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

BY E-MAIL

April 7, 2022

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Marconi:

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

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

E.L.K. Energy's responses to interrogatories are due by **April 28, 2022**. Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Yours truly,

Original Signed By
Donald Lau

Donald Lau
Senior Advisor – Electricity Distribution: Major Rate Applications & Consolidations

Attach.

OEB Staff Interrogatories
2022 Electricity Distribution Rates Application
E.L.K. Energy Inc. (E.L.K. Energy)
EB-2021-0016
April 7, 2022

*Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Exhibit 1 – Administration

1-Staff-1
Updated Revenue Requirement Work Form (RRWF) and Models

Upon completing all interrogatories from OEB staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on sheet 3 Data_Input_Sheet. Sheets 10 (Load Forecast), 11 (Cost Allocation), and 13 (Rate Design) should be updated, as necessary. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 14 Tracking Sheet and may also be included on other sheets in the RRWF to assist in the understanding of changes.

In addition, please file an updated set of models that reflects the interrogatory responses. Please ensure the models used are the latest available models on the OEB's 2022 Electricity Distributor Rate Applications webpage.

1-Staff-2
Cost Changes
Ref 1: Exhibit 1 – Application summary, pp. 10-11

E.L.K. Energy stated that it intends to update cost changes due to inflation and supply chain issues, related in part to the COVID-19 pandemic.

a) Please provide a breakdown of the cost changes E.L.K. Energy believes is related to inflation and the COVID-19 pandemic.

1-Staff-3
Utility Consolidation

Ref 1: Chapter 2a Filing Guidelines – Consolidation Information, p. 3
In reference 1, the OEB requires that small electricity distributors file information on the extent to which they have investigated potential opportunities for consolidations or collaboration/partnerships with other distributors.

a) Please confirm if E.L.K. Energy has considered potential consolidations or collaboration/partnerships with other distributors. If so, please provide an update on the status. If not, please explain what, if anything, E.L.K. Energy's intends to do going forward.

1-Staff-4
Operational Review
Ref 1: EB-2016-0066, Settlement Proposal – Appendix B
Ref 2: Exhibit 1 – Tab 3 Operations Review, pp. 53-62
Ref 3: Exhibit 1 - Figure 1-4 2020 OEB Scorecard
Ref 4: Chapter 2 appendices – 2-AB
In reference 1, there were concerns that E.L.K. Energy has underspent on planned capital and OM&A while at the same time maintaining a regulatory ROE at or above the deemed amount. In reference 3, it shows that again E.L.K. Energy has achieved an ROE above the deemed amount for each year between 2017 to 2020, the worst case being 2018, where E.L.K. Energy achieved an ROE of 7.39% above its deemed ROE. In Reference 4, E.L.K. Energy underspent its planned capital by $1.29M or 17.5% between 2017 to 2021. In reference 2, E.L.K. Energy stated that it has implemented more periodic reporting to the board of directors.

a) How often do the CEO and CFO review budget variances?
b) How often does E.L.K. Energy report budget variances to the board of directors?
c) When a budget variance is identified, how does E.L.K. Energy adjust its resources to reduce the variance between the planned and actual budget?
d) How does E.L.K. Energy use past variances to inform its future budget planning?
e) How has the board of directors responded to the consistent underspending of E.L.K. Energy's capital budget? Please provide correspondence, if available.
f) How has the board of directors responded to consistent over earning on its ROE? Please provide correspondence, if available.
g) Please explain the drivers of the consistent over earning in ROE that E.L.K. Energy has experienced and how has E.L.K. Energy addressed it.
h) Who receives the over earnings in ROE?
i) Who is on the Audit Committee, and have they had any findings on E.L.K. Energy underspending the budget or over earning on deemed ROE? If so,

please provide those findings and explain how E.L.K. Energy has addressed its findings.

j) Please provide the 2021 ROE.

1-Staff-5
Board of Directors
Ref 1: Exhibit 1 – Tab 3 – Corporate Governance, pp. 72-75

E.L.K. Energy stated that "the board's primary duty is to supervise the management of the business and affairs of E.L.K. and to protect the investment of the Shareholder by managing the exposure of inherent risks"

a) Please explain if there are any mandates for the Board of Directors to be accountable to E.L.K. Energy's customers, such as providing reliable power.

E.L.K. Energy stated that it holds monthly Board of Directors meetings.

b) Please provide any and all material that is presented to the Board of Directors at these monthly meetings.

The Board of Directors also conducts an annual assessment of E.L.K. Energy's performance and individual management's performance.

c) Please provide details on the criteria used to evaluate E.L.K. Energy and individual management's performance.
d) Do the Board of Directors review what's in the previous business plan to the actual outcomes? If not, why not?

1-Staff-6
Audit Review
Ref 1: Exhibit 1, Tab 3, page 50

In reference 1, Table 1-12 contains some of the steps taken by E.L.K. Energy related to the outcomes of the regulatory audit for accounts 1588 and 1589. On item 1, E.L.K Energy's Management agrees with the recommendation presented by the Auditor and indicated those steps were to be implemented as of January 1, 2022.

a) Please confirm the recommendations regarding Account 1588 RSVA Power included in item 1 have been implemented. If not, please explain the reason and the expected implementation timeline.
b) E.L.K. Energy indicated it will retain KPMG to assist with a detailed audit of accounts 1588 and 1589 balances for the 2016-2020 calendar years. Please

provide an update on the status of this audit and when it is expected to be completed.

c) Notwithstanding E.L.K. Energy's suggestion that it seeks an external firm's review of balances after 2015, please provide the full DVA continuity schedule, including Accounts 1588 and 1589, up to December 31, 2020, for the OEB's consideration.
d) Please update the GA Analysis Workform for these years as well.
e) Please explain whether E.L.K. Energy would be agreeable to disposing the balances from 2015 to 2020, as is typically required, or whether there are any specific concerns with that.

Exhibit 2 – Rate Base

2-Staff-7
Asset Condition Assessment
Ref 1: EB-2016-0066, Settlement Proposal – Appendix B
Ref 2: Exhibit 1 – Tab 3 – Attachments 4 and 5

In reference 1, there were concerns that E.L.K. Energy does not know the condition of its assets; does not have data to determine what assets have been replaced and at what cost; and does not have sufficient data to support an accelerated asset replacement plan. E.L.K. Energy agreed to undertake an independent third-party asset condition assessment and to use the information to build an asset registry.

a) In the Kinectrics Asset Condition Assessment (ACA) it states that all the asset groups in this study had age information only. Please explain how E.L.K. Energy believes that this has addressed the concern that E.L.K. Energy does not know the condition of its assets.
b) The ACA identifies data gaps for each asset class and ranks the priority of the data missing. Please confirm if E.L.K. Energy will begin to collect data for each data gap identified as a "high priority" in the ACA. If not, for each data gap identified as "high priority" please explain why.
c) The ten-year "flagged for action" plan is based on the asset "condition", which is solely based on age. Please explain how this addresses the concern, from its last cost of service, that E.L.K. Energy "did not have sufficient data on current asset condition and past replacements to support accelerated asset replacement."
d) Has E.L.K. Energy built an asset registry? If not, please explain E.L.K Energy's plan on building one.

2-Staff-8

Capital Variance
Ref 1: Chapter 2 appendices - 2-AB
E.L.K. Energy has underspent its planned system renewal budget by 28% between 2017 and 2021.

a) Please explain the drivers behind E.L.K. Energy's underspending in system renewal over the past 5 years.
b) Please confirm whether E.L.K. Energy reviewed the reliability impacts of underspending its system renewal budget. If so, please provide the findings. If not, why not?

2-Staff-9
Asset Sale
Ref 1: Chapter 2 appendices - 2-AB
Ref 2: Exhibit 2 – Tab 2 – Variance Analysis
E.L.K. Energy stated that in 2017 the general assets were lower due to the sale of 24 Pearl King Kingsville building.

a) Please explain why there is no corresponding entry in reference 1 under the disposals column for 2017.
b) Please confirm if gain/loss from the sale of the asset has been included in E.L.K. Energy's other revenues.

2-Staff-10
Customer Preferences and Expectations
Ref 1: Exhibit 2, Tab 4, Attachment 1, p. 15
E.L.K. Energy states that customers are in favour of increasing capital investment in System Renewal to improve reliability. E.L.K. Energy has identified pole and transformer replacement as programs that will improve the reliability of service.

a) Which outages, during the historical period, would have been eliminated or mitigated with these programs in place?
b) Which outages would have been unaffected by these programs?
c) What is the forecasted reliability improvement, at the end of the DSP period, based on completing all the investments outlined in the DSP. Explain how this value is aligned to the proactive investment approach outlined in the DSP.

2-Staff-11
IT strategy
Ref 1: Exhibit 2, Tab 4, Attachment 1, pp. 14 – 17

E.L.K. Energy states that it has developed an IT strategy and made improvements to its website.

a) Is there a document that describes in detail the IT strategy developed by E.L.K. Energy as noted on pages 14 and 17? If so, please provide it.
b) What incremental improvements to its website is E.L.K. Energy considering?

2-Staff-12
Sources of Cost Savings Expected
Ref 1: Exhibit 2, Tab 4, Attachment 1, p. 16
E.L.K. Energy states that investment in vegetation management, proactive pole replacement and transformer replacement will reduce costs associated with outage response and reactive replacement.

a) How much will each of these programs save annually in capital and O&M spending?
b) Does the investment in vegetation management consider the impact of climate change on line clearances and cycles?

2-Staff-13
Smart Meters
Ref 1: Exhibit 2, Tab 4, Attachment 1, p. 18, 74
E.L.K. Energy states that none of the investments proposed in the DSP are contingent upon the outcome of ongoing activities or future events. E.L.K. Energy indicates that the majority of its Smart Meters were installed in 2010. The 2010 Asset Amortization Study for the Ontario Energy Board performed by Kinectrics Inc. indicated a useful life range of 5 – 15 years for Smart Meters.

a) Will any smart meter groups require reverification testing over the forecast period?
b) Does E.L.K. Energy anticipate any meter groups requiring reverification in the forecast period will pass sample testing and not require group replacement?
c) What is E.L.K. Energy's anticipated useful life for its Smart Meters?

2-Staff-14
Coordinated Planning with Third Parties
Ref 1: Exhibit 2, Tab 4, Attachment 1, p. 18
E.L.K. Energy states that it has initiated or participated in a consultation process with major stakeholders and that the DSP considers the needs of the stakeholders.

a) Has E.L.K. Energy had any discussions with internet service providers concerning the Ontario Government's Supporting Broadband and Infrastructure Expansion Act?
b) Is E.L.K. Energy aware of any investments that may be required over the forecast period of the DSP to support internet provider needs as required under the Supporting Broadband and Infrastructure Expansion Act?

2-Staff-15
DSP Customer Engagement Survey
Ref 1: Exhibit 2, Tab 4, Attachment 1, p. 19
E.L.K. Energy states that DSP customer consultation took place in November 2021 via a survey.

a) Did E.L.K. Energy post its draft DSP on its website as part of the consultation process?
b) Were the customers consulted on the specific projects and costs proposed to be undertaken in the forecast period?
c) Were E.L.K. Energy customers advised of the final version of the DSP?

2-Staff-16
Performance Measurement for Continuous Improvement
Ref 1: Exhibit 2, Tab 4, Attachment 1, pp. 23, 25, 26
E.L.K. Energy states that it measures the performance of its First Contact Resolution by logging all calls, letters, and emails received and tracks them to determine if the inquiry was successfully answered at the first point of contact. E.L.K. Energy states annual historical performance as "Excellent". Table 5.2-2 indicates a target of 90%.

a) Please explain how the performance of "Excellent" was determined for each of the historical years and how it relates to the target of 90%.
b) What are the other "qualitative" performance results available for annual performance assessment versus the target of 90%?
c) As First Contact performance is logged, please provide the percentage number of successful first contact answers for each of the historical years.

2-Staff-17
Reliability
Ref 1: Exhibit 2 – Table 2-23 Number of Outages by Cause Codes
E.L.K. Energy provided a table for the number of outages by cause codes for 2016 to 2020.

a) Please add to the table the years 2012 to 2015.
b) Please provide a similar table for outage duration by cause codes for 2012 to 2020.

2-Staff-18
Reliability
Ref 1: Exhibit 2, Tab 4, Attachment 1, p. 28
Table 5.2-6 shows a record of power quality momentary outages at PME points over the historical period. A total of 382 momentary outages were recorded over the 2017 – 2021 period for an average annual number of 76 momentary outages per year.

a) How many of the annual momentary outages are due to problems on the supply side of the PME?
b) What were the causes of the momentary outages on the supply side of the PME?
c) Has E.L.K. Energy raised these performance results with Hydro One for problems on the supply side of the PME?
d) How many of the annual momentary outages are due to problems on E.L.K. Energy's side of the PME?
e) What were the causes of the momentary outages on E.L.K. Energy's side of the PME?
f) Does E.L.K. Energy have or is working towards a performance target for momentary outages?

2-Staff-19
Reliability
Ref 1: Exhibit 2, Tab 4, Attachment 1, pp. 29 – 32, 48
E.L.K. Energy states that it measures and monitors the reliability of power supply to its customers through SAIDI and SAIFI indicators. E.L.K. Energy's target value for SAIDI is 0.99. E.L.K. Energy's target value for SAIFI is 0.34. E.L.K. Energy states that it has experienced worsening SAIDI and SAIFI trends over the historical period mainly due to storm events and adverse weather.

a) Please provide the baseline years and numbers that were used to develop the SAIDI/SAIFI target.
b) As no MED days are identified over the historical period, please explain the differences in the 2020 Loss of Supply Adjusted and 2020 Loss of Supply and Major Event Days Adjusted numbers in Table 5.2-8.
c) How do the variable Asset Management Targets for SAIDI and SAIFI in Table 5.3-1 relate to a worsening SAIDI/SAIFI over time (i.e., it could continually be within target even though things are trending downwards)?

d) Please comment on whether an improving trend of SAIDI/SAIFI would be a better reliability target. If not, please suggest a target that would incent improving reliability.
e) Please provide E.L.K. Energy's five worst performing feeders and their SAIDI and SAIFI.
f) Please provide the total number of customers that experienced interruptions of 10 hours or more for each year between 2017 to 2021. This should exclude loss of supply and major event days.
g) Please provide the total number of customers that experienced 5 or more sustained outages for each year between 2017 to 2021. This should exclude loss of supply and major event days.

2-Staff-20
Reliability
Ref 1: Exhibit 2, Tab 4, Attachment 1, p. 33
Table 5.2-9 presents the count of outages broken down by cause code for the historical period. E.L.K Energy has identified defective equipment, foreign interference, scheduled outages, and tree contacts as the four most common causes of outages over the historical period.

a) Please provide the annual contribution to SAIFI and SAIDI over the historical period for each of these four causes.
b) Please provide the top 5 outage events for each of the historical years in terms of SAIFI and SAIDI impact.

2-Staff-21
System Losses
Ref 1: Exhibit 2, Tab 4, Attachment 1, p. 46
Table 5.2-14 presents System Losses for the historical period. E.L.K. Energy states that losses in 2017 and 2020 exceed the OEB target of 5% due to billing adjustments to one customer's bill.

a) Was the increase in system losses due to E.L.K. Energy under billing the customer's kWh consumption?
b) Were attempts made by E.L.K. Energy to recover the amount under billed kWh consumption from the customer?

2-Staff-22
Asset Management Process

Ref 1: Exhibit 2, Tab 4, Attachment 1, p. 17
E.L.K. Energy states that, when possible, it will attempt to extend the life of poles via different treatment and refurbishment methods. E.L.K. Energy intends to outsource tree trimming to a third-party contractor. E.L.K. Energy states that it has not been able to meet its planned vegetation management targets in historical years. E.L.K Energy states it is also taking steps to improve the collection, availability, granularity, quality, and accuracy of asset data

a) Please provide details of the different pole treatments and refurbishment methods E.L.K. Energy considered.
b) What percentage of the 4-year tree trimming target was being met previously during the historical period? What are the annual historical and forecast O&M costs for tree trimming?
c) What are the specific steps E.L.K. Energy is taking to improve the collection, availability, granularity, quality, and accuracy of asset data?

2-Staff-23
Asset Management Process
Ref 1: Exhibit 2, Tab 4, Attachment 1, pp. 52, 84 - 87
E.L.K. Energy states that following the identification of recommended programs and alternatives to address identified needs, a prioritization process is undertaken. Table 5.3-2 provides a ranking of Asset Management Objectives. E.L.K. Energy also states that it has developed a prudent capital budget process and system of prioritization. Non-discretionary projects are projects that are automatically selected and prioritized based on externally driven schedules and needs. Discretionary projects are prioritized based on the risk associated with not undertaking each project, and the resource and budget available to deliver those projects.

a) How are these rankings used to quantitatively prioritize recommended programs and alternatives?
b) Please provide examples of the scoring guide used in the project prioritization process.
c) Please provide the 2022 prioritization rankings of all discretionary programs and projects selected for the 2022 Test year.
d) Please provide the list of 2022 non-discretionary project and programs selected for the 2022 Test year. For each, please indicate the specific reason or rationale for the project or program being non-discretionary.

2-Staff-24
Description of Maintenance and Inspection Practices
Ref 1: Exhibit 2, Tab 4, Attachment 1, pp. 74 - 76

Table 5.3-12 shows the frequency of maintenance and inspection activities. E.L.K. Energy states that it conducts IR scans every other year across all service areas. E.L.K. Energy also states that tree trimming activities are completed in four-year cycles. Vegetation Management is performed on an ad hoc basis

a) Please provide a listing of asset components being scanned for the overhead system and the underground system.
b) Please provide a sample of a Thermographic IR scan report for a discovered problem/risk.
c) What clearances are being met with tree trimming?
d) Does E.L.K. Energy perform any additional out-of-cycle tree trimming for faster-growing tree species that the 4-year cycle cannot accommodate?
e) What is the difference between tree trimming and vegetation management activities in Table 5.3-12?

2-Staff-25
Predictive Maintenance Activities
Ref 1: Exhibit 2, Tab 4, Attachment 1, pp. 53, 76, 77
E.L.K. Energy states that all of its distribution assets are inspected regularly as prescribed in the DSC. Inspection is completed by a third-party vendor on a four-year cycle. E.L.K. Energy states it has an urban service area. Section 4.2.2 and Appendix C of the Distribution System Code indicate a maximum interval of 3 years between inspections for urban areas.

a) Please explain why E.L.K. Energy intends to revise its maintenance and inspection practices to a 4-year cycle for its service areas?

2-Staff-26
Capital Expenditure Summary
Ref: Exhibit 2, Tab 4, Attachment 1, p. 89
Tables 5.4-6 and 5.4-7 provide the historical and forecasted capital expenditures.

a) Why are System Renewal, System Service, and General Plant figures provided as “gross” in the historical period and “net” in the forecast period?

2-Staff-27
Capital Expenditure Plan – System Access
Ref 1: Exhibit 2, Tab 4, Attachment 1, pp. 89, 431, 473
Ref 2: Exhibit 2, Tab 4, p. 44-48
Ref 3: Load forecasting model
Ref 4: Distribution System Plan – Appendix K – SA-1 Subdivisions

Table 5.4-7 indicates a gross 2022 System Access spend of $867,000. DSP Material Project summaries indicate a gross System Access spend of $609,000 for Subdivisions and $180,000 for Road relocation work for a total of $789,000. Difference is $78,000. Table 2-AA shows a total of $474,000 for 2022 Subdivision related work.

a) What is the remaining gross 2022 System Access spend of $78,000 for?
b) Please explain the difference in Table 2-AA values and DSP Material Project sheet tables for Subdivision work.

The total number of customers in the load forecasting model trends linearly between 2017 to 2020 and the actual System Access spending between 2017 to 2020 averages $525k. E.L.K. Energy also stated that it anticipates the connection of 258 lots in the 2022 test year but the residential customer growth in the load forecast is only 100 customers between 2021 and 2022.

c) With a linear trend in customer growth please explain why a 2022 system access budget closer to the historical average would not be more appropriate.
d) Please justify the difference in expected residential customer growth because of subdivisions in the capital plan and the load forecast.
e) The 2020 capital contribution is 92% of the capital cost and the 2021 capital contribution is 84% of the capital cost but the 2022 capital contribution is 70% of the capital contribution. Please provide the declining trend in capital contribution and justify the lower capital contribution forecast as compared to historical years.

2-Staff-28
Road Relocation
Ref 1: Exhibit 2, Tab 4, Attachment 1, p. 84
E.L.K. Energy states that when rebuilding infrastructure, placing assets underground is a must for projects such as road relocations.

a) If an existing overhead line requires relocation due to road widening, is it E.L.K. Energy's policy to convert the line from overhead to underground infrastructure?
b) Does E.L.K. Energy collect funds for relocating plant due to road widening from the road authority as per the Public Service Works on Highways Act?
c) If so, does E.L.K. Energy collect the underground versus overhead cost differential from the road authority? If not, why?

2-Staff-29
Material Investments
Ref 1: Exhibit 2, Tab 4, Attachment 1, pp. 97, 473, 476, 477

E.L.K. Energy is anticipating two major road relocation projects in the 2022 test year. The Viscount Road project requires underground cable relocation and Gosfield/Maidstone project requires pole relocation. For the Gosfield/Maidstone Road relocation project E.L.K. Energy states that the decision was made by the Town of Essex to remove the overhead plant in the area and put it underground. There is no forecast road relocation work for the 2023-2026 period.

a) What are the respective capital contribution amounts being received for the Viscount Road relocation and Gosfield/Maidstone Road relocation projects?
b) Does the Viscount Road widening require cable and ducts to be relocated? If not, would the primary driver of this project be System Renewal?
c) Is the Town of Essex paying the capital contribution for the difference between UG and OH for the Gosfield/Maidstone Road project?

2-Staff-30
Capital Expenditure Plan – System Renewal
Ref 1: Exhibit 2, Tab 4, Attachment 1, pp. 89, 500, 508
Ref 2: Exhibit 2, Tab 4, p. 44-48
Table 5.4-7 indicates a 2022 System Renewal spend of $307,000. Material Project summaries indicate a gross System Renewal spend of $103,000 for Pole Replacement and $95,000 for transformer replacement work for a total of $198,000. Difference is $109,000. Table 2-AA shows a total of $190,000 for 2022 System Renewal related work

a) What is the remaining 2022 System Renewal spending of $109,000 for?
b) Please divide the projects in Table 2-AA into the 4 capital expenditure categories.

2-Staff-31
Transformers
Ref 1: Exhibit 2, Tab 4, Attachment 1, pp. 66, 67, 88, 508, 510, 516
Table 5.3-6 provides the annual asset replacement action plan for pole transformers, pad mount transformers, overhead switches, pad mount switches, and underground cables. Table 5.3-5 indicates that replacement quantity is based on reactive actions. On pages 88 and 508 E.L.K. Energy states that it will be proactively replacing transformer assets. E.L.K. Energy states it has completed 94 distribution transformer replacements over the historical period. On page 510, E.L.K. Energy states that replacement transformers are sized appropriately to ensure potential future needs but on page 516, E.L.K. Energy also states that proposed transformer replacements are like-for-like and have not been configured to address other distribution planning objectives.

a) Please confirm that Table 5.3-5 should indicate a proactive replacement strategy for transformers.

b) Please confirm that the number of annual transformer replacements over the historical period was based on reactive measures.
c) Please provide the number of proactive and expected reactive transformer replacements for each of the forecast years.
d) Please clarify E.L.K. Energy's transformer replacement strategy with respect to unit size.
e) When replacing transformers, what does E.L.K. Energy do to determine if upsizing is warranted for future potential needs (i.e., EV load)?
f) The "flagged for action plan" identified 16 pole mounted transformers and 48 pad mounted transformers but E.L.K. Energy is only planning to replace 10 pole mounted transformers and 6 pad mounted transformers. What is the reliability impact of not completing all the assets flagged for action?
g) Please provide the number of defective equipment outages due to transformer failure.
h) What is E.L.K. Energy's pacing strategy to replace assets in need of replacement?

2-Staff-32
Poles
Ref 1: Exhibit 2, Tab 4, Attachment 1, pp. 68, 70, 79, 500, 502
Ref 1: Distribution System Plan – Appendix B
Table 5.3-9: provides information on E.L.K. Energy's pole demographics by species. E.L.K. Energy states that older Lodgepole Pine and Red Pine poles require replacement/mitigation sooner than other species. E.L.K. Energy states that it has completed 72 pole replacements over the historical period. E.L.K. Energy states that for the pole replacement program it is proposing to proactively replace poles on a like-for-like basis.

a) Does E.L.K. Energy have a preferred pole species and treatment for planning purposes?
b) Does E.L.K. Energy intend to continue to procure Lodgepole Pine and Red Pine poles?
c) Please confirm that E.L.K. Energy expects to replace approximately 18 poles per year, proactive and reactive replacement, over the forecast period.
d) Please confirm that the number of annual pole replacements over the historical period was based on reactive measures.
e) For pole replacement does E.L.K. Energy believe that standardizing on less variety of wood species leads to cost savings?
f) For pole replacement purposes, has E.L.K. Energy considered pole class considerations that may aid in hardening the distribution system against severe weather?

g) Are there any third-party considerations (i.e., internet service providers' space needs on poles) that may impact the like-for-like pole replacement policy over the forecast period?

E.L.K. Energy has 3,200 poles and inspected 294 poles in 2020.

h) Please confirm if E.L.K. Energy intends to inspect the remaining poles in future years. If so, what is the schedule? If not, why not?
i) Will this pole information be used to form E.L.K. Energy's asset registry and if so how?

2-Staff-33
Fault Indicators
Ref 1: Exhibit 2, Tab 4, Attachment 1, pp. 18, 82, 88
E.L.K. Energy states that it plans to deploy 60 sets (180 total units) of Hortsmann Smart Navigator fault indicator components to the overhead system across the 2022-2026 period. E.L.K. Energy also states that these fault indicators will provide real-time information to E.L.K. Energy operations.

a) What is the nature of the real-time information that is being provided?
b) Is the real-time information local (in the vicinity of fault indicator) in nature or being provided to remote E.L.K. Energy facilities/persons?
c) What type of reset mechanism is to be used with these indicators?
d) What is the expected SAIDI improvement of this investment? Has that improvement been factored into the SAIDI target stated in the application?

2-Staff-34
Capital Expenditure Plan – General Plant
Ref 1: Exhibit 2, Tab 4, Attachment 1, pp. 80, 86, 518 – 522
Ref 2: Exhibit 2, Tab 4, pp. 44-48
E.L.K. Energy states that the main investment activity with the General Plant category will be the procurement of two large new fleet vehicles in 2022 and 2023. E.L.K. Energy also states it will be undertaking a comprehensive review and upgrade of various IT systems during 2022, including a new GIS system, integration of an Outage Management System, improvements to E.L.K.'s website, and the generation of Outage Maps. Table 5.4-7 indicates a 2022 General Plant spend of $419,000. Material Project summaries indicate a General Plant spend of $370,000 for Fleet Vehicles. Difference is $49,000.

a) What is the remaining 2022 General Plant spend of $49,000 for?
b) What did the 2021 repair costs for vehicle #20207 cover?

c) Please provide the business case of the GIS system that E.L.K. Energy intends to integrate over the forecast period.
d) Please provide details of the GIS system to be procured including software name/developer, expected cost, expected year of acquisition, and any other relevant details related to the procurement and operation of it.
e) Please provide the business case of the Outage Management system that E.L.K. Energy intends to integrate over the forecast period
f) Please provide details of the Outage Management System to be procured including software name/developer, expected cost, expected year of acquisition, and any other relevant details related to the procurement and operation of it.

2-Staff-35
Outage Management
Ref 1: Exhibit 2, Tab 4, Attachment 1, p. 46
E.L.K. Energy states that realized cost efficiencies related to the utility's use of Smart Meters result in no need for manual meter reads and fewer billing errors.

a) Does E.L.K. Energy's meters have "last gasp" functionality to enhance operational awareness of power outage situations?
b) Has E.L.K. Energy considered using this functionality in its outage management system.

2-Staff-36
Variances in Capital Expenditure
Ref 1: Exhibit 2, Tab 4, Attachment 1, p. 90
E.L.K. Energy states it will move towards monthly tracking and monitoring of estimates to actual cost in the future if it is deemed beneficial. E.L.K. Energy states that to balance overall spending due to variations in forecast non-discretionary projects, it may take action to reduce System Renewal projects to ensure the total annual actual expenditures remain in line with the total annual proposed budget.

a) How often is the actual estimate monitored at present?
b) Does project prioritization ranking play a part in determining which discretionary projects, not just System Renewal ones, get reduced?

2-Staff-37
System Access/System Renewal
Ref 1: Exhibit 2, Tab 4, Attachment 1, pp. 92-93, 429
For customer connections, E.L.K. Energy states that the forecast average for E.L.K. Energy's System Access is 50% greater than the historical average. Figures 5.4-2 and 5.4-3 indicate higher average spend levels in the forecast period for System Access and

System Renewal works compared to historical. Figures 5.4-2 and 5.4-3 also indicate increasing year over year forecast spend in these two categories

a) Please confirm that E.L.K. Energy has the internal and/or contract resources to manage the increased spending in the latter forecast years for the System Access and System Renewal categories.

2-Staff-38
Cost of Power
Ref 1: Chapter 2 Appendices – 2-ZA
Ref 2: Chapter 2 Appendices – 2-ZB
In reference 1 E.L.K. Energy used $31.11 for the Load-weighted Price for RPP Consumers but it should be $33.75.

a) Please update the reference 1 and all other affected models.
b) Please update the units in 2-ZB as appropriate.

2-Staff-39
Depreciation Expense
Ref 1: Filing Requirements Chapter2 Appendices – App. 2-C DepExp
Ref 2: PILs model tab B1. Sch 1 Taxable Income – Bridge Year
Ref 3: PILs model tab B1. Sch 1 Taxable Income – Hist
Amortization of tangible assets per the PILs model for historical and bridge years ($607,312, and $252,817) does not reconcile with the depreciation expense per reference 1 ($303,873 and $320,085).

a) Please explain the discrepancy and update the evidence as necessary.

Exhibit 3 – Operating Revenue

3-Staff-40
Other Revenue
Ref 1: Exhibit 3 – Other Revenue, pp. 39-40
E.L.K. Energy forecasted a decline in revenues from Non-Rate-Regulated Utility Operations in 2021 and 2022.

a) Please explain what is included in revenues and costs for Non-Rate-Regulated Utility.
b) Please explain how E.L.K. Energy forecasted the revenues and costs for Non-Rate-Regulated Utility.
c) Please explain how E.L.K. Energy marks up the cost base of its affiliate services.

d) Please explain what is included in Non-Rate-Regulated Utility Rental Income.

3-Staff-41
Load Forecast
Ref 1: Exhibit 3 – Other Revenue, p. 11
Ref 2: Load Forecast Model
E.L.K. Energy has used 2011-2020 as historic years in preparing its forecast, including 2021-2022 as forecast years.

a) Please provide 2021 historic actual wholesale purchase and 2021 historic actual billing determinants
b) Please prepare an updated forecast using 2021 historic input data and current economic forecasts for 2022. If this cannot be done, please explain why and provide as much of the input data as possible.
c) Has EV penetration been factored into load growth expectation over the forecast period?

3-Staff-42
Load Forecast
Ref 1: Load Forecast Model – Summary, Rate Class Energy Model
In 2017, the GS > 50 kW rate class consumption decreased from 59.1 GWh to 47.4 GWh (19.6%). In the same year, residential consumption decreased from 91 GWh to 86.5 GWh (4.9%). E.L.K. Energy states that consumption and demand declined because 2017 had a relatively mild winter and summer.

In the load forecasting model, E.L.K. Energy used a weather sensitivity factor of 78.53% for Residential and 57.07% for GS > 50 kW.

a) Does E.L.K. Energy have any insights into the causes of the decrease in GS > 50 energy usage and demand in 2017, either due to greater weather sensitivity or due to other factors?

Exhibit 4 – Operating Costs

4-Staff-43
Customer Service, Billing, and Collecting
Ref 1: Chapter 2 Appendices – 2-JC
Ref 2: Exhibit 4 – Variance Analysis

E.L.K. Energy stated that Customer Service, Billing, and Collecting has seen an increase due to increases in call volumes because of new customer connections, collections, and move in/out activity.

a) Please provide the number of calls experienced each year between 2017 to 2021.

4-Staff-44
Locates/Underground Distribution Lines and Feeders
Ref 1: Chapter 2 Appendices – 2-JC
Ref 2: Exhibit 4 – Variance Analysis
E.L.K. Energy stated that the increase in Locates/Underground Distribution Lines and Feeders is due to more locates and customer growth.

a) Please break up the costs for locates and underground distribution lines.
b) Please provide the number of requests for locates for each year between 2017 to 2021.

4-Staff-45
Office Information and Technology
Ref 1: Exhibit 4 – Variance Analysis
Ref 2: EB-2016-0066, Settlement Proposal – Appendix B
E.L.K. Energy stated that the Office of Information and Technology plans to concentrate on ensuring our servers, systems, and platforms are updated and backed up. In Reference 2, there were concerns with information technology systems and information management since E.L.K. Energy was unable to provide full updates or explanations at ADR without key personnel having to return to physical premises and review physical records.

a) Has E.L.K. Energy digitized its information so that it no longer relies on physical records? If not, please explain why E.L.K. Energy has not addressed this over the last five years and what is E.L.K. Energy's plan moving forward.

4-Staff-46
Meter Maintenance & Readings
Ref 1: Chapter 2 Appendices – 2-JC
E.L.K. Energy stated that a key initiative of the Meter Maintenance & Readings program in 2022 includes updating one of the meter reading programs to a cloud-based software application.

a) Please provide details of what meter reading program is moving to a cloud-based software application.
b) Please provide the business case for moving to a cloud-based software application.
c) Is the cloud-based software application a “service as a service”? If so, what are the yearly costs?

4-Staff-47
Executive, Financial, Professional & Insurance
Ref 1: Chapter 2 Appendices – 2-JC
Ref 2: Chapter 2 Appendices – 2-K
Ref 3: Exhibit 4 – Table 4-22, p. 27
In reference 3, management salaries and expenses have increased by $121k (36%) between 2018 to 2019 and $179k (39%) between the 2022 test year to 2020 actuals. E.L.K. stated that the increase is partly due to a new regulatory analyst. E.L.K. Energy also stated that it intends to hire an Engineer and Asset Management Supervisor.

a) Please confirm if the management salaries program only includes the 4-5 management positions in 2-K.
b) Is the driver for the increase between 2022 and 2020 related to the new management supervisor and a regulatory analyst? If so, why is the regulatory analyst (a non-management position) included in management costs?
c) Please explain the increase in management salaries and expenses between 2018 and 2019.
d) Please confirm if the board of directors’ compensation is included in this program. If so, please provide the board of directors’ compensation by year. If not, please explain where the costs are included and the compensation by year.

4-Staff-48
Underground/Overhead Maintenance
Ref 1: Exhibit 4 – Cost Drivers
Ref 2: Exhibit 4 – Variance Analysis
Ref 3: Distribution System Plan – Table 5.2-9 to 5.2-11
E.L.K. Energy stated that the increase in underground/overhead maintenance is mostly due to underground locates, response to storms, and increased workforce because of their Operational Review report.

a) Please provide the number of undergrounds locates requests in the last 5 years.
b) Please explain which item of the Operational Review causes increased costs to the underground/overhead maintenance program.

E.L.K. Energy stated that the underground services saw increased failures due to moisture in the ground. E.L.K. Energy also stated that it has introduced a primary cable-testing program.

c) Please provide a table for E.L.K. Energy's underground cable age.
d) Please provide the number of outages and the outage time due to underground service failures.
e) Please explain the primary cable-testing process and when cable testing is applied.

E.L.K. Energy increased tree trimming by approximately 30-35% in response to storms. In reference 3, it shows that tree-related outage makes up approximately under 5% of the outage time and 11% of the outage frequency.

f) Please provide E.L.K. Energy's analysis that spending more money on tree trimming is the best method to improve overall customer reliability.
g) What is the expected improvement to tree-related reliability issues as a result of this increase?
h) Please provide E.L.K. Energy's tree-trimming standard.

4-Staff-49
Bad Debt
Ref 1: Exhibit 4 – Bad Debts, pp. 21-22
E.L.K. Energy stated that it has used a third-party collection agency since 2012 and a percentage is charged for the accounts but has seen positive results in the collections.

a) Please provide the collection fee charged to the account.

4-Staff-50
Workforce
Ref 1: Exhibit 4 – E.L.K. Workforce, pp. 42-43
Ref 2: Chapter 2 Appendices – 2-K
E.L.K. Energy stated that it has had a large level of staff turnover between 2012 and 2020. E.L.K. Energy also stated that in recent years the number of FTEs has been below the 2012 OEB-approved level.

a) Please provide a table where positions were vacant in the last 5 years and state which ones were replaced and when.

The management staff has seen a yearly average total compensation increase of 6.38% between 2012 and 2022.

b) Please provide a supporting benchmarking survey to justify this increase.

4-Staff-51
Shared Services
Ref 1: Chapter 2 Appendices – 2-N
Ref 2: Exhibit 4 – Shared Services/Corporate Cost Allocation
E.L.K. Energy stated that the expected revenues for shared services to E.L.K. Solutions to decrease by $80k and to Town of Essex to increase by $72k.

a) Please explain where the revenues for shared services are accounted for in other revenues.

4-Staff-52
Regulatory Costs
Ref 1: Chapter 2 Appendices – 2-M
In reference 1, E.L.K. Energy provided a table of one-time application costs for legal, consultants, and intervenor costs.

a) Please provide the spending to date for each item in the table and break down the consultant costs for each consultant used.
b) Please provide the number of intervenors assumed in the intervenor costs estimate.

4-Staff-53
Service Life
Ref 1: Chapter 2 Appendices – 2-BB
E.L.K. Energy uses 15 years as the depreciation rate, but the useful life range is 25 to 35.

a) Please explain how E.L.K. Energy justifies the use of 15 years.

4-Staff-54
Ref 1: LRAMVA Workform, Tab 1
Ref 2: Exhibit 4, Tab 11, pp. 80-81

E.L.K. Energy is requesting disposition of the LRAMVA balance of $121,668 which covers the period related to 2016 to 2020 CDM activity.

a) Please identify whether there will be any future LRAMVA amounts related to persisting CDM savings in the future.
b) Please confirm whether E.L.K. Energy has incorporated historical CDM results into its load forecast.

4-Staff-55
Ref 1: LRAMVA Workform, Tab 1
Ref 2: Exhibit 4, Tab 11, p. 83
In Exhibit 4, E.L.K. Energy states that it is requesting the disposition of the LRAMVA balance of $121,668 over a one-year period. However, in Tab 1 of the LRAMVA Workform, E.L.K. Energy states that it is seeking disposition of the LRAMVA balance over a two-year period.

a) Please confirm whether E.L.K. Energy is seeking disposition of its LRAMVA balance over a one or two-year period.
b) If over a one-year period, please update the LRAMVA Workform accordingly and provide an updated version of the LRAMVA Workform.
c) If over a two-year period, please explain why E.L.K. Energy is seeking disposition of the LRAMVA balance over a two-year period.

4-Staff-56
Post-Employment Benefits
Ref 1: Exhibit 4, Tab 4, page 48, Table 4-35 E.L.K. Post-Employment Benefits
E.L.K Energy presented the Post retirement Benefits expenses and balance for the period 2016-2021 actuals as well as the 2022 forecast.

a) Please explain the drivers for the significant change in actuarial gain/loss for the 2021 Bridge and 2022 Test Year.

Exhibit 5 – Cost of Capital

5-Staff-57
Long-term Debt
Ref 1: Exhibit 5 – 1.3 Cost of Debt: Long Term
Ref 2: EB-2021-0016 Chapter 2 appendices – 2-OB
Ref 3: EB-2016-0066 Chapter 2 appendices – 2-OB

E.L.K. Energy proposed to calculate the long-term debt rate by using the weighted average of the forecasted interest rate on a Term Loan with the CIBC for $2,400,000 at a rate of 1.36%, and Notional Debt of $5,339,732 at the OEB's deemed long-term debt rate of 3.49%.

a) The Term Loan in reference 3 is $4.3 million at a rate of 2.95% but the Term Loan in reference 2 is $4.6 million at a rate of 1.63%. Please explain the difference between the two references.
b) In 2012, E.L.K. Energy had $5.6 million in a Term Loan and has steadily declined to $2.4 million. Please explain E.L.K. Energy's decision to reduce the use of long-term debt instruments.
c) Does E.L.K. Energy have any internal policy or directives to achieve a minimum yearly ROE to the shareholder? If so, please provide the internal policy or directive.

E.L.K. Energy stated that the current practice would require notional debt to be funded at 1.36% which will cause E.L.K. Energy to lock in a low interest rate in advance of a time when the notional debt could be funded by actual borrowing. This would cause E.L.K. Energy to under-recover actual interest rates and impact the financial viability of E.L.K. Energy. E.L.K. Energy also stated that the current Term Loan is maturing on July 2, 2022.

d) Please provide the principal amount of the Term Loan that E.L.K. Energy plans to renew in July and a status update on the terms of the Term Loan if any.
e) Please explain why E.L.K. Energy has not tried to move closer to the OEB's deemed debt-to-equity structure of 60/40?
f) Does E.L.K. Energy have plans to take on more long-term debt in the next 5-year period? If so, please provide those plans.
g) If there is no increase to the existing long-term debt, notional debt is funded through equity. Please explain why earning a return on equity of 1.63% would impact the financial viability of E.L.K. Energy.
h) Please explain how E.L.K. Energy could justify a higher return on equity when E.L.K. Energy is capable of acquiring a lower long-term debt rate from a bank.

Exhibit 7 – Cost Allocation

7-Staff-58
Weighting Factors
Ref 1: Exhibit 7, Tab 2, page 2

E.L.K. Energy states that it “reviewed the billing and collecting weighting factor used in the 2012 and cost allocation study and believes the factors are still valid.”

a) Please confirm that the billing frequency has not changed for any rate class (e.g., from bi-monthly to monthly), or explain why the billing and collecting factors would still be accurate despite a change.
b) Please provide the proportion of customers in each rate class deemed to be using electronic billing in the derivation of the 2012 weighting factors and expected to be using electronic billing in 2022?

7-Staff-59
Embedded Distributor
Ref 1: Exhibit 7, Tab 4, page 8
Ref 1: Exhibit 7, Tab 4, Attachment 2 page 2
Ref 1: Cost Allocation Model – I9 Direct Allocation
Costs associated with metering and meter reading are directly allocated to the embedded distributor. OEB staff notes that there appear to be no costs associated with distribution station equipment, poles, towers, conductor, or conduit (USoA accounts 1820, 1830, 1835, 1840, or 1845) assigned to the embedded distributor either directly, or through allocators.

a) Please confirm OEB staff’s observation above or provide a correction and explanation as to how these costs (if any) are captured.
b) Please explain where the embedded distributor is connected to E.L.K. Energy’s distribution system in relation to E.L.K. Energy’s point of supply, and which of E.L.K. Energy’s assets are required to provide service to the embedded distributor.

Exhibit 8 – Rate Design

8-Staff-60
Low Voltage Rate
Ref 1: Exhibit 8 – Low Voltage Service Rate
E.L.K. Energy has forecasted the low voltage charges from Hydro One to be $800,000 by using the 2020 actual low voltage expense of $796,230.

a) Please provide the low voltage expense that would result if 2022 hydro one rates were applied to
    i. Low voltage billing volumes from 2021

ii. A 5-year average of 2017-2021 volumes

8-Staff-61
RTSRs
Ref 1: RTSR Model
The RTSR model is populated with 2021 UTRs and 2022 Hydro One Sub-Transmission rates. Hydro One's 2022 Sub-Transmission rates were approved December 16, 2021.

a) Please update Hydro One's 2022 Sub-Transmission rates in the next version of the RTSR model filed.
b) Please confirm that the RRRs used reflect 2021 load, or explain which year is used.
c) Which year of load is used for the Historic Wholesale?

8-Staff-62
Loss Factors
Ref 1: Exhibit 8, Tab 5, Page 11
Ref 2: Chapter 2 – Appendix 2-R
The proposed total loss factor of 1.0436 is a reduction from 1.0810. A supply facility loss factor of 1.0340 has been used for all years. In 2016, 2018, and 2019, Appendix 2-R indicates negative losses in E.L.K. Energy's distribution system.

The Retail kWh do not match the RRR data.

	Appendix 2-R row D	RRR Delivered energy	Difference
2016	238,443,209	238,667,221	(224,012)
2017	219,820,869	222,884,140	(3,063,271)
2018	246,426,600	246,050,638	375,962
2019	242,876,721	243,326,668	(449,947)
2020	229,297,247	232,532,801	(3,235,554)

a) Does E.L.K. Energy have any embedded points of supply, and if so, are they captured in the A(1) and A(2) lines?
b) Please confirm that the A(1) line in Appendix 2-R reflects the energy purchased from the IESO (plus any embedded generation), or explain what is captured by this line.
c) Please confirm that the A(2) line in Appendix 2-R reflects the energy received by E.L.K. Energy at its wholesale meters (plus any embedded generation), or explain what is captured.

d) Please reconcile the differences between the D line in Appendix 2-R, and the RRR values for delivered energy, above.

8-Staff-63
Bill Impacts
Ref 1: Exhibit 8, Tab 9, Page 17
Street Lighting has an 11.4% bill impact.

a) Has E.L.K. Energy considered options to mitigate this increase such as a phased implementation of revenue-to-cost ratios or any other means?
b) Has E.L.K. Energy consulted with its street lighting customers?

8-Staff-64
Low Voltage Rate
Ref 1: Exhibit 8 – Low Voltage Service Rate
E.L.K Energy has forecasted the low voltage charges from Hydro One to be $800,000 by using the 2020 actual low voltage expense of $796,230.

a) Please provide the historical low voltage charges from Hydro One between 2017 to 2021.
b) For the historical low voltage charges please provide a breakdown of the Hydro One rate and the load for each year.

Exhibit 9 – Deferral and Variance Accounts

9-Staff-65
Renewable Generation Connection
Ref 1: Exhibit 9 – Tab 3, p. 6
Ref 2: Chapter 2 appendices – 2-BA
E.L.K. Energy stated that it has not included the balance of account 1531 through a rate rider because this balance will be incorporated into the rate base.

a) Please confirm that this balance is not included in reference 2 of the application.
b) Please provide the fixed asset continuity, since the in-service date, for the renewable generation connection assets proposed to be added to the rate base.
c) Is the $176,493 the total capital amount or the revenue requirement impact of the net capital asset.

9-Staff-66
Deferral and Variance Accounts (DVAs)
Ref 1: EB-2021-0016 – Clarification Questions
Ref 2: DVA Continuity Schedule
In the response to OEB Staff Question 8, E.L.K. Energy provided a revised Table 1 with the audited balances for DVA Group 1 and 2 accounts. OEB staff notes differences between that table and the balances included in reference 2.

a) Please confirm the Group 1 and 2 balances sought for disposition are those included in the DVA continuity schedule.
b) Table CQ-3 included a debit balance of $929K in account 1595 – Disposition and Recovery/Refund of Regulatory Balances (2015 – pre-2015). Please confirm if this debit balance has been previously disposed. Also, please explain this large value debit balance, what it is comprised of, and the nature of the transactions that led to it. Please update the evidence if required.

9-Staff-67
Deferral and Variance Accounts (DVAs)
Ref 1: Exhibit 9, page 5
E.L.K. Energy indicated the 2015 opening principal balance of accounts 1550, 1580, 1584, 1586, 1588, 1589, and 1518 included the closing interest balance from the previous year. E.L.K. Energy also stated "This has been corrected in the accounts and the monthly interest for each of the years adjusted accordingly. This correction was done after the audit of the 2020 balances".

a) Please confirm when these corrections were done and whether they were included in the continuity schedule.

9-Staff-68
Deferral and Variance Accounts (DVAs)
Ref 1: Exhibit 9, Tab 3 Page 6
At reference 1 regarding account 1508: Other Regulatory Assets – Sub-Accounts – Other (OEB Cost Assessments, Pension Contributions, Late payment Penalty) E.L.K. Energy stated: "the balances in these accounts were fully disposed in 2014 but were not moved to the relevant Account 1595. These balances have been moved to account 1595 now."

a) Please clarify the balance approved for disposition for each sub-account in 2014.
b) Please clarify which 1595 sub-account these balances were transferred to.

c) Please explain why these balances were not originally moved to account 1595 once disposition was granted.
d) Are these balances now being included in 1595 sub-accounts that are proposed for disposition again? Please clarify what the ramifications are to customers, if any, of having these balances transferred to 1595 this current year.

9-Staff-69
Deferral and Variance Accounts (DVAs)
Ref 1: ELK_2023_GA_Analysis_Workform_1.0_20220321
Ref 2: Exhibit 9, Tab 7, page12

Typically, large balances are not expected for Account 1588 as it should only hold the variance between commodity costs based on actual line losses and commodity revenues calculated using values for line losses approved by the OEB in the utility's last rebasing application. Based on RRR data filed for E.L.K. Energy 4705 Cost of Power, OEB staff calculates the annual net activity (i.e., transactions plus principal adjustments) from the DVA Continuity Schedule as a percentage of annual Account 4705 to be as follows:

Account 1588 Reasonability Test

Year	Account 1588 - RSVA Power			Account 4705 - Power Purchased	Account 1588 as % of Account 4705
	Transactions	Principal Adjustments	Total Activity in Calendar Year		
2015	($433,736)		-	15,129,552	-2.9%
Cumulative	**($433,736)**	**-**	**-**	**15,129,552**	**-2.9%**

a) Please confirm this calculation or provide a revised calculation.
b) Please provide an explanation as to why the Account 1588 activity would be high in consideration of line losses in 2015.
c) Please discuss any other unusually large balances in Account 1588 from 2016 to 2020, after updating the DVA continuity schedule and GA Analysis Workform for those years.

9-Staff-70
PILs
Ref 1: Exhibit 9, Tab12, page 26

E.L.K. Energy is requesting approval to establish a new variance account to record any PILs/Income Tax amount that are payable after the 2022 Test Year.

a) Please explain how the request for this new deferral and variance accounts meet the criteria outlined in section 2.9.2 of the OEB Chapter 2 Filling Requirements for Electricity Distribution Rate Applications (causation, materiality, and prudence).
b) Please explain whether E.L.K. Energy has considered using the existing 1592 – PILs and Tax Variances account designed to record the impact of any differences that result from a legislative or regulatory change to the tax rates or rules assumed in the OEB Tax Model that is used to determine the tax amount that underpins rates.

9-Staff-71
Deferral and Variance Accounts (DVAs)
Ref 1: Exhibit 9, Tab 11, page 24
E.L.K. Energy indicated that it reconciled the estimates of RPP and Non-RPP consumption to actuals on a quarterly basis.

c) Please confirm if E.L.K. Energy has trued-up the balances proposed for disposition in this proceeding for Accounts 1588 and 1589 with the IESO.
d) Are there any RPP settlement true ups done after December 31, 2015, related to the variances accumulated during 2015 for each of the 1588 and 1589 accounts. If so, what were the true-up amounts for each of the 1588 and 1589 accounts and when were they recorded in the general ledger?
e) Please confirm whether the balances from 2015 to 2020 appropriately reflect all RPP settlement true-ups, unbilled revenue true-ups, and any other accruals in accordance with the OEB's Accounting Guidance, after updating the DVA Continuity Schedule and GA Analysis Workform to include these values.
f) Please confirm when E.L.K. Energy adopted the OEB's Accounting Guidance related to commodity flow-through accounts.

9-Staff-72
Deferral and Variance Accounts (DVAs)
Ref 1: Exhibit 9, Tab 8, page 15
Ref 2: ELK_DVA_Continuity_Schedule_20220204.xlsb
Regarding E.L.K.'s Energy Account 1576 - Accounting Changes Under CGAAP balance,

a) Please identify and quantify the drivers of the change in closing net PP&E, in accordance with Chapter 2 Filing Requirements1 (see tab App. 2-EB_Account1576 (2012).

9-Staff-73
Deferral and Variance Accounts (DVAs)
Ref 1: EB-2015-0064
Ref 2: ELK_DVA_Continuity_Schedule_20220204.xlsb
In reference 1, E.L.K. received approval to dispose a credit balance of $324,154 as of December 31, 2014, including interest projected to April 30, 2016, for Group 1 accounts. OEB staff notes E.L.K. Energy included some of the approved balances in column Q (Principal) and column V (Interest) (OEB-Approved Disposition during 2016) of the Continuity Schedule).

a) Please update the continuity schedule to include the balances approved for disposition related to accounts 1588 and 1589 in columns Q and V of the DVA continuity schedule.
b) Please update the evidence as required.

9-Staff-74
Deferral and Variance Accounts (DVAs)
Ref 1: ELK_2023_GA_Analysis_Workform_1.0_20220321, Tab "GA2015" cell C86

a) Please provide further details on the back billing amount included in line 7 under Note 5 in the GA 2015 tab (GA Workform).

[1] Filing Requirements For Electricity Distribution Rate Applications - 2017 Edition for 2018 Rate Applications dated July 20, 2017. This is the last version of the Filing Requirements discussing support required for Account 1576.