicant requests that the OEB declare its current rates interim, effective May 1, 2022, pending the implementation of the OEB's Rate Order for the 2022 rate year.
3	(i)	Approval of the Adjusted Retail Transmission Network and Connection rates as detailed in Exhibit 8
3	(ii)	Approval of the Adjusted Low Voltage rates detailed in Exhibit 8
3	(iii)	Approval of the Adjusted Loss Factors as detailed in Exhibit 8
3	(iv)	Approval of Continuance of Specific Service Charges as detailed in Exhibit 8
4	(i)	Approval of the Rate riders for disposition of Group 1 and Group 2 Deferral and Variance Account balances as described in Exhibit 9
4	(ii)	Approval for Continuance/Discontinuance of Group 2 accounts as described in Exhibit 9
5		Approval of an "Incremental PILs/Income Tax Variance Account" to record any PILs/Income Taxes payable by E.L.K. in the year after the Cost of Service rate re-set up until the effective date that rates are next adjusted through a Cost of Service application.

1 **TAB 4 - DISTRIBUTION SYSTEM OVERVIEW**

2 **1.0 Overview**

3 E.L.K. is a local distribution company serving more than 12,400 customers⁶ in the Towns of
4 Essex, Lakeshore and Kingsville. Within these towns, which cover a large geographic area in
5 Southwestern Ontario, E.L.K. has six non-contiguous service areas, serving the communities of
6 Belle River, Comber, Cottam, Essex, Harrow and Kingsville.

Service Area:	Description of the Applicant:
COMMUNITY SERVED:	Urban communities of Belle River, Comber, Cottam, Essex, Harrow and Kingsville
TOTAL SERVICE AREA:	22 sq. km
RURAL SERVICE AREA:	
DISTRIBUTION TYPE:	Electricity Distribution
SERVICE AREA POPULATION:	78,590
MUNICIPAL POPULATION:	Approx. 21,900

7 A map of E.L.K.'s distribution service territory is provided as Exhibit 1, Tab 4, Attachment 1.

⁶ As of December 2021

2.0 Transmission or High Voltage Assets

E.L.K. does not have any transmission or high voltage assets (>50kV) deemed previously by the Board as distribution assets and does not have any such assets for which E.L.K. is seeking Board approval to be deemed as distribution assets in this application.

3.0 Host/Embedded Distributor

E.L.K. is a fully embedded distributor who receives electricity at distribution level voltages from Hydro One Networks Inc. E.L.K. is also a host distributor to Hydro One. A schematic diagram illustrating this is provided in Exhibit 1, Tab 4, Attachment 2.

E.L.K. possesses a separate Embedded Distributor class which was established in a previous E.L.K. cost of service proceeding (EB-2011-0099). There are no other embedded distributors in any other classes.

Attachment 1-4-1

Service Territory Maps

E.L.K. Service Territory

E.L.K. is a local distribution company serving more than 12,611 customers in the Towns of Essex, Lakeshore and Kingsville. Within these towns, which cover a large geographic area in Southwestern Ontario, E.L.K. has six non-contiguous service areas, serving the communities of Belle River, Comber, Cottam, Essex, Harrow and Kingsville. These customers are supplied by four (4) Hydro One owned transformer stations. E.L.K.'s service area covers 23 square kilometers. The service territory is shown in below:



E.L.K. owns, maintains, and operates approximately 89 km of overhead primary distribution feeders and 79 km of underground primary distribution circuits including seven 27.6 kV feeders and one 8.32kV feeders. Bulk power system supply is provided by four Hydro One owned transformer stations.

E.L.K. is part of the Windsor-Essex planning region as shown in the figure below. This region includes the municipalities of Amherstburg, Essex, Harrow, Kingsville, Lakeshore, LaSalle, Leamington, Pelee Island, Tecumseh, and Windsor, as well as portions of Chatham-Kent. This planning region includes the following participants:

- Entegrus Powerlines Inc.
- Enwin Utilities
- Essex Powerlines Corporation
- E.L.K. Energy Inc.
- Hydro One Networks Inc. (HONI)
- Independent Electricity System Operator (IESO)

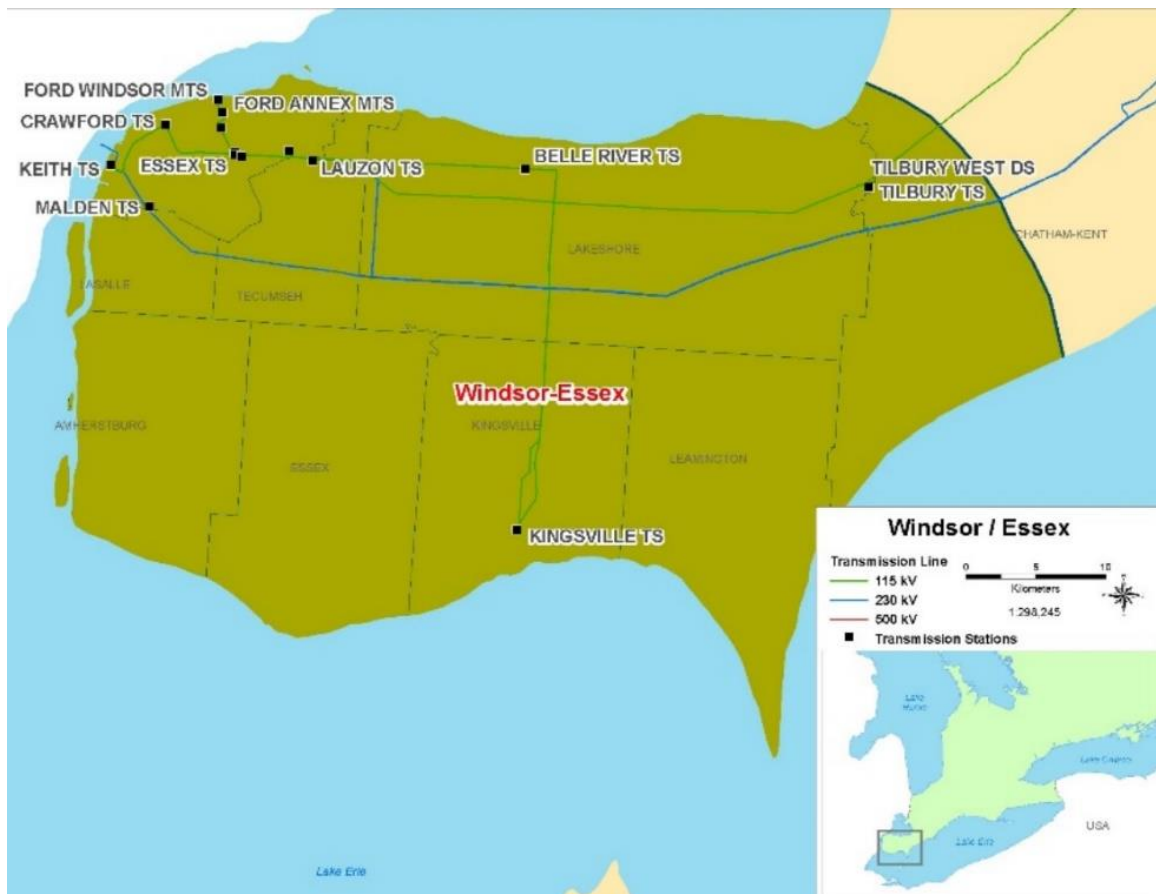


Figure *Error! No text of specified style in document.*-1: Windsor-Essex Planning Region¹

¹ Hydro One Networks Inc. Windsor-Essex Regional Planning.
<https://www.hydroone.com/about/corporate-information/regional-plans/windsor-essex>

TAB 5 - CUSTOMER ENGAGEMENT

1.0 Customer Engagement Overview

The Report of the Board, RRFE: A Performance Based Approach (the “RRFE Report”) contemplated enhanced engagement between distributors and their customers to provide better alignment between distributor operational plans and customer needs and expectations. E.L.K. has a continuous focus on its customers by striving to provide superior service at a reasonable cost. E.L.K. is also becoming more customer centric by investing in new capabilities, programs, and technologies that allow us to communicate more effectively and efficiently with our customers. In this section, E.L.K. provides an overview of customer engagement activities that it has undertaken with respect to its daily operations and illustrates how customer feedback has been used to continually improve the customer experience.

Customer preferences and behaviours are ever changing and that means that a utility must adapt and transform as well. E.L.K. understands it must be seen as accessible, responsive, accountable, transparent and trustworthy. A customer centric focus with an emphasis on lowering costs must be a priority. This is in keeping with the requirements of the RRFE which contemplates enhanced engagement between distributors and their customers to better align a distributor’s operational plans with its customers’ needs and expectations.

E.L.K. has recently focused effort in engaging customers to better understand their needs, insight into customer needs and preferences. E.L.K.’s method of engaging customers includes the following:

Engaging Customers - Methods

1. Telephone - Call Centre

- Inbound calls
- Outbound calls
- Call-in Messaging

- 1 2. E-mails
- 2 • Inbound
- 3 • Outbound
- 4 3. Letters
- 5 • Mailed inserts and letters notifying customers of new initiatives as well as hand –
- 6 delivered letters to customers who will be impacted by planned outages.
- 7 4. Website
- 8 5. Bills
- 9 • Paper/electronic bills
- 10 • Bill messages, envelope messages
- 11 • Bill inserts
- 12 6. Surveys
- 13 7. Face-to-Face contact
- 14 • Interactions with staff, one on one or group settings
- 15 • Customer meetings with key staff
- 16 • Information sessions for specific customer segments (i.e. Low Income)
- 17 8. Community Outreach Activities
- 18 • Booths at community events
- 19 • Displays at local retail stores
- 20 • Presentations to community groups
- 21 • School presentations - electrical safety and conservation presentations
- 22 9. Media releases and information alerts
- 23 10. Advertising
- 24 • Newspaper, radio
- 25 11. In Office displays
- 26 • Customer Engagement and Customer Satisfaction- Evaluating Performance

2.0 Customer Engagement Surveys

2.1 2020 Oraclepoll Customer Satisfaction Survey

In January 2020 a customer satisfaction survey of E.L.K. Energy customers was conducted by Oraclepoll Research Limited (Exhibit 1, Tab 5, Attachment 1). The results from this survey were also compared to similar surveys conducted in 2018 and 2016. The results from this survey are summarized below:

Executive Summary / Overall Satisfaction

Approximately 81% of E.L.K customers provided a good (32%) or very good (49%) rating for their overall satisfaction with the LDC as their provider, up 2% from the 79% score in 2018 and +6% stronger than in 2016. Only 9% accorded a poor (8%) or very poor (1%) rating down -1% from 2016 and 10% a satisfactory mark (-1%).

Comparative Customer Service

The total good comparative customer service rating has remained consistent at 73% only down slightly (-1%) over 2018 as 21% rated the LDC as good and 52% very good in comparison to other providers. Only 8% rated the utility as poor (2%) or very poor (6%), +2% over 2018 and 16% (+1%) satisfactory, while 3% (-2%) were unsure.

Price of Electricity – Satisfaction

Satisfaction with the price of electricity as evidenced by the total good score dropped to 43% from 47% in 2018 but is still 11% higher in relation to the baseline poll of 2016. While the total poor mark has remained consistent at 34% (-1% compared to 2016), there was an increase of +6% in the satisfactory score to 24%. When combining the total good and satisfactory results in 2020, there is an overall satisfaction rating of 67% (+2% compared to 2016) and (+16% compared to 2016).

Energy Bills

Fifty-four percent of customers said they were aware of the fact that E.L.K accounts for only about 18% of the bill that customers receive, 40% were unaware and 6% answered do not know.

Overall Value

Within the context of the percentage of the bill that E.L.K. represents, 65% rated the overall value that the LDC provides as good (35%) or very good (30%) a -6% drop compared to the 2018 survey, but still +6% higher than in the baseline poll. There were 13% that provided a total poor score (+3% in relation to 2018), 16% a satisfactory one (+4%), while 6% were unsure (-3%). When combining the total good and satisfactory results in 2020, there is an overall satisfaction rating of 81%, -2% lower compared to 2018 and +6% higher in relation to 2016. Customer Service Statements

E.L.K. rated very strongly in terms of the level of agreement for providing customers with good service at 88%, +2% higher compared to the previous poll. It also rated good for meeting its commitment to customers with an 83% score, while down slightly (-1%) has remained consistent over the three survey waves. A total of 33% did not know or were unsure of what the utility could do better to service customers and 12% claimed that nothing more was needed. Among those with an opinion, rates were most cited, with 19% saying lower rates and 10% keeping rates stable or not raising them. Other mentions included better communication, response times to outages, less outages having more information about offerings and improved service.

Performance Ratings – Reliability and Outages

E.L.K. Energy continues to rate strong and highest for providing a reliable power supply at 82% up slightly over 2018 by +2%, next followed by providing prompt responses to outages when they occur at 70% – consistent with 2018 by slightly lower by -1%. Satisfaction results

1 remain lower in the areas of communicating with customers about planned outages at 48%
2 and for effectively scheduling planned outages at 46%, with both indicators dropping (-3% for
3 both over 2018). The negative rating (poor & very poor) was highest for communicating at
4 22%, while a total of 23% were unsure. With respect to scheduling outages, 24% did not know
5 and 18% provided a poor or very poor rating. One single method of receiving information did
6 not stand out, rather it appears that a mix of communication options are required during
7 outages. The top three named were the telephone by 24% (34% in 2018), closely followed
8 by social media by 22% (16% in 2018) and email by 21% (18% in 2018). Text messages were
9 named by 11% (8% in 2018), an app by 7% (6% in 2018), the E.L.K. website by 6% (5% in
10 2018) and radio by 6% (10% in 2018).

11 **Price Balance**

12 A majority of customers or 59% and +2% more than in 2018 continue to prefer a balance
13 between rates and the number of outages. There are 9% (-2%) that want higher rates with
14 potentially fewer outages, with 4% preferring the highest rates and lowest possible outages
15 and 5% higher rates and potentially fewer outages. Twenty-three percent (+2%) said they
16 would favour lower rates tolerating some outages, with 16% preferring lower rates with occasional
17 outages and 7% the lowest rates with the possibility of frequent outages. Communication Rating

18 There was an improvement in the communications performance rating of good (37%) and very
19 good (23%) to 60% from 55% in 2018. The total poor score remained consistent increasing slightly
20 (+1%), while the satisfactory rating dropped -3%. Fewer were unsure (-1%) or said they had no
21 experience

22
23 Social media was most named by 20% (12% in 2018) as the preferred method of receiving
24 information, closely followed by an email at 18% (20% in 2018) and the E.L.K. web site at 15%
25 (15% in 2018). Direct mail was mentioned by 14% (17% in 2018), bill inserts by 11% (14% in 2018)
26 and texts by 8% (7% in 2018). Lesser named was radio by 4% (5%), newspaper ads by 3% (3%),
27 telephone by 3% (4%) and the newsletter by 2% (2%).

With respect to communicating with E.L.K., email is now most preferred by 36% (32% in 2018), followed by phone at 32% (42% in 2018). Social media was named by 12% (7% in 2018), a link on the website by 10% (unchanged) and texts by 4% (3% in 2018). Other mentions related to in person visits by 3% (2%) and regular mail by 2% (1%).

Rating Bill Inserts

Sixty-three percent have a favourable opinion (good & very good) of bill inserts or electronic bill links down -4% from 2018, while 12% hold an unfavourable opinion (poor or very poor) up +2%. A total of 20% gave bill inserts a satisfactory grade (+3%), 3% said that they had no experience (-2%) with bill insets or links, while 2% (unchanged) did not know. OEB and Regulation of Rates

A more than three-quarters majority or 76% said they were aware of the role of the OEB in regulating energy prices, slightly higher (+1%) but consistent with 2018. Some primary issues identified through E.L.K.'s customer engagement included:

- Impact of rate increases and lower costs in general
- General Awareness, and
- Reliability of Service

2.2 2021 METSCO Survey

In 2021 E.L.K conducted a customer engagement survey through METSCO (Exhibit 1, Tab 5, Attachment 2) to obtain customer views on both its DSP as well as other aspects of its work plans in this rate application.

In total, 290 residential and business customers responded to the survey, across its six service areas. Key questions and responses from the survey can be best categorized under the following categories, including (a) customer segmentation and demographics, (b) E.L.K. performance, and (c) capital investments and customer preferences. The survey results identified three clearly defined customer priorities:

- 1 1. ensuring reliable electric service,
- 2 2. reducing the overall number of outages, and
- 3 3. prioritizing investments that will help improve system reliability, power quality, efficiency,
- 4 and operations.

5 Further detail of this feedback is provided below.

6 **Customer Segmentation and Demographics**

7 The representation of customers who responded to the survey cover all customer types -
8 residential and business - across all six service areas. The response rate covers approximately
9 2% of E.L.K. customer base, which is within the range of a typical online utility survey. The majority
10 of responses came from customers located in the Kingsville and Essex regions, which are the
11 two largest population centers in E.L.K.'s service territory.

12 **E.L.K. Performance**

13 E.L.K. customers were split between being satisfied or dissatisfied with E.L.K. performance and
14 system reliability. Dissatisfaction was notably higher when the question focused specifically on
15 system reliability. Those who indicated they are not satisfied with these services have also
16 indicated that E.L.K. should improve communications when an outage occurs and reduce the total
17 number of outages experienced.

18 **Capital Investment & Customer Preferences**

19 The majority of E.L.K.'s customers were either satisfied with E.L.K.'s proposed pace of
20 investments in the DSP or preferred to see a further increase the pace of investments proposed
21 to see improvements made to system reliability, service and operations. E.L.K.'s proposed plans,
22 including the proactive replacements of deteriorating and end of life assets, bucket truck
23 replacements, the deployment of a line fault indicators pilot project, and the development and
24 implementation of an IT strategy, are all in favour of meeting E.L.K.'s customer needs and

1 priorities, while also ensuring the continued safe and reliable operation of the distribution system
2 at affordable rates for customers.

3 Overall, there is strong support for E.L.K.'s proposed plan, with customers either agreeing that
4 this is the right approach or indicating that they trust that E.L.K., being the expert, will make the
5 right decisions.

6 **3.0 Responding to Customer Input**

7 E.L.K. has incorporated customer feedback into its operations and this application in several
8 ways. For example:

- 9 • with respect to the MicroFIT and FIT programs E.L.K. made a conversion in July 2021 to
10 allow for a direct deposit method of payment
- 11 • with respect to customer preference for phone calls in regard to planned outages, E.L.K.
12 converted from paper hand delivered notices to CSR staff calling customer's directly or
13 emailing customers
- 14 • with respect to customers indicating they like the ability to come into the office to voice
15 concerns or have questions regarding their bill explained to them in person E.L.K. has an
16 open office accessible for customers,
- 17 • with respect to customers indicating they would prefer online forms to fill out an initiative
18 was put in place to change forms to PDF online fillable, and
- 19 • E.L.K. has initiated a process for a new website to streamline processes for improved
20 customer service.

21 **4.0 Other Customer Engagement**

22 It is important for E.L.K. to implement multiple customer service strategies that will allow E.L.K. to
23 respond to customer concerns brought forth. Some suggestions for actions that could be taken
24 to improve the customer experience include:

- 25 • Increasing Energy Understanding - Regarding Bills

- 1 • Improving Customer Communication
- 2 • Improving Outage Reporting
- 3 • Engaging the use of social media

4 Bill inserts and on-bill messaging is included monthly on the bill according to topics of interest and
5 relevance to customers.

6 E.L.K. has also made efforts to engage the largest energy consumers in E.L.K.'s service territory
7 to work on issues of importance to them. These engagement issues include electricity rates and
8 pricing, billing inquiries, electrical supply concerns, demand response, and energy conservation.
9 E.L.K.'s experience with this approach is that larger electricity consumers are very busy with their
10 core responsibilities, and they have a tolerance for the right amount of engagement that benefits
11 their business. E.L.K. has summarized its customer engagement activities in Table 1-16 below,
12 which is Appendix 2-AC.

1

Table 1-16: Customer Engagement Activities

Appendix 2-AC
Customer Engagement Activities Summary

Provide a list of customer engagement activities	Provide a list of customer needs and preferences identified through each engagement activity	Actions taken to respond to identified needs and preferences. If no action was taken, explain why.
Customer Letters, E-Blast, Bill Inserts	Conservation and Usage Reduction for Small Business and Residential and Low Income. Programs available to manage peak demand.	General Awareness is being promoted. Increase awareness, reduce consumption and cost.
Outreach to Essex Chamber of Commerce, Local B.I.A.	Conservation and Usage Reduction for Small Business and Residential and Low Income. Programs available to manage peak demand.	General Awareness is being promoted. Increase awareness, reduce consumption and cost.
Outreach to Local Area Foodbanks, Local Social Service Agency	Conservation and Usage Reduction for Small Business and Residential and Low Income	General Awareness is being promoted. Increase awareness, reduce consumption and cost.
Complete Re-design of E.L.K. Energy Website	Rate changes and impacts, great ability to research and gain greater understanding and awareness of industry and bill.	e-Services portal enables future enhancement
Customer Education Literature	Rate changes and impacts, great ability to research and gain greater understanding and awareness of industry and bill.	E.L.K. has created a Customer Education Section at the front of the office that has brochures, bill inserts, TOU info , Conservation info etc and staff are always willing and ready to answer questions.
E-Billing/Customer Connect - Online Account Services	E.L.K. provides access to customer bills and consumption data	E.L.K. has offering to customers based on input received from customers. This also reduces E.L.K.'s carbon footprint.
Financial Assistance Program	E.L.K. provides support through partnerships with the provinces Low Income Energy Assistance Program. This emergency financial assistance program are designed to help low income customers who have difficulty making their electricity bill payments	E.L.K. promotes and continues to promote verbally and in writing on a monthly basis about the financial assistance programs available.
Regional Planning Engagements	E.L.K. has participated in all Regional Planning Initiatives with Government and Municipalities.	

Increased Functionality with Phone System	Greater communication ability	Notification of rate changes, new e billing features
Oraclepoll Research Group - Customer Survey Report 2020	<p>This report represents the findings from a January 2020 customer satisfaction survey of E.L.K. Energy customers conducted by Oraclepoll Research Limited for the LDC. This represents the third wave of customer survey data collection. The results in this report are compared with the survey that first benchmarked satisfaction scores in June 2016 and was then tracked in January 2018. More than eight or 81% of E.L.K customers provided a good (32%) or very good (49%) rating for their overall satisfaction with the LDC as their provider, up 2% from the 79% score in 2018 and +6% stronger than in 2016. Only 9% accorded a poor (8%) or very poor (1%) rating down -1% from 2016 and 10% a satisfactory mark (-1%).</p>	<p>E.L.K. Energy Inc to focus on customer engagement activities. Increased customer focus through timely response of customer emails, open office where customers can provide feedback to Supervisors one on one.</p>
E.L.K. Energy Distribution System Plan Customer Survey 2021 Report	<p>As part of E.L.K. Energy Inc ("E.L.K.") developing their 2022-2026 Distribution System Plan ("DSP"), an online customer survey has been undertaken to gather feedback from E.L.K. customers on their proposed plan. In total, 290 residential and business customers responded to the survey, across its six service areas. Key questions and responses from the survey can be best categorized under the following categories, including (a) customer segmentation and demographics, (b) E.L.K. performance, and (c) capital investments and customer preferences. The survey results identified three clearly defined customer priorities:</p> <ol style="list-style-type: none"> 1. ensuring reliable electric service, 2. reducing the overall number of outages, and 3. prioritizing investments that will help improve system reliability, power quality, efficiency, and operations 	<p>E.L.K. Energy Inc will continue to focus on customer engagement activities to obtain customer's feedback. Increased customer focus through timely response of customer emails, open office; social media promotion to rebrand the organization via a new upcoming website. E.L.K will send another survey in the spring of 2022 to further engage customers.</p>

1

2

1 In addition to the items above E.L.K. engages customers in the following ways:

- 2 • Regional Planning Engagement and Meetings
- 3 • Contractor Association Meetings
- 4 • Education – Customers, school programs, etc.
- 5 • Outage Notification – Planned
- 6 • Forming alliances with other industry companies to improve service, reduce costs
- 7 • Website

8 **5.0 Community Involvement**

9 It is important to E.L.K. and its Shareholder that its employees support and give back to their
10 community, and as such donations have been made to the following worthy organizations over
11 the past 5 years by E.L.K. employees.

- 12 • Downtown Mission
- 13 • Breast Cancer Society
- 14 • Canadian Cancer Society
- 15 • A Life Worth Living
- 16 • ERCA
- 17 • ALS (Lou Gehrig's disease)
- 18 • The War Amps
- 19 • Heart and Stroke Foundation
- 20 • Canadian Diabetes Association

6.0 Social Services

Financial Assistance Program: E.L.K. provides support through partnerships such as the Unemployed Help Centre. Local offices serve specific areas; South Essex Community Council (Kingsville), Amherstburg Community Services (Harrow) and Lakeshore Community Centre (Belle River, Comber, Cottam and Essex). In addition, E.L.K. supports the partnership with the provinces Low-income Energy Assistance Program (LEAP). This emergency assistance program is designed to help low-income customers who have difficulty making their electricity bill payments.

7.0 Publications

The majority of E.L.K.'s customers receive a physical paper bill in the mail, and E.L.K. takes advantage of this opportunity to communicate additional information via messages on the outside of the envelope, separate inserts, and messages on the bill itself as previously described. Many of these messages are coordinated with announcements from the OEB, IESO, and other agencies, and include information about retailers, rate changes, conservation and demand management programs, electricity safety, and references to our website.

8.0 Front Desk Support

E.L.K. also maintains front desk support allowing the customer and the utility to interact on a direct basis. Social interaction is still one of the best ways to be in close contact with the customer. People like being heard and like giving feedback, which is done when paying their electricity bill at the front counter or filling out paperwork at E.L.K.

Maintaining a front desk allows information to be exchanged with every customer interaction. Data gathered through these interactions can then be used to improve business outcomes. E.L.K.'s front counter customer service representatives help bridge the gap between the customer and industry information as well as other utility staff. E.L.K. plans on continuing its front desk operations as a form of customer engagement and to ensure expected customer service levels are maintained.

9.0 E.L.K.'s Response to Customer Preferences

Through its customer engagement activities, which are summarized above, E.L.K. has identified six key customer preferences.

1. Affordable electricity costs
2. Reliability of service with rapid response to un-planned outages
3. Assistance to reduce consumption and thereby costs.
4. Communications through a variety of media including phone, internet, social media, in-person and email
5. Proactive communications when there are un-planned outages
6. Business to be customer centric including timely service that solves their problems

Below E.L.K. has summarized how it takes each of those preferences into account in the operation of its business.

1. *Affordable electricity costs*

E.L.K. frequently hears from its customers about the importance of affordable electricity. At the same time, customers also ask for services and have an expectation that when they touch a switch the lights will come on. As such, E.L.K. is proposing a rate change that balances the needs for its customer, operational effectiveness (safety and reliability), public policy responsiveness and solid financial performance. Please see the Benchmarking Spreadsheet Forecast Model filed in Excel format with this Application.

E.L.K. is already one of the lowest cost utilities in the province and this application will keep E.L.K. as one of the lowest cost utilities for our customers and show that a utility can be low cost and still remain financially stable.

2. *Reliability of service with rapid response to un-planned outages*

1 E.L.K. strives to maintain reliability within a high level of performance. The reliability performance
2 levels that are tracked by E.L.K include the average number of hours and times that power to a
3 customer is interrupted. With respect to these metrics, in 2020, E.L.K. met and surpassed all of
4 these service quality indicators. However, E.L.K. has included expenditures in this application to
5 improve upon its overall reliability performance. E.L.K.'s maintenance strategy is, to the extent
6 possible, to minimize reactive and emergency-type work through an effective planned
7 maintenance program (including predictive and preventative actions).

8 E.L.K.'s customer responsiveness and system reliability are monitored continually to ensure that
9 its maintenance strategy is effective. This effort is coordinated with E.L.K.'s capital project work,
10 so that where maintenance programs have identified matters the correction of which require
11 capital investments, E.L.K. may adjust its capital spending priorities to address those matters.
12 E.L.K. is planning the addition of two FTEs in the 2022 Test Year.

13 3. *Reliability of Service*

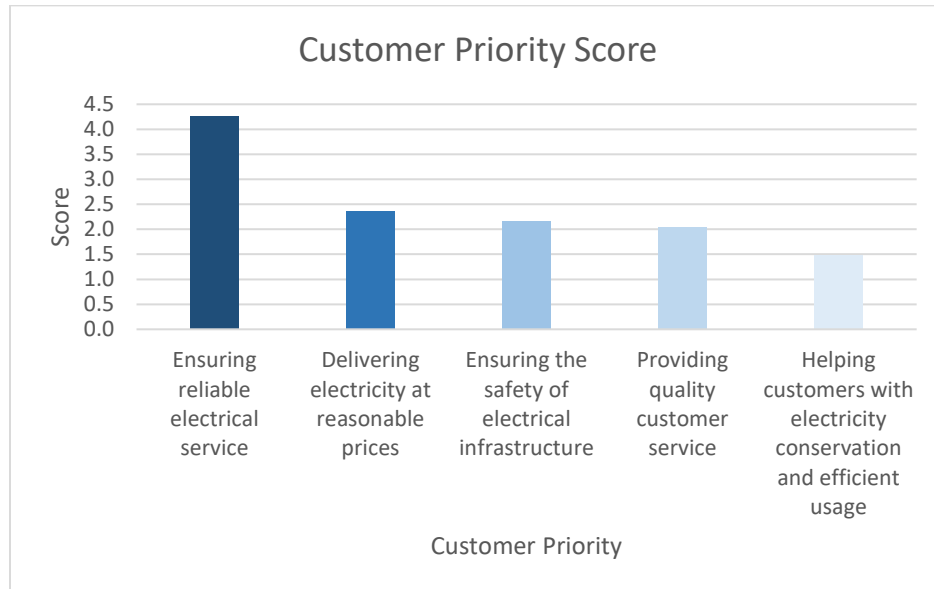
14 As previously mentioned, E.L.K.'s customer responsiveness and system reliability are monitored
15 continually to ensure that its maintenance strategy is effective. This effort is coordinated with
16 E.L.K.'s capital project work, so that where maintenance programs have identified matters the
17 correction of which require capital investments, E.L.K. may adjust its capital spending priorities to
18 address those matters.

19 When it comes to system reliability, a majority of customers want to see continued spending on
20 upgrades and maintenance.

21 The METSCO survey confirmed that reliability is still a top customer priority. More specifically,
22 as shown in Figure 1-2 below customers have indicated that they are most concerned with
23 ensuring reliable electrical service.

1

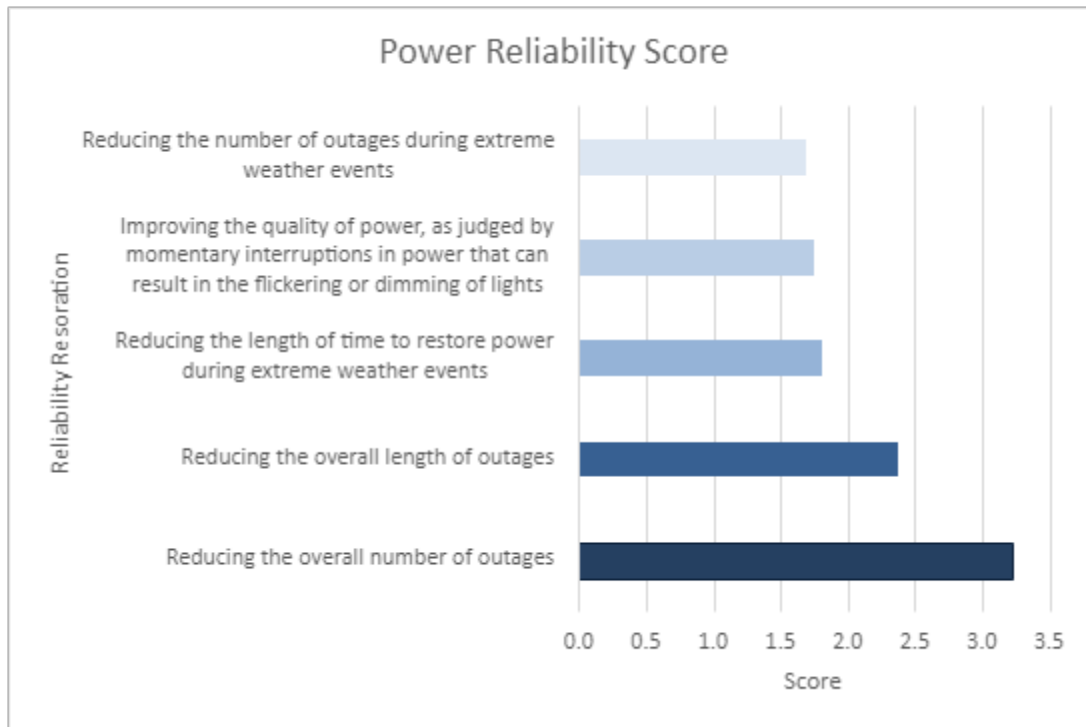
Figure 1-2 Customer Priority Score



2

3 Figure 1-3 below further illustrates customers feedback on the importance of reliability

Figure 1-3 Power Reliability Score



Based on the results outlined in METSCO survey, customers have identified a strong preference towards E.L.K. addressing day-to-day reliability, reducing the number of outages on the system, and ensuring that investments are made towards improving system services, reliability and operations.

There remains room to improve customer satisfaction with respect to overall service, system reliability and outage response time. Those who indicated they are not satisfied with these services have also indicated that E.L.K. should improve communications when an outage occurs and reduce the number of outages experienced while ensuring that investments made to address these concerns are made prudently for the benefit of system performance.

E.L.K. has taken actions to address these concerns through capital and OM&A expenditures as outlined in Exhibit 2, Tab 4 and Exhibit 4, Tab 3.

1 4. *Communications through a variety of media including phone, internet, social media,*
2 *in-person and email*

3 E.L.K. has taken steps to make more effective use of all these channels. Based on the feedback
4 received, E.L.K. updated its website including new content and making the site easier to navigate.
5 In the future, E.L.K. will ensure its communications plan builds on using conventional channels
6 supplemented with new channels including social media based upon the new employees within
7 this application. While not tested in the quantitative phase of the customer consultation, a number
8 of customers in the qualitative phase of the consultation suggested that E.L.K. invest more in
9 communication and the channels they use to reach customers. This was a particularly evident
10 when communicating during power outages and letting customers know when power would be
11 restored resulted in 56.7% satisfactory rating.

12 5. *Proactive communications when there are un-planned outages*

13 E.L.K. is looking into social media platforms that will allow E.L.K. to provide customer with more
14 timely information. These tools will be updated during outages to provide customers with as close
15 to real time information as possible so customers can make better decisions on actions to take at
16 home or at work. E.L.K. will continue to develop and refine these communication tools.

17 6. *Business to be customer centric including timely service that solves their problems*

18 E.L.K. will continue to maintain and build on its exemplary customer service rating in the customer
19 care category of its recent customer satisfaction survey. E.L.K. will implement some simple and
20 cost effective measures to ensure timely service that solves customer problems. When
21 customers contact E.L.K. they want acknowledgement that their problem is understood, they want
22 empathy on the importance of their issue and they want a knowledgeable person to take action.
23 E.L.K. is always trying to improve, making reminders, recommendation on wording use to assist
24 in making the customer service experience that much better. E.L.K. has implemented a new
25 procedure where customers are randomly called back each day to see if all their problems have
26 been resolved and if they are satisfactory with the outcome and if any further action is required.

E.L.K. will continue with its store front operation so customers have the convenience and ability to speak directly with staff on any service issue whether it is a bill payment issue or arranging for new service or upgrades. Customers will also continue to have access to local experienced staff should they wish contact through another channel.

10.0 Business Community

Larger customers require a higher level of support and engagement. The support varies based on the type of business, functions, and the customer's willingness to participate. E.L.K. uses the following guiding principles when working with larger business customers:

- 1) Streamlined incentive application process management.
- 2) Contractor involvement prior to engagement.
- 3) Providing walk through energy audits and technical guidance to identify and develop opportunities.
- 4) Presenting findings and solutions to senior executives, board of directors, and other key decision makers.
- 5) Conducting on-going educational and awareness campaigns through marketing and public presentations.

In addition, E.L.K. managed the pandemic related CEAP program for both residential and small business customers and directing customers to the LEAP program as appropriate.

11.0 Letters of Comment

At this time, the utility does not have any letters of comment related to this proceeding. E.L.K. will file letters/responses to any letters that are received.



Customer Survey Report 2020



January 2020

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METHODOLOGY & LOGISTICS

Overview

This report represents the findings from a January 2020 customer satisfaction survey of E.L.K. Energy customers conducted by Oraclepoll Research Limited for the LDC. This represents the third wave of customer survey data collection. The results in this report are compared with the survey that first benchmarked satisfaction scores in June 2016 and was then tracked in January 2018.

Study Sample

A total of N=400 respondents were interviewed. All respondents were screened to ensure that they were 18 years of age or older, E.L.K. customers and one of the persons at their residence that makes payments and other decisions about their power bill.

Survey Method

The survey was conducted using computer-assisted techniques of telephone interviewing (CATI) and random number selection. Numbers were randomly selected from a dual sample database that was inclusive of land lines and cellular telephone numbers. A total of 20% of all interviews were monitored and the management of Oraclepoll Research Limited supervised 100%.

Logistics

Interviews were completed between the days of January 14th and January 20th, 2020. Initial calls were made between the hours of 5 p.m. and 9 p.m. Subsequent call backs of no-answers and busy numbers were made on a (staggered) daily rotating basis up to 5 times (from 10 a.m. to 9 p.m.) until contact was made. In addition, telephone interview appointments were attempted with those respondents unable to complete the survey at the time of contact.

Confidence

The margin of error for the N=400-person residential survey is $\pm 4.9\%$, 19/20 times.

Reporting

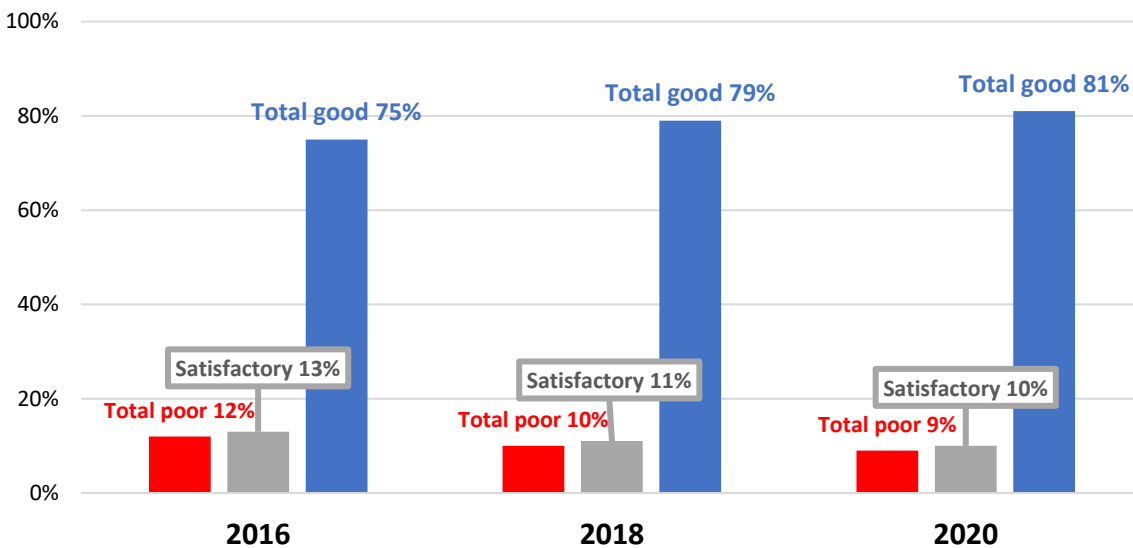
This document includes an executive summary of the findings, while a separate report in Excel contains the results by each individual question.

EXECUTIVE SUMMARY

Overall Satisfaction

Respondents were first asked the following overall satisfaction question.

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."

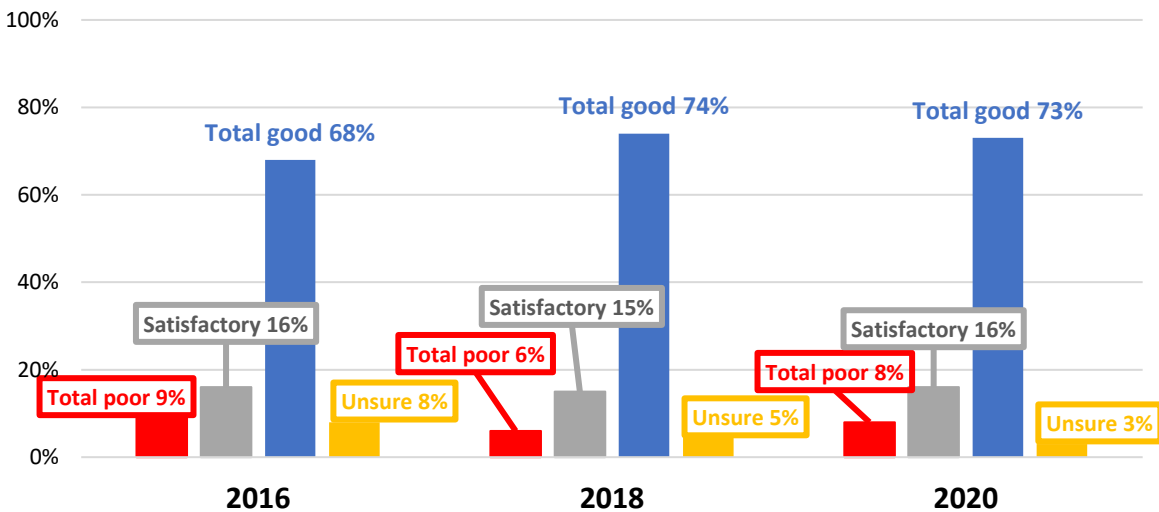


More than eight or 81% of E.L.K customers provided a good (32%) or very good (49%) rating for their overall satisfaction with the LDC as their provider, up 2% from the 79% score in 2018 and +6% stronger than in 2016. Only 9% accorded a poor (8%) or very poor (1%) rating down -1% from 2016 and 10% a satisfactory mark (-1%).

Comparative Customer Service

Next respondents were asked to rate the customer service provided by E.L.K. in relation to other providers of service.

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, phone or your cable TV or satellite provider"

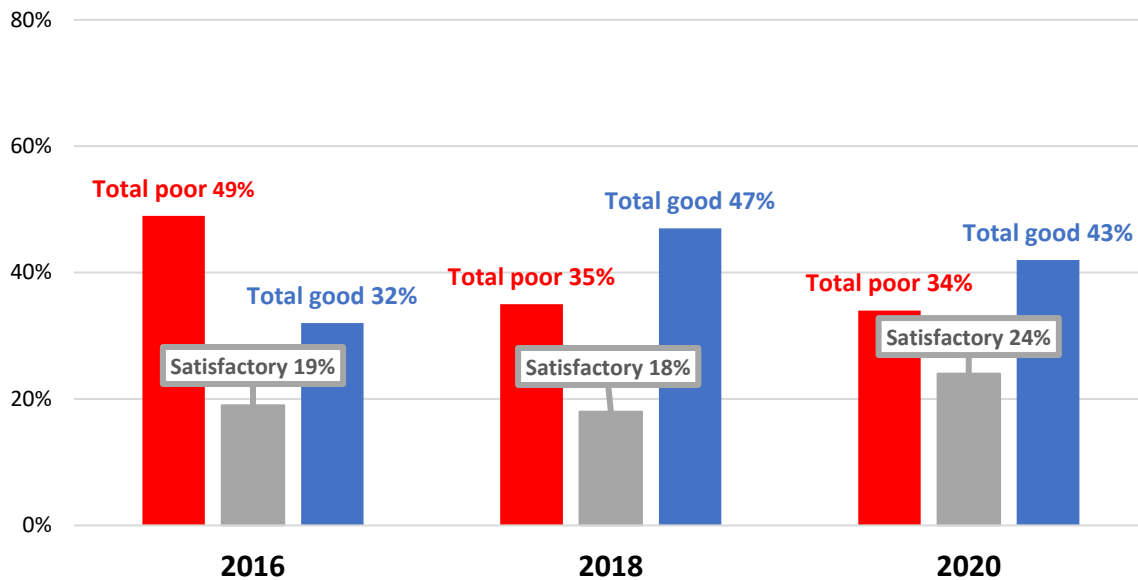


The total good comparative customer service rating has remained consistent at 73% only down slightly (-1%) over 2018 as 21% rated the LDC as good and 52% very good in comparison to other providers. Only 8% rated the utility as poor (2%) or very poor (6%), +2% over 2018 and 16% (+1%) satisfactory, while 3% (-2%) were unsure.

Price of Electricity – Satisfaction

Customers then were asked to rate their satisfaction with the price they pay for their electricity.

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?”

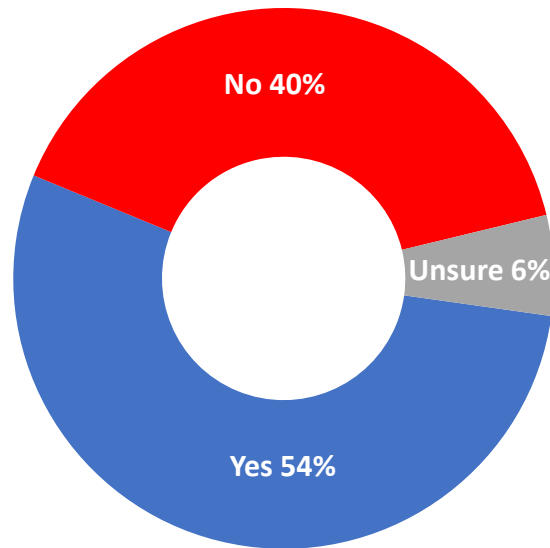


Satisfaction with the price of electricity as evidenced by the total good score dropped to 43% from 47% in 2018 but is still 11% higher in relation to the baseline poll of 2016. While the total poor mark has remained consistent at 34% (-1% compared to 2016), there was an increase of +6% in the satisfactory score to 24%. When combining the total good and satisfactory results in 2020, there is an overall satisfaction rating of 67% (+2% compared to 2016) and (+16% compared to 2016).

Energy Bill – E.L.K. Portion

An awareness question was asked to customers about the percentage of their bill that E.L.K. accounts for in relation to costs out of their control.

Q4. "Were you aware that your local utility E.L.K. only accounts for approximately 18% of your electricity bill and the remaining 82% relate to transmission, generation and other administrative costs out of its control?"



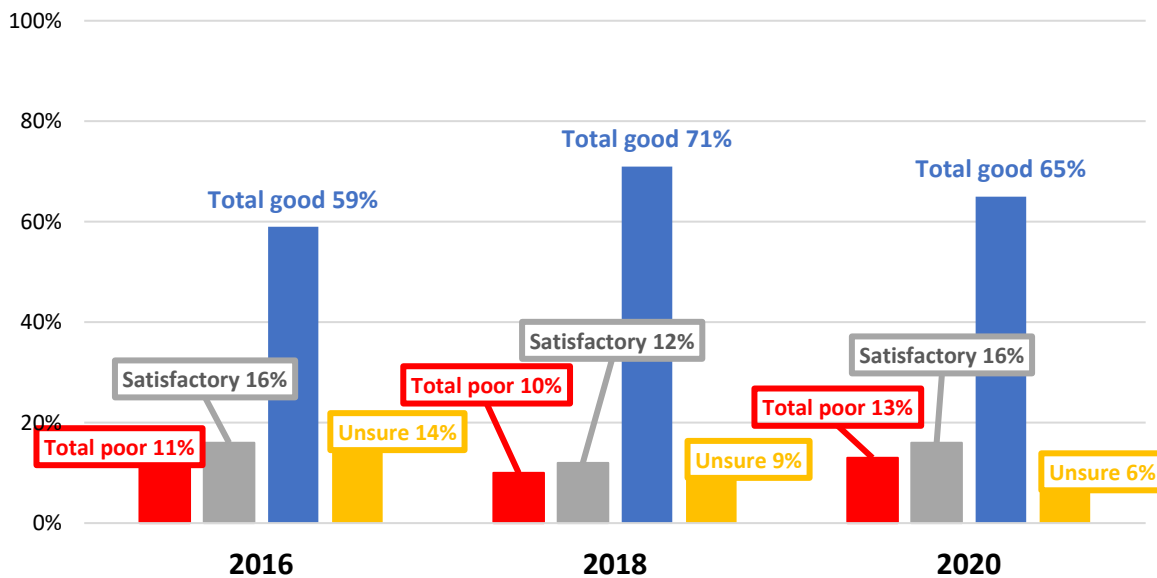
Fifty-four percent of customers claimed to be aware of the fact that E.L.K accounts for only about 18% of the bill that customers receive, 40% were unaware and 6% answered do not know.

Overall Value

Respondents were then asked a series of questions where they were instructed to focus on the percentage of their bill (18%) that E.L.K. is responsible for. They were first asked the following question on the overall value that the LDC provides.

"The next set of questions focus on the 18% 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?"



Within the context of the percentage of the bill that E.L.K. represents, 65% rated the overall value that the LDC provides as good (35%) or very good (30%) a -6% drop compared to the 2018 survey, but still +6% higher than in the baseline poll. There were 13% that provided a total poor score (+3% in relation to 2018), 16% a satisfactory one (+4%), while 6% were unsure (-3%). When combining the total good and satisfactory results in 2020, there is an overall satisfaction rating of 81%, -2% lower compared to 2018 and +6% higher in relation to 2016.

Customer Service Statements

Two statements related to customer service were read to respondents after which they were asked to rate their level of agreement with each one using a five-point scale (1-strongly disagree to 5-strongly agree). The table below illustrates the total agree scores for each question (4-agree & 5-strongly agree) and compares them over time.

"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."

CUSTOMER SERVICE AGREEMENT STATEMENTS	Total Agree 2016	Total Agree 2018	Total Agree 2020
Q6. E.L.K. Energy provides customers with reliable and good service	83%	86%	88%
Q7. E.L.K. Energy meets its commitment to customers	82%	84%	83%

E.L.K. rated very strongly in terms of the level of agreement for providing customers with good service at 88%, +2% higher compared to the previous poll. It also rated good for meeting its commitment to customers with an 83% score, while down slightly (-1%) has remained consistent over the three survey waves.

In an open-ended or unaided follow-up question, respondents were asked what they felt E.L.K Energy could do to better service its customers.

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

A total of 33% did not know or were unsure of what the utility could do better to service customers and 12% claimed that nothing more was needed. Among those with an opinion rates were most cited, with 19% saying lower rates and 10% keeping rates stable or not raising them. Other mentions included better communication, response times to outages, less outages having more information about offerings and improved service.

	2020	2018
Don't know	33%	37%
Lower rates	19%	10%
Nothing more	12%	14%
Keep rates / do not raise rates	10%	14%
More / better communication	6%	7%
Quicker responses to outages	4%	3%
Fewer power outages	4%	4%
More information about what they do	3%	2%
Better service (in general)	3%	3%
Arrive on time / quicker for service calls	2%	1%
Power lines need to be repaired / maintained	1%	2%
Explain the cost of service / bills	1%	2%
Invest more in renewable energy	1%	-
More reliable service in winter	1%	2%
Get rid of carbon tax	1%	-

Performance Ratings – Reliability & Outages

Respondents were then asked to rate E.L.K. across four areas related to reliability, responses to outages, scheduling and communicating information about planned outages.

“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.”

RELIABILITY & OUTAGE AREA RATINGS	Total Good 2016	Total Good 2018	Total Good 2020
Q9. The reliability of power supply	78%	80%	82%
Q10. Prompt response(s) to power outages when they occur	62%	71%	70%
Q11. Effectively scheduling planned power outages	42%	49%	46%
Q12. Effectively communicating with customers about planned power interruptions in your area	49%	51%	48%

E.L.K. Energy continues to rate strong and highest for providing a reliable power supply at 82% up slightly over 2018 by +2%, next followed by providing prompt responses to outages when they occur at 70% – consistent with 2018 by slightly lower by -1%. Satisfaction results remain lower in the areas of communicating with customers about planned outages at 48% and for effectively scheduling planned outages at 46%, with both indicators dropping (-3% for both over 2018). The negative rating (poor & very poor) was highest for communicating at 22%, while a total of 23% were unsure. With respect to scheduling outages, 24% did not know and 18% provided a poor or very poor rating.

In a follow-up question, customers were asked about their preferred method to receive information from E.L.K during outages (Q13).

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

One single method of receiving information did not stand out, rather it appears that a mix of communication options are required during outages. The top three named were the telephone by 24% (34% in 2018), closely followed by social media by 22% (16% in 2018) and email by 21% (18% in 2018). Text messages were named by 11% (8% in 2018), an app by 7% (6% in 2018), the E.L.K. website by 6% (5% in 2018) and radio by 6% (10% in 2018).

	2020	2018
Telephone	24%	34%
Social media	22%	16%
Email	21%	18%
Text Message	11%	8%
Smartphone App	7%	6%
E.L.K. Energy Website	6%	5%
Radio	6%	10%
Don't know/no preference	5%	3%

Price Balance

A question was asked to respondents where they could choose from five options related to the issue of balancing rates or prices in relation to the number of outages that they would prefer.

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..."

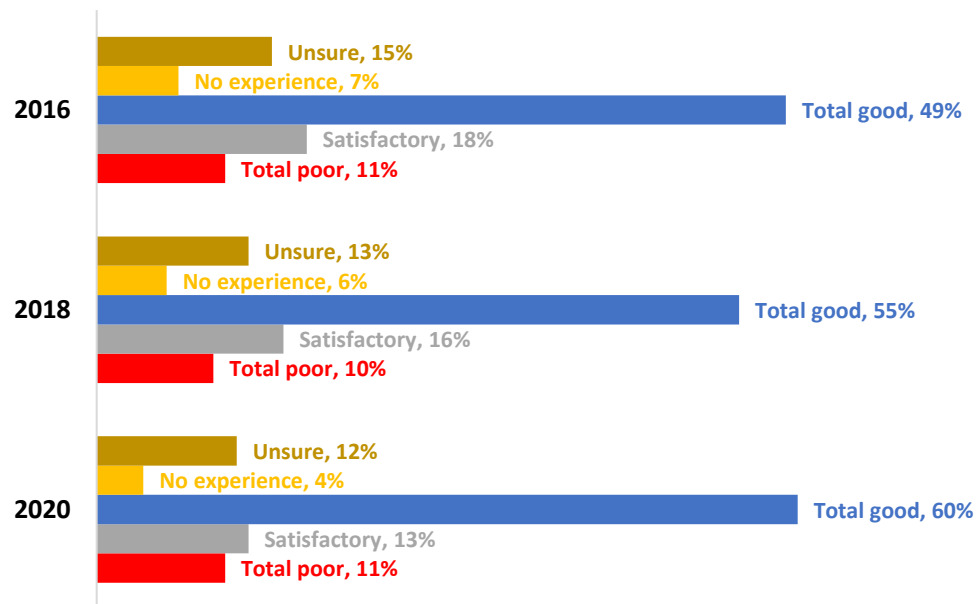
	2016	2018	2020
1-the lowest rates and potentially regular outages	7%	6%	7%
2- lower rates and potentially occasional outages	22%	15%	16%
3-a balance between rates and outages	47%	57%	59%
4- higher rates and potentially fewer outages	5%	6%	5%
5-the highest rates and potentially a lower number of outages	4%	5%	4%
Don't know	16%	11%	9%

A majority of customers or 59% and +2% more than in 2018 continue to prefer a balance between rates and the number of outages. There are 9% (-2%) that want higher rates with potentially fewer outages, with 4% preferring the highest rates and lowest possible outages and 5% higher rates and potentially fewer outages. Twenty-three percent (+2%) said they would favour lower rates tolerating some outages, with 16% preferring lower rates with occasional outages and 7% the lowest rates with the possibility of frequent outages.

Communications

Respondents then rated the performance of E.L.K. in communicating with customers.

Q15. “E.L.K. Energy communicates to its customers through a variety of methods including bill inserts, direct mail, its website, Twitter, 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.”



There was an improvement in the communications performance rating of good (37%) and very good (23%) to 60% from 55% in 2018. The total poor score remained consistent increasing slightly (+1%), while the satisfactory rating dropped -3%. Fewer were unsure (-1%) or said they had no experience (-2%).

In an open-ended unaided question allowing for multiple responses, customers were asked about their preferred method to have E.L.K. Energy communicate information to them.

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

Social media was most named by 20% (12% in 2018), closely followed by an email at 18% (20% in 2018) and the E.L.K. web site at 15% (15% in 2018). Direct mail was mentioned by 14% (17% in 2018), bill inserts by 11% (14% in 2018) and texts by 8% (7% in 2018). Lesser named was radio by 4% (5%), newspaper ads by 3% (3%), telephone by 3% (4%) and the newsletter by 2% (2%).

	2020	2018
Social media, such as Twitter	20%	12%
E-mail from the company	18%	20%
E.L.K. Energy Website	15%	15%
Direct mail	14%	17%
Bill inserts	11%	14%
Text message	8%	7%
Radio	4%	5%
Newspaper advertising	3%	3%
Telephone	3%	4%
Customer newsletter	2%	2%
Don't know/no preference	1%	-

Another unaided question allowing for multiple responses probed respondents about their preferred method to have them communicate with the company.

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

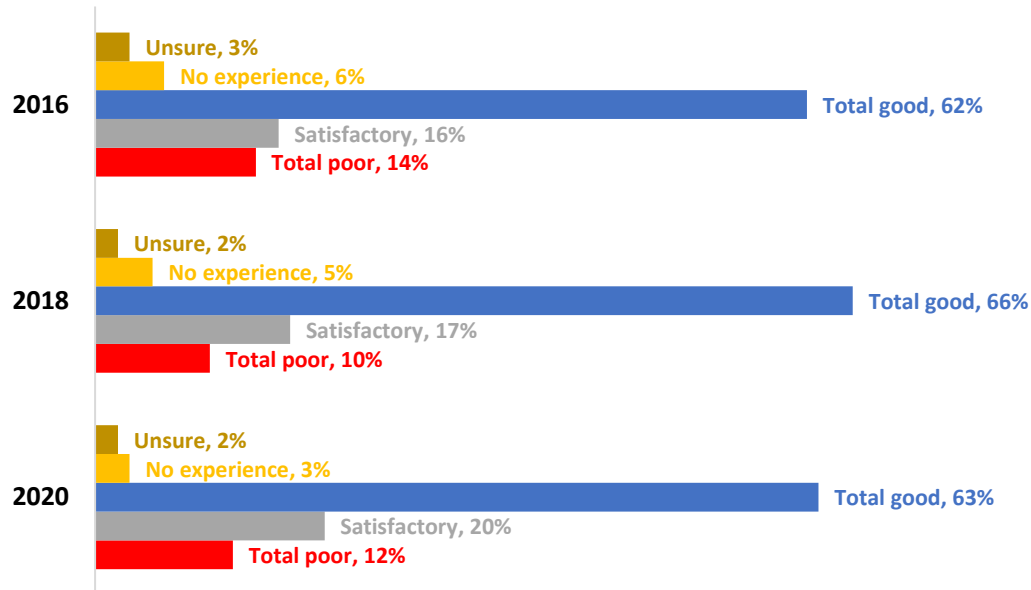
	2020	2018
<i>Email</i>	36%	32%
<i>Telephone</i>	32%	42%
<i>Social media</i>	12%	7%
<i>Link or form on E.L.K. Energy Website</i>	10%	10%
<i>Text message</i>	4%	3%
<i>In person at office</i>	3%	2%
<i>Regular mail</i>	2%	1%
<i>Don't know/no preference</i>	2%	2%

With respect to communicating with E.L.K., email is now most preferred by 36% (32% in 2018), followed by phone at 32% (42% in 2018). Social media was named by 12% (7% in 2018), a link on the website by 10% (unchanged) and texts by 4% (3% in 2018). Other mentions related to in person visits by 3% (2%) and regular mail by 2% (1%).

Rating Bill Inserts

Next respondents were asked to rate E.L.K. bill inserts and electronic bill links.

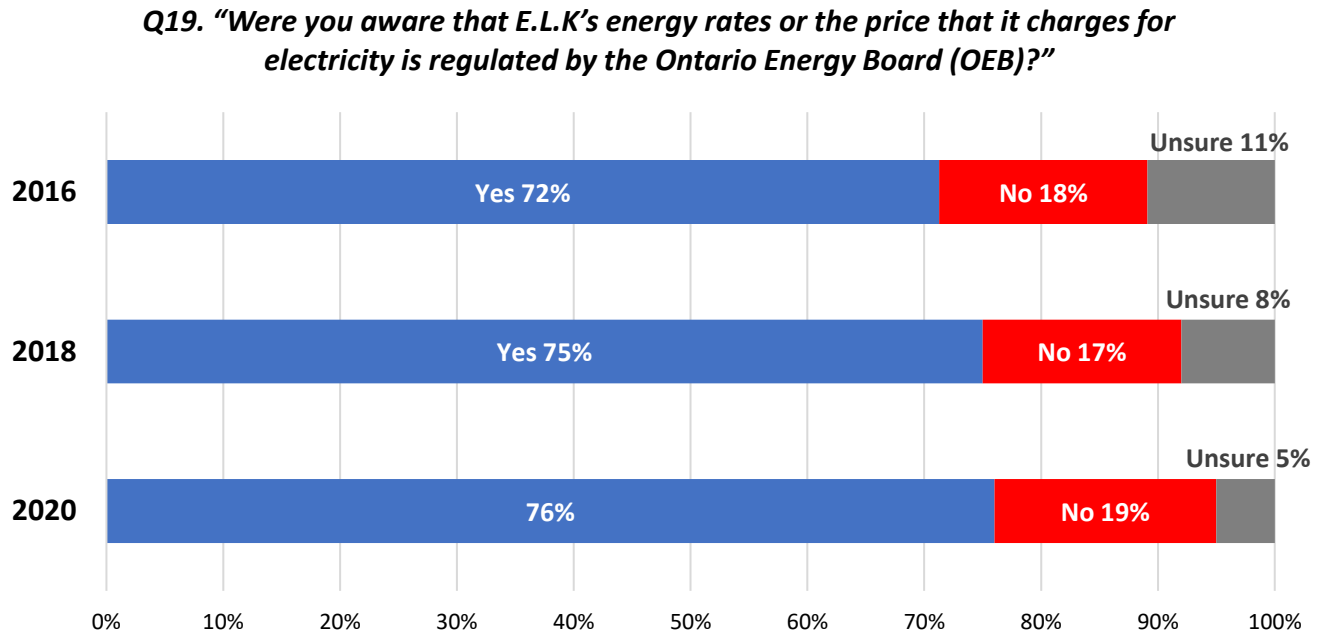
Q18. "From time to time, E.L.K. Energy attaches information to your bill in the form of a bill insert, or for electronic bill, in the form of a link. Using a scale from one very poor to five very good, how you would rate the overall quality of all of the bill inserts and other printed materials you have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



Sixty-three percent have a favourable opinion (good & very good) of bill inserts or electronic bill links down -4% from 2018, while 12% hold an unfavourable opinion (poor or very poor) up +2%. A total of 20% gave bill inserts a satisfactory grade (+3%), 3% said that they had no experience (-2%) with bill inserts or links, while 2% (unchanged) did not know.

OEB and Regulation of Rates

An awareness question was asked about the Ontario Energy Board and its role in regulating the price that E.L.K can charge for electricity.



A more than three-quarters majority or 76% claimed to be aware of the role of the OEB in regulating energy prices, slightly higher (+1%) but consistent with 2018.



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Appendix C:E.L.K. Energy Distribution System Plan Customer Survey 2021 Report

Prepared For: E.L.K. Energy

PRIVILEGED & CONFIDENTIAL

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Executive Summary

As part of E.L.K. Energy Inc ("E.L.K.") developing their 2022-2026 Distribution System Plan ("DSP"), an online customer survey has been undertaken to gather feedback from E.L.K. customers on their proposed plan. In total, 290 residential and business customers responded to the survey, across its six service areas. Key questions and responses from the survey can be best categorized under the following categories, including (a) customer segmentation and demographics, (b) E.L.K. performance, and (c) capital investments and customer preferences. The survey results identified three clearly defined customer priorities:

1. ensuring reliable electric service,
2. reducing the overall number of outages, and
3. prioritizing investments that will help improve system reliability, power quality, efficiency, and operations.

Further detail of this feedback is explored below.

Customer Segmentation and Demographics

The representation of customers who responded to the survey cover all customer types - residential and business - across all six service areas. The response rate covers approximately 2% of E.L.K. customer base, which is within the range of a typical online utility survey. The majority of responses came from customers located in the Kingsville and Essex regions, which are the two largest population centres in E.L.K.'s service territory.

E.L.K. Performance

E.L.K. customers were split between being satisfied or dissatisfied with E.L.K. performance and system reliability. Dissatisfaction was notably higher when the question focused specifically on system reliability. Those who indicated they are not satisfied with these services have also indicated that E.L.K. should improve communications when an outage occurs and reduce the total number of outages experienced.

Capital Investment & Customer Preferences

The majority of E.L.K.'s customers were either satisfied with E.L.K.'s proposed pace of investments in the DSP or preferred to see a further increase the pace of investments proposed to see improvements made to system reliability, service and operations. ELK's proposed plans, including the proactive replacements of deteriorating and end of life assets, bucket truck replacements, the deployment of a line fault indicators pilot project, and the development and implementation of an IT strategy, are all in favour of meeting ELK's customer needs and priorities, while also ensuring the continued safe and reliable operation of the distribution system at affordable rates for customers.

Overall, there is strong support for E.L.K.'s proposed plan, with customers either agreeing that this is the right approach or indicating that they trust that E.L.K., being the expert, will make the right decisions.



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1. Introduction

As part of E.L.K. Energy ("E.L.K.") developing their 2022-2026 Distribution System Plan ("DSP") and ensuring that their proposed capital investments are aligned to customer preferences, E.L.K. engaged METSCO Energy Solutions Inc. ("METSCO") in the preparation and development of a Customer Survey ("DSP Survey"). The DSP Survey was deployed across their entire customer base in order to capture information relating to the following categories:

- Customer Details (service area, customer type, etc.)
- Overall Performance of E.L.K. (services provided by E.L.K., customer satisfaction with system reliability, power restoration, planned outages, customer response times, etc.)
- E.L.K. Capital Investments (customer preferences on System Renewal and General Plant investments as well as System O&M investments)

In an effort to minimize customer burden and obtain feedback in a timely and cost-efficient manner, the survey was deployed using an online survey platform (SurveyMonkey), with invitations to the platform being distributed and advertised via email, social media channels. The online survey was made accessible to customers from November 4, 2021, to November 10, 2021 (inclusive). To incentivize customers to participate in the survey and provide feedback, E.L.K. donated \$300 to the Belle River, Essex and Kingsville foodbanks, and all participants that completed the survey were included in a random draw for new iPad, which was awarded on November 30, 2021.

This survey was designed in such a manner to first gather information regarding E.L.K.'s customer base, including identifying if the customers are residential or business customers, and confirming their location within E.L.K.'s service territory. Following this, the survey focused on general satisfaction with services provided by E.L.K. and the reliability and restoration of those services. The survey then provided key information on E.L.K.'s proposed capital expenditure plans ("CAPEX Plan") embedded within the DSP, including investments embedded within the System Renewal and General Plant categories, thereby providing customers with the necessary context to respond to questions relating to the proposed CAPEX Plan.

The following report summarizes the survey results and conclusions derived from the responses. The report is structured under the three following categories:

- Segmentation and Demographics
- Overall Performance
- Capital Investment

A conclusion section then summarizes the outcomes that E.L.K. can use from the customer survey.

2. Segmentation and Demographics

This section provides details and insights into the types of customers who responded to the survey and associated customer demographics.

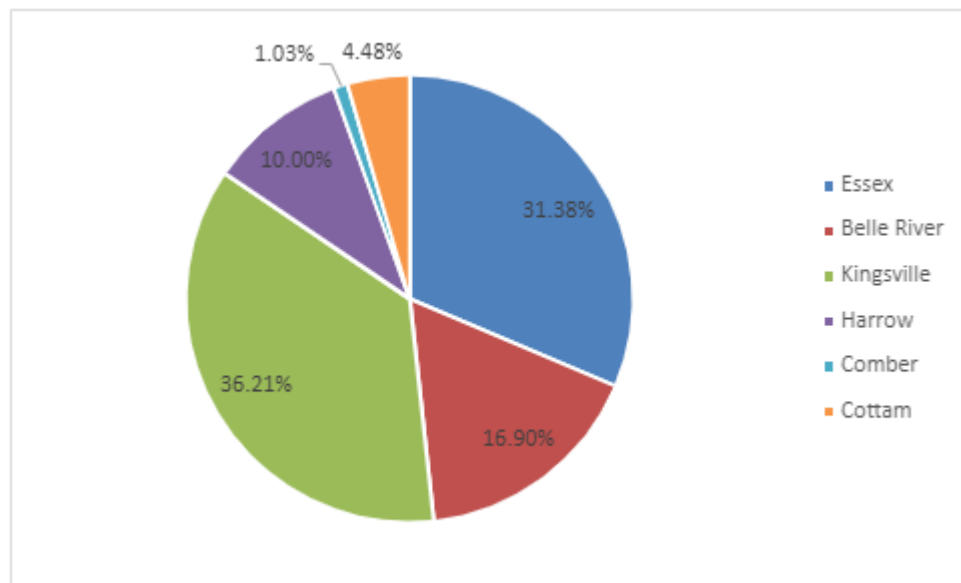


A total of 290 E.L.K. customers with a good representation from all six service areas responded to the survey. The total number of customers that responded to the survey, broken down by service area, is listed in Table 2.1 and shown in Figure 2.1.

Table 2.1: Number of Customers who Responded across All Six Service Areas

E.L.K. Service Area	No. of Customers Surveyed	Percentage of Customer who responded
Belle River	49	16.90%
Comber	3	1.03%
Cottam	13	4.48%
Essex	91	31.38%
Harrow	29	10.00%
Kingsville	105	36.21%
Total No. of Customers	290	100%

Figure 2.1: Percentage Of Customer Survey Responses by Service Area



Of the 290 customers surveyed, 286 were residential customers and 4 were business customers located within E.L.K.'s service territory. The split of residential versus business customers (98.6% Residential customers and 1.4% Business customers) who responded to the survey is closely representative of E.L.K.'s overall customer base (~89% Residential customers and ~11% Business customers).



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2.1 Conclusions on Segmentation and Demographics

The total number of customers who have responded to the survey is lower than previous customer engagements that E.L.K. has undertaken. However, the customers who did respond are representative of E.L.K.'s customer base (service area & type), and it is expected that the overall results would remain proportional and aligned even if the surveyed group was expanded. As a result, E.L.K. is able to use these results in a meaningful way to help shape and validate the DSP.



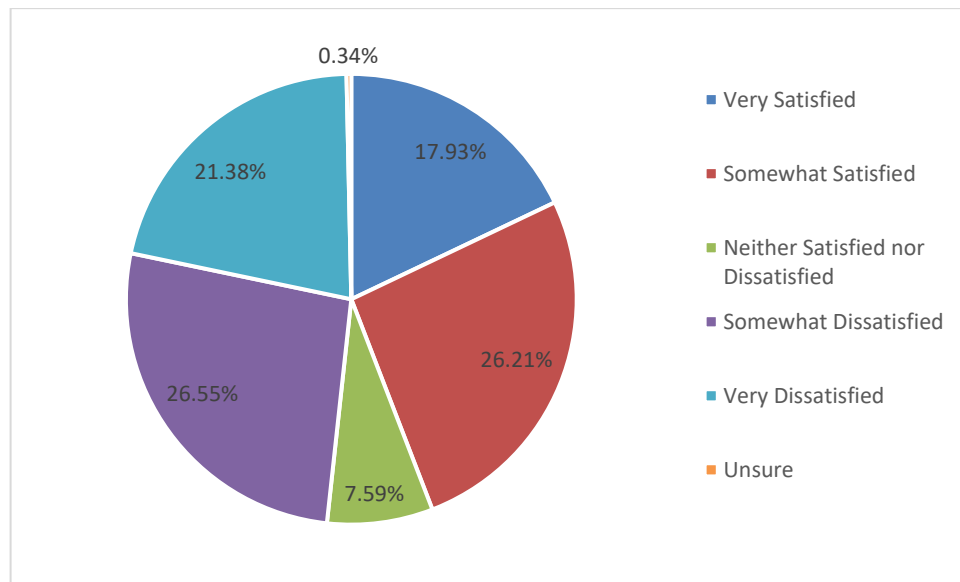
3. Overall Performance

This section summarises customer feedback and preferences pertaining to E.L.K.'s overall performance with respect to system reliability and customer service.

3.1 Overall Performance

Two main questions were posed to customers to assess satisfaction with E.L.K.'s overall performance and with the reliability of electricity services that E.L.K. provides. As shown by the results in Figure 3.1, there is a fairly even split between customers that are very satisfied or somewhat satisfied (44%) with those that are very dissatisfied or somewhat dissatisfied (48%). The remaining 8% were neither satisfied nor dissatisfied or unsure.

Figure 3.1: Thinking Specifically About the Services Provided to You and Your Community by E.L.K., How Satisfied or Dissatisfied Are You Overall with The Services That You Receive?



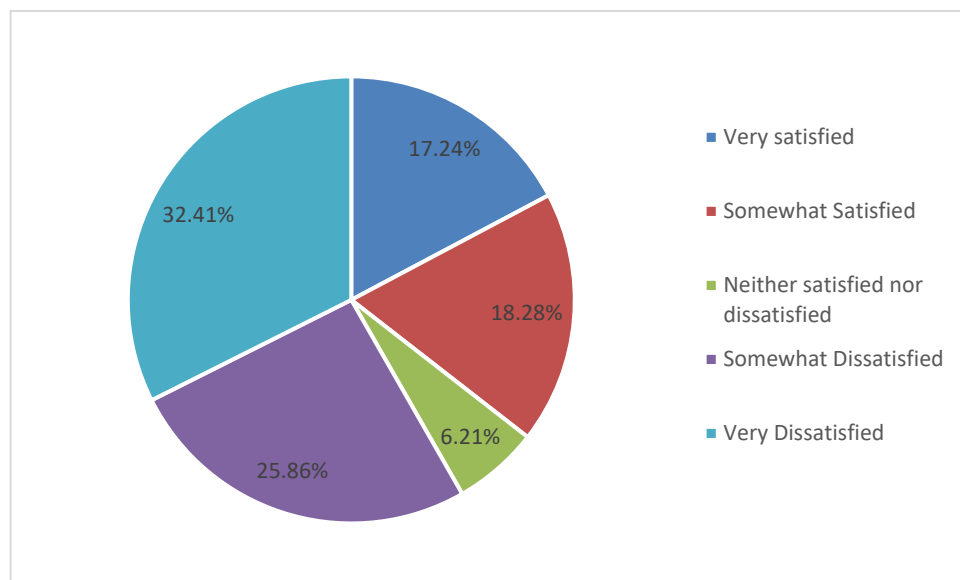
Out of the 48% of customers who are somewhat dissatisfied or very dissatisfied, 79% of these are situated in the Essex and Kingsville regions, with the remaining 21% being situated within the Belle River, and Harrow regions. There were no dissatisfied responses from the Comber or Cottam regions, however only 5.5% of responses were from those regions. Certain customers also provided feedback to further explain their satisfaction results. From those who did provide comments, a few examples are presented below:

- *"I have been a Kingsville resident since 1969. There seems to be more power outages than there used to be. I have generally been very satisfied with the service."*
- *"We have been a customer since 1994 and knowing that the electricity comes through another entity, we are completely satisfied with E.L.K."*
- *"Other than the several outages, I am satisfied with E.L.K.'s services."*

Overall, there is a split between E.L.K.'s customers that are very satisfied or somewhat satisfied and those that are somewhat dissatisfied and very dissatisfied with E.L.K.'s overall level of service, with the majority of dissatisfaction noted in the Essex and Kingsville regions. E.L.K. should look to ensure that they can continue to maintain a high level of service while looking to address the issues these customers have experienced to better improve the service they provide.

Figure 3.2 illustrates E.L.K.'s customer satisfaction levels with respect to the reliability of electricity services provided. Overall satisfaction with services provided by E.L.K. described above was more favourable compared to the satisfaction of customers around reliability with only 36% of customers feeling somewhat or very satisfied. Dissatisfaction was prominent in this area, with 58% of respondents being somewhat dissatisfied or very dissatisfied with the reliability of electricity services from E.L.K.

Figure 3.2: How satisfied or dissatisfied are you with the reliability of your electricity service, as judged by the number of outages you experience?



Somewhat dissatisfied or very dissatisfied responses were received in all service areas except for Comber (where no dissatisfied responses were received). It should be noted that only 1% of all survey responses were received from the Comber region. When looking at specific regions, both Essex and Kingsville made up 81% of the somewhat dissatisfied and very dissatisfied responses. This aligns with the level of overall dissatisfaction previously described for these two regions. It is important to note that Essex and Kingsville are the two largest population centres serviced by E.L.K., however the prevalence of dissatisfaction around service and reliability in these areas must be considered and addressed.

Below are some of the comments left by these customers:

- *"The number of outages is disgraceful even if the duration is short. It is unbelievable that customers have to consider adding household surge protectors to prevent loss of electronic appliances."*



- *"I have had to put up with multiple power outages and brown outs. I am disappointed in the level of service and hope that all can be rectified with no increases to my bill as I already had to replace household electronics due to power surges."*
- *"I have sent emails when power outages have occurred in Kingsville but have never received acknowledgement."*
- *"More timely updates regarding outages and the estimated time for resumption of service"*

3.2 Conclusions on Overall Performance

Based on the overall service and reliability satisfaction results presented above, there is room for improvement. The dissatisfied feedback was primarily received from two population centres served by E.L.K., Essex and Kingsville. To address this, ELK has proposed initiatives within the 2022 – 2026 DSP application that are aimed at improving the reliability and customer service within these areas. For example, the deployment of line fault indicators pilot project in the Kingsville area will begin to directly address reliability concerns heard from customers in the area.

4. Capital Investment

This part of the survey provided specific information regarding E.L.K.'s investment plans from 2022 to 2026. E.L.K. used this part of the survey to gather feedback about this plan to help further refine its plan. These investment plans have been centralized into E.L.K.'s DSP, which adheres to the planning requirements as established by the OEB.

The following subsections provide a summary of the survey preamble and results relating to the customer preferences with respect to E.L.K.'s proposed capital investment plan and the potential resulting reliability impacts associated with executing this plan. Questions covered a range of topics, from overall priorities for customers, to specific questions regarding investments within two DSP investment categories, System Renewal and General Plant. Capital investment plans were identified in the System Service category within E.L.K.'s DSP for the fault indicator project, however they were only identified after release of the customer survey and feedback was not obtained on the System Service proposed scope of work for the 2022 – 2026 period.

The following preambles were provided for each investment category to better define the investments taking place within each category, as well as providing further detail on how the investments will introduce benefits into the system. The complete survey can also be found in Appendix A.

System Renewal

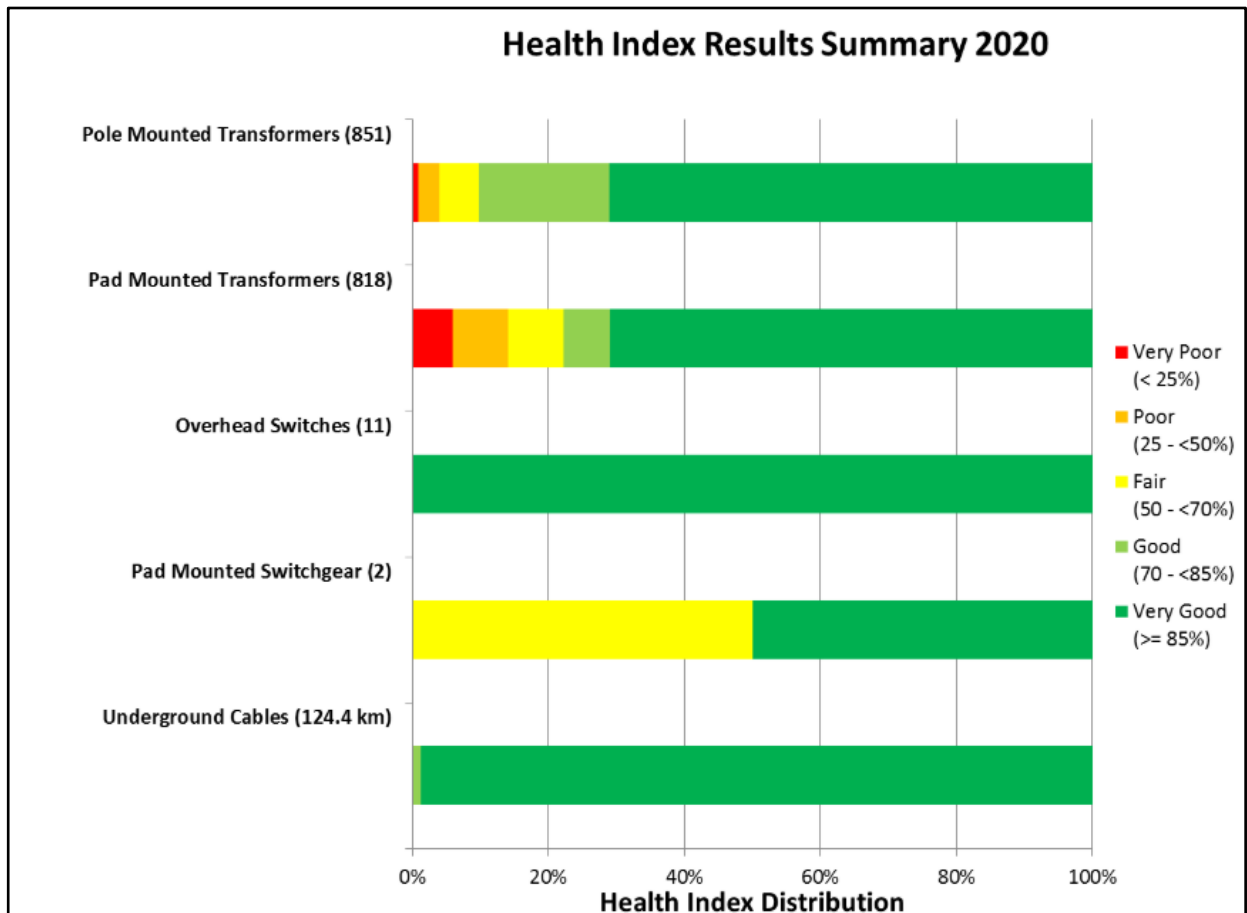
E.L.K.'s System Renewal investments are targeted towards the replacement/renewal of assets – including transformers, poles, underground cables, and overhead conductors – that are past their typical useful lives (TUL). In addition, functionally obsolete infrastructure that no longer aligns with E.L.K.'s current operating practices will be replaced with new infrastructure that aligns with E.L.K.'s current standards.

E.L.K. undertook two investigative activities as part of their System Renewal planning activities for this DSP. Firstly, leveraging inspection results, E.L.K. conducted an asset condition assessment (ACA) for a



limited proportion of their assets. From these results, three asset categories of pole mounted transformers, overhead switches and underground cables had health scores classified as “good” or “very good” and an overall health index of 80%. With respect to the asset category of concern, pad mounted transformers had half of the asset units assessed classified as “very poor” health condition. The health index results from the ACA can be seen below in Figure 4.1.

Figure 4.1 – System-Wide Age & Condition Summary Results



Secondly, E.L.K. used a third-party vendor to conduct a pole condition health assessment. The assessment reviewed approximately 9% of E.L.K.’s network of wood poles to conduct on site testing and data collection and recommendations for a pole management program. The findings of the report identified 4% of the sampled poles were deemed for urgent repair/treatment, with another 5% categorized as mitigate/replace in the near-term.

General Plant

General Plant investments will be focused on initiatives that support the 24/7 operations of E.L.K.’s distribution system, including upgrades to E.L.K.’s facilities and buildings that house employees and equipment, the replacement of critical Fleet vehicles that transport crews to respond to outages, replacement, and upgrades to critical IT hardware and software necessary to manage and analyze the

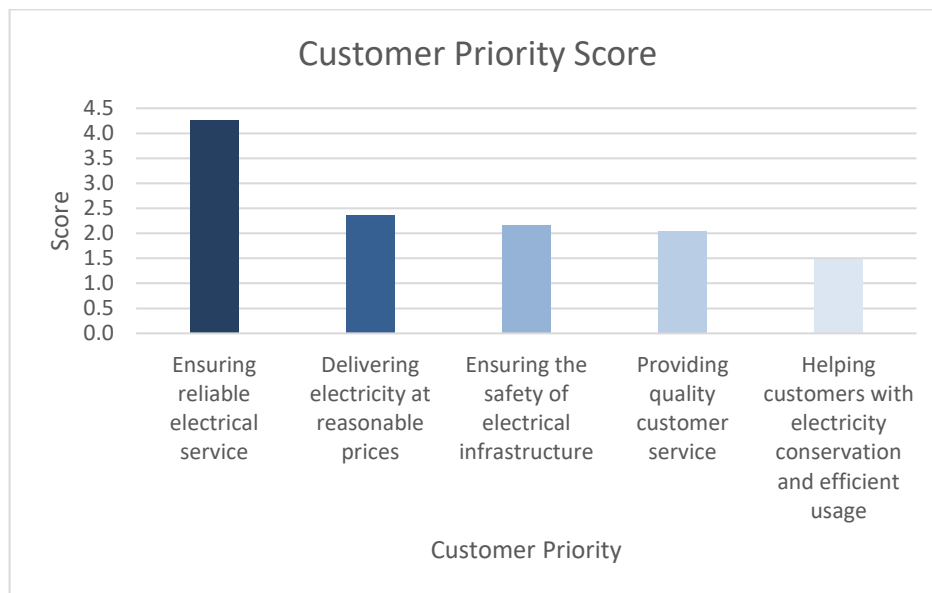


system, as well as investment into operational technologies including new testing technologies to better monitor the performance of the grid.

4.1 Customer Priorities

Customers were asked to select their top priorities that E.L.K. should focus on over the next five-year forecast period (2022-2026), as well as the top system reliability priorities that the utility should look to address over the 2022-2026 planning period. The results from these questions are illustrated in Figures 4.2 and 4.3.

Figure 4.2: Using a scale from 1 (not important) to 5 (very important), please rate the priorities E.L.K. should undertake when spending capital ratepayer dollars?



As shown in Figure 4.2, ensuring reliable electrical service was the top priority for customers that completed the survey, with a weighted score of 4.26/5 making this priority a tier of its own. In the next tier were two priorities that E.L.K. should undertake with respect to ratepayer dollars and that is delivering electricity at reasonable prices (2.36/5) and ensuring the safety of electrical infrastructure (2.16/5).

Figure 4.3: Using a scale from 1 (not important) to 5 (very important), please rate your priority when addressing power reliability in the E.L.K. service territories?

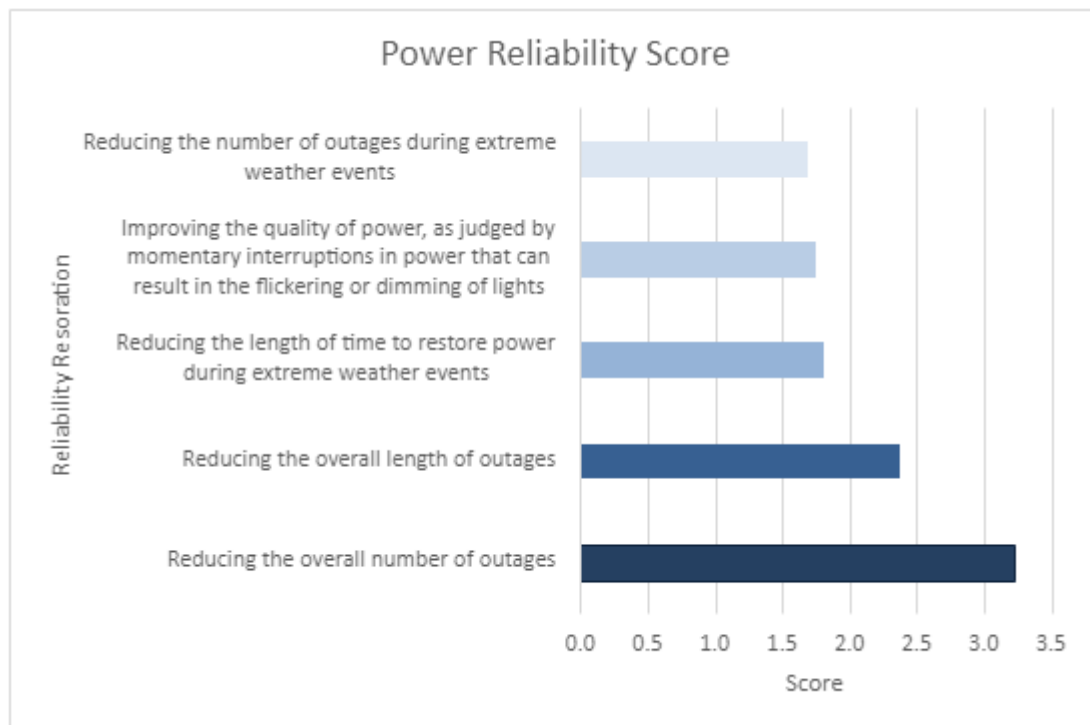


Figure 4.3 illustrates that E.L.K. should focus on reducing the overall number of outages, followed by a reduction in the overall length of outages when they occur. These two priorities were in tiers of their own for customer preference, with the reduction of overall number of outages obtaining a score of 3.23/5 and reducing the overall length of outages obtaining a score of 2.37/5. E.L.K.'s proposed capital plans over the 2022-2026 period are well aligned with these customer priorities, as outlined in the following sub-sections.

4.2 System Renewal

In regards to the System Renewal category, customers were asked about the pacing of investments and what E.L.K. should be striving to achieve. Specifically, the question asked was *"Recognizing the conditions of E.L.K.'s asset base, please select one of the following options that best describes your preferences towards how E.L.K. can be pacing their assets replacements over the next 5 years"*:

- **57%** of respondents preferred that E.L.K. "increase the pace of System Renewal spending, such that assets that are in "very poor" or "poor" condition, or have reached end of useful life, are replaced";
- **13%** of respondents selected the option noting that "the pace of System Renewal spending as specified in E.L.K.'s plans is sufficient";
- **2%** of respondents preferred that E.L.K. "further reduce the pace of System Renewal spending"; and
- **28%** were Unsure.

While a significant portion of the respondents did not provide a preference for the pacing and prioritization of System Renewal activities, those that did indicated a significant preference towards



increasing the pace of System Renewal spending such that deteriorated and end of life assets are addressed. This is valuable insight that is taken into consideration when planning for and prioritizing System Renewal work.

Given that System Renewal investments support reliability, respondents were asked *“recognizing that System Renewal supports reliability performance, over the next 5-year period, please select one of the following options that describes your preferences with respect to system reliability performance”*:

- **69%** of respondents preferred that E.L.K. “prioritize improvements to system reliability performance, thereby resulting in less customer outages per year with a reduced outage duration”;
- **18%** of respondents preferred that E.L.K. “continue to deliver the same level of system reliability performance”;
- **2%** of respondents preferred that E.L.K. “deprioritize improvements that support system reliability performance, thereby resulting in more customer outages per year with increased outage duration”; and
- **11%** were Unsure.

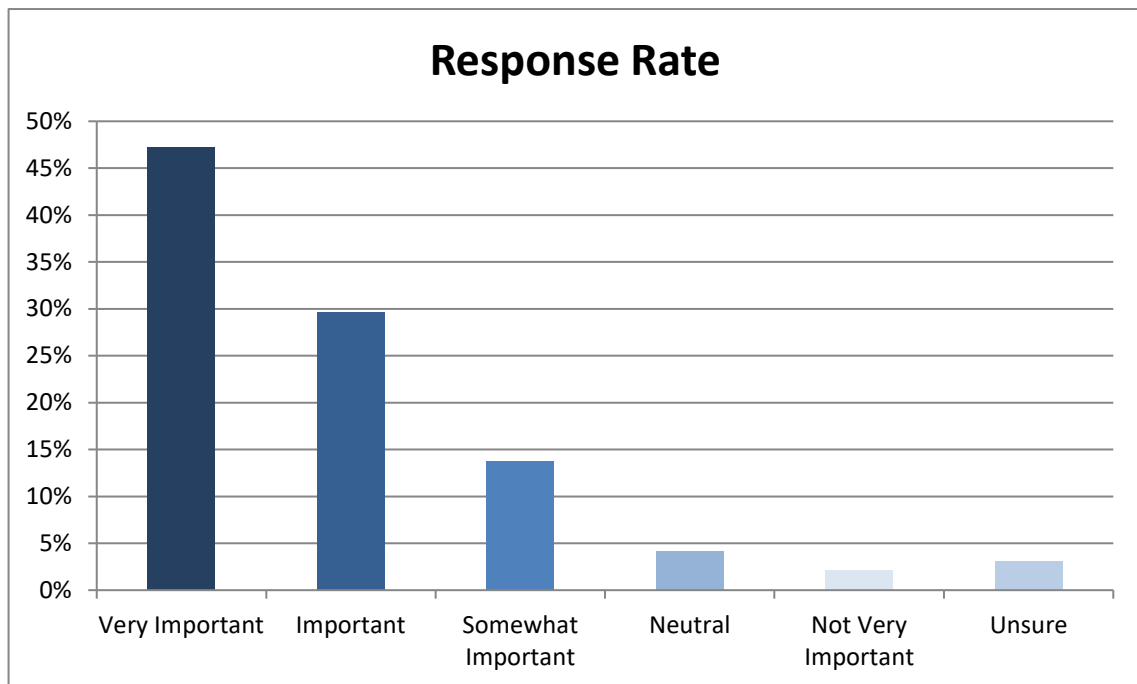
Close to 70% of respondents identified a preference towards prioritizing improvements to system reliability. This aligns with the number of somewhat dissatisfied or very dissatisfied customer responses relating to reliability and service as seen in Figure 3.1 and supports the proposed pacing and prioritization of System Renewal work identified in the DSP. Proposed programs designed to help address these concerns include E.L.K.’s proactive pole and transformer replacement programs, as well as E.L.K.’s ongoing inspections and maintenance practices.

4.3 General Plant

The intent of the final section of the survey was to gather customers views on E.L.K.’s proposed General Plant investments. This included questions on the pacing and prioritization of investments as well as specific questions regarding fleet vehicles, facilities, and operational information technology investments.

The survey asked participants to identify *“how important do you think it is that E.L.K. upgrade software and systems to support customer service like GIS, outage management including outage mapping, billing and communications, and functional services?”* Responses to this question are shown in Figure 4.4 below. Over 47% of respondents found it to be “very important” to improve systems that support customer service and reliability of power, with another 30% of respondents feeling this is “important”. The responses that were identified as “neutral”, “not very important” or “Unsure” amounted to 9%.

Figure 4.4 – How important is it for E.L.K. to upgrade systems that support customer service and reliability of power?



Respondents were also asked the following *“recognizing that General Plant investments allow for E.L.K.’s 24/7 operation to be maintained, which of the following statements best represents your point of view?”*

- **43%** of respondents stated “E.L.K. should increase the pace of General Plant investments such that the utility can further enhance and accelerate utility efficiencies and operational improvements over the next 5-year period”;
- **32%** of respondents stated “The pace of General Plant spending as specified within the 2022 – 2026 DSP is necessary to enable E.L.K. to continue operating in a fully functional and efficient manner”;
- **1%** responded that the pace of investments should be reduced; and
- **24%** of respondents were unsure.

Over 40% of respondents identified a preference towards accelerating the capital investment in General Plant initiatives within this DSP period, while another 32% understood that capital spending in General Plant was required to support the fully functional operation of the distribution system. E.L.K.’s planned investments in this category, including the purchase of two new fleet vehicles, multiple IT improvements including an outage page on the website and GIS capabilities will support further efficient operation of the distribution system for E.L.K. customers. With these investments E.L.K. forecasts improvements to reliability, outage response and access to outage information for customers in all of its service territories.

Customers were also given the ability to provide overall feedback to E.L.K. regarding the capital investment plan. Below are some of the comments left by these customers:



- *“Reliability and investment in the system should be paramount”*
- *“This [survey] tells me E.L.K. wasn’t investing enough in infrastructure for the last 4 years which has resulted in poor power quality to end users”*
- *“Perfection is usually out of reach, but continual improvements are the next best outcome”*

4.4 Conclusions on E.L.K.’s Capital Investment Plan

The results from this section of the survey have indicated that addressing day-to-day reliability, reducing the total number of outages, and prioritizing investments that will help improve services, reliability and operations are the top three priorities that E.L.K. should be focusing on.

The results of the customer survey questions identified in the section above align with the final question that was issued to survey participants. The final question inquired if *“based on your knowledge and understanding of E.L.K.’s overall DSP, which of the following statements best aligns with your opinion of E.L.K.’s DSP and associated investments over the next 5-year period?”*

- **42%** of respondents stated “I’m not sure if this is the right approach but I trust E.L.K. as the expert to make the right decisions”;
- **34%** of respondents stated “I believe this is the right approach to continue to manage the safe and reliable performance of the system”; and
- **24%** of respondents stated “I don’t believe this is the right approach and E.L.K. should consider revising their plans and strategy”

It is clear that customers have identified the areas of focus of improvements in the distribution for E.L.K. in this DSP, but the majority also support that E.L.K. is the expert in the area and trust the capital investment decisions that are proposed within this DSP for the next 5-years.

Overall, customer preferences generally align with the proposed plans outlined in the DSP. Investments are needed to address customer concerns and improve system reliability and operations, and E.L.K.’s proposed capital investment plans strive to achieve these goals.

5. Conclusions

Although only 2% of ELK’s customer base responded to this survey, the customers who did respond are representative of E.L.K.’s customer base (service area & type), which has enabled E.L.K. to use the results in a meaningful way to help shape and validate the DSP.

Based on the results outlined in this report, customers have identified a strong preference towards E.L.K. addressing day-to-day reliability, reducing the number of outages on the system, and ensuring that investments are made towards improving system services, reliability and operations.

There remains room to improve customer satisfaction with respect to overall service, system reliability and outage response time. Those who indicated they are not satisfied with these services have also



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indicated that E.L.K. should improve communications when an outage occurs and reduce the number of outages experienced while ensuring that investments made to address these concerns are made prudently for the benefit of system performance.

Most customers were found to be either satisfied with E.L.K.'s proposed pace of investments in the DSP or preferred to see a further increase in the pace of investments proposed. This supports E.L.K.'s proposed plans, particularly under the System Renewal and General Plant categories. ELK's proposed plans, including the proactive replacements of deteriorating and end of life assets, bucket truck replacements, the deployment of a line fault indicators pilot project, and the development and implementation of an IT strategy, are all in favour of meeting ELK's customer needs and priorities, while also ensuring the continued safe and reliable operation of the distribution system at affordable rates for customers. E.L.K. will continue to propose and execute on these investments to address customer concerns, while balancing what the system needs and ensuring that rates remain affordable.



6. Appendix A - Customer Survey Questions & Preamble

Customer Survey 2021 – E.L.K. Energy Inc. Distribution System Plan (2022-2026)

Introduction

About E.L.K. Energy Inc.

E.L.K. Energy Inc. (E.L.K.) is an electricity distributor licensed by the Ontario Energy Board (OEB). E.L.K. provides electricity distribution services in the City of Essex, the town of Kingsville, village of Belle River, and communities of Harrow, Comber and Cottam, serving approximately 12,600 customers. E.L.K. owns and operates 89km of overhead distribution feeders and 79km of underground distribution circuits, with bulk power provided by four Hydro One owned transformer stations.

E.L.K. is committed to the pursuit of excellence in safety, reliability and cost control for the customers and communities we serve. E.L.K. strives to be the trusted energy advisor for our customers and continuing to create value for our shareholders.

What is the purpose of this survey?

E.L.K. is conducting this voluntary survey as part of its upcoming submission of its 2022-2026 Distribution System Plan (DSP) to learn more about how E.L.K.'s investment plans can best reflect the needs and preferences of its customers. The information collected will be used to further refine investment decision-making and will be submitted as part of its upcoming Cost of Service (COS) Application. By participating in this survey, you consent to E.L.K. utilizing your responses as a key input into the COS filing process.



Part A: General

Thank you for taking the time to complete this survey. The following questions are to verify your customer details. These details will not be used for any other reason. Your responses will still be treated anonymously. Please have a copy of your E.L.K. Energy bill on hand.



Figure 2: Sample E.L.K. Energy Bill

1. Please enter your Customer Account Number. Figure 2 shows where this is found on your bill.

<INSERT NUMBER>

2. Are you a residential or business customer?

- a. Residential
- b. Business

3. Which of the service areas below are you located within?

- c. Essex
- d. Belle River
- e. Kingsville
- f. Harrow
- g. Comber
- h. Cottam



Part B: Overall Performance of E.L.K.

Preamble

This section looks to explore your experience with E.L.K. Energy's overall performance and how satisfied you are with the services you receive, including system reliability, billing, and customer service. We are also looking to understand the priorities that you think E.L.K. should focus on.

- 1. Thinking specifically about the services provided to you and your community by E.L.K., how satisfied or dissatisfied are you overall with the services that you receive?**
 - a. Very Satisfied**
 - b. Somewhat Satisfied**
 - c. Neither Satisfied nor Dissatisfied**
 - d. Somewhat Dissatisfied**
 - e. Very Dissatisfied**
 - f. Unsure**

- 2. Overall, how satisfied, or dissatisfied are you with the reliability of your electricity service, as judged by the number of outages you experience?**
 - a. Very satisfied**
 - b. Somewhat Satisfied**
 - c. Neither satisfied nor dissatisfied**
 - d. Somewhat Dissatisfied**
 - e. Very Dissatisfied**
 - f. Unsure**



Part C: E.L.K. DSP

Preamble

This part of the survey is to provide specific information regarding E.L.K.'s investment plans from 2022 to 2026. E.L.K. is looking to gather feedback to help further refine the investment plans. These investment plans have been centralized into E.L.K.'s Distribution System Plan (DSP), which adheres to the planning requirements as established by the OEB.

To create the DSP, E.L.K. focuses on four key organizational objectives to meet the OEB requirements of a DSP filing. Specifically, the four outcomes are (1) Customer Focus: a DSP filing must demonstrate that distribution services are provided in a manner that responds to customer preferences; (2) Operational Effectiveness: a DSP must show that E.L.K.'s asset management and capital expenditure planning processes are designed for continuous improvements in productivity and cost performance; (3) Public Policy Responsiveness: E.L.K.'s DSP must explain how planning processes are integrated such that government-mandated expenditures can be undertaken in a timely manner; and (4) Financial Performance: that a DSP must show that E.L.K.'s financial viability and operational effectiveness will endure over the long-term.

On average, E.L.K. plans to spend approximately \$1.4 million in capital expenditures annually over the next five-year period from 2022 to 2026. This investment level represents an overall increase of 17% in the average annual capital expenditures made to the system over the last 5-year period from 2017 to 2021. As a result of this proposed increase, customers will see an approximate average increase of X% on their electricity bill over the next five-year period when accounting for the cost of inflation.

System Renewal

E.L.K.'s "System Renewal" investments involve replacing and/or refurbishing system assets to extend the original service life of the assets and maintain the ability to provide customers with electricity services. To help inform System Renewal activities in the 2022-2026 DSP, two independent third-party reports were used as inputs to identify targeted investments.

The first report, an Asset Condition Assessment (ACA), identified the condition of E.L.K.'s key distribution assets. For each asset category, the available data was assessed, a Health Index distribution was determined, and a condition-based Flagged for Action Plan was developed. The resulting Health Index distribution for each asset category is shown in Figure 3. Over the 2022-2026 period, E.L.K. is planning to address the backlog of pad and pole mounted transformers that are flagged as "very poor" and "poor", starting with those that present the highest risk.



The second report, a pole inspection report, assessed the condition of the poles in E.L.K.'s distribution fleet. The resulting breakdown of pole condition is shown in Figure 4. Over the 2022-2026 period, E.L.K. is planning to address poles flagged for replacement and conduct a detailed pole inspection analysis in all areas, with particular focus on those poles installed before 2000, and use this data to develop a long-term pole management program.

In the 2022-2026 DSP filing, E.L.K. is forecasting approximately \$750k of System Renewal spend per year, which is approximately 7% above the average pace of System Renewal spend over the previous 5-year period from 2017-2021.

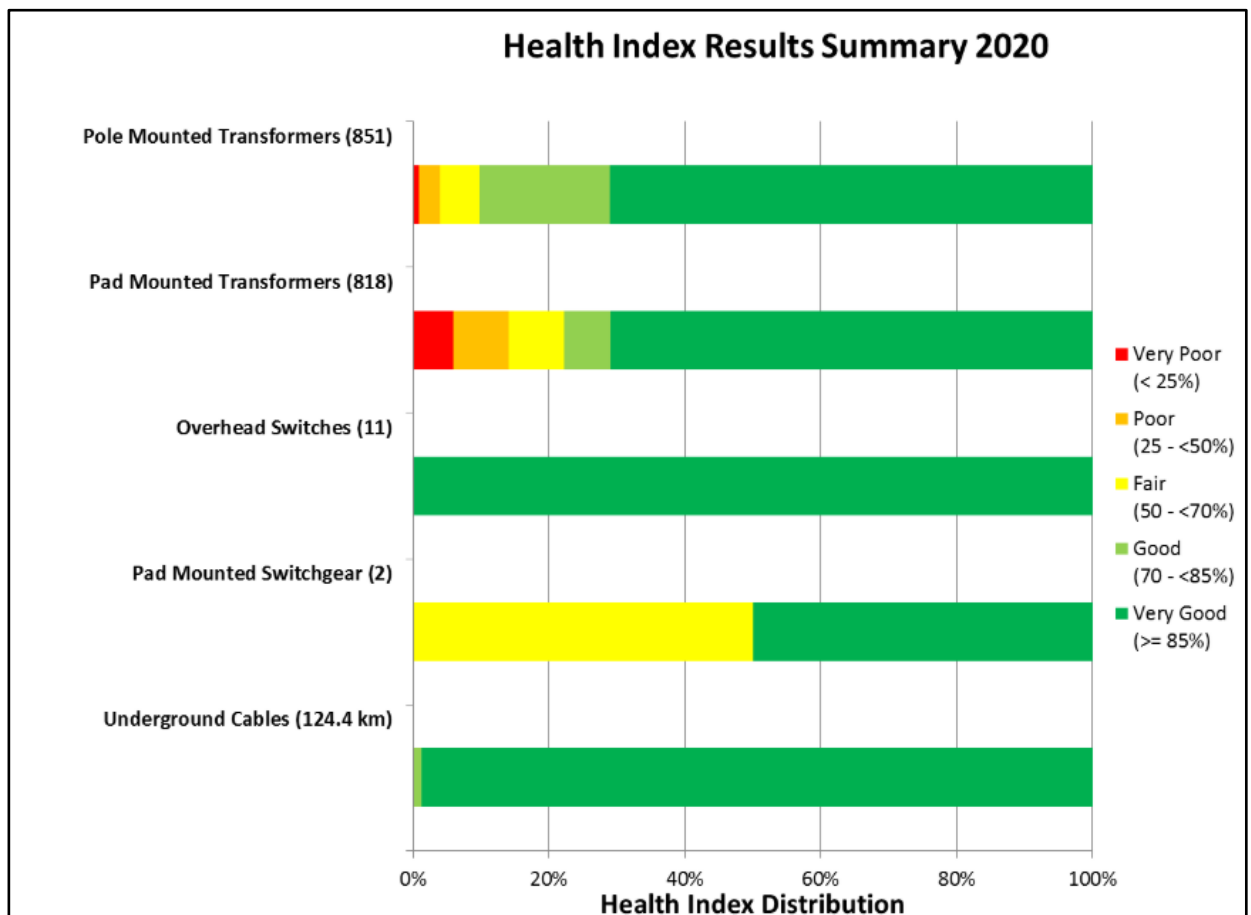


Figure 3: E.L.K. System Asset Condition Health Index

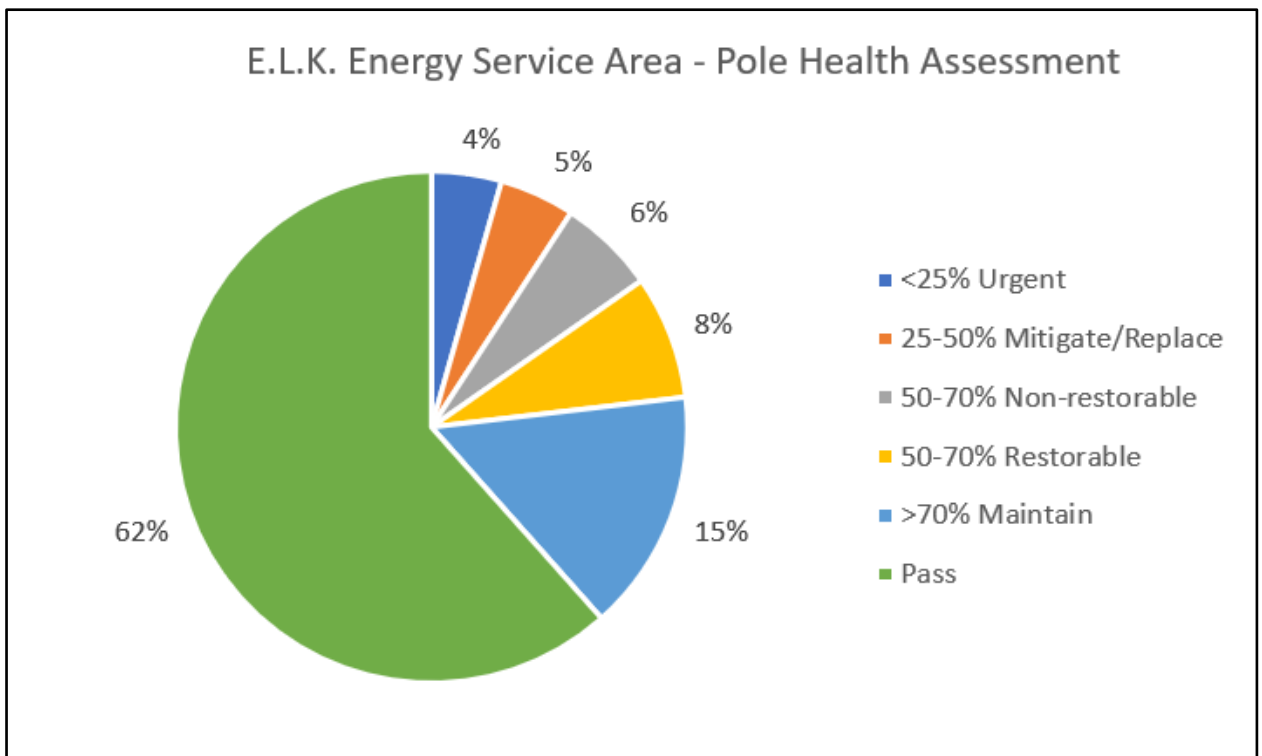


Figure 4: E.L.K. Energy pole inspection report results by service area

- 1. Recognizing the conditions of E.L.K.'s asset base, please select one of the following options that best describes your preference towards how E.L.K. can be pacing their asset replacements over the next five years?**
 - a. The pace of System Renewal spending as specified within E.L.K.'s plan (which closely aligns to the average pace of System Renewal spending from the past 5-year period) is sufficient.
 - b. E.L.K. should increase the pace of System Renewal spending such that assets in Very Poor and Poor condition, as well as assets past their useful life, are replaced on or before the start of the next 5-year period.
 - c. E.L.K. should reduce the pace of System Renewal spending, which would mean not all poor and very poor assets would be addressed in the next five years, and this could result in more frequent and longer outages.
 - d. Unsure.

- 2. Regarding system reliability performance, E.L.K. averaged 0.53 customer interruptions and 1.54 average hours of power disruption per year over the 2016-2020 period. Recognizing that E.L.K.'s proposed System Renewal investments will continue to manage system reliability performance over the next 5-year period, please select one**



of the following options that best describes your preferences with respect to system reliability performance:

- a. Continue to deliver the same level of system reliability performance as seen over the past 5-year period by executing the current DSP as presented by E.L.K..**
- b. Prioritize improvements to system reliability performance, thereby resulting in less customer outages per year with a reduced average outage duration, but with a potential increase to customer rates.**
- c. Deprioritize improvements that support system reliability performance, thereby resulting in more customer outages per year with an increased average outage duration, but with minimal impact to customer rates.**
- d. Unsure.**

General Plant

“General Plant” investments are focused on initiatives that support the 24/7 operations of E.L.K.’s distribution system, including upgrades to E.L.K.’s facilities and buildings that house employees and equipment, the replacement of critical fleet vehicles that transport crews to respond to outages, replacement and upgrades to critical IT hardware and software necessary to manage and analyze the system, as well as investments into operational technologies including new testing technologies to better monitor the performance of the grid.

E.L.K. has identified two key General Plant programs for implementation over the forecast period, a bucket truck replacement, and upgrades to IT. The procurement of the new bucket truck to replace the aging fleet would occur in Year 1 or 2 of the COS Application. Upgrades to IT infrastructure would result in the implementation of a Geographic Information Software (GIS) system, customer-friendly webpage updates, introduction of an outage map accessible to all customers, and purchase of new servers to support the digitization of E.L.K. records and information.

In the 2022-2026 DSP filing, E.L.K. is forecasting approximately \$430k of General Plant spend per year, which is approximately 48% above the average pace of General Plant spend over the previous 5-year period from 2017-2021. The reason for the significant increase is due to the cost of the bucket truck, which accounts for XX% of the overall spend.

- 1. Recognizing that General Plant investments allow for E.L.K.’s 24/7 operational backbone to be maintained, which of the following statements best represents your point of view?**



- a. The pace of General Plant spending as specified within E.L.K.'s 2022-2026 DSP is necessary to enable E.L.K. to continue operating in a fully functional and efficient manner.
- b. E.L.K. should increase the pace of General Plant investments such that the utility can further enhance and accelerate utility efficiencies and operational improvements over the next 5-year period.
- c. E.L.K. should reduce the pace of investments into aging IT, Fleet, and Operational Equipment, which will result in longer outage response times and increase inefficiencies within the utility.
- d. Unsure.

System Operating & Maintenance (O&M) Expenditures

Alongside their capital expenditure plan, E.L.K. executes pre-defined maintenance programs, which allow for assets to be maintained and/or repaired at regular intervals and allows for visual inspections to be executed such that condition-related information can be gathered to support the asset condition assessment process. E.L.K. continues to explore opportunities to further enhance maintenance practices, including but not limited to implementing scheduled visual inspection cycles from field crews, development of site inspection checklists, and scheduled vegetation management coordination and support from third-party vendors.

In the 2022-2026 DSP filing, E.L.K. is forecasting \$XX of O&M spend per year, which is approximately XX% above the average pace of spend on O&M for the previous spend period from 2017-2021.

1. Based on information provided in E.L.K.'s plan for System O&M expenditures, please select one of the following regarding your views on the levels of expenditures on System O&M:
 - a. Agree
 - b. Somewhat agree
 - c. Neither agree nor disagree
 - d. Somewhat disagree
 - e. Disagree
2. Based upon your knowledge and understanding of E.L.K.'s overall DSP as communicated to you via this survey, which of the following statements best



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aligns to your overall opinion of E.L.K.'s DSP and associated investments in the next 5-year period?

- a. I believe that this is the right approach to continue to manage the safe and reliable performance of the system.**
- b. I'm not sure if this is the right approach but I trust E.L.K. as the expert to be able to make the right decisions.**
- c. I don't believe that this is the right approach and E.L.K. should consider revising their plans and strategy.**

Thank you for your time and feedback.



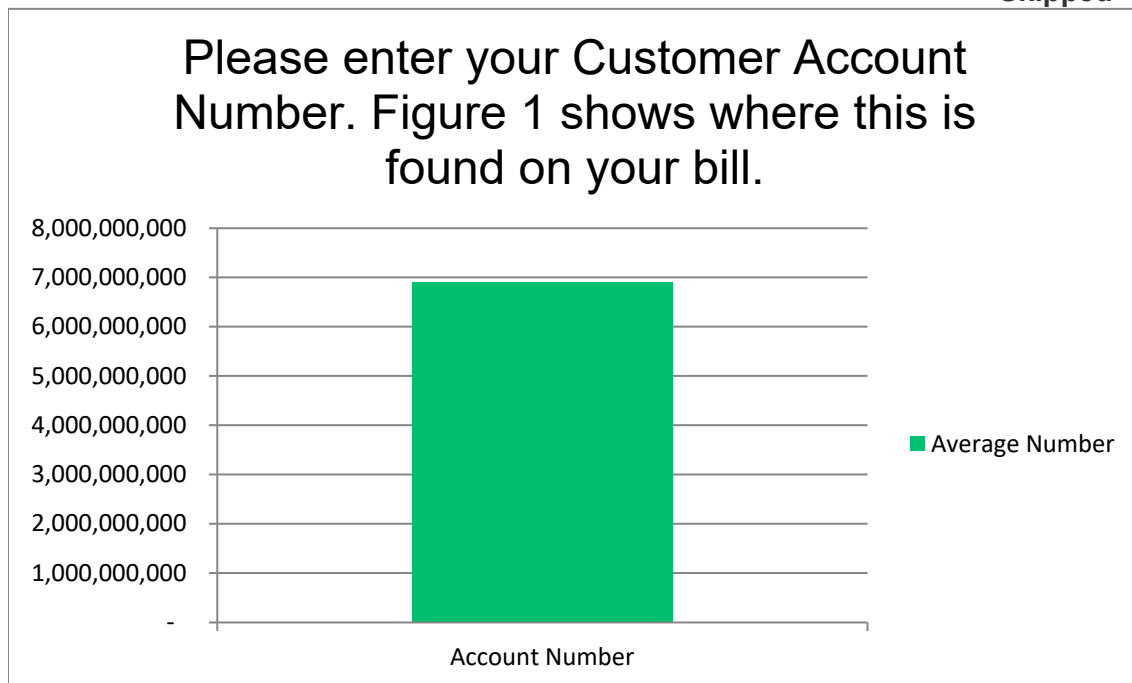
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7. Appendix B – Full Customer Survey Results

Customer Survey 2021

Please enter your Customer Account Number. Figure 1 shows where this is found on your bill.

Answer Choices	Average Number	Total Number	Responses	
Account Number	6,899,925,917	2,000,978,515,993	100.00%	290
			Answered	290
			Skipped	0



Customer Survey 2021

Please enter the account holder name.

Answered 290

Skipped 0

Customer Survey 2021

Please enter the contact phone number.

Answered 290

Skipped 0

Customer Survey 2021

Are you a residential or business customer?

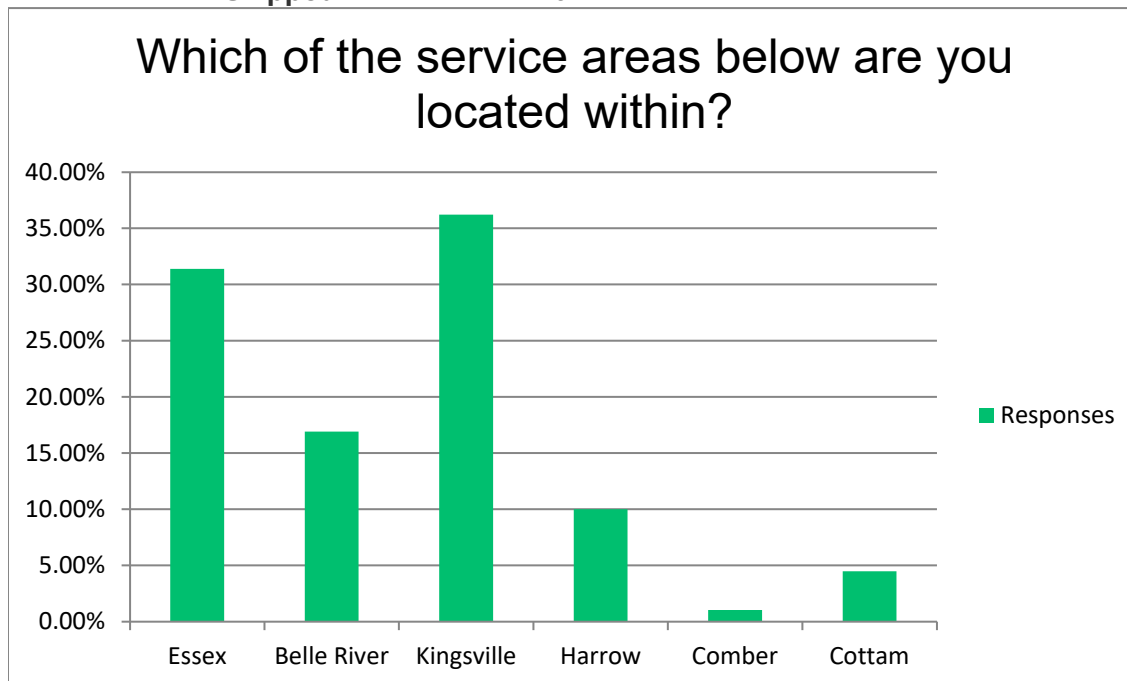
Answer Choices	Responses	
Residential	98.62%	286
Business	1.38%	4
Answered		290
Skipped		0

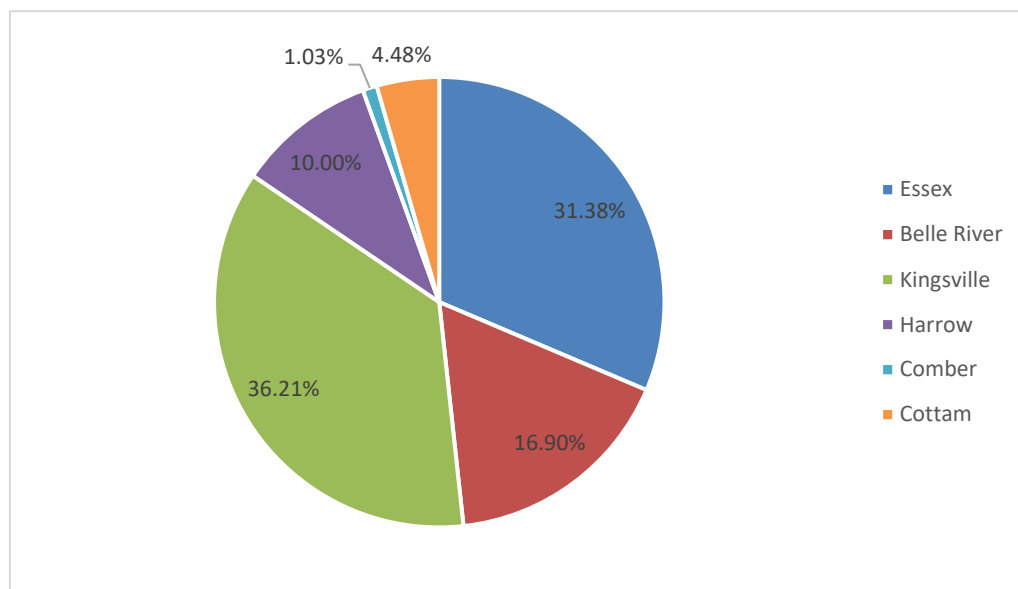


Customer Survey 2021

Which of the service areas below are you located within?

Answer Choices	Responses	
Essex	31.38%	91
Belle River	16.90%	49
Kingsville	36.21%	105
Harrow	10.00%	29
Comber	1.03%	3
Cottam	4.48%	13
Answered		290
Skipped		0





Customer Survey 2021

Thinking specifically about the services provided to you and your community by E.L.K., how satisfied or dissatisfied are you overall with the services that you receive?

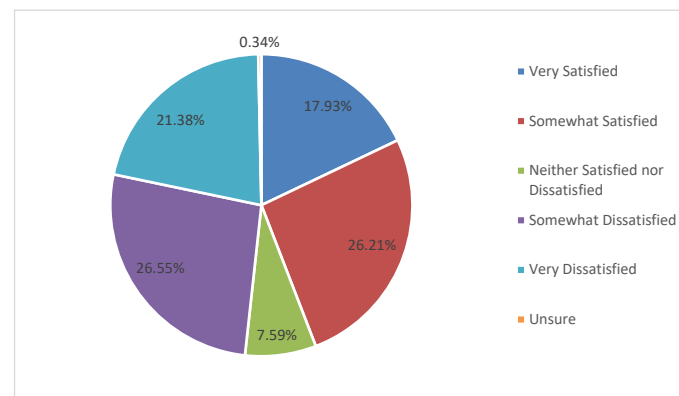
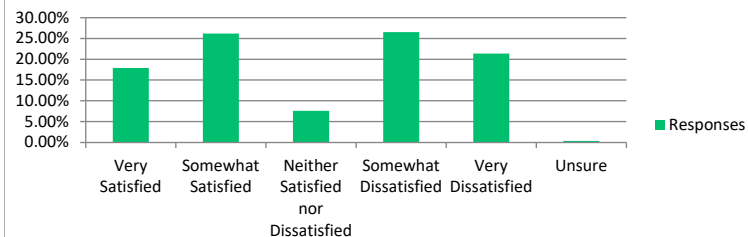
Answer Choices	Responses	
Very Satisfied	17.93%	52
Somewhat Satisfied	26.21%	76
Neither Satisfied nor Dissatisfied	7.59%	22
Somewhat Dissatisfied	26.55%	77
Very Dissatisfied	21.38%	62
Unsure	0.34%	1
Answered	290	
Skipped	0	

Region Responses for Somewhat/Very Dissatisfied

Essex	49
Belle River	11
Kingsville	61
Harrow	18
Comber	0
Cottam	0
TOTAL	139

79.14%

Thinking specifically about the services provided to you and your community by E.L.K., how satisfied or dissatisfied are you overall with the services that you receive?



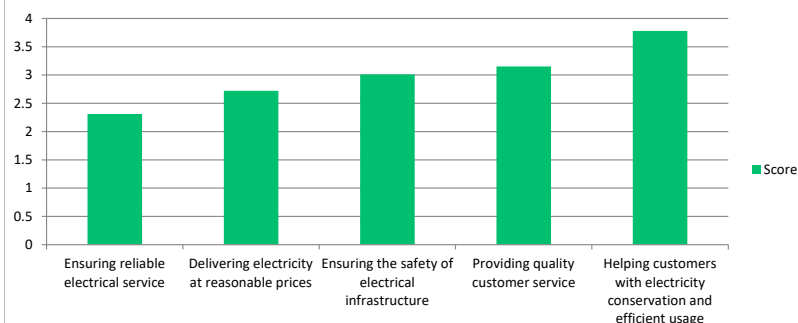
Customer Survey 2021

E.L.K. engages its customers to better understand how it should set spending priorities with ratepayer dollars. In recent interactions with customers, a number of priorities were identified for E.L.K. Using a scale from 1 (not at all important) to 5 (extremely important), please tell me how important each of the following E.L.K. Energy priorities are to you as a customer?

	1	2	3	4	5	Total	Score					
Ensuring reliable electrical service	20.21%	58	8.71%	25	4.18%	12	15.33%	44	51.57%	148	287	2.31
Delivering electricity at reasonable prices	9.72%	28	18.75%	54	20.83%	60	34.72%	100	15.97%	46	288	2.72
Ensuring the safety of electrical infrastructure	7.32%	21	26.48%	76	35.19%	101	22.30%	64	8.71%	25	287	3.01
Providing quality customer service	7.67%	22	34.15%	98	31.71%	91	18.82%	54	7.67%	22	287	3.15
Helping customers with electricity conservation and efficient usage	54.33%	157	11.76%	34	8.30%	24	9.00%	26	16.61%	48	289	3.78
Answered											290	
Skipped											0	

4.3
2.36
2.16
2.04
1.48

E.L.K. engages its customers to better understand how it should set spending priorities with ratepayer dollars. In recent interactions with customers, a number of priorities were identified for E.L.K. Using a scale from 1 (not at all important) to 5 (extr



Customer Survey 2021

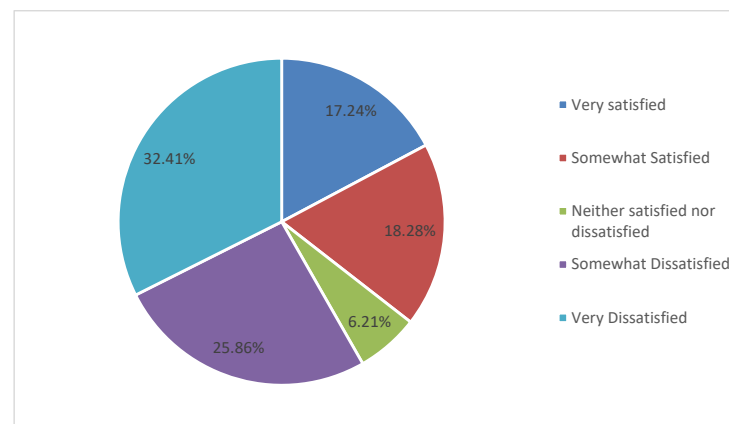
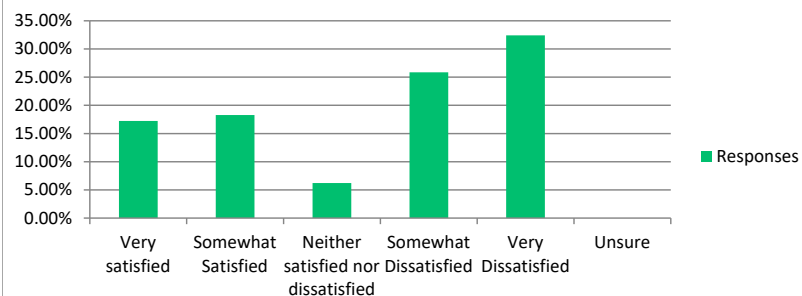
Overall, how satisfied, or dissatisfied are you with the reliability of your electricity service, as judged by the number of outages you experience?

Answer Choices	Responses	
Very satisfied	17.24%	50
Somewhat Satisfied	18.28%	53
Neither satisfied nor dissatisfied	6.21%	18
Somewhat Dissatisfied	25.86%	75
Very Dissatisfied	32.41%	94
Unsure	0.00%	0
Answered		290
Skipped		0

Region Responses for Somewhat/Very Dissatisfied

Essex	62
Belle River	11
Kingsville	74
Harrow	21
Comber	0
Cottam	1
TOTAL	169
	80.5%

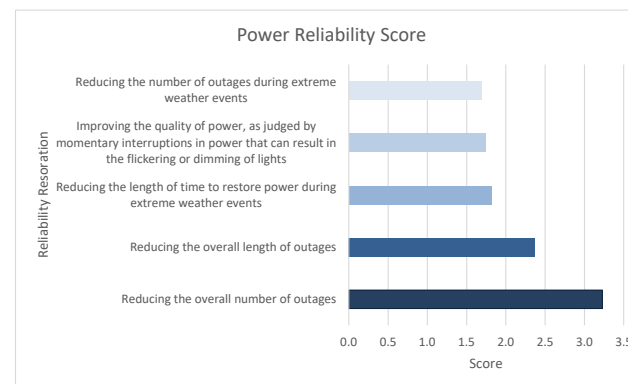
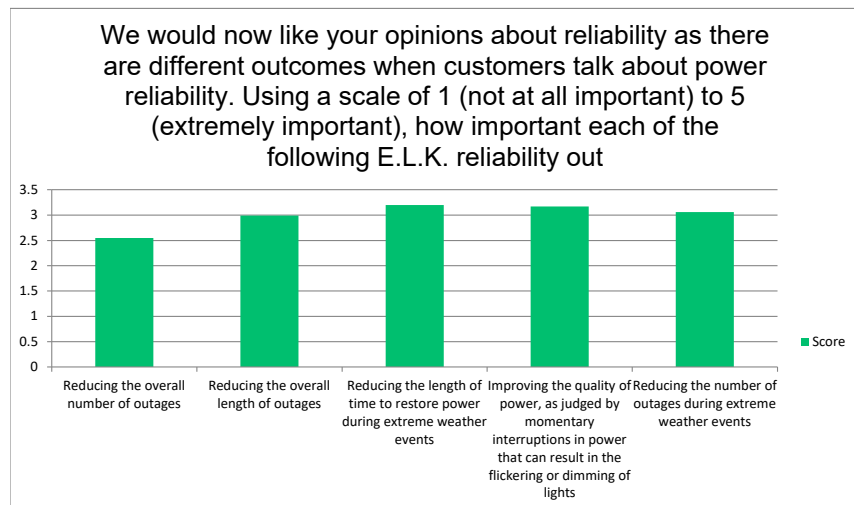
Overall, how satisfied, or dissatisfied are you with the reliability of your electricity service, as judged by the number of outages you experience?



Customer Survey 2021

We would now like your opinions about reliability as there are different outcomes when customers talk about power reliability. Using a scale of 1 (not at all important) to 5 (extremely important), how important each of the following E.L.K. reliability outcomes to you as a customer?

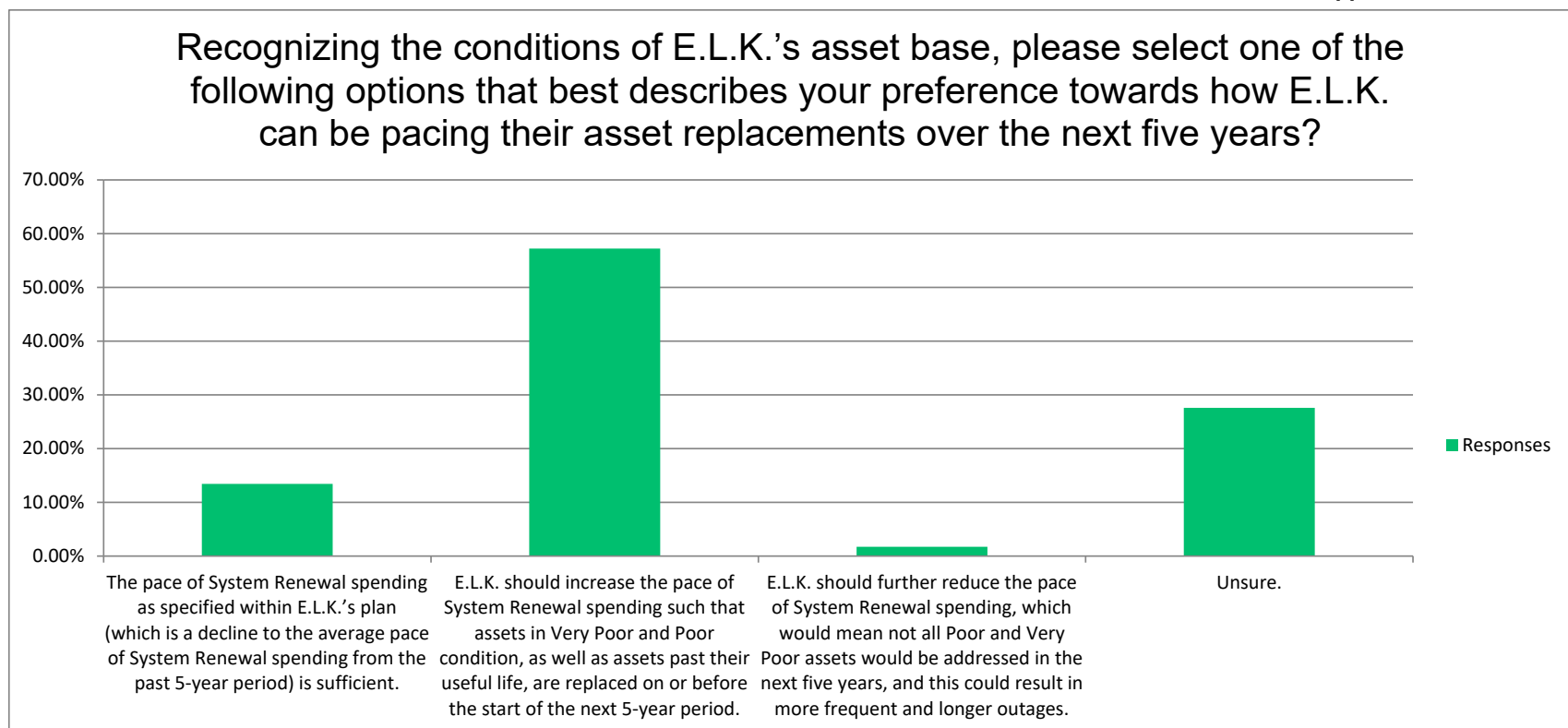
	1		2		3		4		5		Total	Score	
Reducing the overall number of outages	22.22%	64	11.81%	34	8.33%	24	14.24%	41	43.40%	125	288	2.55	3.2
Reducing the overall length of outages	8.01%	23	21.25%	61	39.72%	114	24.04%	69	6.97%	20	287	2.99	2.37
Reducing the length of time to restore power during extreme weather events	15.57%	45	29.41%	85	22.15%	64	25.26%	73	7.61%	22	289	3.2	1.82
Improving the quality of power, as judged by momentary interruption	35.29%	102	11.76%	34	11.07%	32	17.99%	52	23.88%	69	289	3.17	1.74
Reducing the number of outages during extreme weather events	18.34%	53	25.26%	73	18.69%	54	19.03%	55	18.69%	54	289	3.06	1.69
											Answered	290	
											Skipped	0	



Customer Survey 2021

Recognizing the conditions of E.L.K.'s asset base, please select one of the following options that best describes your preference towards how E.L.K. can be pacing their asset replacements over the next five years?

Answer Choices	Responses	
The pace of System Renewal spending as specified within E.L.K.'s plan (which is a decline to the average pace of System Renewal spending from the past 5-year period) is sufficient.	13.45%	39
E.L.K. should increase the pace of System Renewal spending such that assets in Very Poor and Poor condition, as well as assets past their useful life, are replaced on or before the start of the next 5-year period.	57.24%	166
E.L.K. should further reduce the pace of System Renewal spending, which would mean not all Poor and Very Poor assets would be addressed in the next five years, and this could result in more frequent and longer outages.	1.72%	5
Unsure.	27.59%	80
	Answered	290
	Skipped	0

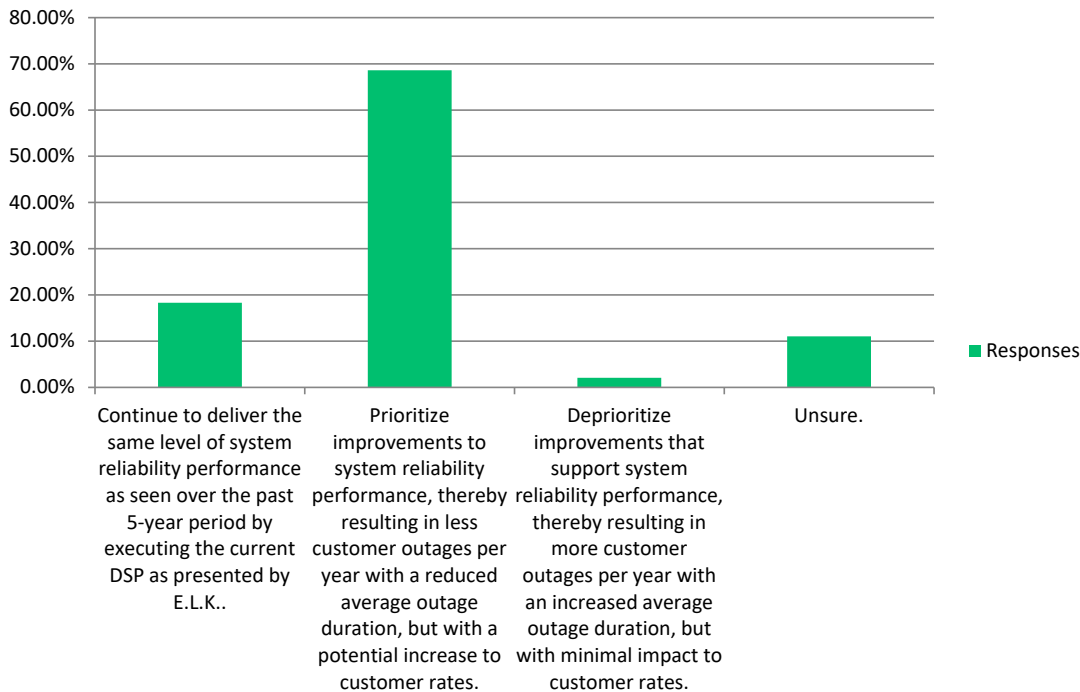


Customer Survey 2021

Regarding system reliability performance, E.L.K. averaged 0.53 customer interruptions and 1.54 average hours of power disruption per year over the 2016-2020 period. Recognizing that E.L.K.'s proposed System Renewal investments will continue to manage system reliability performance over the next 5-year period, please select one of the following options that best describes your preferences with respect to system reliability performance:

Answer Choices	Responses	
Continue to deliver the same level of system reliability performance as seen over the past 5-year period by executing the current DSP as presented by E.L.K..	18.28%	53
Prioritize improvements to system reliability performance, thereby resulting in less customer outages per year with a reduced average outage duration, but with a potential increase to customer rates.	68.62%	199
Deprioritize improvements that support system reliability performance, thereby resulting in more customer outages per year with an increased average outage duration, but with minimal impact to customer rates.	2.07%	6
Unsure.	11.03%	32
	Answered	290
	Skipped	0

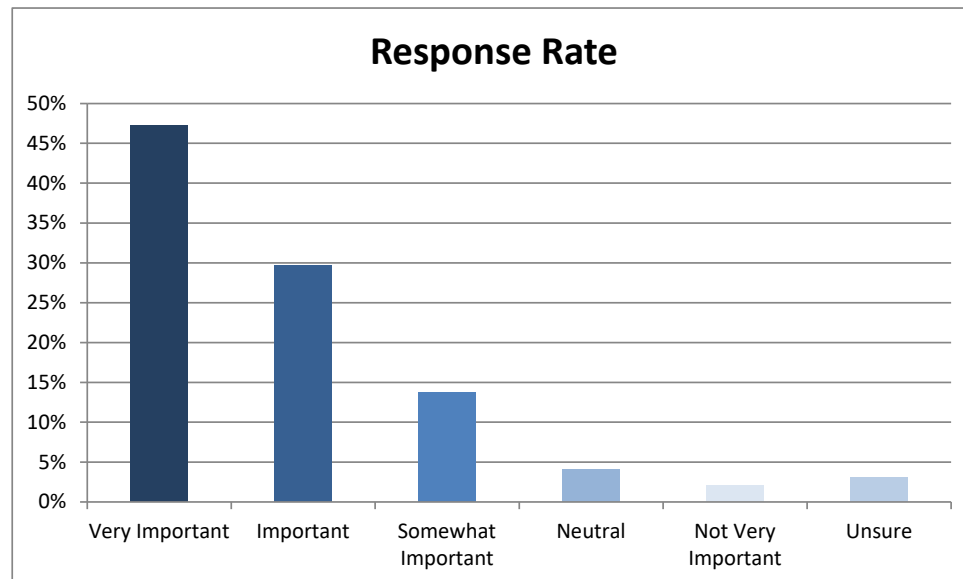
Regarding system reliability performance, E.L.K. averaged 0.53 customer interruptions and 1.54 average hours of power disruption per year over the 2016-2020 period. Recognizing that E.L.K.'s proposed System Renewal investments will continue to manage syst



Customer Survey 2021

As the E.L.K. community continues to grow, how important do you think it is that E.L.K. upgrade software and systems to support customer service like GIS, outage management including outage maps, billing and communications, and functional services?

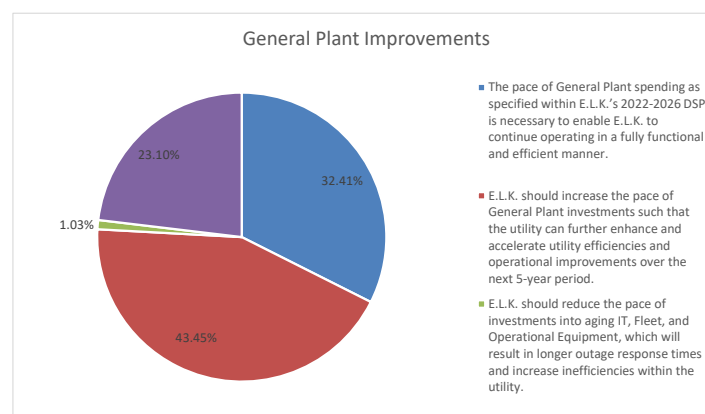
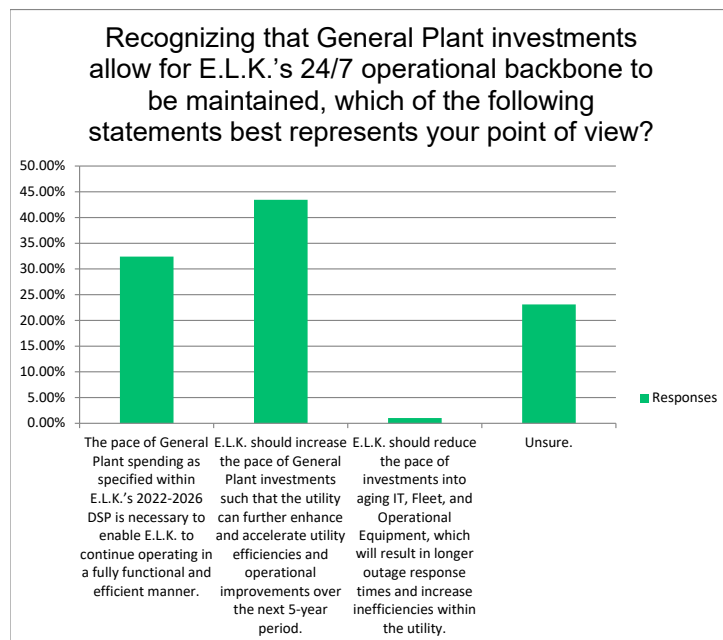
Answer Choices	Response Rate	
Very Important	47%	137
Important	29.66%	86
Somewhat Important	13.79%	40
Neutral	4.14%	12
Not Very Important	2.07%	6
Unsure	3.10%	9
Answered		290
Skipped		0



Customer Survey 2021

Recognizing that General Plant investments allow for E.L.K.'s 24/7 operational backbone to be maintained, which of the following statements best represents your point of view?

Answer Choices	Responses	
The pace of General Plant spending as specified within E.L.K.'s 2022-2026 DSP is necessary to enable E.L.K. to continue operating in a fully functional and efficient manner.	32.41%	94
E.L.K. should increase the pace of General Plant investments such that the utility can further enhance and accelerate utility efficiencies and operational improvements over the next 5-year period.	43.45%	126
E.L.K. should reduce the pace of investments into aging IT, Fleet, and Operational Equipment, which will result in longer outage response times and increase inefficiencies within the utility.	1.03%	3
Unsure.	23.10%	67
Answered	290	
Skipped	0	

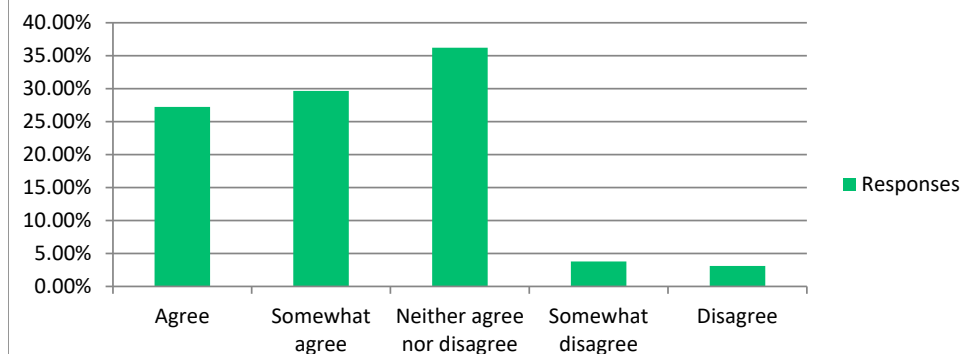


Customer Survey 2021

Based on the information above, please select one of the following regarding your views on the levels of expenditures on O&M:

Answer Choices	Responses	
Agree	27.24%	79
Somewhat agree	29.66%	86
Neither agree nor disagree	36.21%	105
Somewhat disagree	3.79%	11
Disagree	3.10%	9
Answered		290
Skipped		0

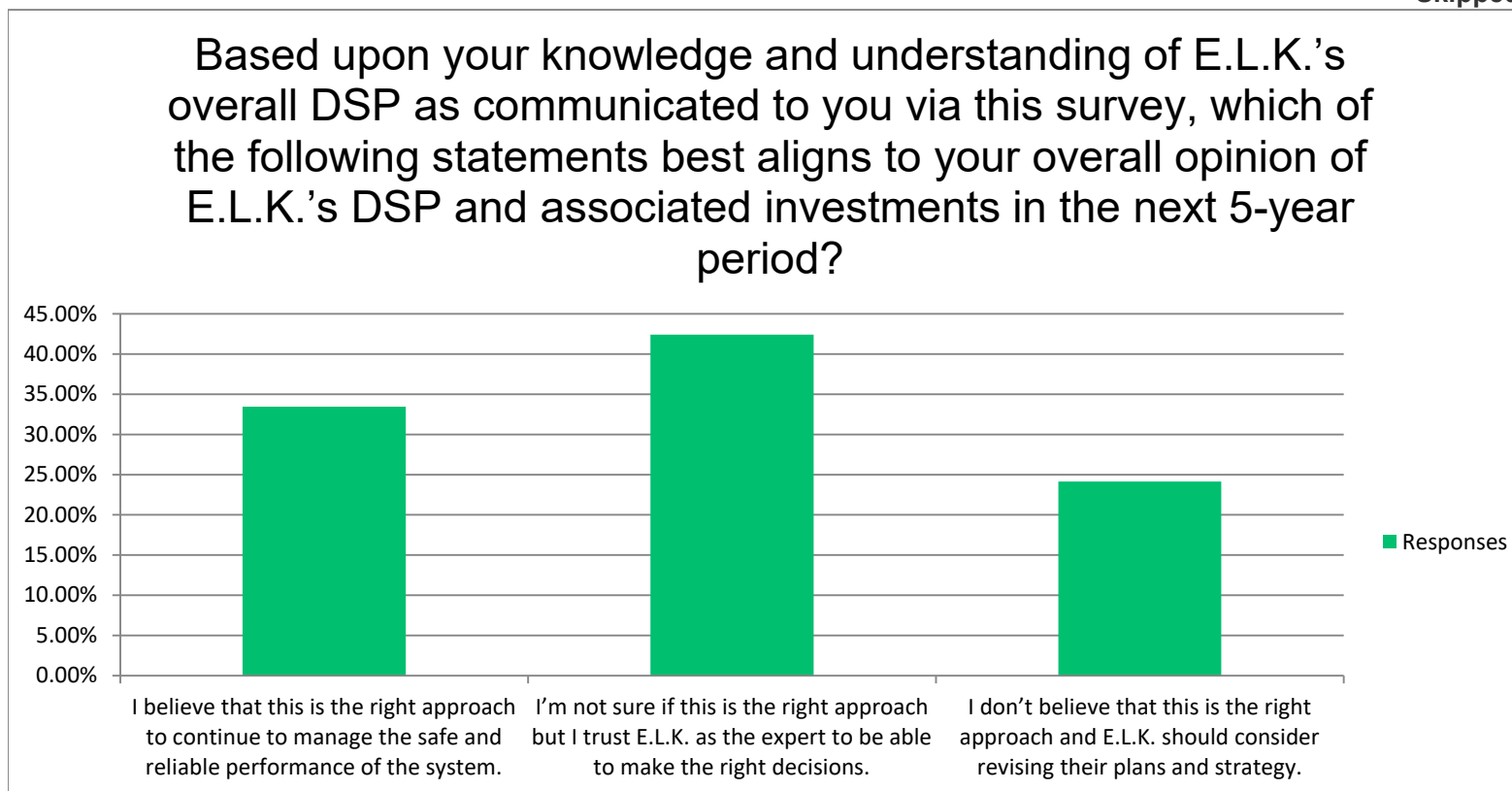
Based on the information above, please
select one of the following regarding your
views on the levels of expenditures on
O&M:



Customer Survey 2021

Based upon your knowledge and understanding of E.L.K.'s overall DSP as communicated to you via this survey, which of the following statements best aligns to your overall opinion of E.L.K.'s DSP and associated investments in the next 5-year period?

Answer Choices	Responses	
I believe that this is the right approach to continue to manage the safe and reliable performance of the system.	33.45%	97
I'm not sure if this is the right approach but I trust E.L.K. as the expert to be able to make the right decisions.	42.41%	123
I don't believe that this is the right approach and E.L.K. should consider revising their plans and strategy.	24.14%	70
	Answered	290
	Skipped	0



Customer Survey 2021

Do you have any general comments or feedback for E.L.K.?

Answered 152

Skipped 138

Customer Survey 2021

Skill Testing Question What is the answer to the following equation? $(6 + 24) / 2$

Answered 290

Skipped 0

TAB 6 - PERFORMANCE MANAGEMENT

1.0 Performance Management Overview

This Section details the steps E.L.K. has taken in respect of each of the Board's four RRFE outcomes. In connection with the RRFE outcomes, the E.L.K. develops a scorecard annually. E.L.K.'s 2020 scorecard was issued on October 20, 2021, which is attached as Exhibit 1, Tab 6 Attachment 1.

The Renewed Regulatory Framework is a performance-based approach to regulation that focuses on the achievement of outcomes such as efficiency, reliability, sustainability, and financial viability. The Report of the Board, Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach ("RRFE Report") issued on October 18, 2012, outlines the following four (4) performance outcomes the Board expects distributors to achieve.

1. **Customer Focus:** services are provided in a manner that responds to identified customer preferences;
2. **Operational Effectiveness:** continuous improvement in productivity and cost performance is achieved; and utilities deliver on system reliability and quality objectives;
3. **Public Policy Responsiveness:** utilities deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board); and
4. **Financial Performance:** financial viability is maintained; and savings from operational effectiveness are sustainable.

2.0 Scorecard

On March 5, 2014, the Board issued a report for the Performance Measurement for Electricity distributors: A Scorecard Approach (EB-2010-0379). The report details the scorecard measures

1 approach which the Board expects to use in order to monitor and assess a distributor's
2 effectiveness and improvements in achieving the four performance outcomes mentioned above,
3 and to eventually facilitate distributor benchmarking.

4 E.L.K. has published its 2020 Scorecard for public viewing on its website at
5 <https://www.elkenenergy.com/wp-content/uploads/2021/10/Scorecard-2020.pdf>

6 In 2020, E.L.K. exceeded many of its performance targets. In 2021, E.L.K. will continue to strive
7 to achieve positive scorecard results and continue to look for ways to improve the customer
8 experience. The 2020 Scorecard is provided in Figure 1-4 below:

1 **Figure 1-4 E.L.K. 2020 OEB SCORECARD**

Performance Outcomes	Performance Categories	Measures	2016	2017	2018	2019	2020	Trend	Target	
									Industry	Distributor
Customer Focus Services are provided in a manner that responds to identified customer preferences.	Service Quality	New Residential/Small Business Services Connected on Time	93.90%	94.44%	99.04%	99.34%	99.50%	🟢	90.00%	
		Scheduled Appointments Met On Time	98.90%	98.63%	100.00%	100.00%	99.07%	🟢	90.00%	
		Telephone Calls Answered On Time	97.20%	96.60%	96.25%	97.69%	95.08%	🟢	65.00%	
	Customer Satisfaction	First Contact Resolution	Excellent	Excellent	Excellent	Excellent	Excellent			
		Billing Accuracy	99.97%	99.99%	99.96%	99.96%	99.95%	🟢	98.00%	
		Customer Satisfaction Survey Results	88% Satis.	90% Satis	90% Satis	91% Satis	91% Satis			
Operational Effectiveness Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives.	Safety	Level of Public Awareness	78.00%	82.00%	82.00%	83.00%	83.00%			
		Level of Compliance with Ontario Regulation 22/04 ¹	C	C	C	C	C	🟢		C
		Serious Electrical Incident Index	0	0	0	0	0	🟢		0
	System Reliability	Number of General Public Incidents Rate per 10, 100, 1000 km of line	0.000	0.000	0.000	0.000	0.000	🟢		0.000
		Average Number of Hours that Power to a Customer is Interrupted ²	0.25	0.63	1.63	1.85	3.34	🔴		0.99
		Average Number of Times that Power to a Customer is Interrupted ²	0.09	0.21	0.48	0.72	1.15	🔴		0.34
	Asset Management	Distribution System Plan Implementation Progress	In progress	In progress	In progress	In progress	In Progress			
		Efficiency Assessment	1	1	1	1	1			
	Cost Control	Total Cost per Customer ³	\$416	\$394	\$402	\$418	\$380			
		Total Cost per Km of Line ³	\$31,239	\$30,987	\$30,795	\$31,613	\$28,537			
Public Policy Responsiveness Distributors deliver on obligations mandated by government (e.g., in legislation and in regulatory requirements imposed further to Ministerial directives to the Board).	Connection of Renewable Generation	Renewable Generation Connection Impact Assessments Completed On Time								
		New Micro-embedded Generation Facilities Connected On Time	100.00%	100.00%	100.00%			🟢	90.00%	
Financial Performance Financial viability is maintained; and savings from operational effectiveness are sustainable.	Financial Ratios	Liquidity: Current Ratio (Current Assets/Current Liabilities)	2.04	1.85	2.51	2.95	2.67			
		Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio	0.52	0.43	0.35	0.28	0.21			
		Profitability: Regulatory Return on Equity	9.12%	8.78%	8.78%	8.78%	8.78%			
		Deemed (included in rates) Achieved	8.39%	11.15%	16.17%	9.66%	11.76%			

1. Compliance with Ontario Regulation 22/04 assessed: Compliant (C); Needs Improvement (NI); or Non-Compliant (NC).

2. An upward arrow indicates decreasing reliability while downward indicates improving reliability.

3. A benchmarking analysis determines the total cost figures from the distributor's reported information.

Legend:

5-year trend
🟢 up 🟡 down 🟠 flat
Current year
🟢 target met 🟠 target not met

2.1 Service Quality

New Residential/Small Business Services Connected on Time

In 2020, E.L.K. connected 99.50% of approximately 201 eligible low-voltage residential and small business customers to E.L.K.'s system within the five-day timeline prescribed by the Ontario Energy Board (OEB). This is above the OEB mandated threshold of 90%.

E.L.K. plans to maintain this performance indicator above the industry target.

Scheduled Appointments Met On Time

In 2020, E.L.K. scheduled approximately 108 appointments with customers to complete work requested by customers, read meters, reconnect, or otherwise necessary to perform. E.L.K. met 99.07% of these appointments on time, which significantly exceeds the industry target of 90%.

E.L.K. will continue to do what is currently being done for continued success of this service quality indicator.

Telephone Calls Answered On Time

In 2020, E.L.K. customer service agents received approximately 10,000 calls from its customers. An agent answered a call in 30 seconds or less in 95.08% of these calls which is consistent with 2019. This result significantly exceeds the OEB – mandated 65% target for timely call response.

E.L.K. will also look at having a dedicated customer service representative to answer phone calls based on the results being achieved at E.L.K.

2.2 Customer Satisfaction

First Contact Resolution

E.L.K. continues to develop this measure as no firm methodology has been presented. E.L.K. conducted a customer satisfaction survey which resulted in an overall positive customer

1 experience. E.L.K. also conducted a survey for E.L.K.'s COS and produced very positive results.
2 The number of customer issues that required escalation after the first contact were minimal.
3 E.L.K. will continue to conduct third party surveys to our customers, ultimately trying to address
4 any concerns they may have.

5 **Billing Accuracy**

6 In 2020, E.L.K. issued approximately 145,000 electricity bills and achieved a billing accuracy of
7 99.95%. This compares favorably to the prescribed OEB target of 98%.

8 E.L.K. will continue to maintain a high level of billing accuracy.

9 **Customer Satisfaction Survey Results**

10 In 2020, as part of active engagement with customers, E.L.K. understands its customer
11 preferences and assists the organization in shifting focus in order to deliver services in alignment
12 with customer needs. A recent study conducted by Oraclepoll, indicated that 91% of respondents
13 were satisfied.

14 Future annual customer surveys will act as a compass to guide the business and support
15 continuous improvement.

16 **2.3 Operational Effectiveness**

17 Board Staff recommended nine measures to assess a distributor's operational effectiveness:
18 three safety measures, two system reliability measures, one asset management measure, and
19 three overall cost performance measures.

2.4 Safety

Component A – Public Awareness of Electrical Safety

E.L.K. received a public awareness level of 83% per the Oraclepoll survey conducted. E.L.K. continues to educate our customer base through website updates, in-office library, bill messages, etc.

Component B – Compliance with Ontario Regulation 22/04

E.L.K. receives data from ESA providing performance data for the 2020 Distributor Scorecard. The data was for Component B (Compliance with Ontario Regulation 22/04) and Component C (Serious Electrical Incident Index) under the 'Safety' Performance Category of the Scorecard. E.L.K. has always been compliant with Ontario regulation 22/04 and has had zero serious electrical incidents occur over the life of the scorecard.

Component C – Serious Electrical Incident Index

E.L.K. receives data from ESA providing performance data for the 2020 Distributor Scorecard. The data was for Component B (Compliance with Ontario Regulation 22/04) and Component C (Serious Electrical Incident Index) under the 'Safety' Performance Category of the Scorecard. E.L.K. has always been compliant with Ontario regulation 22/04 and has had zero serious electrical incidents occur over the life of the scorecard.

Annual audits conducted by the Electrical Safety Authority have reported that E.L.K. was “C” – Compliant with Ontario Regulation 22/04 (Electrical Distribution Safety). As well, E.L.K.’s serious electrical incident index target is zero, and E.L.K. has achieved zero general public incidents as well as zero fatalities. This goal continues to be E.L.K.’s target now and in the future. This has been achieved and maintained by our ongoing commitment to safety coupled with the adherence to company procedures and policies. System Reliability.

E.L.K. continues its commitment to safety to protect the public and employees within our community. In E.L.K.'s current scorecard, the utility recorded zero fatalities and zero serious incidents within its operating service area over the period 2012-2021.

2.5 System Reliability

SAIDI and SAIFI

Average Number of Hours that Power to a Customer is Interrupted

In 2020, E.L.K.'s average number of hours that power to a customer was interrupted was 3.34. This increase from 2019 is the result of three major events; a large adverse weather event and two lightning storms in June and August of 2020.

Average Number of Times that Power to a Customer is Interrupted

In 2020, E.L.K.'s average number of times that power to a customer was interrupted (i.e., frequency) was 1.15 which is higher with previous years. The increase is due to three major weather events in June and August of 2020.

Much of the deterioration in "Average Number of Hours that Power to a Customer is interrupted" and "Average Number of Times that Power to a Customer is interrupted" are due to weather related events in 2020 and 2021. Concerning its Distribution System Plan, full details of the Distribution System Plan can be found in Exhibit 2.

The change over the past few years is the result of a higher number of more impactful weather events. With respect to E.L.K.'s distribution network during normal operation as well as severe weather events, E.L.K. continues to invest in new infrastructure as well as perform preventative maintenance which is intended to allow E.L.K. to meet its system reliability targets.

2.6 Asset Management

Distribution System Plan Implementation is currently in progress.

E.L.K. will be developing processes to monitor and report in these areas. Metrics will include:

Physical project progress vs. plan;

Financial project progress vs. plan; and

Actual vs. planned cost of work completed.

E.L.K.'s Distribution System Plan is filed with this application in Exhibit 2, Tab 4, Attachment 1.

2.7 Cost Control

Efficiency Assessment

The total costs for Ontario local electricity distribution companies are evaluated by the Pacific Economics Group LLC on behalf of the OEB to produce a single efficiency ranking. The electricity distributors are divided into five groups based on the magnitude of the difference between their respective individual actual and predicted costs. In 2020, for the ninth year in a row, E.L.K. was placed in Group 1, where a Group 1 distributor is considered most efficient. E.L.K. was one of nine utilities in Group 1 in 2020.

Total Cost per Customer

Total cost per customer is calculated as the sum of E.L.K.'s capital and operating costs and dividing this cost figure by the total number of customers that E.L.K. serves. The cost performance result is \$380/customer, and a 5-year average of \$402/customer.

Total Cost per Km of Line

This measure uses the same total cost that is used in the Cost per Customer calculation above. The total cost is divided by the kilometers of line that E.L.K. operates to serve its customers. E.L.K.'s rate is \$28,537 per Km of line, which is lower than 2019.

E.L.K. will continue to be committed to the measures under operational effectiveness, maintaining its strong safety and system reliability measures. Even with the increased OM&A, E.L.K. will continue to find efficiencies and cost improvements as detailed out below:

2.8 Financial Performance

In the Board's Scorecard Report, there are three measures to assess a distributor's financial viability: current ratio, total debt-to-equity ratio, and achieved regulated rate of return.

E.L.K. continues to remain efficient as evident from the recently released PEG analysis report (August 2021) that has E.L.K. placed in Group 1. The main factors contributing to the utility's financial success are a strong focus on performance and associated financial management, efficiencies achieved throughout the financial year.

Liquidity: Current Ratio (Current Assets/Current Liabilities)

As an indicator of financial health, a current ratio that is greater than 1 is considered good as it indicates the company can pay its short-term debts and financial obligations. E.L.K.'s current ratio of 2.67 is strong.

Leverage: Total Debt (includes short-term and long-term debt) to Equity Ratio

A debt-to-equity ratio of 1.5 indicates that a distributor leveraged at the 60%/40% deemed capital structure. A high debt to equity ratio may indicate that an electricity distributor may have difficulty generating sufficient cash flows to make its debt payments. E.L.K.'s debt to equity ratio of 0.21 is strong.

Profitability: Regulatory Return on Equity – Deemed (included in rates)

E.L.K.'s current distribution rates were approved by the OEB and include a deemed return on equity of 8.78%. E.L.K.'s achieved return on equity in 2020 is 11.76%.

Profitability: Regulatory Return on Equity – Achieved

E.L.K.'s actual rate of return is within the +/-300 basis points dead band.

2.9 Public Policy Responsiveness

In the Board's Scorecard Report, Board Staff recommended four measures to assess a distributors' public policy responsiveness: two CDM measures and two measures for connection of renewable generation.

Conservation and Demand Management

E.L.K. Continues to finalize the wind-down of conservation and demand management as directed by the Ontario Energy Board and IESO.

2.10 Connection of Renewable Generation

Renewable Generation Connection Impact Assessments Completed on Time

E.L.K. has completed all Connection Impact Assessments on time within the prescribed time limit.

New Micro-embedded Generation Facilities Connected On Time

In 2020, there were no new MicroFIT connections as the program has ceased.

All MicroFIT sites have been connected on time. E.L.K. works closely with customers and their contractors to address any connection issues and ensure the project is connected on time.

3.0 Government Obligations

E.L.K. has been required to support a number of provincial policy initiatives, including, but not limited to:

- Many rate changes - primarily related to COVID-19
- Changes to the global adjustment
- Managing the residential and small business CEAP programs
- Management of increased LEAP funding

- Management of increased OESP funding
- Disconnection moratorium
- Green button implementation
- Rate optionality – customer choice between TOU or tiered
- Increased RRR reporting

4.0 Productivity and Continuous Improvement Initiatives

E.L.K. has been working to improve its performances, to reduce costs, and to be more efficient. Focusing on customer satisfaction, E.L.K. details below some of the initiatives which all align with the objectives of the RRFE. E.L.K. will continue to find ways to respond to its customer needs and add more value to its customer if it is cost efficient.

Specifically, E.L.K. has undertaken several productivity initiatives over the past several years. These include:

- Conservation initiative to paperless, conversion of documents to electronic format, documentation scanned to electronic format, add on software to the E.L.K. CIS information system (new customer packages, move in/out paperwork, customer choice with respect to the RPP, service terminations, meter changes, transformer info)
- Electronic Billing: Campaign to encourage customers to use ebilling; Customer service representatives actively reaching out to customers to explain benefits of ebilling and the other customer self-serve options that are now available
- Conservation and Efficiency initiative –Conversion of MicroFIT and FIT customers from cheques/paper bills to e-bills and direct deposit

- 1 • Inspection service orders are now created in the Customer Information System (CIS)
2 which allows Operations staff to better schedule and track inspection of distribution
3 assets
- 4 • Preventative maintenance initiative: Inspection of OH/UG section was added to
5 electric maintenance service orders for staff to note in the field any maintenance
6 work they detect while doing other work (added to ESA NEW, Pole change etc.)
- 7 • Locate system – This is being moving to digital locate software
- 8 • Added digital demand meters with ability to allow readings to be downloaded and
9 imported into the CIS system
- 10 • Policy Development: Developed revised underground policy for new and upgrades
11 services
- 12 • 24 Hours After Hours Call and On-Call Staff. In an effort to respond to customer
13 needs, E.L.K. possesses a 24 hour after hours call centre telephone answering
14 service that processes calls from customers and the general public in accordance
15 with instructions from E.L.K. On call staff is available 24 hours a day, including
16 evenings, weekends and statutory holidays.
- 17 • Competitive Purchasing: Within E.L.K.'s purchasing policy, a purchase order is
18 required for all items greater than one thousand dollars and requires three quotes.
19 E.L.K. is cost conscious and all savings achieved by price comparing for most items
20 are passed on through the ratepayer through rates.
- 21 • Customer Service Efficiencies / Online Services: E.L.K.'s service strategy includes
22 adding more web-based applications in addition to a complete upgrade of E.L.K.'s
23 website. With respect to E.L.K.'s website, there is now industry-related links, customer
24 forms, all which we have seen some of the more simple and repetitive calls decline.
25 The new look of the website plus mobile application capabilities will enable customers
26 to access timely usage information so that they can conserve and manage their

consumption. Convenient access to rates, news and information on payment plans to assist customers during these challenging times is in response customer feedback.

- E.L.K.'s incoming calls have decreased each of the past three years. E.L.K. has maintained its complement of Customer Service representatives together with the growth at E.L.K. E.L.K. will be implementing a new website in 2022 and will also be implementing a GIS system and the Government mandated Green Button initiative.
- Telecommunications: E.L.K. implemented a new phone system in 2019.
- Human Resource Efficiencies: E.L.K. is part of The Mearie Group in partnership with Comprehensive Benefits Solutions whose focus is reciprocal insurance.

Specific efforts to achieve cost reductions and productivity improvements in the Test Year

In the 2022 Test Year, E.L.K. will continue to make cost reduction and productivity improvement measures a priority.

1. E.L.K. will launch ELK Green to offer and promote our new website and mobile application and promote ebilling and to maintain and potentially increase the number of customers using this billing option.
2. E.L.K. will continue with in-house monthly bill production and printing.
3. E.L.K. will continue with in-house locate process and new locate software to automate this process to provide greater efficiencies.
4. E.L.K. will continue to utilize an Operational Data Store and implement a GIS system for distribution assets for efficient management.
5. E.L.K. has responded to the 3 OEB directives from its last rate application which will lead to process improvements and greater efficiencies (Reference Exhibit 1, Tab 3, Section 9)

1 **5.0 Benchmarking**

2 A key tool of the OEB's Renewed Regulatory Framework ("RRF") is the electricity Utility Scorecard
3 ("scorecard"). The scorecard is a mechanism which facilitates the OEBs performance monitoring
4 and distributor benchmarking. The scorecard contains five years of data and assesses a
5 distributor's effectiveness and improvement in achieving the four performance outcomes of the
6 RRF: Customer Focus, Operational Effectiveness, Public Policy Responsiveness, and Financial
7 Performance. As a key part of the RRF, the scorecard enables the OEB to align the needs of a
8 sustainable, financially viable electricity sector with the expectations of customers, who want
9 reliable service at a reasonable price.

- 1 Table 1-17 shows E.L.K.'s performance over a 5-year period from 2016 to 2020. E.L.K. has maintain good performance in most
2 categories with the exception of the Average number of times Power to Customer is Interrupted and Average number of Hours Power
3 to Customer is Interrupted in 2020. These results in 2020 are primarily related to the several serve weather events that year

<p style="text-align: center;"><u>Table 1-17</u></p> <p style="text-align: center;">OEB CUSTOM SCORECARD REPORT: E.L.K. Energy Inc. - 5 Year Trend</p>											
Performance Year	New Residential/Small Business Services Connected on Time (Target: 90%)	Scheduled Appointments Met on Time (Target: 90%)	Telephone Calls Answered on Time (Target: 65%)	Billing Accuracy (Target: 98%)	Average Number of Times Power to Customer is Interrupted	Average Number of Hours Power to Customer is Interrupted	Efficiency Assessment (1 = most efficient 5 = least efficient)	Total Cost (\$) per Customer	Total Cost (\$) per Km of Line	Profitability: Regulatory Return on Equity - Deemed	Profitability: Regulatory Return on Equity - Achieved
2020	99.50%	99.07%	95.08%	99.95	1.15	3.34	1	380	28537	8.78%	11.76%
2019	99.34%	100%	97.69%	100	0.72	1.85	1	418	31613	8.78%	9.66%
2018	99.04%	100%	96.25%	100	0.48	1.63	1	402	30795	8.78%	16.17%
2017	94.44%	98.63%	96.60%	100	0.21	0.63	1	394	30987	8.78%	11.15%
2016	93.90%	98.90%	97.20%	100	0.09	0.25	1	416	31239	9.12%	8.39%

- 4 Over the period 2016 to 2020 E.L.K. has reduced its Total Cost per Customer and has maintained its efficiency assessment at Group
5 1 – the highest level.

1 Table 1-18 shows E.L.K.'s performance across a cross section of OEB Scorecard measures vs. LDC's that are in geographic proximity.

<p style="text-align: center;"><u>Table 1-18</u></p> <p style="text-align: center;">OEB CUSTOM SCORECARD REPORT (Reporting Year: 2020) - Geographical Cohort</p>											
Distributor	New Residential/ Small Business Services Connected on Time (Target: 90%)	Scheduled Appointments Met on Time (Target: 90%)	Telephone Calls Answered on Time (Target: 65%)	Billing Accuracy (Target: 98%)	Average Number of Times Power to Customer is Interrupted	Average Number of Hours Power to Customer is Interrupted	Efficiency Assessment (1 = most efficient 5 = least efficient)	Total Cost (\$) per Customer	Total Cost (\$) per Km of Line	Profitability: Regulatory Return on Equity - Deemed	Profitability: Regulatory Return on Equity - Achieved
Bluewater Power Dist. Corp.	100%	100%	82.67%	99.98	2.02	1.95	3	710	21695	8.98%	10.80%
E.L.K. Energy Inc.	99.50%	99.07%	95.08%	99.95	1.15	3.34	1	380	28537	8.78%	11.76%
Entegrus Powerlines Inc.	96.91%	99.83%	79.11%	99.81	1.18	1.47	2	553	11008	9.19%	8.23%
EnWin Utilities Ltd.	100%	100%	64.74%	99.95	2.11	0.86	3	692	13236	8.52%	5.25%
ERTH Power Corporation	98.59%	100%	95.92%	99.75	0.29	0.78	3	680	36142	9.00%	8.35%
Essex Powerlines Corporation	93.27%	94.46%	65.17%	99.92	0.95	1.23	2	577	10979	9.00%	6.14%
London Hydro Inc.	98.86%	100%	73.41%	99.82	1.05	0.86	3	563	29714	8.78%	7.90%

- 1 It should be noted that E.L.K. ranks the best in terms of Total Cost per Customer and is only LDC in the Group 1 “most efficient”
- 2 efficiency assessment category.
- 3 The following Table 1-19 shows E.L.K.’s performance vs. similar sized LDC’s on Distribution Revenue per Customer Annually (\$),
- 4 OM&A per Customer (\$), Net PP&E per Customer (\$) and the Residential Monthly Service Charge.

1

Table 1-19 Performance vs Similar Sized LDCs

Unitized & Other Statistics For the Year Ended December 31	Cooperative Hydro Embrun Inc.	E.L.K. Energy Inc.	Grimsby Power Inc.	Halton Hills Hydro Inc.	Hearst Power Distribution Company Limited	Hydro Hawkesbury Inc.	Northern Ontario Wires Inc.	Wasaga Distribution Inc.	Welland Hydro- Electric System Corp.
Distribution Revenue (\$) Per Customer Annually	492.05	271.08	497.68	492.31	415.91	316.01	553.05	316.94	420.59
OM&A per Customer (\$)	307.52	195.62	307.15	297.91	409.28	210.59	466.09	248.22	284.35
Net PP&E per Customer (\$)	1,774.18	818.62	2,556.05	4,779.66	676.89	1,239.85	1,254.71	1,034.72	1,419.45
Residential Monthly Service Charge	37.44	19.10	29.38	38.17	28.50	18.12	39.03	23.93	28.82

- 2 E.L.K. compares very favourably to these similar size LDC's across all categories. In particular E.L.K. ranks first in this group of LDCs
- 3 in OM&A per Customer and has the second lowest Residential Monthly Service Charge.

1 **6.0 Activity and Program Benchmarking (“APB”)**

2 On March 30, 2021 the OEB issued the Pacific Economics Group Research LLC Report to the
3 Ontario Energy Board titled *New Developments in Activities and Program Benchmarking* dated
4 March 9, 2021 (revised May 11, 2021) (the “**APB Report**”).

5 In the cover letter accompanying the APB Report, the OEB acknowledged there were concerns
6 expressed by some distributors about how APB will be implemented and the use of econometric
7 benchmarking. The OEB confirmed the previously stated approach that APB will rely on unit costs
8 as the primary benchmarking method. Unit cost provides the basis for driving utility performance
9 by assessing continuous improvements, and in many cases provides for comparability across the
10 sector. Overall, it allows simplicity, utility ease of replication and data availability.

11 Consistent with this approach, E.L.K. Energy has focused this analysis primarily on the unit cost
12 comparisons.

13 Overall, the APB Report has provided the sector-wide unit costs and econometric results for the
14 10 programs. On an overall basis, the table below shows a comparison of the two methods for
15 the programs. On average, 58% and 52% of distributors are “within 50%” for econometric
16 benchmarking and unit cost, respectively. This is summarized in Figure 1-5 below which is taken
17 from the APB Report at Table 3.

Figure 1-5: Overall Economic and Unit Cost Results of PEG Benchmarking

	Econometric Results	Unit Cost Results
	% of companies within 50% of Predicted Cost	% of companies within 50% of Average Unit Cost
Billing O&M	71%	60%
Poles, Towers, and Fixtures O&M	46%	36%
Line O&M	64%	66%
Metering O&M	60%	66%
Vegetation Management O&M	49%	53%
Station Equipment O&M	57%	24%
Poles, Towers, and Fixtures Capex	67%	61%
Station Capex	21%	16%
Line Transformer Capex	83%	72%
Meter Capex	59%	63%
Average	58%	52%

In this context, distributors applying for rates effective May 1, 2022 or later are expected to review the APB results, discuss their performance for each of the ten programs and provide any immediate remedial actions the distributor is planning to take.

E.L.K. Energy addresses this requirement for each of the ten programs below.

Given the APB initiative is still in its early stages, E.L.K. Energy has not yet made any determination on how the APB Report results will influence future planning.

6.1 Billing O&M

As shown in Table 1-20, E.L.K. Energy's 3 year average billing O&M is \$24.95/customer, which is \$11.31/customer less than the provincial average of \$36.26/customer.

This is consistent with E.L.K. Energy's status as a Group 1 utility.

Based on this performance, no immediate remedial actions are required.

Table 1-20 Unit Cost Indexes by Distributor: Billing O&M

Distributor	Cost (\$1,000)				Scale (1,000 customers)				Unit Cost (\$ / customer)			
	2017	2018	2019	Average	2017	2018	2019	Average	2017	2018	2019	Average
E.L.K. Energy Inc.	247	396	285	309	12.3	12.4	12.5	12.4	\$ 20.04	\$ 31.95	\$ 22.86	\$ 24.95
Distributor Average				\$ 2,206				88.84				\$ 36.26

6.2 Pole Maintenance O&M

As shown in Table 1-21, E.L.K. Energy's 3 year average pole maintenance O&M is \$8.79/pole, which is \$5.26/pole less than the provincial average of \$14.05/pole.

This is consistent with E.L.K. Energy's status as a Group 1 utility.

Based on this performance, no immediate remedial actions are required.

Table 1-21 Unit Cost Indexes by Distributor: Pole Maintenance O&M

Distributor	Cost (\$1,000)				Scale (1,000 Poles)				Unit Cost (\$ / pole)			
	2017	2018	2019	Average	2017	2018	2019	Average	2017	2018	2019	Average
E.L.K. Energy Inc.	32.8	23.9	30.1	29.0	3.3	3.3	3.3	3.3	\$ 9.99	\$ 7.26	\$ 9.12	\$ 8.79
Distributor Average				\$ 509				42.9				\$ 14.05

6.3 Lines O&M

As shown in Table 1-22, E.L.K. Energy's 3 year average lines O&M is \$1.28/scale index, or \$0.27/scale index more than the provincial average of \$1.011/scale index.

A closer examination of the factors driving this performance shows that E.L.K. Energy's scale index of 0.15 is significantly less than the provincial average scale index of 1.1971. E.L.K. Energy management has no control over its scale. Yet this significant factor is primarily driving the results of this performance benchmark.

By contrast, E.L.K. Energy's actual underlying 3 year average lines O&M costs of 0.19, which is 0.81 less than the provincial average of 1.00.

Based on this performance, no immediate remedial actions are required.

Table 1-22 Unit Cost Indexes by Distributor: Lines O&M

Distributor	Cost Index (Cost / Average)					Scale Index					Unit Cost (Cost Index/Scale Index)			
	2017	2018	2019	Average		2017	2018	2019	Average		2017	2018	2019	Average
E.L.K. Energy Inc.	0.19	0.18	0.20	0.19		0.15	0.15	0.15	0.15		1.26	1.20	1.37	1.28
Distributor Average				1.00					1.1971					1.011

6.4 Meter O&M

As shown in Table 1-23, E.L.K. Energy's 3 year average meter O&M is \$19.16/customer, which is \$0.51/customer less than the provincial average of \$19.67/customer.

This is consistent with E.L.K. Energy's status as a Group 1 utility.

Based on this performance, no immediate remedial actions are required.

Table 1-23 Unit Cost Indexes by Distributor: Meter O&M

Distributor	Cost (\$1,000)					Scale (1,000 customers)					Unit Cost (\$ per customer)			
	2017	2018	2019	Average		2017	2018	2019	Average		2017	2018	2019	Average
E.L.K. Energy Inc.	222.1	244.6	246.4	237.7		12.3	12.4	12.5	12.4		\$ 17.99	\$ 19.75	\$ 19.75	\$ 19.16
Distributor Average				\$ 1,337					88.8				\$ 19.67	

6.5 Vegetation Management O&M

As shown in Table 1-24, E.L.K. Energy's 3 year average vegetation management O&M is \$18.06/pole, which is \$17.08/pole less than the provincial average of \$35.15/pole.

This is consistent with E.L.K. Energy's status as a Group 1 utility.

Based on this performance, no immediate remedial actions are required.

Table 1-24 Unit Cost Indexes by Distributor: Vegetation Management O&M

Distributor	Cost (\$1,000)					Scale (1,000 Poles)					Unit Cost (\$ per Pole)			
	2017	2018	2019	Average		2017	2018	2019	Average		2017	2018	2019	Average
E.L.K. Energy Inc.	65	60	54	60		3.3	3.3	3.3	3.3		\$ 19.71	\$ 18.09	\$ 16.38	\$ 18.06
Distributor Average				\$ 3,183					45.9				\$ 35.15	

6.6 Station Maintenance O&M

As described in the DSP, E.L.K. Energy does not own any substations as it is supplied directly by Hydro One with station capacity managed by Hydro One. As a consequence this performance benchmark is not applicable to E.L.K. Energy.

6.7 Poles, Towers and Fixtures Capex

As shown in Table 1-25, E.L.K. Energy's 3 year average poles, towers and fixtures capex unit cost is \$14.61/pole, which is \$109.01/pole less than the provincial average of \$123.62/pole.

This is consistent with E.L.K. Energy's status as a Group 1 utility.

In 2020, E.L.K. undertook both an asset condition assessment and a pole condition assessment to further inform its future investment decisions related to system renewal projects. The outcome of those assessments led to a newly devised targeted program for capital expenditures and prioritization of system renewal as further outlined in the DSP.

Based on this, no further remedial actions are required.

Table 1-25 Unit Cost Indexes by Distributor: Poles, Towers, and Fixtures Capex

Distributor	Cost (\$1,000)				Scale (1,000 poles)				Unit Cost (\$ per pole)			
	2017	2018	2019	Average	2017	2018	2019	Average	2017	2018	2019	Average
E.L.K. Energy Inc.	48	47	49	48	3.3	3.3	3.3	3.3	\$ 14.75	\$ 14.38	\$ 14.70	\$ 14.61
Distributor Average	\$ 6,336				42.9				\$ 123.62			

6.8 Station Capex

As described in the DSP, E.L.K. Energy does not own any substations as it is supplied directly by Hydro One with station capacity managed by Hydro One. As a consequence this performance benchmark is not applicable to E.L.K. Energy.

6.9 Line Transformer Capex

As shown in Table 1-26, E.L.K. Energy's 3 year average line transformer capex unit cost is \$18.44/customer, which is \$9.44/customer less than the provincial average of \$27.88/customer.

This is consistent with E.L.K. Energy's status as a Group 1 utility.

Based on this performance, no immediate remedial actions are required.

Table 1-26 Unit Cost Indexes by Distributor: Line Transformer Capex

Distributor	Cost (\$1,000)				Scale (1,000 customers)				Unit Cost (\$ per customer)			
	2017	2018	2019	Average	2017	2018	2019	Average	2017	2018	2019	Average
E.L.K. Energy Inc.	204	218	264	229	12.3	12.4	12.5	12.4	\$ 16.56	\$ 17.61	\$ 21.16	\$ 18.44
Distributor Average	\$ 4,141				88.7				\$ 27.88			

6.10 Meter Capex

As shown in Table 1-27, E.L.K. Energy's 3 year average meter capex unit cost is \$6.79/customer, which is \$4.25/customer less than the provincial average of \$11.04/customer.

This is consistent with E.L.K. Energy's status as a Group 1 utility.

Based on this performance, no immediate remedial actions are required.

Table 1-27 Unit Cost Indexes by Distributor: Meter Capex

Distributor	Cost (\$1,000)				Scale (1,000 customers)				Unit Cost (\$ per customer)			
	2017	2018	2019	Average	2017	2018	2019	Average	2017	2018	2019	Average
E.L.K. Energy Inc.	144.3	50.5	57.4	84.0	12.3	12.4	12.5	12.4	\$ 11.69	\$ 4.08	\$ 4.60	\$ 6.79
Distributor Average	\$ 1,776				88.7				\$ 11.04			

TAB 7 - FINANCIAL INFORMATION

1.0 Non-Consolidated Audited Financial Statements

E.L.K. has filed the non-consolidated audited financial statements of the utility for 2018, 2019, and 2020 (Exhibit 1, Tab 7, Attachments 1 and 2, respectively). These statements exclude the operations of affiliated companies that are not rate regulated. In addition, non-utility businesses being conducted by E.L.K. have been segregated in the financial reporting from its rate regulated activities. Annual Report and MD&A for Parent Company

E.L.K. does not publish an annual report or an MD&A. As a result, this requirement is not applicable.

2.0 Rating Agency Reports

E.L.K. does not have any Rating Agency Reports.

3.0 Prospectus, Information Circulars for Recent and Planned Issuances

E.L.K. has not prepared any prospectuses or information circulars for recent or planned issuances.

4.0 Changes in Tax Status

E.L.K. is a corporation incorporated pursuant to the Ontario Business Corporations Act and has not had a change in tax status since its last approved Cost of Service Application dated September 19, 2012, EB-2011-0099.

5.0 Accounting Orders

E.L.K. is requesting approval for an "Incremental PILs/Income Tax Variance Account", this is further explained in Exhibit 9, Tab 12.

6.0 Accounting Policies

E.L.K has not changed its accounting policies since its last approved Cost of Service application for 2012 rates (EB-2011-0099), and therefore there are no impacts on revenue requirement.

7.0 Uniform System of Accounts

E.L.K. is not aware of any Uniform System of Account departures.

8.0 Accounting Standards

The 2022 Cost of Service Application is filed on an IFRS accounting basis.

9.0 Accounting Treatment of Non-Utility Businesses

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.

10.0 Materiality Thresholds

The Minimum Filing requirements state that a distributor with a distribution revenue requirement of less than \$10 million must use \$50,000 as a materiality threshold. With a proposed service revenue requirement of \$4,511,397 E.L.K. has used \$50,000 as a materiality threshold throughout this application.

Non-Consolidated Financial Statements of

E.L.K. ENERGY INC.

And Independent Auditors' Report thereon

Year ended December 31, 2019



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3200 Deziel Drive
Windsor ON N8W 5K8
Canada
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INDEPENDENT AUDITORS' REPORT

To the Shareholder of E.L.K. Energy Inc.

Opinion

We have audited the non-consolidated financial statements of E.L.K. Energy Inc. (the Entity), which comprise:

- the non-consolidated statement of financial position as at December 31, 2019
- the non-consolidated statement of comprehensive income for the year then ended
- the non-consolidated statement of changes in equity for the year then ended
- the non-consolidated statement of cash flows for the year then ended
- and notes to the non-consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the non-consolidated financial position of the Entity as at December 31, 2019, and its non-consolidated financial performance and its non-consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Financial Reporting Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with International Financial Reporting Standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada
April 23, 2020

E.L.K. Energy Inc.

Non-Consolidated Statement of Financial Position

December 31, 2019, with comparative information for 2018

	Note	2019	2018
Assets			
Current assets			
Cash and cash equivalents	5	\$ 7,902,516	\$ 4,537,801
Accounts receivable	6	1,238,666	1,372,461
Due from related parties	22	154,911	119,123
Income taxes receivable		20,197	7,085
Unbilled revenue		5,144,364	4,339,503
Inventory	7	356,921	309,057
Prepaid expenses		160,729	90,219
Total current assets		14,978,304	10,775,249
Non-current assets			
Investments	8	87,495	66,949
Property, plant and equipment	9	10,194,124	9,782,810
Deferred tax assets	10	286,000	424,000
Total non-current assets		10,567,619	10,273,759
Total assets		25,545,923	21,049,008
Regulatory balances	11	2,378,838	4,537,051
Total assets and regulatory balances		\$ 27,924,761	\$ 25,586,059
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12	\$ 4,534,442	\$ 3,764,988
Due to related parties	22	563,512	531,833
Customer deposits		1,882,945	1,418,287
Deferred revenue		794,124	396,055
Bank debt	13	3,100,000	3,600,000
Total current liabilities		10,875,023	9,711,163
Non-current liabilities			
Post-employment benefits	14	470,557	457,382
Total non-current liabilities		470,557	457,382
Total liabilities		11,345,580	10,168,545
Equity			
Share capital	15	2,000,100	2,000,100
Contributed surplus		4,402,375	4,402,375
Retained earnings		4,600,347	3,835,444
Accumulated other comprehensive income		168,442	179,299
Total equity		11,171,264	10,417,218
Total liabilities and equity		22,516,844	20,585,763
Regulatory balances	11	5,407,917	5,000,296
Commitments and contingencies	21		
Subsequent event	24		
Total liabilities, equity and regulatory balances		\$ 27,924,761	\$ 25,586,059

See accompanying notes to the non-consolidated financial statements.

On behalf of the Board:

Director

Director

E.L.K. Energy Inc.

Non-Consolidated Statement of Comprehensive Income

Year ended December 31, 2019, with comparative information for 2018

	Notes	2019	2018
Revenue			
Sale of energy		\$ 30,762,009	\$ 29,935,916
Distribution revenue	16	3,679,820	3,569,682
Other	17	848,525	845,942
		35,290,354	34,351,540
Other expenses			
Cost of power purchased		30,796,651	29,944,308
Administration expenses		1,729,037	1,502,784
Distribution expenses	19	1,182,547	1,025,911
Depreciation and amortization		683,257	652,286
		34,391,492	33,125,289
Income from operating activities		898,862	1,226,251
Net finance income	20	39,343	89,430
Income before income taxes		938,205	1,315,681
Income tax expense	10	324,775	317,000
Net income for the year		613,430	998,681
Net movement in regulatory balances, net of tax	11	151,473	(132,120)
Net income for the year and net movement in regulatory balances		764,903	866,561
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefits	14	(16,357)	54,550
Tax on remeasurement	10	5,500	(14,000)
Other comprehensive (loss) income for the year		(10,857)	40,550
Total comprehensive income for the year		\$ 754,046	\$ 907,111

See accompanying notes to the non-consolidated financial statements.

E.L.K. Energy Inc.

Non-Consolidated Statement of Changes in Equity

Year ended December 31, 2019, with comparative information for 2018

		Share Capital	Contributed Surplus	Retained Earnings	Accumulated other comprehensive income	Total
Balance at January 1, 2018	\$	2,000,100	\$ 4,402,375	\$ 2,968,883	\$ 138,749	\$ 9,510,107
Net income and net movement in regulatory balances		-	-	866,561	-	866,561
Other comprehensive income		-	-	-	40,550	40,550
Balance at December 31, 2018	\$	2,000,100	\$ 4,402,375	\$ 3,835,444	\$ 179,299	\$ 10,417,218
Balance at January 1, 2019	\$	2,000,100	\$ 4,402,375	\$ 3,835,444	\$ 179,299	\$ 10,417,218
Net income and net movement in regulatory balances		-	-	764,903	-	764,903
Other comprehensive loss		-	-	-	(10,857)	(10,857)
Balance at December 31, 2019	\$	2,000,100	\$ 4,402,375	\$ 4,600,347	\$ 168,442	\$ 11,171,264

See accompanying notes to the non-consolidated financial statements.

E.L.K. Energy Inc.

Non-Consolidated Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Operating activities		
Net income	\$ 764,903	\$ 866,561
Adjustments for:		
Depreciation and amortization	683,257	652,286
Amortization of deferred revenue	(303,439)	(285,953)
Post-employment benefits	3,182	5,970
Remeasurement of post-employment benefits	(16,357)	54,550
Unrealized (gain) loss on investments	(20,546)	9,727
Deferred tax assets	138,000	147,000
Income tax expense	186,775	170,000
	<u>1,435,775</u>	<u>1,620,141</u>
Changes in non-cash operating working capital:		
Accounts receivable	133,795	76,499
Due to/from related parties	(4,109)	71,321
Unbilled revenue	(804,861)	(249,154)
Inventory	(47,864)	31,041
Prepaid expenses	(70,510)	(6,578)
Accounts payable and accrued liabilities	769,454	(291,943)
Customer deposits	464,658	(91,893)
	<u>440,563</u>	<u>(460,707)</u>
Regulatory balances	2,565,834	2,714,815
Income tax paid	(184,394)	(305,024)
Net cash from operating activities	<u>4,257,778</u>	<u>3,569,225</u>
Investing activities		
Purchase of property, plant and equipment, net	(1,094,571)	(1,105,037)
Contributions received from customers	701,508	172,754
Net cash used by investing activities	<u>(393,063)</u>	<u>(932,283)</u>
Financing activities		
Repayment of bank debt	(500,000)	(500,000)
Net cash used by financing activities	<u>(500,000)</u>	<u>(500,000)</u>
Change in cash and cash equivalents	3,364,715	2,136,942
Cash and cash equivalents, beginning of year	4,537,801	2,400,859
Cash and cash equivalents, end of year	<u>\$ 7,902,516</u>	<u>\$ 4,537,801</u>

See accompanying notes to the non-consolidated financial statements.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements
Year ended December 31, 2019

1. Reporting entity:

E.L.K. Energy Inc. (the "Corporation") is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Corporation is located in the Town of Essex. The address of the Corporation's registered office is 172 Forest Avenue, Essex, Ontario.

The Corporation delivers electricity and related energy services to residential and commercial customers in Essex, Harrow, Belle River, Comber, Kingsville and Cottam. The Corporation is wholly owned by the Municipality of the Town of Essex ("Town"). The Corporation also performs the billing function for the Town's Water Department.

The financial statements are for the Corporation as at and for the year ended December 31, 2019.

2. Basis of preparation:

(a) Statement of compliance:

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Approval of the financial statements:

The financial statements were approved by the Board of Directors on April 23, 2020.

(c) Basis of measurement:

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

(d) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2019

2. Basis of preparation (continued):**(e) Use of estimates and judgements:****(i) Assumptions and estimation uncertainty:**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment is included in the following notes:

- (i) Note 3 (b) – measurement of unbilled revenue
- (ii) Note 9 – estimation of useful lives of its property, plant and equipment
- (iii) Note 11 – recognition and measurement of regulatory balances
- (iv) Note 14 – measurement of defined benefit obligations: key actuarial assumptions
- (v) Note 21 – recognition and measurement of provisions and contingencies

(f) Rate regulation:

The Corporation is regulated by the Ontario Energy Board (“OEB”), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies (“LDCs”), such as the Corporation, which may include, and among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2019

2. Basis of preparation (continued):

(f) Rate regulation (continued):

The Corporation is required to bill applicable customers for the debt retirement charge set by the province, and approved by the OEB.

(i) Rate Setting:

The electricity distribution rates and other regulated charges of the Corporation are determined by the OEB. This regulated rate-setting provides LDCs with the opportunity to recover the revenue requirement associated with owning and operating the LDC. The revenue requirement represents the forecasted prudent costs, including the cost of capital that will be reasonably necessary for the LDC to invest in the electricity grid, and serve customers in its licenced service area.

(ii) Rate Applications:

As set out in the OEB's Report of the Board: Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach, dated October 18, 2012, the OEB performs its rate-setting function using a combination of incentive rate-setting and cost of service rate-setting. Both rate-setting techniques are based on applications made by LDC's to the OEB. Provided an LDC meets OEB-specified performance parameters, the LDC can select from one of three rate-setting streams: 4th Generation Incentive Rate-setting, Custom Incentive Rate-setting, or Annual Incentive Rate-setting Index. Each of these streams entails different rate-setting schedules and substantive filing requirements. For all streams, the revenue requirement is established through a cost of service rate-setting application. The selection of stream determines the number of years that cost of service rate-setting application pertains to, and the number of years thereafter that the LDC is expected to file incentive rate-setting applications.

Cost of service rate-setting applications recalculate the revenue requirement through a comprehensive review of an LDC's forecasted prudently incurred costs. Incentive rate-setting applications mechanistically adjust the revenue requirement using an OEB-prescribed formula. That formula was established on November 21, 2013, in the OEB's Report of the Board on Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2019

2. Basis of preparation (continued):

(f) Rate regulation (continued):

(ii) Rate Applications (continued):

For the distribution revenue included in sale of energy, the Corporation files a “Cost of Service” (“COS”) rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder’s equity required to support the Corporation’s business. The Corporation estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years an Incentive Rate Mechanism application (“IRM”) is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year’s rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflation for Final Domestic Demand (“GDP IPI-FDD”) net of a productivity factor and a “stretch factor” determined by the relative efficiency of an electricity distributor.

The Corporation last filed a COS application in 2016 for rates effective November 1, 2017 to April 30, 2018. The GDP IPI-FDD for 2019 is 1.5%, the Corporation’s productivity factor is 0.00% and the stretch factor is 0.60%, resulting in a net adjustment of 0.90% to the previous year’s rates.

Electricity rates

The OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity. The Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2019

3. Significant accounting policies:

The accounting policies set out below have been applied consistently in all years presented in these financial statements.

(a) Financial instruments:

All financial assets and liabilities of the Corporation are classified into one of the following categories: amortized cost, fair value through other comprehensive income, or fair value through profit or loss.

The Corporation has classified its financial instruments as follows:

Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Due from related parties	Amortized cost
Investment	Fair value through profit or loss
Accounts payable and accruals	Amortized cost
Due to related parties	Amortized cost
Long-term borrowings	Amortized cost

The Corporation does not enter into derivative instruments.

Hedge accounting has not been used in the preparation of these financial statements.

Cash equivalents include short-term investments with maturities of three months or less when purchased.

(b) Revenue recognition:

IFRS 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognized.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2019

3. Significant accounting policies (continued):

(b) Revenue recognition (continued):

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Corporation has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Revenue for the Corporation is recognized when the Corporation satisfies the performance obligations within the contract(s) for conditions of service, which is when the distribution and delivery of electricity is achieved or specific services are performed.

Revenue includes an estimate of unbilled revenue. Unbilled revenue represents an estimate of electricity consumed by customers since the date of each customer's last meter reading. Actual electricity usage could differ from those estimates.

Revenue is measured at the fair value of the consideration received or receivable, net of any taxes which may be applicable.

Other income for work orders is recorded on a net basis as the Corporation is acting as an agent for this revenue stream. All other amounts in other income are recorded on a gross basis and are recognized when services are rendered.

Certain customers and developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. Cash contributions are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Government grants and the related performance incentive payments under CDM programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2019

3. Significant accounting policies (continued):

(c) Materials and supplies:

Materials and supplies, the majority of which is consumed by the Corporation in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

(d) Property, plant and equipment:

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the transition date, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Corporation's borrowings. Qualifying assets are considered to be those that take in excess of nine months to construct.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2019

3. Significant accounting policies (continued):**(d) Property, plant and equipment (continued):**

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Corporation has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

The estimated useful lives are as follows:

	Years
Buildings	50
Distribution and metering equipment	10 - 60
Other assets	5 - 15

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2019

3. Significant accounting policies (continued)

(e) Impairment:

(i) Financial assets measured at amortized cost:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in profit or loss. An impairment loss is reversed through profit or loss if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(ii) Non-financial assets:

The carrying amounts of the Corporation's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2019

3. Significant accounting policies (continued)

(f) Customer deposits:

Customer deposits represent cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

(g) Provisions:

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(h) Regulatory balances:

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in profit or loss in the year incurred.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2019

3. Significant accounting policies (continued)**(h) Regulatory balances (continued):**

When the Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

(i) Post-employment benefits:**(i) Pension plan:**

The Corporation provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund"), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Corporation is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due.

(ii) Post-employment benefits, other than pension:

The Corporation provides its retired employees with life insurance and medical benefits.

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in other comprehensive income.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2019

3. Significant accounting policies (continued):

(i) Post-employment benefits (continued):

(ii) Post-employment benefits, other than pension (continued):

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

(j) Finance income and finance costs:

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents and dividend income.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, net interest expense on post-employment benefits and impairment losses on financial assets. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

(k) Income taxes:

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the *Electricity Act*, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the *Electricity Act*, 1998, and related regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes. Payments in lieu of taxes are referred to as income taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2019

3. Significant accounting policies (continued):**(k) Income taxes (continued):**

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

(l) Investments:

The Corporation has designated its investment in the common shares of Sun Life Financial as fair value through the profit and loss investments and these instruments are recorded at market value as determined by quoted market prices. Realized and unrealized gains and losses as a result of disposition of shares and changes in fair value are recorded in the non-consolidated statement of comprehensive income in net finance income.

The investments in ELK Solutions Inc. and Gosfield North Communications are measured at cost.

4. Standards issued but not yet adopted:

The following standards, which are not yet effective for the year ended December 31, 2019, have not been applied in preparing these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

On March 29, 2018, the IASB issued a revised version of its Conceptual Framework for Financial Reporting (the "Framework"), that underpins IFRS Standards. The IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards to update references in IFRS Standards to previous versions of the Conceptual Framework.

Both documents are effective from January 1, 2020 with earlier application permitted.

Some Standards include references to the 1989 and 2010 versions of the Framework. The IASB has published a separate document which contains consequential amendments to affected Standards so that they refer to the new Framework, with the exception of IFRS 3 *Business Combinations* which continues to refer to both the 1989 and 2010 Frameworks.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2019

4. Standards issued but not yet adopted (continued):

Definition of Material (Amendments to IAS 1 and IAS 8)

On October 31, 2018, the IASB refined its definition of material and removed the definition of material omissions or misstatements from IAS 8.

The amendments are effective for annual periods beginning on or after January 1, 2020. Early adoption is permitted.

The definition of material has been aligned across IFRS Standards and the Framework. The amendments provide a definition and explanatory paragraphs in one place.

Pursuant to the amendments, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Corporation has assessed the potential impacts on its financial statements, and determined that the future pronouncements will not have a material impact on the Corporation.

5. Cash and cash equivalents:

	2019	2018
Bank balances - unrestricted	\$ 6,590,975	\$ 3,827,420
Bank balance - restricted	1,311,541	710,381
Cash and cash equivalents in the statements of cash flows	\$ 7,902,516	\$ 4,537,801

Restricted cash relates to contractor security deposits.

6. Accounts receivable:

	2019	2018
Trade receivables	\$ 1,541,428	\$ 1,634,816
Other trade receivables	349,608	407,629
Allowance for doubtful accounts	(652,370)	(669,984)
	\$ 1,238,666	\$ 1,372,461

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2019

7. Inventory:

Inventory consists of parts and supplies acquired for capital, internal construction, maintenance or recoverable work.

The amount of inventory consumed by the Corporation during 2019 was \$226,155 (2018 - \$213,985).

Amount written down due to obsolescence in 2019 was \$nil (2018 - \$nil).

8. Investments:

	2019	2018
Investment in the Class A common Shares of E.L.K. Solutions Inc., at cost	\$ 100	\$ 100
Investment in Gosfield North Communications, at cost	1	1
Investment in the common shares of Sun Life Financial, at market	87,394	66,848
	<u>\$ 87,495</u>	<u>\$ 66,949</u>

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2019

9. Property, plant and equipment:

	Land and buildings	Distribution equipment	Other fixed assets	Total
<i>Cost or deemed cost</i>				
Balance at January 1, 2019	\$ 152,782	\$ 11,970,798	\$ 621,903	\$ 12,745,483
Additions	6,478	920,439	167,654	1,094,571
Balance at December 31, 2019	\$ 159,260	\$ 12,891,237	\$ 789,557	\$ 13,840,054
Balance at January 1, 2018	\$ 142,661	\$ 10,899,610	\$ 598,175	\$ 11,640,446
Additions	10,121	1,071,188	23,728	1,105,037
Balance at December 31, 2018	\$ 152,782	\$ 11,970,798	\$ 621,903	\$ 12,745,483
<i>Accumulated depreciation</i>				
Balance at January 1, 2019	\$ 23,025	\$ 2,559,000	\$ 380,648	\$ 2,962,673
Depreciation	11,729	601,422	70,106	683,257
Balance at December 31, 2019	\$ 34,754	\$ 3,160,422	\$ 450,754	\$ 3,645,930
Balance at January 1, 2018	\$ 11,462	\$ 1,987,637	\$ 311,288	\$ 2,310,387
Depreciation	11,563	571,363	69,360	652,286
Balance at December 31, 2018	\$ 23,025	\$ 2,559,000	\$ 380,648	\$ 2,962,673
<i>Carrying amounts</i>				
At December 31, 2019	\$ 124,506	\$ 9,730,815	\$ 338,803	\$ 10,194,124
At December 31, 2018	129,757	9,411,798	241,255	9,782,810

10. Income tax expense:

Current tax expense:

	2019	2018
Current year	\$ 324,775	\$ 317,000
	\$ 324,775	\$ 317,000

Significant components of the Corporation's deferred tax balances are as follows:

	2019	2018
Deferred tax assets (liabilities):		
Property, plant and equipment	\$ (193,000)	\$ 73,000
Cumulative eligible capital	73,000	78,000
Post-employment benefits	157,000	152,000
Deferred revenue	265,000	131,000
Other	(16,000)	(10,000)
	\$ 286,000	\$ 424,000

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2019

11. Regulatory balances:

Reconciliation of the carrying amount for each class of regulatory balances

Regulatory deferral account debit balances	January 1, 2019	Additions	Recovery/ reversal	December 31, 2019
Group 1 deferred accounts	\$ 1,203,168	\$ 4,077,964	\$ (4,563,642)	\$ 717,490
Regulatory settlement account	221,798	47	(78)	221,767
Regulatory transition to IFRS	21,601	-	-	21,601
Regulatory settlement account	3,090,484	276,556	(1,949,060)	1,417,980
	\$ 4,537,051	\$ 4,354,567	\$ (6,512,780)	\$ 2,378,838

Regulatory deferral account debit balances	January 1, 2018	Additions	Recovery/ reversal	December 31, 2018
Group 1 deferred accounts	\$ 2,063,757	\$ 3,903,249	\$ (4,763,838)	\$ 1,203,168
Regulatory settlement account	221,829	44	(75)	221,798
Regulatory transition to IFRS	21,601	-	-	21,601
Regulatory settlement account	4,074,442	292,666	(1,276,624)	3,090,484
	\$ 6,381,629	\$ 4,195,959	\$ (6,040,537)	\$ 4,537,051

Regulatory deferral account credit balances	January 1, 2019	Additions	Recovery/ reversal	December 31, 2019
Group 1 deferred accounts	\$ 4,655,014	\$29,028,295	\$(28,482,087)	\$ 5,201,222
Regulatory transition to IFRS	(17,986)	-	-	(17,986)
Other regulatory account	156,975	15,859	(10,946)	161,888
Income tax	206,293	-	(143,500)	62,793
	\$ 5,000,296	\$29,044,154	\$(28,636,533)	\$ 5,407,917

Regulatory deferral account credit balances	January 1, 2018	Additions	Recovery/ reversal	December 31, 2018
Group 1 deferred accounts	\$ 3,635,759	\$27,107,212	\$(26,087,957)	\$ 4,655,014
Regulatory transition to IFRS	(17,986)	-	-	(17,986)
Other regulatory account	156,472	10,969	(10,466)	156,975
Income tax	355,814	-	(149,521)	206,293
	\$ 4,130,059	\$27,118,181	\$(26,247,944)	\$ 5,000,296

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Corporation has received approval from the OEB to establish its regulatory balances.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2019

11. Regulatory balances (continued):

Settlement of the Group 1 deferral accounts is done on an annual basis through application to the OEB. An application was made to the OEB to dispose \$591,162 of the Group 1 deferral accounts and approval was obtained. The account balance was moved to the regulatory settlement account. The OEB requires the Corporation to estimate its income taxes when it files a COS application to set its rates. As a result, the Corporation has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Corporation's deferred tax balance fluctuates.

Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points. In 2019, the rate was 2.45% in the first quarter, 2.18% in the second through fourth quarters.

12. Accounts payable and accrued liabilities:

	2019	2018
Trade payables	\$ 3,708,393	\$ 3,033,073
Accrued expenses	826,049	731,915
	<u>\$ 4,534,442</u>	<u>\$ 3,764,988</u>

13. Bank debt:

(a) Bank debt consists of:

	2019	2018
One year term loan with interest rate of 2.48% (2018 – 2.66%) repayable in full on or before maturity of July 2020 secured by a general security agreement	\$ 3,100,000	\$ 3,600,000

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2019	2018
Bank debt, balance at January 1	\$ 3,600,000	\$ 4,100,000
Repayment of borrowings	500,000	500,000
<u>Balance, December 31</u>	<u>\$ 3,100,000</u>	<u>\$ 3,600,000</u>

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2019

14. Post-employment benefits:

(a) OMERS pension plan:

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2019, the Corporation made employer contributions of \$173,858 to OMERS (2018 - \$169,015). The Corporation estimates that a contribution of \$179,000 to OMERS will be made during the next fiscal year.

As at December 31, 2019, OMERS had over 500,000 members, of whom 18 are current employees of the Corporation. The most recently available OMERS annual report is for the year ended December 31, 2019, which reported that the plan was 97% funded.

(b) Post-employment benefits other than pension:

The Corporation pays certain medical and life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-employment benefits in the year in which employees' services were rendered. The Corporation is recovering its post-employment benefits in rates based on the expense and measurements recognized for post-employment benefit plans.

Reconciliation of the obligation	2019	2018
Defined benefit obligation, beginning of year	\$ 457,382	\$ 517,902
Included in profit or loss		
Current service cost	7,140	10,211
Interest cost	15,678	15,219
	22,818	25,430
Included in OCI		
Actuarial loss (gain) arising from:		
changes in demographic and		
financial assumptions	16,357	(54,550)
	16,357	(54,550)
Benefits paid	(26,000)	(31,400)
Defined benefit obligation, end of year	\$ 470,557	\$ 457,382

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2019

14. Post-employment benefits (continued):

(b) Post-employment benefits other than pension (continued):

Actuarial assumptions	2019	2018
General inflation	2.25%	2.25%
Discount (interest) rate	3.00%	3.50%
Medical Costs	6.50%	6.50%
Dental Costs	4.00%	4.00%

A 1% increase in the assumed medical trend rate would result in the defined benefit obligation increasing by \$30,000. A 1% decrease in the assumed medical trend rate would result in the defined benefits obligation decreasing by \$35,000.

15. Share capital:

	2019	2018
Authorized:		
Unlimited number of common shares		
Issued:		
30,000 common shares	\$ 2,000,100	\$ 2,000,100

16. Distribution revenue:

The Corporation generates revenue primarily from the sale and distribution of electricity to its customers. Other revenue consists of services provided to related parties and other income. Additional information is provided in note 17 with components of other income.

In the following table, distribution revenue is disaggregated by type of customer:

	2019	2018
Residential	\$ 2,380,088	\$ 2,310,877
Commercial	415,807	413,004
Large users	768,110	719,212
Other	115,815	126,589
Total distribution revenue	\$ 3,679,820	\$ 3,569,682

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2019

17. Other revenue:

	2019	2018
Rendering of services	\$ 132,894	\$ 609,201
Contributions received from customers	701,508	172,754
Government grants & incentives under CDM programs	(51,782)	14,242
Rental income	65,905	49,745
	<u>\$ 848,525</u>	<u>\$ 845,942</u>

18. Employee salaries and benefits:

	2019	2018
Salaries, wages and benefits	\$ 1,710,164	\$ 1,667,426
CPP and EI remittances	66,118	63,680
Contributions to OMERS	173,858	169,015
Post-employment benefit plans	22,818	25,430
	<u>\$ 1,972,958</u>	<u>\$ 1,925,551</u>

19. Distribution expenses:

	2019	2018
Labour	\$ 255,265	\$ 202,646
Materials, supplies, maintenance	830,544	766,876
Other	96,738	56,389
	<u>\$ 1,182,547</u>	<u>\$ 1,025,911</u>

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2019

20. Finance income and costs:

	2019	2018
Finance income		
Late payment charges	\$ 93,143	\$ 97,310
Unrealized gain on investments	20,546	-
Interest income on bank deposits	111,393	128,220
	225,082	225,530
Finance cost		
Interest expense on bank debt	99,776	81,803
Unrealized loss on investments	-	9,727
Other	85,963	44,570
	185,739	136,100
Net finance income recognized in profit or loss	\$ 39,343	\$ 89,430

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2019

21. Commitments and contingencies:

General:

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

General Liability Insurance:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2019, no assessments have been made.

22. Related party transactions:

(a) Parent and ultimate controlling party:

The sole shareholder of the Corporation is the Municipality of the Town of Essex. The Town produces consolidated financial statements that are available for public use.

(b) Outstanding balances due from (due to) with related parties:

	2019	2018
Parent company, included in accounts receivable	\$ 33,336	\$ 31,584
Subsidiary, included in accounts receivable	121,575	87,539
	<u>\$ 154,911</u>	<u>\$ 119,123</u>
Parent company payables	\$ (563,512)	\$ (531,833)

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2019

22. Related party transactions (continued):**(c) Transactions with parent:**

During the year the Corporation paid provision of services fees to its parent in the amount of \$563,512 (2018 - \$531,833).

The Corporation delivers electricity to the Town throughout the year for the electricity needs of the Town and its related organizations. Electricity delivery charges are at prices and under terms approved by the OEB. The Corporation also provides additional services to the Town, including streetlight maintenance services, sentinel lights and water and waste water billing and customer care services.

(d) Transactions with entity with significant influence:

In the ordinary course of business, the Corporation delivers electricity to the Town of Essex. Electricity is billed to the Town at prices and under terms approved by the OEB, if applicable.

(e) Key management personnel:

The key management personnel of the Corporation have been defined as members of its board of directors and executive management team members. The compensation paid or payable is as follows:

	2019	2018
Directors' fees	\$ 22,831	\$ 26,139
Salaries and other short-term benefits	395,994	388,860
Post-employment benefits	5,409	4,623
	\$ 424,234	\$ 419,622

23. Financial instruments and risk management:**Fair value disclosure:**

The carrying values of cash and cash equivalents, accounts receivable, unbilled revenue, due from/to related parties and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits and bank loan approximates fair value because the amounts are payable on demand.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2019

23. Financial instruments and risk management (continued):**Financial risks:**

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

(a) Credit risk:

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the Town of Essex, Lakeshore and Kingsville. No single customer accounts for a balance in excess of 1% of total accounts receivable.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2019 is \$652,370 (2018 - \$669,984). An impairment reversal of \$17,614 (2018 - loss of \$16,477) was recognized during the year.

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. As at December 31, 2019, approximately \$945,708 (2018 - \$1,059,449) is considered 60 days past due. The Corporation has over 12,200 customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2019, the Corporation holds security deposits in the amount of \$1,882,945 (2018 - \$1,418,287).

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2019

23. Financial instruments and risk management (continued):

(b) Market risk:

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

A 1% increase in the interest rate at December 31, 2019 would have increased interest expense on the long-term debt by \$31,000 (2018 - \$36,000), assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

(c) Liquidity risk:

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a \$3.1 million credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due.

The majority of accounts payable, as reported on the statement of financial position, are due within 30 – 60 days.

(d) Capital disclosures:

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity. As at December 31, 2019, shareholder's equity amounts to \$11,171,264 (2018 - \$10,417,218).

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2019

24. Subsequent event:

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on our business is not known at this time. These impacts could include impairments in the value of long-lived assets, or potential future decreases in revenue, cash flows or the profitability of our ongoing operations.



Non-Consolidated Financial Statements of

E.L.K. ENERGY INC.

And Independent Auditors' Report thereon

Year ended December 31, 2020



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Shareholder of E.L.K. Energy Inc.

Opinion

We have audited the non-consolidated financial statements of E.L.K. Energy Inc. (the Entity), which comprise:

- the non-consolidated statement of financial position as at December 31, 2020
- the non-consolidated statement of comprehensive income for the year then ended
- the non-consolidated statement of changes in equity for the year then ended
- the non-consolidated statement of cash flows for the year then ended
- and notes to the non-consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the non-consolidated financial position of the Entity as at December 31, 2020, and its non-consolidated financial performance and its non-consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Financial Reporting Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with International Financial Reporting Standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada
April 22, 2021

E.L.K. Energy Inc.

Non-Consolidated Statement of Financial Position

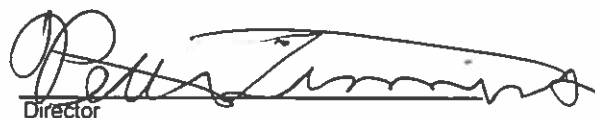
December 31, 2020, with comparative information for 2019

	Note	2020	2019
Assets			
Current assets			
Cash and cash equivalents	5	\$ 6,226,867	\$ 7,902,516
Accounts receivable	6	3,877,087	1,238,666
Due from related parties	22	306,582	154,911
Income taxes receivable		-	20,197
Unbilled revenue		3,441,309	5,144,364
Inventory	7	375,996	356,921
Prepaid expenses		90,708	160,729
Total current assets		14,318,549	14,978,304
Non-current assets			
Investments	8	83,643	87,495
Property, plant and equipment	9	11,319,229	10,194,124
Deferred tax assets	10	19,682	286,000
Total non-current assets		11,422,554	10,567,619
Total assets		25,741,103	25,545,923
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12	\$ 4,738,832	\$ 4,534,442
Due to related parties	22	589,999	563,512
Customer deposits		2,055,830	1,882,945
Deferred revenue		995,656	794,124
Income taxes payable		38,319	-
Bank debt	13	2,600,000	3,100,000
Total current liabilities		11,018,636	10,875,023
Non-current liabilities			
Post-employment benefits	14	423,785	470,557
Total non-current liabilities		423,785	470,557
Total liabilities		11,442,421	11,345,580
Equity			
Share capital	15	2,000,100	2,000,100
Contributed surplus		4,402,375	4,402,375
Retained earnings		5,748,833	4,600,347
Accumulated other comprehensive income		196,657	168,442
Total equity		12,347,965	11,171,264
Total liabilities and equity		23,790,386	22,516,844
Regulatory balances	11	6,327,465	5,407,917
Commitments and contingencies	21		
Total liabilities, equity and regulatory balances		\$ 30,117,851	\$ 27,924,761

See accompanying notes to the non-consolidated financial statements.

On behalf of the Board:


Director


Director

E.L.K. Energy Inc.

Non-Consolidated Statement of Comprehensive Income

Year ended December 31, 2020, with comparative information for 2019

	Notes	2020	2019
Revenue			
Sale of energy		\$ 36,926,113	\$ 30,762,009
Distribution revenue	16	3,763,721	3,679,820
Other	17	1,000,973	848,525
		41,690,807	35,290,354
Other expenses			
Cost of power purchased		40,148,609	30,796,651
Administration expenses		1,572,881	1,729,037
Distribution expenses	19	932,421	1,182,547
Depreciation and amortization		631,934	683,257
		43,285,845	34,391,492
(Loss) income from operating activities		(1,595,038)	898,862
Net finance income	20	121,162	39,343
(Loss) income before income taxes		(1,473,876)	938,205
Income tax expense	10	468,914	324,775
Net (loss) income for the year		(1,942,790)	613,430
Net movement in regulatory balances, net of tax	11	3,091,276	151,473
Net income for the year and net movement in regulatory balances		1,148,486	764,903
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefits	14	38,285	(16,357)
Tax on remeasurement	10	(10,070)	5,500
Other comprehensive income (loss) for the year		28,215	(10,857)
Total comprehensive income for the year		\$ 1,176,701	\$ 754,046

See accompanying notes to the non-consolidated financial statements.

E.L.K. Energy Inc.

Non-Consolidated Statement of Changes in Equity

Year ended December 31, 2020, with comparative information for 2019

	Share Capital	Contributed Surplus	Retained Earnings	Accumulated other comprehensive income	Total
Balance at January 1, 2019	\$ 2,000,100	\$ 4,402,375	\$ 3,835,444	\$ 179,299	\$ 10,417,218
Net income and net movement in regulatory balances	-	-	764,903	-	764,903
Other comprehensive loss	-	-	-	(10,857)	(10,857)
Balance at December 31, 2019	\$ 2,000,100	\$ 4,402,375	\$ 4,600,347	\$ 168,442	\$ 11,171,264
Balance at January 1, 2020	\$ 2,000,100	\$ 4,402,375	\$ 4,600,347	\$ 168,442	\$ 11,171,264
Net income and net movement in regulatory balances	-	-	1,148,486	-	1,148,486
Other comprehensive income	-	-	-	28,215	28,215
Balance at December 31, 2020	\$ 2,000,100	\$ 4,402,375	\$ 5,748,833	\$ 196,657	\$ 12,347,965

See accompanying notes to the non-consolidated financial statements.

E.L.K. Energy Inc.

Non-Consolidated Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Operating activities		
Net income	\$ 1,148,486	\$ 764,903
Adjustments for:		
Depreciation and amortization	631,934	683,257
Amortization of deferred revenue	(328,061)	(303,439)
Post-employment benefits	8,487	3,182
Remeasurement of post-employment benefits	38,285	(16,357)
Unrealized loss (gain) on investments	3,852	(20,546)
Income tax expense	468,914	324,775
	<u>1,971,897</u>	<u>1,435,775</u>
Changes in non-cash operating working capital:		
Accounts receivable	(2,638,421)	133,795
Due to/from related parties	(125,184)	(4,109)
Unbilled revenue	1,703,055	(804,861)
Inventory	(19,075)	(47,864)
Prepaid expenses	70,021	(70,510)
Accounts payable and accrued liabilities	204,390	769,454
Customer deposits	172,885	464,658
	<u>(632,329)</u>	<u>440,563</u>
Regulatory balances	(1,078,362)	2,565,834
Income tax paid	(209,409)	(184,394)
Net cash from operating activities	51,797	4,257,778
Investing activities		
Purchase of property, plant and equipment, net	(1,757,039)	(1,094,571)
Contributions received from customers	529,593	701,508
Net cash used by investing activities	(1,227,446)	(393,063)
Financing activities		
Repayment of bank debt	(500,000)	(500,000)
Net cash used by financing activities	(500,000)	(500,000)
Change in cash and cash equivalents	(1,675,649)	3,364,715
Cash and cash equivalents, beginning of year	7,902,516	4,537,801
Cash and cash equivalents, end of year	\$ 6,226,867	\$ 7,902,516

See accompanying notes to the non-consolidated financial statements.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements
Year ended December 31, 2020

1. Reporting entity:

E.L.K. Energy Inc. (the "Corporation") is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Corporation is located in the Town of Essex. The address of the Corporation's registered office is 172 Forest Avenue, Essex, Ontario.

The Corporation delivers electricity and related energy services to residential and commercial customers in Essex, Harrow, Belle River, Comber, Kingsville and Cottam. The Corporation is wholly owned by the Municipality of the Town of Essex ("Town"). The Corporation also performs the billing function for the Town's Water Department.

The financial statements are for the Corporation as at and for the year ended December 31, 2020.

2. Basis of preparation:

(a) Statement of compliance:

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Approval of the financial statements:

The financial statements were approved by the Board of Directors on April 22, 2021.

(c) Basis of measurement:

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

(d) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

2. Basis of preparation (continued):

(e) Use of estimates and judgements:

(i) Assumptions and estimation uncertainty:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment is included in the following notes:

- (i) Note 3 (b) – measurement of unbilled revenue
- (ii) Note 9 – estimation of useful lives of its property, plant and equipment
- (iii) Note 11 – recognition and measurement of regulatory balances
- (iv) Note 14 – measurement of defined benefit obligations: key actuarial assumptions
- (v) Note 21 – recognition and measurement of provisions and contingencies

(f) Rate regulation:

The Corporation is regulated by the Ontario Energy Board ("OEB"), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies ("LDCs"), such as the Corporation, which may include, and among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

2. Basis of preparation (continued):

(f) Rate regulation (continued):

(i) Rate setting:

The electricity distribution rates and other regulated charges of the Corporation are determined by the OEB. This regulated rate-setting provides LDCs with the opportunity to recover the revenue requirement associated with owning and operating the LDC. The revenue requirement represents the forecasted prudent costs, including the cost of capital that will be reasonably necessary for the LDC to invest in the electricity grid, and serve customers in its licenced service area.

(ii) Rate applications:

As set out in the OEB's Report of the Board: Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach, dated October 18, 2012, the OEB performs its rate-setting function using a combination of incentive rate-setting and cost of service rate-setting. Both rate-setting techniques are based on applications made by LDC's to the OEB. Provided an LDC meets OEB-specified performance parameters, the LDC can select from one of three rate-setting streams: 4th Generation Incentive Rate-setting, Custom Incentive Rate-setting, or Annual Incentive Rate-setting Index. Each of these streams entails different rate-setting schedules and substantive filing requirements. For all streams, the revenue requirement is established through a cost of service rate-setting application. The selection of stream determines the number of years that cost of service rate-setting application pertains to, and the number of years thereafter that the LDC is expected to file incentive rate-setting applications.

Cost of service rate-setting applications recalculate the revenue requirement through a comprehensive review of an LDC's forecasted prudently incurred costs. Incentive rate-setting applications mechanistically adjust the revenue requirement using an OEB-prescribed formula. That formula was established on November 21, 2013, in the OEB's Report of the Board on Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

2. Basis of preparation (continued):

(f) Rate regulation (continued):

(ii) Rate applications (continued):

For the distribution revenue included in sale of energy, the Corporation files a "Cost of Service" ("COS") rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder's equity required to support the Corporation's business. The Corporation estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years an Incentive Rate Mechanism application ("IRM") is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

The Corporation last filed a COS application in 2016 for rates effective November 1, 2017. The GDP IPI-FDD for 2020 is 2.00%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.60%, resulting in a net adjustment of 1.40% to the previous year's rates.

(iii) Electricity rates:

The OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. In 2017, the OEB set new lower Regulated Price Plan (RPP) prices established under the *Ontario Fair Hydro Act, 2017*.

On May 9, 2019, the Government of Ontario enacted Bill 87, the *Fixing the Hydro Mess Act, 2019*. The legislation amended the *Ontario Rebate for Electricity Consumers Act, 2016* and the *Ontario Fair Hydro Plan Act, 2017*. Effective November 1, 2019, the OEB set electricity prices under the RPP based on the estimated cost to supply the province with electricity. The Ministry of Energy, Northern Development and Mines set the amount of the rebate under the *Ontario Rebate for Electricity Consumers Act, 2016* such that the monthly bill for a typical customer increased by the rate of inflation.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

2. Basis of preparation (continued):

(f) Rate regulation (continued):

(iii) Electricity rates (continued):

In 2020, the OEB also adjusted the Regulated Price Plan (RPP) prices March and June in response to the Government issued Emergency Orders under the *Emergency Management and Civil Protection Act* to assist Ontarians who were forced to stay home due to the COVID-19 pandemic.

All remaining consumers pay the market price for electricity. The Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently in all years presented in these financial statements.

(a) Financial instruments:

All financial assets and liabilities of the Corporation are classified into one of the following categories: amortized cost, fair value through other comprehensive income, or fair value through profit or loss.

The Corporation has classified its financial instruments as follows:

Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Due from related parties	Amortized cost
Investment	Fair value through profit or loss
Accounts payable and accruals	Amortized cost
Due to related parties	Amortized cost
Long-term borrowings	Amortized cost

The Corporation does not enter into derivative instruments.

Hedge accounting has not been used in the preparation of these financial statements.

Cash equivalents include short-term investments with maturities of three months or less when purchased.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

3. Significant accounting policies (continued):

(b) Revenue recognition:

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Corporation has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Revenue for the Corporation is recognized when the Corporation satisfies the performance obligations within the contract(s) for conditions of service, which is when the distribution and delivery of electricity is achieved or specific services are performed.

Revenue includes an estimate of unbilled revenue. Unbilled revenue represents an estimate of electricity consumed by customers since the date of each customer's last meter reading. Actual electricity usage could differ from those estimates.

Revenue is measured at the fair value of the consideration received or receivable, net of any taxes which may be applicable.

Other income for work orders is recorded on a net basis as the Corporation is acting as an agent for this revenue stream. All other amounts in other income are recorded on a gross basis and are recognized when services are rendered.

Certain customers and developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. Cash contributions are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Government grants and the related performance incentive payments under CDM programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

3. Significant accounting policies (continued):

(c) Materials and supplies:

Materials and supplies, the majority of which is consumed by the Corporation in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

(d) Property, plant and equipment:

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the transition date, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Corporation's borrowings. Qualifying assets are considered to be those that take in excess of nine months to construct.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

3. Significant accounting policies (continued):

(d) Property, plant and equipment (continued):

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Corporation has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

The estimated useful lives are as follows:

	Years
Buildings	50
Distribution and metering equipment	10 - 60
Other assets	5 - 15

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

3. Significant accounting policies (continued)

(e) Impairment:

(i) Financial assets measured at amortized cost:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in profit or loss. An impairment loss is reversed through profit or loss if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(ii) Non-financial assets:

The carrying amounts of the Corporation's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

3. Significant accounting policies (continued)

(f) Customer deposits:

Customer deposits represent cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

(g) Provisions:

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(h) Regulatory balances:

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in profit or loss in the year incurred.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

3. Significant accounting policies (continued)

(h) Regulatory balances (continued):

When the Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

(i) Post-employment benefits:

(i) Pension plan:

The Corporation provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund"), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Corporation is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due.

(ii) Post-employment benefits, other than pension:

The Corporation provides its retired employees with life insurance and medical benefits.

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in other comprehensive income.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

3. Significant accounting policies (continued):

(i) Post-employment benefits (continued):

(ii) Post-employment benefits, other than pension (continued):

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

(j) Finance income and finance costs:

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents and dividend income.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, net interest expense on post-employment benefits and impairment losses on financial assets. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

(k) Income taxes:

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the *Electricity Act*, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the *Electricity Act*, 1998, and related regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes. Payments in lieu of taxes are referred to as income taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

3. Significant accounting policies (continued):

(k) Income taxes (continued):

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

(l) Investments:

The Corporation has designated its investment in the common shares of Sun Life Financial as fair value through the profit and loss and these instruments are recorded at market value as determined by quoted market prices. Realized and unrealized gains and losses as a result of disposition of shares and changes in fair value are recorded in the non-consolidated statement of comprehensive income in net finance income.

The investments in ELK Solutions Inc. and Gosfield North Communications are measured at cost.

4. Standards issued but not yet adopted:

The following standards, which are not yet effective for the year ended December 31, 2020, have not been applied in preparing these financial statements.

i) Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16):

On May 14, 2020, the IASB issued *Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)*.

The amendments are effective for annual periods beginning on or after January 1, 2022. Early adoption is permitted.

The amendments provide guidance on the accounting for sale proceeds and the related production costs for items a company produces and sells in the process of making an item of property, plant and equipment (PPE) available for its intended use. Specifically, proceeds from selling items before the related item of PPE is available for use should be recognised in profit or loss, together with the costs of producing those items.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

4. Standards issued but not yet adopted (continued):

ii) Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37):

On May 14, 2020, the IASB issued *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*.

The amendments are effective for annual periods beginning on or after January 1, 2022 and apply to contracts existing at the date when the amendments are first applied. Early adoption is permitted.

IAS 37 does not specify which costs are included as a cost of fulfilling a contract when determining whether a contract is onerous. The IASB's amendments address this issue by clarifying that the 'costs of fulfilling a contract' comprise both:

the incremental costs – e.g. direct labour and materials; and

an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of PPE used in fulfilling the contract.

iii) Classification of Liabilities as Current or Non-Current (Amendments to IAS 1):

On January 23, 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements*, to clarify the classification of liabilities as current or non-current. On July 15, 2020, the IASB issued an amendment to defer the effective date by one year.

The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted.

For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period.

The Corporation has assessed the potential impacts on its financial statements, and determined that the future pronouncements will not have a material impact on the Corporation.

5. Cash and cash equivalents:

	2020	2019
Bank balances - unrestricted	\$ 4,833,275	\$ 6,590,975
Bank balance - restricted	1,393,592	1,311,541
Cash and cash equivalents in the statements of cash flows	\$ 6,226,867	\$ 7,902,516

Restricted cash relates to contractor security deposits.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

6. Accounts receivable:

	2020	2019
Trade receivables	\$ 3,821,964	\$ 1,541,428
Other trade receivables	683,139	349,608
Allowance for doubtful accounts	(628,016)	(652,370)
	<u>\$ 3,877,087</u>	<u>\$ 1,238,666</u>

7. Inventory:

Inventory consists of parts and supplies acquired for capital, internal construction, maintenance or recoverable work.

The amount of inventory consumed by the Corporation during 2020 was \$367,214 (2019 - \$226,155).

Amounts written down due to obsolescence in 2020 was \$nil (2019 - \$nil).

8. Investments:

	2020	2019
Investment in the Class A common Shares of E.L.K. Solutions Inc., at cost	\$ 100	\$ 100
Investment in Gosfield North Communications, at cost	1	1
Investment in the common shares of Sun Life Financial, at market	83,542	87,394
	<u>\$ 83,643</u>	<u>\$ 87,495</u>

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

9. Property, plant and equipment:

	Land and buildings	Distribution equipment	Other fixed assets	Total
<i>Cost or deemed cost</i>				
Balance at January 1, 2020	\$ 159,260	\$ 12,891,237	\$ 789,557	\$ 13,840,054
Additions	22,278	1,217,612	517,149	1,757,039
Balance at December 31, 2020	\$ 181,538	\$ 14,108,849	\$ 1,306,706	\$ 15,597,093
Balance at January 1, 2019	\$ 152,782	\$ 11,970,798	\$ 621,903	\$ 12,745,483
Additions	6,478	920,439	167,653	1,094,570
Balance at December 31, 2019	\$ 159,260	\$ 12,891,237	\$ 789,557	\$ 13,840,054
<i>Accumulated depreciation</i>				
Balance at January 1, 2020	\$ 34,754	\$ 3,160,422	\$ 450,754	\$ 3,645,930
Depreciation	12,016	525,713	94,205	631,934
Balance at December 31, 2020	\$ 46,770	\$ 3,686,135	\$ 544,959	\$ 4,277,864
Balance at January 1, 2019	\$ 23,025	\$ 2,559,000	\$ 380,648	\$ 2,962,673
Depreciation	11,729	601,422	70,106	683,257
Balance at December 31, 2019	\$ 34,754	\$ 3,160,422	\$ 450,754	\$ 3,645,930
<i>Carrying amounts</i>				
At December 31, 2020	\$ 134,768	\$ 10,422,714	\$ 761,748	\$ 11,319,229
At December 31, 2019	124,506	9,730,815	338,803	10,194,124

10. Income tax expense:

Current tax expense:

	2020	2019
Current year	\$ 468,914	\$ 324,775
	\$ 468,914	\$ 324,775

Significant components of the Corporation's deferred tax balances are as follows:

	2020	2019
<i>Deferred tax assets (liabilities):</i>		
Property, plant and equipment	\$ (398,176)	\$ (193,000)
Cumulative eligible capital	53,764	73,000
Post-employment benefits	112,303	157,000
Deferred revenue	263,849	265,000
Other	(12,058)	(16,000)
	\$ 19,682	\$ 286,000

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

11. Regulatory balances:

Reconciliation of the carrying amount for each class of regulatory balances

Regulatory deferral account debit balances	January 1, 2020	Additions	Recovery/ reversal	December 31, 2020
Group 1 deferred accounts	\$ 717,490	\$ 4,105,747	\$ (2,021,961)	\$ 2,801,276
Regulatory settlement account	221,767	-	(45,273)	176,494
Regulatory transition to IFRS	21,601	17,986	-	39,587
Regulatory settlement account	1,417,980	634,329	(1,125,690)	926,619
Income tax	-	432,772	-	432,772
	\$ 2,378,838	\$ 5,190,834	\$ (3,192,924)	\$ 4,376,748

Regulatory deferral account debit balances	January 1, 2019	Additions	Recovery/ reversal	December 31, 2019
Group 1 deferred accounts	\$ 1,203,168	\$ 4,077,964	\$ (4,563,642)	\$ 717,490
Regulatory settlement account	221,798	47	(78)	221,767
Regulatory transition to IFRS	21,601	-	-	21,601
Regulatory settlement account	3,090,484	276,556	(1,949,060)	1,417,980
	\$ 4,537,051	\$ 4,354,567	\$ (6,512,780)	\$ 2,378,838

Regulatory deferral account credit balances	January 1, 2020	Additions	Recovery/ reversal	December 31, 2020
Group 1 deferred accounts	\$ 5,201,222	\$36,132,736	\$(35,967,720)	\$ 5,366,238
Regulatory transition to IFRS	(17,986)	17,986	-	-
Other regulatory account	161,888	44,759	(57,113)	149,534
Income tax	62,793	280,456	-	343,249
Regulatory settlement account	-	530,251	(61,807)	468,444
	\$ 5,407,917	\$37,006,188	\$(30,086,640)	\$ 6,327,465

Regulatory deferral account credit balances	January 1, 2019	Additions	Recovery/ reversal	December 31, 2019
Group 1 deferred accounts	\$ 4,655,014	\$29,028,295	\$(28,482,087)	\$ 5,201,222
Regulatory transition to IFRS	(17,986)	-	-	(17,986)
Other regulatory account	156,975	15,859	(10,946)	161,888
Income tax	206,293	-	(143,500)	62,793
	\$ 5,000,296	\$29,044,154	\$(28,636,533)	\$ 5,407,917

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Corporation has received approval from the OEB to establish its regulatory balances.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

11. Regulatory balances (continued):

Settlement of the Group 1 deferral accounts is done on an annual basis through application to the OEB. An application was made to the OEB to dispose \$247,594 of the Group 1 deferral accounts and approval was obtained. The account balance was moved to the regulatory settlement account. The OEB requires the Corporation to estimate its income taxes when it files a COS application to set its rates. As a result, the Corporation has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Corporation's deferred tax balance fluctuates.

Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points. In 2020, the rate was 2.18% in the first and second quarter, 0.57% in the third and fourth quarter (In 2019, the rate was 2.45% in the first quarter, 2.18% in the second through fourth quarters).

12. Accounts payable and accrued liabilities:

	2020	2019
Trade payables	\$ 3,019,085	\$ 3,708,393
Accrued expenses	1,719,747	826,049
	<u>\$ 4,738,832</u>	<u>\$ 4,534,442</u>

13. Bank debt:

(a) Bank debt consists of:

	2020	2019
One year term loan with interest rate of 1.36% (2019 - 2.48%) repayable in full on or before maturity of July 2021 secured by a general security agreement	\$ 2,600,000	\$ 3,100,000

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2020	2019
Bank debt, balance at January 1	\$ 3,100,000	\$ 3,600,000
Repayment of borrowings	500,000	500,000
<u>Balance, December 31</u>	<u>\$ 2,600,000</u>	<u>\$ 3,100,000</u>

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

14. Post-employment benefits:

(a) OMERS pension plan:

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2020, the Corporation made employer contributions of \$171,986 to OMERS (2019 - \$173,858). The Corporation estimates that a contribution of \$180,000 to OMERS will be made during the next fiscal year.

As at December 31, 2020, OMERS had over 525,000 members, of whom 14 are current employees of the Corporation. The most recently available OMERS annual report is for the year ended December 31, 2020, which reported that the plan was 97% funded (2019 - 97%).

(b) Post-employment benefits other than pension:

The Corporation pays certain medical and life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-employment benefits in the year in which employees' services were rendered. The Corporation is recovering its post-employment benefits in rates based on the expense and measurements recognized for post-employment benefit plans.

Reconciliation of the obligation	2020	2019
Defined benefit obligation, beginning of year	\$ 470,557	\$ 457,382
Included in profit or loss		
Current service cost	7,730	7,140
Interest cost	13,783	15,678
	21,513	22,818
Included in OCI		
Actuarial (gain) loss arising from: changes in demographic and financial assumptions	(38,285)	16,357
	(38,285)	16,357
Benefit payments	(30,000)	(26,000)
Defined benefit obligation, end of year	\$ 423,785	\$ 470,557

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

14. Post-employment benefits (continued):

(b) Post-employment benefits other than pension (continued):

Actuarial assumptions	2020	2019
General inflation	2.25%	2.25%
Discount (interest) rate	2.00%	3.00%
Medical Costs	6.50%	6.50%
Dental Costs	4.00%	4.00%

A 1% increase in the assumed medical trend rate would result in the defined benefit obligation increasing by \$27,000. A 1% decrease in the assumed medical trend rate would result in the defined benefits obligation decreasing by \$32,000.

15. Share capital:

	2020	2019
Authorized:		
Unlimited number of common shares		
Issued:		
30,000 common shares	\$ 2,000,100	\$ 2,000,100

16. Distribution revenue:

The Corporation generates revenue primarily from the sale and distribution of electricity to its customers. Other revenue consists of services provided to related parties and other income. Additional information is provided in note 17 with components of other income.

In the following table, distribution revenue is disaggregated by type of customer:

	2020	2019
Residential	\$ 2,623,003	\$ 2,380,088
Commercial	446,274	415,807
Large users	578,766	768,110
Other	115,678	115,815
Total distribution revenue	\$ 3,763,721	\$ 3,679,820

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

17. Other revenue:

	2020	2019
Rendering of services	\$ 400,925	\$ 132,894
Contributions received from customers	529,593	701,508
Government grants & incentives under CDM programs	4,092	(51,782)
Rental income	66,363	65,905
	<u>\$ 1,000,973</u>	<u>\$ 848,525</u>

18. Employee salaries and benefits:

	2020	2019
Salaries, wages and benefits	\$ 1,625,317	\$ 1,710,164
CPP and EI remittances	66,948	66,118
Contributions to OMERS	171,986	173,858
Post-employment benefit plans	21,513	22,818
	<u>\$ 1,885,764</u>	<u>\$ 1,972,958</u>

19. Distribution expenses:

	2020	2019
Labour	\$ 226,347	\$ 255,265
Materials, supplies, maintenance	637,352	830,544
Other	68,722	96,738
	<u>\$ 932,421</u>	<u>\$ 1,182,547</u>

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

20. Finance income and costs:

	2020	2019
Finance income		
Late payment charges	\$ 86,403	\$ 93,143
Unrealized gain on investments	-	20,546
Interest income on bank deposits	150,442	111,393
	<u>236,845</u>	<u>225,082</u>
Finance cost		
Interest expense on bank debt	54,642	99,776
Unrealized loss on investments	3,852	-
Other	57,189	85,963
	<u>115,683</u>	<u>185,739</u>
Net finance income recognized in profit or loss	\$ 121,162	\$ 39,343

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

21. Commitments and contingencies:

General:

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

General Liability Insurance:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2020, no assessments have been made.

22. Related party transactions:

(a) Parent and ultimate controlling party:

The sole shareholder of the Corporation is the Municipality of the Town of Essex. The Town produces consolidated financial statements that are available for public use.

(b) Outstanding balances due from (due to) with related parties:

	2020	2019
Parent company, included in accounts receivable	\$ 34,313	\$ 33,336
Subsidiary, included in accounts receivable	272,269	121,575
	<u>\$ 306,582</u>	<u>\$ 154,911</u>
Parent company payables	\$ (589,999)	\$ (563,512)

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

22. Related party transactions (continued):

(c) Transactions with parent:

During the year the Corporation paid provision of services fees to its parent in the amount of \$589,999 (2019 - \$563,512).

The Corporation delivers electricity to the Town throughout the year for the electricity needs of the Town and its related organizations. Electricity delivery charges are at prices and under terms approved by the OEB. The Corporation also provides additional services to the Town, including streetlight maintenance services, sentinel lights and water and waste water billing and customer care services.

(d) Transactions with entity with significant influence:

In the ordinary course of business, the Corporation delivers electricity to the Town of Essex. Electricity is billed to the Town at prices and under terms approved by the OEB, if applicable.

(e) Key management personnel:

The key management personnel of the Corporation have been defined as members of its board of directors and executive management team members. The compensation paid or payable is as follows:

	2020	2019
Directors' fees	\$ 23,381	\$ 22,831
Salaries and other short-term benefits	415,739	395,994
Post-employment benefits	5,088	5,409
	<u>\$ 444,208</u>	<u>\$ 424,234</u>

23. Financial instruments and risk management:

Fair value disclosure:

The carrying values of cash and cash equivalents, accounts receivable, unbilled revenue, due from/to related parties and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits and bank loan approximates fair value because the amounts are payable on demand.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

23. Financial instruments and risk management (continued):

Financial risks:

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

(a) Credit risk:

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the Town of Essex, Lakeshore and Kingsville. No single customer accounts for a balance in excess of 1% of total accounts receivable.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2020 is \$628,016 (2019 - \$652,370). An impairment reversal of \$24,354 (2019 - \$17,614) was recognized during the year.

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. As a result of the COVID-19 pandemic, certain of the Corporation's customers have experienced loss of employment, business shut-downs and other disruptions. The extension of the OEB's winter disconnection ban negatively impacted the Corporation's ability to exercise the full extent of its collection tools to manage the credit risk. To support residential and small business customers struggling to pay their energy bills, the Government of Ontario provided funding for the COVID-19 Energy Assistance Program ("CEAP"). The Corporation was allocated a portion of this funding and actively participated in the program. As at December 31, 2020, approximately \$1,055,390 (2019 - \$945,708) is considered 60 days past due. The Corporation has over 12,300 customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2020, the Corporation holds security deposits in the amount of \$2,055,830 (2019 - \$1,882,945).

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

23. Financial instruments and risk management (continued):**(b) Market risk:**

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

A 1% increase in the interest rate at December 31, 2020 would have increased interest expense on the long-term debt by \$26,000 (2019 - \$31,000), assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

(c) Liquidity risk:

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a \$3.6 million credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they become due.

The majority of accounts payable, as reported on the statement of financial position, are due within 30 – 60 days.

(d) Capital disclosures:

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity. As at December 31, 2020, shareholder's equity amounts to \$12,347,965 (2019 - \$11,171,264).

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)
Year ended December 31, 2020

24. Effects of COVID-19:

On March 11, 2020, the World Health Organization characterized the COVID-19 outbreak as a pandemic. The impact of the outbreak on the financial results of the Corporation will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions. This has resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. The federal government of Canada has implemented various government programs to respond to the negative economic impacts of COVID-19. The continued development and impact of COVID-19 on the Corporation and the overall economy are highly uncertain and cannot be determined at this time. Management is actively monitoring the situation.

1 **TAB 8 - DISTRIBUTOR CONSOLIDATION**

2 **1.0 Distributor Consolidation**

3 E.L.K. has not acquired or amalgamated with another LDC since its last rebasing.

TAB 9 - OTHER INFORMATION

1.0 Information on Affiliates

E.L.K. provides services to an affiliate company, E.L.K. Solutions Inc. (E.L.K. Solutions). A copy of this agreement is provided in Exhibit 1, Tab 9, Attachment 1.

E.L.K. also performs services for its shareholder the Town of Essex.

2.0 Services Provided by E.L.K. to E.L.K. Solutions

2.1 Water Heater Services

From time to time, one or more of the designated employees will be made available by E.L.K. to E.L.K. Solutions to provide Services in relation to their Business. Exhibit 1, Tab 9, Attachment 1 details the Service Agreement between E.L.K. Energy Inc. and E.L.K. Solutions Inc.

2.2 Street Light and Sentinel Light Services

From time to time, one or more of designated employees will be made available by E.L.K. Energy to E.L.K. Solutions to provide services in relation to their Business. Exhibit 1, Tab 9, Attachment 1 details the Service Agreement between E.L.K. Energy Inc. and E.L.K. Solutions Inc.

3.0 Services Provided by E.L.K. to Town of Essex

3.1 Water & Sewer Billing Services

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 sewage related inquiries and other customer services as required. By providing this service, E.L.K. has been able to combine meter reading, billing, collections and customer service functions. Approximately 31% of the bills issued each month are shared electricity/water and sewer bills and approximately 20% are water/sewer only accounts.

Services provided to affiliates are further discussed in Exhibit 4, Tab 5.

SERVICES AGREEMENT

THIS AGREEMENT made as of the 1st day of January, 2021.

B E T W E E N:

E.L.K. SOLUTIONS INC.

(hereinafter called “**Solutions**”)

OF THE FIRST PART;

- and -

E.L.K. ENERGY INC.

(hereinafter called “**Energy**”)

OF THE SECOND PART.

WHEREAS Energy is a municipally-owned licensed distributor of electricity pursuant to the *Ontario Energy Board Act*, 1998;

AND WHEREAS Solutions is an affiliate of Energy, as such term is used and defined in the *Affiliates Relationships Code for Electricity Distributors and Transmitters* promulgated by the Ontario Energy Board on April 1, 1999;

AND WHEREAS Solutions is engaged in, or proposes to be engaged in, some of all of the activities which an affiliate of a municipally-owned electricity distributor is permitted to engage in pursuant to Section 71 of the *Ontario Energy Board Act*, 1998;

AND WHEREAS, in order to carry on such activities, Solutions wishes to contract with Energy on the terms and conditions hereinafter set forth for the provision by Energy to Solutions of certain of Energy’s resources and the services of certain of Energy’s employees;

NOW THEREFORE, the parties agree as follows:

Article I INTERPRETATION

1.1 Where used in this Agreement, the following expressions shall have the following respective meanings.

- (a) “**Act**” means the Ontario Energy Board Act, 1998;
- (b) “**Agreement**” means this Agreement and all schedules hereto, as the same may be amended from time to time;
- (c) “**Business**” means the business activities now or hereafter carried on by Solutions, being some or all of the activities referred to in Section 71 of the Act;
- (d) “**Business Day**” means every day except Saturdays, Sundays and days observed as statutory holidays in the Province of Ontario;
- (e) “**Code**” means the *Affiliates Relationships Code for Electricity Distributors and Transmitters*, as revised effective May 16, 2008 by the Ontario Energy Board;
- (f) “**Designated Employees**” means the Chief Executive Officer, the Director of Finance and the Operations Manager of Energy, as well as the members of Energy’s outside crews;
- (g) “**Facilities**” means the office space, office supplies, office furniture and equipment located in Energy’s premises at 172 Forest Avenue, Essex, Ontario;
- (h) “**Prime Rate**” means the rate of interest per annum announced by the Royal Bank of Canada from time to time as its “prime rate”.
- (i) “**Services**” means the services of the Designated Employees in the following areas:
 - (i) general ledger and bookkeeping;
 - (ii) budgeting;
 - (iii) tax return preparation and filing;
 - (iv) governmental liaison and filings;
 - (v) outdoor installation and maintenance work in connection with activities permitted to be conducted by Solutions under Section 73 of the *Ontario Energy Board Act*, and the use by such Designated Employees of the Facilities in the course of providing such services;
- (j) “**Term**” shall have the meaning ascribed thereto in Section 6.1 of this Agreement.

1.2 Time shall be of the essence in the performance of the parties’ respective obligations.

- 1.3 Words denoting the singular include the plural and vice-versa and words denoting any gender include all genders.
- 1.4 The use of heading is for convenience of reference only and shall not affect the construction of this Agreement.

Article II OBLIGATIONS OF ENERGY

- 2.1 From time to time, and at the request of the Chief Executive Officer of Solutions, one or more of the Designated Employees will be made available by Energy to Solutions to provide Services in relation to the Business. All such Services will be performed under the supervision of Solutions, and Energy will have no responsibility for the supervision of Designated Employees while performing such Services, or for ensuring that they achieve any particular result in performing such Services. Solutions may request the Services of each Designated Employee for up to a maximum of twenty (20) hours per week.
- 2.2 Designated Employees, in the course of performing Services in relation to the Business under Section 2.1, will have full access to, and use of, the Facilities.
- 2.3 Energy and Solutions agree that if Solutions at any time during the Term becomes an “**energy service provider**” (as such term is used and defined in the Code), any Designated Employee directly involved in collecting, or having access to, “**confidential information**” (as such term is used and defined in the Code) shall cease, from and after such time, to be available to provide services to Solutions hereunder and will cease to be a Designated Employee hereunder.

Article III CONFIDENTIALITY

- 3.1 All information relating to the Business to which Energy may become privy by virtue of this Agreement, is proprietary to Solutions and shall be considered confidential information for the purposes of this Agreement and shall be kept confidential by Energy. All information relating to any aspect of Energy’s business is proprietary to Energy and, except as may be required in order to comply with Section 8.1 and enable Solutions to verify the charges it is required to pay pursuant to Section 5.1, shall not be disclosed to Solutions. All such information which is disclosed to Solutions shall be kept confidential by Solutions. Both parties shall exercise the same standard of care with respect to the other party’s confidential information as it would exercise with its own confidential information of similar value and kind. Neither party shall disclose or divulge the

contents of same to any third party without the prior written consent of the other party, provided that:

- (a) either party may disclose any such information which has been publicly disclosed (other than by a party in breach of its obligations hereunder), or which has rightfully come into its possession (other than from the other party); and
- (b) to the extent that the party may be compelled by legal or regulatory requirements to disclose any of such information, such party may disclose such information if it shall have used all reasonable efforts to obtain, and shall have afforded the other party the opportunity to obtain, an appropriate protective order, or other satisfactory assurance of confidential treatment for the information compelled to be disclosed.

The parties will satisfy their obligations hereunder by taking appropriate action, by agreement or otherwise, with respect to its employees, including all Designated Employees and other persons capable of accessing the information. Such action shall include, without limitation, diligently applying the available protections, informing personnel of applicable restrictions, and using reasonable care to prevent unauthorized use and disclosure of the information.

- 3.2 Solutions shall not use Energy's confidential information for any purpose whatsoever, other than verifying the charges it is required to pay pursuant to Section 5.1. Energy shall not use Solution's confidential information for any purpose, except in connection with and to the extent necessary for the provision of the Services pursuant to this Agreement.
- 3.3 The provisions of Sections 3.1 and 3.2 shall survive any termination of this Agreement.

Article IV SERVICE LEVELS

- 4.1 Energy agrees to use all commercially reasonable efforts to ensure that the Designated Employees are available to provide Services in connection with the Business to Solutions as and when requested by Solutions pursuant to Section 2.1, and to use commercially reasonable efforts to ensure that such Designated Employees perform such Services conscientiously and diligently, but other than as provided in this Section 4.1 and Section 4.3, makes no representation or warranty concerning the Services.
- 4.2 Solutions shall have the right to direct the job functions of the Designated Employees while (and only while) they are providing Services, but nothing in this clause shall be deemed to disturb the

direct employment relationship between Energy and the Designated Employees, and nothing in this clause shall be deemed to create an employment relationship between the Designated Employees and Solutions.

- 4.3 Energy agrees that the Facilities (or replacement facilities of a similar quality) will be kept available for the use by Designated Employees in the course of their performance of Services for Solutions to the same extent that such Facilities are available to such Designated Employees in the course of their rendering services for and on behalf of Energy.

Article V
OBLIGATIONS OF SOLUTIONS

- 5.1 On the final Business Day of each month during the term of this Agreement, Solutions will pay Energy a fee in respect of each Designated Employee who renders Services hereunder during the immediately prior month, which fee will be composed of the following elements:
- (a) The aggregate salary payable by Energy to such Designated Employee in or in respect of such month, divided by the number of hours in such month the Designated Employee is required to work (without taking into account overtime), (the “**Aggregate Business Hours**”) multiplied by the number of hours such Designated Employee was involved in rendering Services hereunder during such month (the “**DE Hours Worked**”); and
 - (b) A 40% mark-up on the amount referred to in clause (a) above, representing an allocation of the costs of providing employee benefits to such Designated Employee; and
 - (c) The Applicable Fraction of the sum obtained by dividing the number of Aggregate Business Hours in such month by the number of DE Hours Worked by such Designated Employee in such month, and multiplying the result by the total amount paid by Energy in respect of rent, electricity, heating and similar occupancy charges in respect of the Facilities in such month;
 - (d) The Applicable Fraction of the sum obtained by multiplying Monthly Depreciation by a fraction, the numerator of which is the number of DE Hours Worked by such Designated Employee, and the denominator of which is the Aggregate Business Hours for such month, where “**Monthly Depreciation**” means the sum obtained by multiplying the undepreciated capital cost of all capital equipment comprised within the Facilities by a monthly depreciation charge equal to one-twelfth (1/12th) of the annual depreciation reflected in Energy’s books and records in respect of such capital equipment; and

- (e) A percentage mark-up on the aggregate of the amounts referred to in clauses (a) to (d) inclusive equal to the higher of, at such time, Energy's annual weighted average cost of capital which has been approved by the Ontario Energy Board in respect of Energy's operations as at such time, divided by 12.

As used above, the term "**Applicable Fraction**" means a fraction having as its numerator the number one, and having as its denominator the total number of employees of Energy using and occupying the Facilities.

The aggregate charges payable by Solutions in respect of all Designated Employees as set out above will be calculated by Energy and set out in a detailed invoice rendered by Energy to Solutions on or before the tenth (10th) day following the completion of each month during the Term.

Article VI **TERM**

- 6.1 The term of this Agreement shall commence as at the date hereof and shall terminate on December 31, 2021.

Article VII **TERMINATION**

- 7.1 This Agreement shall not be terminated except by expiry at the end of the Term or by operation of law, or by mutual agreement of the parties.

Article VIII **ACCESS, AUDIT AND INSPECTION**

- 8.1 Energy agrees to provide Solutions with full and complete written details and materials as may, from time to time, be required by Solutions in support of any invoice rendered by Energy pursuant to Section 5.1, including, without limitation, payroll records and the like.

Article IX **COMPLIANCE WITH LAW**

- 9.1 Energy and Solutions shall maintain compliance with all federal, provincial legislation, rules, regulations and the like during the Term, including, without limitation:
- (a) all workplace health and safety legislation;
 - (b) all human rights and equity compliance obligations;
 - (c) all contractual obligations relating to benefits, wages and the like;

- (d) all manpower confidentiality, safety and security responsibilities; and
- (e) the Code and the Act.

Article X
LIMITATION OF LIABILITY

- 10.1 The parties agrees that there are no warranties, express or implied, except those expressly stated in this Agreement relating to the provision of the Services by Energy and the use of the Services by Solutions. Energy shall not be liable for any indirect, special or consequential damages, such as, but not limited to, loss of anticipated profits or savings or other economic loss in connection with or arising out of the Services. Energy's aggregate liability hereunder for damages, however caused, shall not exceed the total amount actually paid for the Services by Solutions. The parties agree that the Services are provided on the basis of an independent services contract between Solutions and Energy and that no employee of Energy is or shall be deemed to be an employee of Solutions by virtue of the fact that the employee provides Services under this Agreement. The parties further agree that Energy shall continue to be responsible for the employment of all Designated Employees and shall be responsible for all statutory withholdings, payments and levies applicable to such continued employment.

Article XI
DISPUTE RESOLUTION

- 11.1 Upon written notice by either party to the other (a "**Notice of Arbitration**"), any dispute hereunder (a "Dispute") shall be finally settled by arbitration in accordance with the provisions of the *Arbitration Act* (Ontario) (the "**Arbitration Act**"), subject to the following:
- (a) The arbitration tribunal shall consist of one arbitrator appointed by mutual agreement of the parties, or in the event of failure to agree within 10 Business Days following delivery of the Notice of Arbitration, any party may apply to a judge of the Superior Court of Justice (Ontario) to appoint an arbitrator. The arbitrator shall be qualified by education, training and industry experience to rule upon the particular matter to be decided;
 - (b) The arbitrator shall be instructed that time is of the essence in the arbitration proceeding and, in any event, the arbitration award must be made within 90 days of the submission of the Dispute to arbitration and within 15 days of the conclusion of any hearing, or, if none, written submissions.

- (c) After written notice is given to refer any Dispute to arbitration, the parties will meet within 10 Business Days of delivery of the notice and will negotiate in good faith any changes in these arbitration provisions or the rules of arbitration which are herein adopted, in an effort to expedite the process and otherwise ensure that the process is appropriate given the nature of the Dispute and the values at risk;
- (d) The arbitration shall take place in Windsor, Ontario and shall be conducted in the English language;
- (e) The arbitration award shall be given in writing and shall be final and binding on the parties, and there shall be no appeal therefrom (including on a question of law). The award shall give reasons and shall deal with the question of costs of arbitration and all related matters;
- (f) Judgment upon any award may be entered in any Court having jurisdiction or application may be made to the Court for a judicial recognition of the award or an order of enforcement, as the case may be;
- (g) All Disputes referred to arbitration (including the scope of the agreement to arbitrate, any statute of limitations, set-off claims, conflict of laws rules, tort claims and interest claims) shall be governed by the substantive law of Ontario; and
- (h) The parties agree that the arbitration shall be kept confidential and that the existence of the proceeding and any element of it (including any pleadings, briefs or other documents submitted or exchanged, any testimony or other oral submissions and any awards) shall not be disclosed beyond the arbitrator, the parties, their counsel and any person necessary to the conduct of the proceeding, except as may lawfully be required in judicial proceedings relating to the arbitration or otherwise.

Article XII GOVERNING LAW

- 12.1 The laws of the Province of Ontario and the federal laws of Canada applicable therein shall govern this Agreement.

Article XIII ASSIGNMENT

- 13.1 Neither party may assign its rights or obligations under this Agreement without the prior written consent of the other party.

**Article XIV
NOTICES**

14.1 Notices hereunder may be delivered personally or telecopied to the party at the address shown below. The addresses of the parties for notices are as follows:

(a) Solutions: 172 Forest Avenue,
Essex, Ontario
N8M 2E4

Attention: Chief Executive Officer

(b) Energy: 172 Forest Avenue,
Essex, Ontario
N8M 2E4

Attention: Board Chairperson

**Article XV
MODIFICATION OF THIS AGREEMENT**

15.1 This Agreement may not be modified except by an instrument in writing signed by both parties.

**Article XVI
FORCE MAJEURE**

16.1 Except as provided herein, Energy shall not be liable for failure to furnish the Services if due to causes or conditions reasonably beyond the control of Energy. Such causes shall include, but not be limited to, labour, unrest, riots, acts of war, epidemics, governmental regulations imposed after the fact, fire, earthquakes, floods or other disasters. The performance of any obligations shall be delayed to the extent, and for the period of time that Energy is prevented from performing it by reason of the above-mentioned causes.

IN WITNESS WHEREOF the parties hereto have executed this Agreement on the day and year written above.

E.L.K. SOLUTIONS INC.

Per: 

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E.L.K. ENERGY INC.

Per: *Ron McDermap*

2513002.5

Tab 10 – COS Checklist

1.0 COS Checklist

The COS Checklist is attached in PDF (Exhibit 1, Tab 10, Attachment 1) and Excel format.

2022 Cost of Service Checklist

LDC Name: E.L.K.

EB-2021-0016

Date: February 4, 2022

Filing Requirement Page # Reference		Evidence Reference, Notes (Note: if requirement is not applicable, please provide reasons)
GENERAL REQUIREMENTS		
Ch 1, Pg. 2	Certification by a senior officer that the evidence filed is accurate, consistent and complete	Exhibit 1 Tab 3 Section 1.2 Page 42
Ch 1, Pg. 3-4	Confidential Information - Practice Direction has been followed	n/a - no confidential information filed with this application
Ch 1, Pg. 4	Certification by a senior officer that the application and any evidence filed in support of the application does not include any personal information unless it is filed in accordance with Rule 9A of the OEB's Rules (and the Practice Direction, as applicable).	Exhibit 1 Tab 3 Section 1.2 Page 42
Ch 2, Pg. 2	Statement identifying all deviations from Filing Requirements	Exhibit 1 Tab 3 Section 6 Pages 45 to 56
2	Chapter 2 appendices in PDF and live Microsoft Excel format; PDF and Excel copy of current tariff sheet	Yes
3	If applicable, late applications filed after the commencement of the rate year for which the application is intended to set rates is converted to the following rate year.	n/a
3	If aligning rate year with fiscal year, application filed no later than the end of April of the year prior to the test year	n/a
4	Text searchable and bookmarked PDF documents	Confirmed
5	Links within Excel models not broken and models names so that they can be identified (e.g. RRWF instead of Attachment A)	Confirmed
5	Materiality threshold; additional details below the threshold if necessary (for rate base, capital expenditures and OM&A)	Exhibit 1 Tab 7 Section 10 Page 123
EXHIBIT 1 - ADMINISTRATIVE DOCUMENTS		
<i>Table of Contents</i>		
6	Table of Contents listing major sections and subsections of the application. Electronic version of application appropriately bookmarked to provide direct access to each section	Exhibit 1 Tab 1 Section 1 Pages 1 to 9
<i>Executive Summary and Business Plan</i>		
6	Summary identifying key elements of the proposals and the Business Plan underpinning application, as guided by the Rate Handbook including plain language information about its goals	Exhibit 1 Tab 2 Sections 1 to 8 pages 10 to 39
<i>Customer Summary</i>		
7	Brief but complete summary of the application that will be posted as a stand-alone document on the OEB's website for review by the general public and be made available to customers of the applicant. Must include: main requests (with section references), description of impacts of requests, bill impact for customer at 750kWh as well as a typical consumer for a distributor's service area for each of the residential and small business customer classes (bill impacts to be based on commodity rates based on TOU and reg. charges held constant)	Exhibit 1 Tab 2 pages 10 to 39
<i>Administration</i>		
7	Primary contact information (name, address, phone, fax, email)	Exhibit 1 Tab 3 Section 2 Page 43
7	Identification of legal (or other) representation	Exhibit 1 Tab 3 Section 2.2. Page 43
7	Applicant's internet address for viewing of application and any social media accounts used by the applicant to communicate with customers	Exhibit 1 Tab 3 Section 2.3 page 44
7	Statement identifying where notice should be published and why	Exhibit 1 Tab 3 Section 3.0 page 44
7	Bill impacts - distribution only impacts for 750 kWh residential and 2000 kWh GS<50 (sub-total A of Tariff Schedule and Bill Impact Spreadsheet Model) to be used for notice; proposed bill impacts based on alternative consumption profiles and customer groups as appropriate given consumption patterns of a distributors customers	Exhibit 1 Tab 3 Section 4.0 pages 44 to 45
7	Form of hearing requested and why	Exhibit 1 Tab 3 Section 5.0 page 45
7	Requested effective date	Exhibit 1 Tab 3 Section 5.0 page 45
8	Statement identifying and describing any changes to methodologies used vs previous applications	Exhibit 1 Tab 3 Section 7.0 page 46
8	Identification of OEB directions from any previous OEB Decisions and/or Orders. The applicant must clearly indicate how these are being addressed in the current application (e.g., filing of a study as directed in a previous decision)	Exhibit 1 Tab 3 Section 9.0 pages 46 to 71
8	Reference to Conditions of Service - LDC does not need to file Conditions of Service, but must provide reference to website and confirm version is current; identify if there are changes to Conditions of Service (a) since last CoS application or (b) as a result of the current application. Confirmation that there are no rates and charges linked in the Conditions of Service that are not in the distributor's Tariff of Rates and Charges must be provided	Exhibit 1 Tab 3 Section 10.0 page 71
8	Description of the corporate and utility organizational structure, showing the main units and executive and senior management positions within the utility. Include a corporate entities relationship chart, showing the extent to which the parent company is represented on the utility company's Board of Directors and a description of the reporting relationships between utility and parent company management. Also include any planned changes in corporate or operational structure, including any changes in legal organization and control	Exhibit 1 Tab 3 Section 11.0 pages 72 to 76

2022 Cost of Service Checklist

LDC Name: E.L.K.

EB-2021-0016

Date: February 4, 2022

Filing Requirement Page # Reference		Evidence Reference, Notes (Note: if requirement is not applicable, please provide reasons)
8	List of approvals requested (and relevant section of legislation). All approvals including accounting orders, new rate classes, revised specific service charges or retail service charges which the distributor is seeking, must be separately identified in Appendix 2-A and clearly documented in the appropriate sections of the application - a PDF copy of Appendix 2-A should be provided in this section	Exhibit 1 Tab 3 Section 14.0 pages 77 to 78
<i>Distribution System Overview</i>		
8	Description of Service Area (including map, communities served)	Exhibit 1 Tab 4 Section 1.0 page 79
8 & 9	Description of whether the distributor is a host distributor and/or embedded distributor. Identification of embedded and/or host distributors; if partially embedded provide %load from host distributor. If the distributor is a host, the applicant should identify whether there is a separate Embedded Distributor customer class or if any embedded distributors are included in other customer classes such as GS > 50 kW	Exhibit 1 Tab 4 Section 3.0 page 79
9	Statement as to whether or not the distributor has had any transmission or high voltage assets deemed by the OEB as distribution assets and whether or not there are any such assets the distributor is seeking approval for in this application	Exhibit 1 Tab 4 Section 3.0 page 80
<i>Application Summary</i>		
	At a minimum, the items below must be provided. Applicants must also identify all proposed changes that will have a material impact on customers.	Exhibit 1 Tab 2 Section 7.0 pages 21 to 39
9	Revenue Requirement - service RR, increase/decrease (\$ and %) from change from previously approved and main drivers	
9	Budgeting and Accounting Assumptions - economic overview (such as growth and inflation), and identification of accounting standard used for test year and brief explanation of impacts arising from any change in standards	Exhibit 1 Tab 2 Section 7.2 page 23 to 24
9	Load Forecast Summary - load and customer growth, % change in kWh/kW and customer numbers from last OEB-approved, description of forecasting method(s) used for customer/connection and consumption/demand	Exhibit 1 Tab 2 Section 7.3 pages 26 to 27
9 & 10	Rate Base and DSP - major drivers of DSP, rate base for test year, change in rate base from last approved (\$ and %), capital expenditures requested for the test year, change in capital expenditures from last approved (\$ and %), summary of costs requested for renewable energy connections/expansions, smart grid, and regional planning initiatives, any O.Reg 339/09 planned recovery	Exhibit 1 Tab 2 Section 7.4 pages 27 to 31
10	OM&A Expense - OM&A for test year and change from last approved (\$ and %), summary of drivers and cost trends, inflation assumed, total compensation for test year and change from last approved (\$ and %).	Exhibit 1 Tab 2 Section 7.5 pages 32 to 34
10	Cost of Capital - summary table showing proposed capital structure and cost of capital parameters used in WACC. Statement regarding use of OEB's cost of capital parameters; summary of any deviations	Exhibit 1 Tab 2 Section 7.6 pages 34 to 35
10	Cost Allocation & Rate Design - summary of any deviations from OEB methodologies, significant changes proposed to revenue-to-cost ratios and fixed/variable splits and summary of proposed mitigation plans	Exhibit 1 Tab 2 Section 7.8 pages 35 to 36
10	Deferral and Variance Accounts - total disposition (RPP and non-RPP), disposition period, new accounts requested and any requested discontinuation of existing DVAs	Exhibit 1 Tab 2 Section 7.9 pages 37 to 38
10	Bill Impacts - total impacts (\$ and %) for all classes for typical customers	Exhibit 1 Tab 2 Section 7.10 pages 38 to 39
<i>Customer Engagement</i>		
10 & 11	Discussion on how customers were informed of the proposals being considered for inclusion in the application and the value of those proposals to customers i.e. costs, benefits, and the impact on rates	Exhibit 1 Tab 5 Section 1.0 to 10.0 pages 81 to 99
11	Discussion of any feedback provided by customers and how the feedback shaped the final application	Exhibit 1 Tab 5 Section 2.0 pages 82 to 87 and Tab 9 pages 93 to 98
11	Impact of customer engagement activities on the development of the capital plan are to be filed as part of the capital plan requirements in Chapter 5	Exhibit 1 Tab 2 Section 2.2 pages 85 to 87
11	Reference to any other communication sent to customers about the application i.e. bill inserts, town hall meetings or other forms of out reach and the feedback received from customers through these engagement activities. Provide summary of feedback received through engagement activities.	Exhibit 1 Tabs 3 to 8 pages 87 to 92
11	Complete Appendix 2-AC Customer Engagement Activities Summary - explicit identification of the outcomes of customer engagement in terms of the impacts on the distributor's plans, and how that information has shaped the application	Exhibit 1 Tab 5 Table 1-16 pages 90 to 91
11	All responses to matters raised in letters of comment filed with the OEB	Exhibit 1 Tab 5 Section 11 page 99
<i>Performance Measurement</i>		
11 & 12	Discussion of performance for each of the distributor's scorecard measures over the last five years; drivers for its performance, plans for continuous improvement currently and going forward	Exhibit 1 Tab 6 Sections 1.0 and 2.0 pages 100 to 108
12	Identify performance improvement targets, forecast of efficiency assessment using the PEG forecasting model for the test year, discussion on how the results obtained from the PEG model has informed the business plan and application	Exhibit 1 Tab 6 Sections 1.0 and 2.0 pages 100 to 108
12	Activity and Performance-based Benchmarking (APB) results - discussion of performance for each of the ten programs and provide any immediate remedial actions distributor plans to take. Distributors may include how the APB results will influence future planning	Exhibit 1 Tab 6 Section 6.0 pages 116 to 121
<i>Facilitating Innovation</i>		
13	In order to support the OEB's consideration of its new objective to facilitate innovation in the electricity sector, it would be helpful for distributors to include in their cost-based applications a description of the ways that their approach to innovation have shaped the proposals in the application. This could include an explanation of its approach to innovation in its business more generally, or related to specific projects, including enabling characteristics or constraints in its ability to undertake innovative solutions for enhancing the provision of distribution services in a way that benefits customers.	Not provided
<i>Financial Information</i>		

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13 Non-consolidated Audited Financial Statements for 3 most recent historical years (i.e. 2 years statements must be filed, covering 3 years of historical actuals)	Exhibit 1 Tab 7 Section 1 - Page 122 (Attachments 1,2 and 3)
13 Detailed reconciliation of AFS with regulatory financial results filed in the application, including a reconciliation of the fixed assets in order to, as one example, separate non-distribution business. This must include identification of any deviations that are being proposed between AFS and regulatory financial results, including the identification of any prior OEB approvals for such deviations	N/A for small LDCs
13 Annual Report and MD&A for most recent year of distributor and parent company, as available and applicable	Exhibit 1 Tab 7 Section 1.0 page 122
13 Rating Agency Reports, if available; Prospectuses, etc. for recent and planned public issuances	Exhibit 1 Tab 7 Sections 2.0 and Section 3.0 page 122
13 Any change in tax status	Exhibit 1 Tab 7 Section 4.0 page 122
13 Existing accounting orders and departures from these orders, as well as any departures from the USoA	Exhibit 1 Tab 7 Section 5.0 page 122
13 Accounting Standards used for financial statements and when adopted	Exhibit 1 Tab 7 Section 8.0 page 123
13 & 14 Confirmation that accounting treatment of any non-utility business has segregated activities from rate regulated activities	Exhibit 1 Tab 7 Section 9.0 page 123
<i>Distributor Consolidation</i>	
14 If a distributor has acquired or amalgamated with another distributor, identify any incentives that formed part of the acquisition or amalgamation transaction if the incentive represents costs that are being proposed to remain or enter rate base and/or revenue requirement. A distributor must specify whether any commitments made to shareholders are to be funded through rates	Exhibit 1 Tab 8 Section 1.0 page 124
14 List of exhibits in application in which incentives are discussed	N/A
14 Description of actual savings as a result of consolidation compared to what was in the approved consolidation application and explanation of how savings are sustainable and the efficacy of any rate plan approved as part of the MAADs application	N/A

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14	Identify approved ACM or ICM from a previous Price Cap IR application it proposes be incorporated into rate base	N/A
EXHIBIT 2 - RATE BASE		
<i>Overview</i>		
15	Completed Fixed Asset Continuity Schedule (Appendix 2-BA) - in Application and Excel format	Exhibit 2 Tab 1 Section 3 Pages 7-13
15	For rate base, must include opening and closing balances, average of opening and closing balances for gross assets and accumulated depreciation (discussion of methodology if applicant uses an alternative method); working capital allowance (historical actuals, bridge and test year forecast)	Exhibit 2 Tab 1 Section 1 Page 2
15	Continuity statements (year end balance, including interest during construction and overheads). Explanation for any restatement (e.g. due to change in accounting standards) Year over year variance analysis; explanation where variance greater than materiality threshold Hist. OEB-Approved vs Hist. Actual (for the most recent historical OEB-approved year) Hist. Act. vs. preceding Hist. Act. (for the relevant number of years) Hist. Act. vs. Bridge Bridge vs. Test	Exhibit 2 Tab 1 Section 2 Pages 4-6
15	Opening and closing balances of gross assets and accumulated depreciation must correspond to fixed asset continuity statements. If not, an explanation must be provided (e.g. CWIP, ARO). Reconciliation must be between net book value balances reported on Appendix 2-BA and balances included in rate base calculation	Exhibit 2 Tab 1 Section 1 Page 2
16	Distributor may include in-service balances previously recorded in DVAs, such as MIST meters or renewable generation/smart grid related accounts, in its opening test year property, plant and equipment balances, if these costs have not been previously reviewed and approved for disposition, but disposition is being requested in this application. In this situation, the distributor must clearly show in its evidence (e.g. Appendix 2-BA) that the addition was included in the opening test year balances and must reconcile the closing bridge year and opening test year figures. Distributors must provide the same reconciliation for accumulated depreciation	N/A
<i>Gross Assets - PP&E and Accumulated Depreciation</i>		
16	Breakdown by function (transmission or high voltage plant, distribution plant, general plant, other plant) for required statements and analyses	Exhibit 2 Tab 2 Section 1 Pages 14
16	Breakdown by major plant account for each functionalized plant item; for test year, each plant item must be accompanied by description	Exhibit 2 Tab 2 Section 2 Pages 15-16
16	Summary of approved and actual costs for any ICM(s) and/ or ACM approved in previous IRM applications	N/A
16	Continuity statements must reconcile to calculated depreciation expenses under Exhibit 4 and presented by asset account	Exhibit 2 Tab 1 Section 3 Pages 7-13
16	All asset disposals clearly identified in the Chapter 2 Appendices for all historical, bridge and test years	Yes
<i>Allowance for Working Capital</i>		
16 & 17	Working Capital - 7.5% allowance or Lead/Lag Study or Previous OEB Direction	Exhibit 2 Tab 3 Section 1 Page 24
17	Lead/Lag Study - leads and lags measured in days, dollar-weighted	N/A
17	Cost of Power must be determined by split between RPP and non-RPP Class A and Class B customers based on actual data, use most current RPP (TOU) price, use current UTR. Calculation must include the impact of the most up to date Ontario Electricity Rebate, currently set at of 18.9% on the total bill. Distributors must complete Appendix 2-Z - Commodity Expense.	Exhibit 2 Tab 3 Section 2 Pages 26-28
<i>Distribution System Plan and Capital Expenditures Summary</i>		
18	DSP filed as a stand-alone document; a discrete element within Exhibit 2	Exhibit 2, Tab 4, Attachment 1
18	Overall summary of capital expenditures over the past five historical years, including the last OEB-approved amounts, as well as the bridge year and the test year. The summary must show capital expenditures, treatment of contributed capital, and additions and deductions from CWIP. As part of Exhibit 2, a distributor must also provide explanations of year-over-year variances and an explanation of the variance, if any, between the OEB-approved capital expenditure amount in the last rebasing year as compared to the actual expenditures for that year.	Exhibit 2 Tab 4 Section 2 Pages 36-37
18	Complete Appendix 2-AB - four historical years must be actuals, forecasts for the bridge and test years; at a minimum, for historical years, applicants must provide actual totals for each DSP category.	Exhibit 2 Tab 4 Section 2 Pages 36-37
<i>Policy Options for the Funding of Capital</i>		
18 & 19	Distributor may propose ACM capital project coming into service during Price Cap IR (a discrete project documented in DSP). Provide cost and materiality calculations to demonstrate ACM qualification	N/A
18 & 19	Distributor must establish need for and prudence of these projects based on DSP information; identification that distributor is proposing ACM treatment for these future projects, preliminary cost information. The ACM Report provides further details on the information required.	N/A
19	Complete Capital Module Applicable to ACM and ICM	N/A
<i>Addition of Previously Approved ACM and ICM Project Assets to Rate Base</i>		
19 & 20	Distributor with previously approved ACM(s) and/or ICM(s) - schedule of ACM/ICM amounts proposed to be incorporated into rate base. The distributors must compare actual capital spending with OEB-approved amount and provide an explanation for variances	N/A
20	Balances in Account 1508 sub-accounts, reconciliation with proposed rate base amounts; recalculated revenue requirement should be compared with rate rider revenue	N/A

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20 & 21	Accelerated capital cost allowance (CCA) should not be reflected in the ACM/ICM revenue requirement associated with these projects. Distributors should include the impact of the CCA rule change associated with the ACM/ICM project(s) in Account 1592 - PILs and Tax Variances – CCA Changes sub-account for CCA changes	N/A
Capitalization Policy		
21	Capitalization policy including changes since its last rebasing application. Must identify the changes and the causes of the changes.	Exhibit 2 Tab 5 Section 1 Pages 51-54
Capitalization of Overhead		
21	Appendix 2-D complete; identification of burden rates and burden rates prior to changes, if any	N/A
Costs of Eligible Investments for the Connection of Qualifying Generation Facilities		
22 & 23	Generation Facilities - If applicable, proposal to divide the costs of eligible investments between the distributor's ratepayers and all Ontario ratepayers per O.Reg. 330/09. Request for rate protection exceeds the materiality threshold in section 2.0.8 of the Filing Requirements - Appendices 2-FA through 2-FC identifying all eligible investments for recovery	N/A
Service Quality		
23	5 historical years of SQRs, explanation for any under-performance vs standard and actions taken. If available, any outcomes of such actions.	Exhibit 2 Tab 7 Section 1 Pages 62-63
23	Completed Appendix 2-G; confirmation that the data is consistent with scorecard, or explanation of any inconsistencies	Exhibit 2 Tab 7 Section 1 Page 63
Ch5 p7-8	Where applicable, explanation for section headings other than Chapter 5 headings; cross reference table	Exhibit 2, Tab 4, Attachment 1
Ch5 p8-9	Distribution System Plan Overview - key elements, sources of cost savings, period covered, vintage of information on investment drivers, changes to asset management process since last DSP filing, dependencies	Exhibit 2, Tab 4, Attachment 1, Page 12
Ch5 p9-10	Coordinated Planning with 3rd parties - description of consultations - deliverables of the Regional Planning Process, or status of deliverables - IESO letter in relation to REG investments (Ch 5 p9) and Dx response letter	Exhibit 2, Tab 4, Attachment 1, Pages 14-16
Ch5 p10-12	Performance Measurement - identify and define methods and measures used to monitor DSP performance - summary of performance and trends over historical period. Must include SAIFI and SAIDI for all interruptions and all interruptions excluding loss of supply - explain how information has affected DSP	Exhibit 2, Tab 4, Attachment 1, Pages 22-37
Ch5 p12	Realized efficiencies due to smart meters -documented capital and operating efficiencies realized as a result of the deployment and operationalization of smart meters and related technologies. Both qualitative and quantitative descriptions should be provided	Exhibit 2, Tab 4, Attachment 1, Page 46
Ch5 p12-13	Asset Management Process Overview - description of AM objectives/corporate goals and how Dx ranks objectives for prioritizing investments	Exhibit 2, Tab 4, Attachment 1, Pages 47-50
Ch5 p13	Inputs/Outputs of the AM process and information flow for investments; flowchart recommended	Exhibit 2, Tab 4, Attachment 1, Pages 50-52
Ch5 p14	Overview of Assets Managed - description of service area (including evolution of features in forecast period affecting DSP), - description of system configuration - service profile and condition by asset type (tables and/or figures) - date data compiled - assessment of degree the capacity of system assets is utilized	Exhibit 2, Tab 4, Attachment 1, Pages 53-71
Ch5 p14-15	Asset Lifecycle Optimization - description of asset lifecycle optimization policies and practices, including asset replacement and refurbishment, maintenance planning criteria and assumptions - description of asset life cycle risk management policies and practices, assessment methods and approaches to mitigation	Exhibit 2, Tab 4, Attachment 1, Pages 72-77
Ch5 p15-16	System Capability Assessment for REG - REG applications > 10 kW, number and MW of REG connections for forecast period, capacity of Dx to connect REG, connection constraints	Exhibit 2, Tab 4, Attachment 1, Pages 77-78
Ch5 p16	Capital Expenditure Plan Summary for significant projects and activities to be undertaken - capability to connect new load or Gx customers, total annual capex over forecast period by investment category, description of how AMP and Capex planning have affected capital expenditures for each category - list, description and total capital cost of material capital expenditures sorted by category (table recommended) - information related to Regional Planning Process (Needs Assessment Report, Regional Planning Status Letter, Regional Infrastructure Plan - as appropriate) - description of customer engagement - Dx expectations of system development over next 5 years - list, description and total capital cost of projects planned in response to customer preferences, to take advantage of technology based opportunities, to study innovative processes (table recommended)	Exhibit 2, Tab 4, Attachment 1, Pages 78-81
Ch5 p17-18	Capital Expenditure Planning Process Overview - description of capex planning objectives/criteria/assumptions, relationship with AM objectives, policy on consideration of non-distribution alternatives, processes used to identify projects in each investment category, customer feedback and impact on plan, method and criteria used to priorities REG investments	Exhibit 2, Tab 4, Attachment 1, Pages 82-88
Ch5 p18	Rate-Funded Activities to Defer Distribution Infrastructure -CDM programs that target distributor-specific peak demand reductions to address a local constraint of the distribution system -demand response programs to reduce peak demand in order to defer capital investment -programs to improve the efficiency of the distribution system and reduce distribution losses -energy storage programs whose primary purpose is to defer specific capital spending for the distribution system	Exhibit 2, Tab 4, Attachment 1, Page 88

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Ch5 p19-20	Capital Expenditure Summary by Investment Category - completed Table 2 of Ch 5 for historical and forecast period, explanation of markedly different variances plan vs actual, explanation of markedly different variances year over year Table 2 of Ch 5 is provided in Excel format in Appendix 2-AB (must provide actual totals for historical years, as a minimum) - Must also complete Chapter 2 Appendix 2-AA, along with explanations of variances by project or category, the proposed accounting treatments, a statement should be provided that there are no expenditures for non-distribution activities in the applicant's budget	Exhibit 2, Tab 4, Attachment 1, Pages 88-90
Ch5 p20	Justifying Capital Expenditures -filings must enable OEB to assess whether and how a distributor's DSP delivers value to customers, including by controlling costs in relation to its proposed investments through appropriate optimization, prioritization, and pacing of capital-related expenditures -distributors should also keep pace with technological changes and integrate cost-effective innovative projects and traditional planning needs such as load growth, asset condition and reliability	Exhibit 2, Tab 4, Attachment 1, Pages 92-97
Ch5 p20-21	Overall Plan - comparative expenditures by category over historical period, forecast impact of system investment on O&M, drivers of investments by category, information related to Dx system capability assessment	Exhibit 2, Tab 4, Attachment 1, Page 92-97
Ch5 p21-28	Material Investments - For each project that meets materiality threshold set in Ch 2 p5 - general information - total capital, customer attachments, dates, risks, variances, REG investments - evaluation criteria - may include: efficiency, customer value, reliability, etc. - category specific requirements for each project - system access, system renewal, system service, general plant (as applicable)	Exhibit 2, Tab 4, Attachment 1, Page 97
EXHIBIT 3 - OPERATING REVENUE		
<i>Load and Revenue Forecasts</i>		
23	Explanation of causes, assumptions and adjustments for volume forecast, including economic assumptions and data sources for customer and load forecasts	Exhibit 3 Tab 1 Section 3 Pages 10-16
23	Explanation of weather normalization methodology	Exhibit 3 Tab 1 Section 3 Pages 11-12 & 23
24	Completed Appendix 2-IB; the customer and load forecast for the test year must be entered on RRWF, Tab 10	Completed
24 & 25	Multivariate Regression Model - rationale for choice, regression statistics (including explanation for any resulting unintuitive relationships), explanation of weather normalization methodology, sources of data for endogenous and exogenous variables (where a variable has been constructed, a complete explanation of the variable data used and source), any binary variables used to either account for individual data points or to account for seasonal or cyclical trends or for discontinuities in the historical data (where such variable has been used, explanation and justification must be provided), explanation of any specific adjustments made; data used in load forecast must be provided in Excel format, including derivation of constructed variables	Exhibit 3 Tab 1 Section 3 Pages 10-16
25	NAC Model - rationale for choice, data supporting NAC variables, description of accounting for CDM in historical period and how CDM impacts are factored into test year forecast), discussion of weather normalization considerations	N/A
<i>CDM Adjustment for the Load Forecast for Distributors</i>		
26	CDM Adjustment - If a distributor expects impacts from any CFF-related projects not deployed by April 2019 but for which a distributor is contractually obligated to complete, or for other programs delivered by the distributor after April 2019, a distributor may include these amounts as part of a CDM manual adjustment to the 2022 load forecast but must ensure that sufficient supporting evidence is provided for all estimated CDM savings	N/A
26	If a distributor proposes a CDM adjustment to its 2022 load forecast, it should document the CDM savings to be used as the basis for the 2022 LRAMVA threshold. In addition, the allocation of the CDM savings for the LRAMVA and the load forecast adjustment should be provided by customer class and for both kWh and, as applicable to a customer class, kW. The distributor should document its proposal adequately, including how CDM savings will be tracked and reported in order to account for differences between forecast revenue loss attributable to CDM activity embedded in rates and actual revenue loss due to the impacts of CDM programs	N/A
26	Appendix 2-1 - is provided as one approach for calculating the aggregate amounts for the LRAMVA and the corresponding CDM adjustment to the load forecast.	N/A
<i>Accuracy of Load Forecast and Variance Analyses</i>		
26	Completed Appendix 2-IB	Completed
26	For customer/connection counts - identification as to whether customer/connection count is shown in year end or average format, year-over-year variances in changes of customer/connection counts with explanation of major changes, explanations of bridge and test year forecasts by rate class, for last rebasing variance analysis between last OEB-approved and actuals with explanations for material differences	Exhibit 3 Tab 1 Section 3.3 Pages 16-19 Exhibit 3 Tab 2 Section 1 Pages 29-35
26 & 27	For consumption and demand - explanation to support how kWh are converted to kW for applicable demand-billed classes, year-over-year variances in kWh and kW by rate class and for system consumption overall (kWh) with explanations for material changes in the definition of or major changes over time (should be done for both historical actuals against each other and historical weather-normalized actuals over time), explanations of the bridge and test year forecasts by rate class, variance analysis between the last OEB-approved and the actual and weather-normalized actual results	Exhibit 3 Tab 1 Section 3.4 Pages 24-28 Exhibit 3 Tab 2 Section 1 Pages 29-35
27	For revenues - calculation of bridge year forecast of revenues at existing rates; calculation of test year forecasted revenues at each of existing rates and proposed rates	Exhibit 3 Tab 2 Section 1 Pages 34-35

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27 With respect to average consumption, for each rate class, distributors are to provide weather-actual and weather-normalized average annual consumption or demand per customer as applicable for the rate class for last OEB approved and historical, weather normalized average annual consumption or demand per customer for the bridge and test years, explanation of the net change in average consumption from last OEB-approved and actuals from historical, bridge and test years based on year-over-year variances and any apparent trends in data	Exhibit 3 Tab 1 Section 2 Pages 7 & 10 Exhibit 3 Tab 2 Section 1 Pages 29-35
<i>Other Revenue</i> 28 Completed Appendix 2-H	Exhibit 3 Tab 3 Section 1 Page 37

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28	Variance analysis (including explanations for significant variances) - year over year, historical, bridge and test	Exhibit 3 Tab 3 Section 1 Pages 37-40
28	Any new proposed specific service charges, or proposed changes to rates or application of existing specific service charges	Exhibit 3 Tab 3 Section 2 Page 40
28	Revenue from affiliate transactions, shared services, corporate cost allocation as described in 2.4.3.2. For each affiliate transaction, identification of the service, the nature of the service provided to affiliate entities, accounts used to record the revenue and associated costs (Appendix 2-N)	Exhibit 3 Tab 3 Section 3 Page 40
28	Accounts related to affiliate revenue and affiliate expense are shown in the footnote of Appendix 2-H	Exhibit 3 Tab 3 Section 1 Page 37
28	Balances recorded in Account 4375 and Account 4380 must reconcile to the balances recorded in Appendix 2-N - Shared Services and Corporate Allocation for the three historic years, the bridge year and the test year. Any differences must be reconciled	Exhibit 3 Tab 3 Section 1 Pages 37-40
29	Identification of any discrete customer groups that may be materially impacted by changes to other rates and charges.	N/A
EXHIBIT 4 - OPERATING COSTS		
<i>Overview</i>		
29 & 30	Brief explanation of test year OM&A levels, cost drivers, significant changes, trends in costs including OM&A per customer (and its components) for the historical, bridge and test years, inflation rate assumed, business environment changes	Yes Exhibit 4 Tab 1 Section 1.0 pages 1 to 5
<i>Summary and Cost Driver Tables</i>		
30	Summary of recoverable OM&A expenses; Appendix 2-JA	Yes Exhibit 4 Tab 1 Section 1.0 pages 4 to 5
30	Recoverable OM&A cost drivers; Appendix 2-JB	Exhibit 4 Tab 2 Section 2 Attachment 2
30	OM&A programs table; Appendix 2-JC	Exhibit 4 Tab 3 Section 2 Attachment 1
30	Recoverable OM&A Cost per customer and per FTE; Appendix 2-L	Exhibit 4 Tab 2 Section 2 Attachment 2
30	Identification of change in OM&A in test year in relation to change in capitalized overhead.	Exhibit 4 Tab 2 Section 3 page 6
30	OM&A variance analysis for test year with respect to bridge and historical years; Appendix 2-D	Exhibit 4 Tab 2 Section 2 Attachment 1
<i>Program Delivery Costs with Variance Analysis</i>		
30	Completed Appendix 2-JC OM&A Programs Table - completed by program; include variance analysis between test year costs against each of the last OEB approved costs and most recent actuals for variances that are outliers based on historical trend. The variance analysis should explain whether the change was within or outside the applicant's control	Yes - Exhibit 4 Tab 3 Section 2 Sub 14 Attachment 1
30 & 31	For each significant change within the applicant's control describe business decision that was made to manage the cost increase/decrease and the alternatives	Exhibit 4 Tab 3 Sections 1.0 to 2.0 pages 18 to 36
<i>Workforce Planning and Employee Compensation</i>		
31	Employee Compensation - completed Appendix 2-K	Yes - Exhibit 4 Tab 4 Section 1 page 37
31	Description of previous and proposed workforce plans, including compensation strategy	Exhibit 4 Tab 4 Section 1 pages 37 to 41
31	Discussion of the outcomes of previous plans and how those outcomes have impacted their proposed plans including an explanation of the reasons for all material changes to headcount and compensation. Explanation for all years includes: - year over year variances, inflation rates used for forecasts, and the plan for any new employees - basis for performance pay, eligible employee groups, goals, measures, and review process for pay-for-performance plans, - relevant studies (e.g. compensation benchmarking)	Exhibit 4 Tab 2 Sections 1 to 3 pages 37 to 45
31	For virtual utilities - Appendix K completed in relation to the employees of the affiliates who are doing the work of the regulated utility. The status of pension funding and all assumptions used in the analysis must be provided. Three or fewer employees - the applicant must aggregate this category with the category to which it is most closely related. This higher level of aggregation must be continued, if required, to ensure that no category contains three or fewer employees.	N/A
32	Details of employee benefit programs including pensions, other post-employment retirement benefits (OPEBs), and other costs charged to OM&A. A breakdown of the pension and OPEBs amounts included in OM&A and capital must be provided for the last OEB-approved rebasing application, and for historical, bridge and test years	Exhibit 4 Tab 2 Section 2 page 46 to 48
32	Most recent actuarial report	Exhibit 4 Tab 4 Section 4 subsection 3 Attachment 2
32	Accounting method for pension and OPEBs; if cash method, sufficient supporting rationale. If proposing to change the basis in which pension and OPEB costs included in OM&A, quantification of impact of transition	Exhibit 4 Tab 2 Section 4.3 page 48
<i>Shared Services and Corporate Cost Allocation</i>		
32	Identification of all shared services among affiliates and parent company; identification of the extent to which the applicant is a "virtual utility"	Exhibit 4 Tab 2 Section 1 page 50
32	Allocation methodology for corporate and shared services, pricing methodology, list of costs and allocators, including any third party review	Exhibit 4 Tab 2 Section 2.1 to 2.2 page 50
33	Completed Appendix 2-N for service provided or received for historical, bridge and test; including reconciliation with revenue included in Other Revenue	Exhibit 4 Tab 5 Section 1 Attachment 1
33	Shared Service and Corporate Cost Variance analysis - test year vs last OEB approved and test year vs most recent actual	Exhibit 4 Tab 5 Table 4-40 page 52
33	Identification of any Board of Director costs for affiliates included in LDC costs	N/A
<i>Non-Affiliate Services, One-Time Costs, Regulatory Costs</i>		
33	Purchased Non-Affiliated Services - file a copy of procurement policy (signing authority, tendering process, non-affiliate service purchase compliance)	Yes

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33	For material transactions that are not in compliance with procurement policy, or that were undertaken pursuant to exceptions contemplated within the policy, an explanation as to why as well as a summary of the nature and cost of the product, and a description of the specific methodology used for selecting the vendor	N/A
33 & 34	Identification of one-time costs in historical, bridge, test; explanation of cost recovery in test (or future years). If no recovery of one-time costs is being proposed in the test year and subsequent IRM term, an explanation must be provided	N/A
34	Regulatory costs - breakdown of actual and anticipated regulatory costs, including OEB cost assessments and expenses related to the CoS application (e.g. legal fees, consultant fees), proposed recovery (i.e. amortized?) Completed Appendix 2-M	Yes - Exhibit 4 Tab 6 section 3 page 53 to 55
34	Information supporting the incremental level of the costs associated with the preparation and review of the current application. In addition, the applicant must identify over what period the costs are proposed to be recovered. For distributors, the recovery period would normally be the duration of the expected cost of service plus IRM term under the Price Cap IR option (i.e. five years). If the applicant is proposing a different recovery period, it must explain why it believes this is appropriate.	Yes - Exhibit 4 Tab 6 section 3.2 page 55

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<i>LEAP, Charitable and Political Donations</i>	
34 LEAP - the greater of 0.12% of forecasted service revenue requirement or \$2,000 should be included in OM&A and recovered from all rate classes	Exhibit 4 Tab 7 Section 1 page 56
34 Detailed information for all contributions that are claimed for recovery	Yes - Exhibit 4 Tab 7 Section 1 page 56
34 Charitable Donations - the applicant must confirm that no political contributions have been included for recovery	Yes - Exhibit 4 Tab 7 Section 2 page 56
<i>Depreciation, Amortization and Depletion</i>	
35 Explanations for any useful lives of an asset that are proposed that are not within the ranges contained in the Kinectrics Report	Yes - Exhibit 4 Tab 8 section 1.0 pages 57 to 58
35 Depreciation, Amortization and Depletion details by asset group for historical, bridge and test years. Include asset amount and rate of depreciation/amortization. Must complete Appendix 2-C which must agree to accumulated depreciation in Appendix 2-BA under rate base	Exhibit 4 Tab 8 Section 1 Attachment 2
35 Identification of any Asset Retirement Obligations and associated depreciation, accretion expense	Yes - Exhibit 4 Tab 8 Section 2.0 page 66
35 Identification of historical depreciation practice and proposal for test year. Variances from half year rule must be documented and supporting rationale provided	Exhibit 4 Tab 8 Section 3 and 4 pages 66 to 67
35 Copy of depreciation/amortization policy, or equivalent written description; summary of changes to depreciation/amortization policy since last CoS	Exhibit 4 Tab 8 Section 3, 4 and 5 pages 66 to 67
35 Explanation of any deviations from the practice of depreciating significant parts or components of PP&E separately	Exhibit 4 Tab 8 Section 3, 4 and 5 pages 66 to 67
36 For any depreciation expense policy or asset service lives changes since its last rebasing application: - identification of the changes and detailed explanation for the causes of the changes - use of Kinectrics study or another study to justify changes in useful life - list detailing all asset service lives tied to USoA, detail differences in TUL from Kinectrics and explain differences outside of minimum and maximum TUL range from Kinectrics; Appendix 2-BB if there have been changes in asset service lives since last rebasing	N/A
<i>Income Tax or PILs</i>	
36 Completed version of the PILs model (PDF and Excel); derivation of adjustments for historical, bridge, test years	Completed
36 Supporting schedules and calculations identifying reconciling items	Exhibit 4 Tab 9 Sections 6 page 74
36 Most recent federal and provincial tax returns	Exhibit 4 Tab 9 Section 6 Attachments 1+
36 Financial Statements included with tax returns if different from those filed with application	Yes - Exhibit 1 Tab 7 Section 1 Attachments 1 and 2
37 Calculation of Tax Credits; redact where required (filing of unredacted versions is not required)	Yes - Exhibit 4 Tab 9 Section 4.0 page 71
37 Supporting schedules, calculations and explanations for other additions and deductions	Exhibit 4 Tab 9 Section 6.0 page 74
37 Completion of the integrity checks in the PILs Model	Exhibit 4 Tab 9 Section 7.0 page 74 to 75
37 & 38 Accelerated CCA - Distributors must provide: the full revenue requirement impact recorded in Account 1592 and the balance sought for review and disposition, the method used in calculating the revenue requirement impact recorded in Account 1592, detailed calculations by year for the full revenue requirement impact recorded in Account 1592	N/A
<i>Other Taxes</i>	
38 Taxes other than income taxes or PILs, as defined in the APH (e.g. property taxes), should only be included in Account 6105, effective January 1, 2012. Account 6105 is not an OM&A account and should therefore be excluded from all OM&A totals. The applicant should provide an explanation of how these tax amounts are derived.	Confirmed

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Non-recoverable and Disallowed Expenses	
38 Exclude from regulatory tax calculation any non-recoverable or disallowed expenses	Yes Exhibit 4 Tab 10 Section 1.0 page 76
Conservation and Demand Management	Yes Exhibit 4 Tab 11 Section 1.0 pages 77 to 78
39 Statement confirming that costs directly attributable to CDM programs (e.g. staff labour dedicated to such programs) are not included in the revenue requirement to be recovered through distribution rates	
Lost Revenue Adjustment Mechanism Variance Account	Exhibit 4 Tab 11 Section 2.0 pages 78 to 84
39 - 44 Distributors must provide version 6 of LRAMVA Work Form (Excel) when making LRAMVA requests for remaining amounts related to CFF activity. An application for lost revenues should include: Final Verified Annual Reports if claiming lost revenues from savings from CDM programs delivered in 2017 or earlier, Participation and Cost reports in Excel format made available by the IESO. - Personal information and commercially sensitive information removed. An application for lost revenues should also provide: - statement identifying the year(s) of new lost revenues and prior year savings persistence claimed in the LRAMVA disposition - statement confirming LRAMVA based on verified savings results supported by the distributors final CDM Report and Persistence Savings Report (both filed in Excel format). - statement indicating that the distributor has relied on the most recent input assumptions available at the time of program evaluation - summary table with principal and carrying charges by rate class and resulting rate riders - statement providing the disposition period; rationale provided for disposing the balance in the LRAMVA if one or more classes do not generate significant rate riders - details for the forecasted CDM savings included in the LRAMVA calculation including reference to the OEBs approval, or an explanation if there are no forecast CDM savings - rationale confirming how rate class allocations for actual CDM savings were determined by class and program (Tab 3-A of LRAMVA Work Form) - statement confirming whether additional documentation was provided in support of projects that were not included in distributors final CDM Annual Report (Tab 8 of LRAMVA Work Form as applicable) - for a distributor's street lighting project(s) which may have been completed in collaboration with local municipalities, the following must be provided: Explanation of the methodology to calculate street lighting savings; Confirmation whether the street lighting savings were calculated in accordance with OEB-approved load profiles for street lighting projects; Confirmation whether the street lighting project(s) received funding from the IESO and the appropriate net-to-gross assumption used to calculate street lighting savings For the recovery of lost revenues related to demand savings from street light upgrades, distributors should provide the following information: o Explanation of the forecast demand savings from street lights, including assumptions built into the load forecast from the last CoS application o Confirmation that the street light upgrades represent incremental savings attributable to participation in the IESO program, and that any savings not attributable to the IESO program have been removed (for example, other upgrades under normal asset management plans) o Confirmation that the associated energy savings from the applicable IESO program have been removed from the LRAMVA workform so as not to double count savings (for example, if requesting lost revenue recovery for the demand savings from a street light upgrade program, the associated energy savings from the Retrofit program have been subtracted from the Retrofit total) o Confirmation that the distributor has received reports from the participating municipality that validate the number and type of bulbs replaced or retrofitted through the IESO program	
EXHIBIT 5 - COST OF CAPITAL AND CAPITAL STRUCTURE	
Capital Structure	
44 Statement that LDC adopts OEB's guidelines for cost of capital and confirms that updates will be done. Alternatively - utility specific cost of capital with supporting evidence	Exhibit 5 Tab 1 Section 1 Page 1
44 Completed Appendix 2-OA for last OEB approved and test year	Exhibit 5 Tab 1 Section 1 Pages 3-4
44 Completed Appendix 2-OB for historical, bridge and test years	Exhibit 5 Tab 1 Section 1 Pages 5-6
44 Explanation for any changes in capital structure	N/A
Cost of Capital (Return on Equity and Cost of Debt)	
44 Calculation of cost for each capital component	Exhibit 5 Tab 1 Section 1 Page 2
45 Profit or loss on redemption of debt	N/A
45 Copies of promissory notes or other debt arrangements with affiliates	N/A
45 Explanation of debt rate for each existing debt instrument including an explanation on how the debt rate was determined and is in compliance with the policies documented in the 2009 Report	Exhibit 5 Tab 1 Section 1 Pages 2-3 & Attachment 1
45 Forecast of new debt in bridge and test year - details including estimate of rate	Exhibit 5 Tab 1 Section 1 Pages 2-3 & Attachment 1
45 If proposing any rate that is different from the OEB guidelines, a justification of the proposed rate(s), including key assumptions	Exhibit 5 Tab 1 Section 1 Pages 2-3
45 Notional Debt - should attract the weighted average cost of actual long-term debt rather than the current deemed long-term debt rate issued by the OEB	Exhibit 5 Tab 1 Section 1 Pages 2-3
Not-for-Profit Corporations	
46 The requested capital structure and cost of capital (including the proposed cost of long-term and short-term debt and proposed return on equity)	N/A

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46	Statement as to whether the revenues derived from the return on equity component of the cost of capital is to be used to build up operating and capital reserves or will be used for other purposes	N/A
46	If the revenues derived from the return on equity component of the cost of capital will be used to fund reserves, provide the specifications for each proposed reserve fund and a description of the governance (policies, procedures, sign-off authority, etc.) that will be applied	N/A
46	If the revenues derived from the return on equity component of the cost of capital will be used for other purposes, provide a statement as to whether these revenues will be used for non-distribution activities (in the situation where the excess revenues are greater than the amounts needed to fund distribution activities). Provide rationale supporting the use of the revenues in this manner. Also provide the governance (policies, procedures, sign-off authority, etc.) that will be applied to the funding of non-distribution activities	N/A
46	If there are approved reserves from previous OEB decisions provide the following: -the limits of any capital and/or operating reserves as approved by the OEB, and identifying the decisions establishing these reserve accounts and their limits -the current balances of any established capital and/or operating reserves	N/A
EXHIBIT 6 - REVENUE DEFICIENCY/SUFFICIENCY		
47	Revenue deficiency or sufficiency calculations net of electricity price differentials captured in the Retail Settlement Variance Accounts (RSVAs) and also net of any cost associated with low voltage (LV) charges or DVA balances of distribution expenditures/revenues being tracked through approved deferral and variance accounts for certain distribution assets (e.g. ICM and ACM capital projects, MIST meters) and for which disposition is not being sought in the application.	Exhibit 6 Tab 1 Section 1 Page 2
47	Summary of drivers for test year deficiency/sufficiency, how much each driver contributes; references in application evidence mapped to drivers	Exhibit 6 Tab 2 Pages 3-4

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47 Impacts of any changes in methodologies to deficiency/sufficiency <i>Revenue Requirement Work Form</i>	Exhibit 6 Tab 2 Pages 3-4
48 RRWF - in PDF and Excel. Revenue requirement, def/sufficiency, data entered in RRWF must correspond with other exhibits	Exhibit 6 Tab 1 Attachment 1
48 If the enhanced RRWF cannot reflect a distributor's proposed rates accurately, the distributor must file its rate generator model	N/A
EXHIBIT 7 - COST ALLOCATION	
<i>Cost Allocation Study Requirements</i>	
48 Completed cost allocation study using the OEB-approved methodology or a comparable model must be filed reflecting future loads and costs and be supported by appropriate explanations and live Excel spreadsheets. Sheets 11 and 12 of the RRWF must also be completed. Updated load profiles or scaled version of HONI CAIF. Model must be consistent with test year load forecast, changes to customer classes and load profiles.	Exhibit 7 Tab 3 Attachments 1 & 2
48 & 49 Explanation provided if a distributor is unable to update its load profiles and confirm that it intends to put plans in place to update its load profiles the next time a cost allocation model is filed	Exhibit 7 Tab 3 Page 4
49 Provide spreadsheet and a description with example calculations to show how the demand data in the cost allocation model was derived from the load forecast and load profiles	N/A
49 Description of weighting factors, and rationale for use of default values (if applicable)	Exhibit 7 Tab 2 Pages 2-3
49 Complete live Excel cost allocation model, whether using the OEB-issued one or a different model. If using the OEB-issued model, Input sheet I.2, cells c15 and c17 must be used to identify the final run of the model on each sheet. If using another model, the distributor must file equivalent information.	Completed
50 Host Distributor only - evidence of consultation with embedded Dx - statement regarding embedded Dx support for approach to allocation of costs - if embedded Dx is separate class - class in cost allocation study and RRWF, Sheet 11 - if new embedded Dx class - rationale and supporting evidence (cost of serving, load served, asset ownership information, distribution charges); include in cost allocation study and RRWF, Sheet 11 - if embedded Dx billed as GS customer - , include with the GS class in cost allocation model and Appendix 2-P. Provide cost of serving, load served, asset ownership information, distribution charges, appropriateness of rate class. File Appendix 2-Q.	Exhibit 7 Tab 4 Page 8 and Attachments 1-3
51 Unmetered Loads (including Street Lighting) - Confirmation of communication with unmetered load customers when proposing changes to the level of the rates and charges or the introduction of new rates and charges	Exhibit 7 Tab 5 Page 10
51 microFIT - if the applicant believes that it has unique circumstances which would justify a certain rate, appropriate documentation must be provided	N/A
51 Standby Rates - distributors should request approval for its standby rates to be made final and provide evidence confirming that they have advised all affected customers of the proposal. A distributor that seeks changes to its standby charges, including a change in the methodology on which these rates are based, must provide full documentation supporting its proposal, and confirm that all affected customers have been notified of the proposed change(s).	N/A
51 & 52 New customer class or eliminated customer class - rationale and restatement of revenue requirement from previous CoS	N/A
<i>Class Revenue Requirements</i>	

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52	To support a proposal to rebalance rates, the distributor must provide information on the revenue by class that would apply if all rates were changed by a uniform percentage. Ratios must be compared with the ratios that will result from the rates being proposed by the distributor.	Exhibit 7 Tab 3 Pages 5-6
<i>Revenue to Cost Ratios</i>		
53	If R:C ratios outside deadband based on model - distributors must include cost allocation proposal to bring them within the OEB-approved ranges. In making any such adjustments, distributors should address potential mitigation measures if the impact of the adjustments on the rates of any particular class or classes is significant.	Exhibit 7 Tab 3 Page 6
53	If distributor proposes to continue rebalancing rates after the cost of service test year, the ratios proposed for subsequent year(s) must be provided	N/A
53	If Cost Allocation Model other than OEB model used - exclude LV, exclude DVA such as smart meters	N/A
EXHIBIT 8 - RATE DESIGN		
54	Monthly fixed charges - 2 decimal places; variable charges - 4 decimal places	Confirmed
<i>Fixed Variable Proportion</i>		
54	The following is to be provided in relation to the fixed/variable proportion of proposed rates: -Current F/V with supporting info -Proposed F/V proportion with explanation for any changes (billing determinants from proposed load forecast) -Table comparing current and proposed monthly fixed charges with the floor and ceiling as in cost allocation study Analysis must be net of rate adders, funding adders, and rate riders	Exhibit 8 Tab 2 Section 1 Page 3
<i>Rate Design Policy</i>		
55	Applicants that are still transitioning to fully fixed residential rates should refer to the approach to implementation of the policy, including mitigation expectations, was described in a letter from the OEB published on July 16, 2015	N/A
55	Fully fixed rate design for new charges applicable to the residential class provided that those charges are specifically related to the distribution of electricity. Pass-through costs (e.g. transmission rates, Low Voltage charges, and Group 1 deferral and variance accounts) and LRAMVA amounts are to continue to be recovered as variable charges because the distributor's costs vary with electricity usage. Previously approved distribution-specific charges or rate riders on a distributor's tariff should remain unchanged until they expire, even if they were declared interim.	N/A
<i>RTSRs</i>		
55	Retail Transmission Service Rate Work Form - PDF and Excel	Exhibit 8 Tab 3 Attachment 1
55	RTSR information must be consistent with working capital allowance calculation; explanation for any differences	Confirmed
<i>Retail Service Charges</i>		
55	If proposing changes to Retail Service Charges or introduction of new rates and charges - evidence of consultation and notice, and results of consultation	N/A
56	Distributors that are still using the Retail Service Costs Variance Accounts (RCVAs) will dispose of the balances and the RCVAs will be eliminated. Distributors should forecast retail services revenues based on the updated charges and include the costs of providing retail services in revenue requirement	N/A
<i>Regulatory Charges</i>		
56	If applying for a rate other than the generic rate set by the OEB, distributors must provide justification as to why their specific circumstances would warrant a different rate, in addition to a detailed derivation of their proposed rate	N/A
<i>Specific Service Charges</i>		
56	Specific Service Charge description/purpose/reason for new and revised SSC; calculations to support charges	N/A
56 & 57	Identification in the Application Summary all proposed changes that will have a material impact on customers, including charges that may affect a discrete group	Exhibit 1 Tab 2 Section 7.10 Page 38
57	Identification of any rates and charges in Conditions of Service that do not appear on tariff sheet. Explain nature of costs, provide schedule outlining revenues or capital contributions recovered from these rates from last OEB-approved year to 2020 and the revenue forecasted for the bridge and test years. A proposal and explanation as to whether these charges should be included on tariff sheet	N/A
57	Ensure revenue from SSCs corresponds with Operating Revenue evidence	Confirmed
<i>Wireline Pole Attachment Charge</i>		
58	Record the excess incremental revenue as of September 1, 2018 until the effective date of its rebased rates in a new variance account related to pole attachment charge. Distributors will need to refund the closing balance in the distributor's next cost of service application. Distributors may forecast a balance up to the effective date of its new rates, provided it can do so with reasonable accuracy, and the OEB may consider disposing of the forecasted amount and closing the account.	N/A
57 & 58	OEB issued an Order which determined that the inflationary adjustment for 2021 would be suspended. The Order stated that the province-wide pole attachment charge of \$44.50 will remain in effect as of January 1, 2021 on an interim basis, until further notice. The Order does not affect any distributor that has an approved distributor-specific wireline pole attachment charge.	Exhibit 8 Tab 4 Section 3 Page 9 Based on Dec. 16, 2021 Guidance
<i>Low Voltage Service Rates</i>		
If the distributor is fully or partially embedded, information on the following must be provided:		
58	Forecast LV Cost	Exhibit 8 Tab 4 Section 4 Page 9

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58	Actual LV Cost (historical, bridge, test), variances and explanations for substantive changes	Exhibit 8 Tab 4 Section 4 Page 9
58	Support for forecast LV, e.g. Hydro One Sub-Transmission charges	Exhibit 8 Tab 4 Section 4 Page 9
58	Allocation of forecasted LV cost to customer classes (typically proportional to Tx connection revenue)	Exhibit 8 Tab 4 Section 4 Page 10
58	Proposed LV rates by customer class	Exhibit 8 Tab 4 Section 4 Page 10
Smart Meter Entity Charge		
58	Distributor must follow accounting guidance provided on March 23, 2018	Confirmed
Loss Factors		
59	Proposed SFLF and Total Loss Factor for test year	Exhibit 8 Tab 5 Pages 11-12
59	Statement as to whether LDC is embedded including whether fully or partially	Exhibit 8 Tab 5 Page 11
59	Study of losses if required by previous decision	N/A
59	3-5 years of historical loss factor data - Completed Appendix 2-R	Exhibit 8 Tab 5 Page 11
59	If proposed loss factor >5%, explanation and action plan to reduce losses going forward	Exhibit 8 Tab 5 Page 12 (N/A)
59	Explanation of SFLF if not standard	N/A
Tariff of Rates and Charges		
59	Current and proposed Tariff of Rates and Charges filed in the Tariff Schedule/Bill Impacts Model - must be filed in Excel format	Exhibit 8 Tab 7 Attachments 1 & 2 (and excel)
59	Explanation and support of each change in the appropriate section of the application	
59	Explanation of changes to terms and conditions of service if changes affect application of rates	N/A
59	Proposed tariffs must include applicable regulatory charges, and any other generic rates as ordered by the OEB	Confirmed
Revenue Reconciliation		
60	Calculations of revenue per class under current and proposed rates; reconciliation of rate class revenue and other revenue to total revenue requirement (i.e. breakout volumes, rates and revenues by rate component etc.)	Exhibit 8 Tab 6 Pages 13-14
60	Completed RRWF - Sheet 13 - rates and charges entered on this sheet should be rounded to the same decimal places as tariff	Confirmed
Bill Impact Information		
60	Completed Tariff Schedule and Bill Impacts Model. Bill impacts must identify existing rates, proposed changes to rates, and detailed bill impacts (including % change in distribution excluding pass through costs - Sub-Total A, % change in distribution - Sub-Total B, % change in delivery - Sub-Total C, and \$ change in total bill)	Exhibit 8 Tab 9 Attachment 1 (and excel)
60	Impact of changes resulting from the as-filed application on representative samples of end-users (i.e. volume, % rate change and revenue). Commodity and regulatory charges held constant	Exhibit 8 Tab 9 Attachment 1 (and excel)
60	Rates and charges input in the tariff schedule and Bill Impacts Model rounded to the decimal places as shown on the existing tariff	Confirmed
60	Bill impacts provided for typical customers and consumption levels. Must provide residential 750 kWh, residential at the lowest 10th percentile and GS<50 2,000 kWh. Bill impacts must be provided for a range of consumption levels relevant to the service territory.	Exhibit 8 Tab 9 Attachment 1 (and excel)
61	If applicable, for certain classes where one or more customers have unique consumption and demand patterns, the distributor must show a typical impact and provide an explanation	N/A
Rate Mitigation		
61	For distributors still in the process of moving to fully fixed residential rates - refer to the approach to implementation of the policy, including mitigation expectations described in a letter from the OEB published on July 16, 2015. Distributors should also refer to the OEB's previous decision approving the extended implementation of fully fixed residential rates.	N/A
61	Mitigation plan if total bill increase for any customer class is >10% including: specification of class and magnitude of increase, description of mitigation measures, justification, revised impact calculation. The Tariff Schedule and Bill Impacts Model must reflect any mitigation plan proposed.	Exhibit 8 Tab 8 Page 16
61 & 62	Rate Harmonization Plans, if applicable - including impact analysis	N/A
EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS		
62	List of all outstanding DVA and sub-accounts; provide description of DVAs that were used differently than as described in the APH	Exhibit 9 Tab 6 page 10 Table 9-4
62	Completed DVA continuity schedule for period following last disposition to present - live Excel format. Continuity schedule must show separate itemization of opening balances, annual adjustments, transactions, dispositions, interest and closing balances for all outstanding deferral and variance accounts. The opening principal amounts as well as the opening interest amounts for Group 1 and 2 balances, shown in the DVA Continuity Schedule, must reconcile with the last applicable approved closing balances.	DVA Continuity Schedule
62	Confirm use of interest rates established by the OEB by month or by quarter for each year	Exhibit 9 Tab 5 Pages 8-9, Table 9-3
62	Explanation if account balances in continuity schedule differs from trial balance in RRR and AFS. This includes all Account 1508 sub-accounts. A reconciliation of all the Account 1508 sub-accounts to the Account 1508 control account reported in the RRR is to be provided in the continuity schedule	DVA Continuity Schedule Exhibit 9 Tab 3 Pages 5-6
63	Identification of Group 2 accounts that will continue/discontinue going forward, with explanation	Exhibit 9 Tab 8 Page 15 Table 9-5
63	Statement as to any new accounts, and justification.	Exhibit 9 Tab 12 Page 26

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63	Statement whether any adjustments made to DVA balances previously approved by OEB on final basis - the OEB expects that no adjustment will be made to any deferral and variance account balances previously approved by the OEB on a final basis. Distributors to refer to OEB letter of October 2019 in addressing accounting or other errors in respect of Group 1 deferral and variance accounts that have previously been disposed of by the OEB on a final basis. Applicants must provide explanations for the nature and the amounts of adjustments, and include appropriate supporting documentation, under a section titled "Adjustments to Deferral and Variance Accounts".	Exhibit 9 Tab 1 Page 1
63	Breakdown of energy sales and cost of power by USoA - as reported in AFS mapped and reconciled to USoA. Provide explanation if there are differences between the reported energy sales and cost of power expense	Exhibit 9 Tab 4 Page 7 Table 9-2
63	Completed GA Analysis Workform for each year that has not previously been approved by the OEB for disposition irrespective of whether seeking disposition of the Account 1589 balance as part of current application. If the distributor is adjusting the Account 1589 balance that was previously approved on an interim basis, the GA Analysis Workform is required to be completed from the year after the distributor last received final disposition for Account 1589.	Completed
64	Statement confirming distributor has complied with OEB guidance of February 21, 2019 on the accounting for Accounts 1588 and 1589	Exhibit 9 Tab 1 Page 1
<i>Disposition of Deferral and Variance Accounts</i>		
64	Identify all accounts for which LDC is seeking disposition; identify DVA for which LDC is not proposing disposition and the reasons why	Exhibit 9 Tab 6 Page 10, Table 9-4
65	Statement whether DVA balances before forecasted interest match the last AFS; explain any variances	Exhibit 9 Tab 3 Pages 5-6
64	If the RRR balances do not agree to the year-end balances in the continuity schedule, a distributor must reconcile and explain the difference(s).	Exhibit 9 Tab 3 Pages 5-6
64	For any utility specific accounts requested for disposition (e.g. Account 1508 sub-accounts), supporting evidence showing how the annual balance is derived must be provided. The relevant accounting order must also be provided	Exhibit 9 Tab 8 Page 14
64	Request final disposition of residual balances for vintage Account 1595 sub-accounts only once. Distributors are expected to seek disposition of the audited account balance in the fourth rate year after the expiry of the rate rider. A completed 1595 Analysis Workform for residual balances that meet the eligibility requirements for dispositions of Account 1595 Sub-accounts must be filed	Completed
64	Proposed mechanisms for disposition with all relevant calculations: - allocation of each account (including rationale) - proposed billing determinants, including charge type for recovery purposes - in accordance with section 2.8.2, and include in cont. schedule	DVA Continuity Tab 5
64	Propose rate riders for recovery or refund of balances that are proposed for disposition. The default disposition period is one year; if the applicant is proposing an alternative recovery period must provide explanation	Exhibit 9 Tab 6 Page 10
65	Rate riders where volumetric rider is \$0.0000 for one or more classes not included in the tariff for those classes	Exhibit 9 Tab 10 Page 20 Table 9-13
65	Establish separate rate riders to recover balances in the RSVA's from Market Participants who must not be allocated the RSVA balances related to charges for which the MP's settle directly with the IESO	Exhibit 9 Tab 9 Page 17
65	Propose disposition of Account 1592 – PILs and Tax Variances, Sub-account CCA Changes (see 2.4.5.1 of filing requirements)	N/A
<i>Global Adjustment</i>		
66	Establishment of a separate rate rider included in the delivery component of the bill that would apply prospectively to Non-RPP Class B customers when clearing balances from the GA Variance Account	Exhibit 9 Tab 10 Section 2 Page 20
66	GA Analysis Workform in live Excel format for each year that has not previously been approved by the OEB for disposition (on an interim or final basis), irrespective of whether or not seeking disposition of Group 1 deferral and variance account balances. If the distributor is adjusting the Account 1589 GA balance that was previously approved on an interim basis, the GA Analysis Workform is required to be completed from the year after the distributor last received final disposition for Account 1589	GA Analysis Workform
66	As part of Note 5 in the GA Analysis Workform, reconciliation of any discrepancy between the actual and expected balance by quantifying differences pertaining to factors such as true-ups between estimated and actual costs and/or revenues. Any remaining, unexplained discrepancy will be assessed for materiality and could prompt further analysis before disposition of the balance is approved. Any unexplained discrepancy that is greater than +/- 1% of the total annual IESO GA charges will be considered material and warrant further investigation.	GA Analysis Workform
66	To further support a conclusion that GA charges have been appropriately allocated between customer classes, distributors must also perform a reasonability test for the balance in Account 1588. The reasonability test is included in the GA Analysis Workform.	GA Analysis Workform
<i>Commodity Accounts 1588 and 1589</i>		
67	If a distributor has not implemented OEB's February 21, 2019 accounting guidance, it must indicate this	N/A
67	Indication of the year in which Account 1588 and Account 1589 balances were last approved for disposition, and whether the balances were approved on an interim or final basis. If the balances were last disposed on an interim basis, distributors should indicate the year in which balances were last disposed on a final basis.	Exhibit 9 Tab 7 Page 11
67	In order to request for final disposition of historical balances as part of the current application, distributors must provide confirmation that these balances have been considered in the context of the accounting guidance and provide a summary of the review performed. Distributors must also discuss the results of the review, whether any systemic issues were noted, and whether any material adjustments to those balances have been recorded. A summary and description of each adjustment made to the historical balances must also be provided in the application.	Exhibit 9 Tab 7 Page 11

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67 & 68	<p>Expectations of final disposition requests of commodity pass-through account balances are:</p> <ul style="list-style-type: none"> - Interim disposition of historical balances or no disposition requested: some distributors may have received approval for interim disposition of historical account balances or did not request disposition of account balances in a prior rate application due to the threshold test. If these distributors have reviewed the balances in the context of the new accounting guidance and are confident that there are no systemic issues with their RPP settlement and related accounting processes, distributors may request final disposition of account balances. If these distributors identified errors or discrepancies that materially affect the ending account balances, utilities should adjust their account balances prior to requesting final disposition - No disposition of historical balances and concerns noted: distributors that did not receive approval for disposition of historical account balances due to concerns noted by the OEB should apply the accounting guidance to those balances and adjust the balances as necessary, prior to requesting final disposition. 	Exhibit 9 Tab 1 Page 1
68	If accounting guidance not fully implemented effective January 1, 2019, a distributor must provide an explanation as to why this guidance has not been implemented, the status of the implementation process, and the expected implementation date.	N/A
68	Certification by the CEO, CFO or equivalent that distributor has robust processes and internal controls in place for the preparation, review, verification and oversight of account balances being proposed for disposition	Exhibit 9 Tab 1 Page 2
<i>Disposition of CBR Class B Variance</i>		
68 & 69	<p>Proposed disposition of Account 1580 sub-account CBR Class B in accordance with the CBR Accounting Guidance. Must be disposed over one year.</p> <ul style="list-style-type: none"> - In the DVA continuity schedule, applicants must indicate whether they serve any Class A customers during the period where Account 1580 CBR Class B sub-account balance accumulated. In the event that the allocated CBR Class B amount results in a volumetric rate rider that rounds to zero at the fourth decimal place in one or more rate classes, the entire balance in Account 1580 CBR Class B sub-account will be added to the Account 1580 – WMS control account to be disposed through the general purpose Group 1 DVA rate riders - Account 1580 sub-account CBR Class A is not to be disposed through rates proceedings but rather follow the OEB's accounting guidance - The DVA continuity schedule will allocate the portion of Account 1580 sub-account CBR Class B allocated to customers who transitioned between Class A and Class B based on consumption levels 	Exhibit 9 Tab 10 Section 5 Page 20 Table 9-13
<i>Disposition of Account 1595</i>		
69	Applicants are expected to request disposition of residual balances in Account 1595 Sub-accounts for each vintage year only once, on a final basis	Completed
70	Account 1595 Analysis Workform - live Excel - for distributors who meet the eligibility requirements for disposition of residual balances of Account 1595 sub-accounts	Completed
70	Reconciliation of 1595 residual balance with any amounts that have yet to result in associated rate riders (for example, shared tax savings amounts that were previously approved to be transferred to Account 1595 for disposition at a later date).	1595 Workform
70	Material residual balances will require further analysis, consisting of separating the components of the residual balances by each applicable rate rider and by customer rate class. Detailed explanations for any significant residual balances attributable to specific rate riders for each customer rate class. Explanations must include for example, volume differences between forecast volumes (used to calculate the rate riders) as compared to actual volumes at which the rate riders were billed.	Exhibit 9 Tab 7 Page 13
<i>Retail Service Charges</i>		
70 & 71	<p>Retail Service Charges - if there is a balance in 1518 or 1548, distributor must:</p> <ul style="list-style-type: none"> - confirm variances are incremental costs of providing retail services; identify drivers for balances - provide schedule identifying all revenues and expenses listed by USoA that are incorporated into the variances - state whether Article 490 of APH has been followed; explanation if not followed 	N/A
71	The OEB established a new variance account for electricity distributors that no longer used the RCVAs. The balance in the account would be refunded to ratepayers in a future rate application, and the new account subsequently closed. Distributors can forecast a balance up to the effective date of new rates and the OEB may consider disposing of the forecasted amount	N/A
<i>Establishment of New Deferral and Variance Accounts</i>		
71	New DVA - information provided which addresses that the requested DVA meets the following criteria: causation, materiality, prudence; include draft accounting order.	Exhibit 9 Tab 12 Page 26