E.L.K. Energy Inc.

May 2, 2022

DELIVERED BY EMAIL & RESS

Ms. Nancy Marconi, Registrar
Ontario Energy Board
PO Box 2319, 27th Floor
2300 Yonge Street Toronto, ON M4P 1E4

Dear Ms. Marconi:

Re: E.L.K. Energy Inc. ("ELK") 2022 Cost of Service Application
OEB File No: EB-2021-0016
Interrogatory Responses

In accordance with Procedural Order No. 1 and the approved extension for the filing of interrogatories dated May 2, 2022, E.L.K. Energy has filed its Interrogatory Responses by RESS and email.

Following the interrogatory responses and required changes, E.L.K. Energy has also updated several models and submitted them in Excel version.

Regards,

C. Tratechaud, CPA, CMA
CFO and Director Stakeholder Relations
E.L.K. Energy Inc.
ctratechaud@elkenergy.com

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.

Response:

The following models have been updated and filed with interrogatory responses:

- Ch. 2 Appendices
- Revenue Requirement Workform
- Cost Allocation Model
- RTSR Workform
- Load Forecast
- DVA Continuity Schedule
- Tariff Schedule and Bill Impact Model
- PILs Model

E.L.K. Energy confirms the RRWF has been updated as instructed.
The following Appendices have been updated in the revised Ch. 2 Appendices file:
2-AA, 2-AB, 2-BA, 2-G, 2-H, 2-JA, 2-JB, 2-JC, 2-R, 2-ZA, and 2-ZB.

List of Changes

Reference	Change	Model
CQ-Staff-4	The OER has been updated to 17%.	App. 2-ZB
1-Staff-2	Changes to OM&A and Capital cause by impacts of COVID	RRWF / Ch. 2 Appendices / Cost Allocation Model
2-Staff-30 2-SEC-14 2-VECC-5	Forecast capital expenditures in 2021 and 2022 have been revised in App. 2-AA. GIS capital costs have been moved from 2024/25 to 2022/23 (in-service 2023). Fault Indicators and OMS have been added as separate line items, and miscellaneous figures have been revised.	App. 2-AA
2-Staff-38	The load-weighted RPP price has been revised.	App. 2-ZA
2-SEC-14	Forecast capital expenditures in 2021 and 2022 have been revised in 2-AA.	App. 2-AA
2-VECC-4	Rate base has been updated for 2021 Actuals and resulting changes to 2022	RRWF / App. 2-BA
2-VECC-8	Viscount Update has been reclassified as a System Renewal project	App. 2-AB
2-VECC-14	System Access projects corrected in 2-AA	App. 2-AA
3-Staff-41	Load Forecast update to reflect Actual 2021 data and updated economic forecasts	Load Forecast / App. 2-ZB
3-Staff-42	Load Forecast update to include missing Class A load data	Load Forecast / App. 2-ZB
4-Staff-22	Other Revenue figures have been corrected. 4082 Retail Service Revenue has been split out of 4375, and rental revenues have moved from 4380 to 4210.	App. 2-H (No Impact on Total Revenues)
4-VECC-23	Correction: LEAP in 2020 was understated by $5,000 in Ch. 2-JB and 2-JC (but was included in 2-JA).	App. 2-JB & 2-JC
5-Staff-57	Long-Term Debt rate updated to actual debt rate of new loan	App 2-OA / 2-OB RRWF

7-VECC-34	Asset break-out weightings correction	Cost Allocation Model
8-Staff-61	RTSR updated for HONI 2022 Rates	RTSR Workform
8-VECC-37	Low Voltage Charge Update to HONI 2022 Sub-Transmission Rates	App. 2-ZB / Tariff Sheet & Bill Impact Model
n/a	The SME charges have been revised to $0.43 per customer as per the April 14, 2022 Interim Smart Metering Charge Order	App. 2-ZB / Tariff Sheet & Bill Impact Model

Bill Impacts

Following the above adjustments, the total bill impact for the Unmetered Scattered Load rate class (non-RPP) exceeds 10%. All USL customers are non-RPP so rate mitigation is necessary to avoid bill impacts in excess of 10% for these customers. Revenues to be collected from the USL rate class have been adjusted down by $397 so the total bill impact for the class is 10%. The share of total revenue that is recovered from the USL class is small so the impacts are not significant for other classes.

The $397 reduction to USL revenues is offset by a $394 increase to GS < 50 kW revenues and $3 increase to Sentinel Lighting revenues. Additional revenues are recovered from these classes because GS < 50 kW and Sentinel Lighting are the two classes with the lowest Revenue-to-Cost ratios, other than USL. The USL rate class has a Revenue-to-Cost ratio of 81.64% following this adjustment. Since all classes will be within the policy range for acceptable Revenue-to-Cost ratios and a reallocation of $397 would have negligible impacts on other classes, E.L.K. Energy is not proposing to readjust revenues in subsequent years.

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.

Response:

a) Since E.L.K. Energy prepared the budget that underpins the revenue requirement, inflation has increased considerably and E.L.K. Energy's costs have increased materially.

Expenses and the revenue requirement provided in updated models in response to 1-Staff-1 include inflationary increases to some OM&A expenses and modifications to E.L.K.'s capital expenditures as described below. An inflation rate of 3.4% was used for selected costs with consideration of the Statistics Canada March 2022 CPI of 6.7% and CPI measure excluding gasoline of 5.5%. The inflationary increase accounts for 2% inflation already considered in the budgeting process.

All Operations and Maintenance expenses are inflated by 3.4%. All Billing and Collecting expenses, except Miscellaneous Customer Service, are inflated by 3.4%. The majority of Administrative and General expenses, including all executive and management compensation, have not increased. Inflationary increases within Administrative and General expenses have been applied to General Administrative Salaries and Expenses, Office Supplies and Expenses, Outside Services Employed, Injuries and Damages, Maintenance of General Plant, and Electrical Safety Authority Fees. Additionally, Property Insurance has been inflated by 5%, reflecting actual cost increases for that expense.

A summary of OM&A impacts is provided below.

OM&A Category	As Filed	April Update	Impact $	Impact %
Operations	$521,943	$539,689	$17,746	3.4%
Maintenance	$924,630	$956,068	$31,437	3.4%
Billing and Collecting	$721,707	$742,163	$20,457	2.8%
Community Relations	$11,537	$11,571	$34	0.3%
Administrative and General	$1,351,625	$1,363,837	$12,211	0.9%
Total OM&A	**$3,531,441**	**$3,613,327**	**$81,885**	**2.3%**

Due to supply chain issues, E.L.K. Energy is unable to procure transportation equipment in 2022 so these capital additions have been removed from Test Year rate base. Transformers expected to be delivered in 2021 are starting to be delivered in 2022 so capital expenditures in 2021 have been delayed to 2022. Other capital investments, such as smart meters, wires, and insulators, have also been delayed. Overall, the delay of 2021 capital expenditures to 2022 and increased costs of capital expenditures and delay of 2022 capital expenditures have mostly offset, resulting in a 2022 capital expenditure increase of $11,093.

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.

Response:

a) E.L.K. investigates collaborations with other distributors on an on-going basis. For example: Green Button Implementation is underway with a collaboration with London Hydro with implementation in 2022 well ahead of the 2023 timeline and a meter reverification program is underway with collaboration with Alectra

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.

Response:

a) The E.L.K. CEO and CFO review budget variances semi annually. EL.K. is also in the process of implementing a budgeting module to the financial system to allow more frequent variance analysis. The target is to have quarterly variance analysis by the management team by the end of Q3 2022
b) E.L.K. Energy reports budget to actual variances to the Board of Directors semi-annually.
c) When a budget variance is identified the management team discusses if a change in resources is required. Example: Transformer delivery delays in 2021 hampered our projected work projects, thus we had to adjust resources and focused on tree trimming which resulted in no tree contact outages or animal contact outages this winter in the service area.
d) E.L.K. Energy uses variances as an indicator to adjust future budgets. Over/under variances evaluated help explain if work programs need to be adjusted.
e) The Board of Directors asks questions of the management team regarding budget variances. Management explains the variances and reasons for them. No correspondence is available.
f) The Board of Directors has asked the new management team to put in place a more frequent review of Budget to Actual other than semi-annually to address this concern. Implementation is in progress.
g) Unanticipated staff turnover is one factor that has resulted in variance. E.L.K. Energy has put in place a succession planning process to allow necessary training and transition so that staff due to retire will have time to train and pass on required skill sets to the junior staff.
h) Any over-earnings are dealt with using the existing OEB rules concerning this topic. Up until recently, the E.L.K. shareholder had not received a dividend since 2008. 2021 is the first time a dividend ($200,100) has been declared in years. The dividend was approved unanimously by shareholders.
i) Three of the Board of Directors (Mayor Richard Meloche, Mr. Peter Timmins and Mr. Morley Bowman) are on the Audit Committee. Board members are aware of the actual vs. budget results, the results of the operational reviews and audits and are supportive of the approach of E.L.K.'s management with respect to managing costs and management of variances as discussed in part c) above. There are no specific findings or reports, but budget variances are discussed with the Board as noted in response to part e) above. E.L.K. also has a DSP to follow and will provide updates to the Board on a quarterly basis starting in July 2022.
j) The actual regulated ROE in 2021 was 10.05%.

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?

Response

a) E.L.K. Energy has a Strategic Plan 2022-2026 that has been reviewed and approved by the Board of Directors. See Exhibit 1, Tab 2, Attachment 2 of the Application.

   E.L.K.'s strategic plan includes a commitment to responding to our customer's preferences and a commitment to Operational Effectiveness in which E.L.K. strives for continuous improvement to deliver system reliability.

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.

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.

The Regulatory Framework for Electricity Distributors: A Performance Based Approach ("RRFE Report") issued on October 18, 2012, outlines the following four (4) performance outcomes the OEB 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 four performance outcomes as a basis of developing its plans.

In addition, as a municipally owned utility E.L.K.'s shareholders are municipalities that are directly accountable through the electoral process to the municipal voters, who are also customers of E.L.K.

b) All Board Meeting materials that discuss this rate application or the underlying approved budget (as per 1-SEC-2) are attached as Attachment 2.

To the extent this interrogatory seeks additional information, it is refused on the basis that the information sought is not relevant to the matters at issue in this application.

c) The process of evaluating E.L.K.'s managements performance is as follows:

Performance Reviews are done annually usually before end of May.

- CFO – reviews Supervisor of Finance and Customer Service performance
- CEO – has meetings with CFO and Engineer/Operations Manager to review previous year's performance
- CEO –presents to Audit Committee the review of the management team; any issues or concerns are discussed and addressed
- Audit Committee reviews CEO performance
- Audit Committee – uses the MEARIE Annual Survey as a Benchmark for any increases
- Audit Committee recommendations are then forwarded to the Board for review, discussion and approvals

d) The Management team reports to the Board of Directors semi-annually on the business plan and budget to actual results.

E.L.K. Energy Inc.
(the "Corporation")

Mandate

E.L.K.'s business plan states that the E.L.K. Board and Management work together. 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, and 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 assist the Board in exercising its independent judgement in carrying out its responsibilities.

Board Mandate:

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.

Report to Board

DEPARTMENT: Finance

DATE: January 25, 2022

PREPARED BY: Cheryl Tratechaud

REPORT NUMBER: FRA-22-02AC

SUBJECT: Cost of Service Application Update

PURPOSE

To have the Audit Committee recommend acceptance of the proposed cost of service application – rates.

BACKGROUND

Our cost of service application is close to being filed. In preparation of the filing I wanted to update the Committee on the proposed rates as they would apply to the different customer classes.

DISCUSSION

The table below depicts the total bill impact including rate riders disposed over a 2 year period to smooth the impacts. Be advised that this assumes current 2021 Nov1/2021 electricity rates.

FINANCIAL IMPACT

A residential customer with 750kwh monthly usage would see their 2021 bill of $112.21 drop by -1.29% to $110.77. All the customer classes see a reduction (see below table for specifics) expect the Street Light class which is a 12.30% increase.

RECOMMENDATION(S)/CONCLUSION(S)

To approve the proposed rates in the cost of service application.

2022 Cost of Service Application Proposed Bill Impacts

Distribution Rate Impacts

Rate Class	Monthly Service Charge			Unit of Measure	Distribution Volumetric Charge		
	2021 Current	2022 Proposed	% Diff.		2021 Current	2022 Proposed	% Diff.
Residential	$19.10	$20.81	9.00%	kWh	$-	$-	
General Service < 50 kW	$16.48	$18.51	12.30%	kWh	$0.01	$0.01	46.60%
General Service > 50 kW	$195.44	$195.44	0.00%	kW	$1.65	$1.90	14.70%
Street Lights	$1.23	$1.76	42.80%	kW	$11.95	$17.06	42.80%
Unmetered Loads	$6.70	$7.90	18.00%	kWh	$0.00	$0.00	18.00%
Sentinel Lights	$3.27	$3.70	13.00%	kW	$6.15	$6.96	13.00%
Embedded Distributor	$1,932.35	$1,408.29	-27.10%	kW	$0.29	$-	-100.00%

Total Bill Impacts

Includes rate riders disposed of over 2 year period

Customer Class	Average Volumes		Distribution Portion of Bill (to recover E.L.K.'s Revenue Requirement)				Total Bills (including Electricity, Transmission, Other Charges)			
	Consump	W Deman	2021	2022	Change $	Change %	2021	2022	Change $	Change %
Residential	750		$19.10	$20.81	$1.71	8.97%	$112.21	$110.77	-$1.44	-1.29%
General Service < 50 kW	2,000		$26.88	$33.76	$6.88	25.60%	$271.87	$270.23	-$1.64	-0.60%
General Service > 50 kW	75,000	200	$526.12	$574.67	$48.55	9.23%	$12,087.95	$11,617.77	-$470.18	-3.89%
Street Light	15,583	45	$538.95	$769.42	$230.47	42.76%	$3,498.13	$3,928.37	$430.24	12.30%
Sentinel Light	700	2	$15.58	$17.61	$2.03	13.04%	$98.02	$93.94	-$4.07	-4.16%
Unmetered Scattered Load	650		$7.94	$9.36	$1.43	17.97%	$87.59	$85.97	-$1.62	-1.85%
Embedded Distributor	800,000	2000	$2,507.15	$1,408.29	-$1,098.86	-43.83%	$118,597.79	$117,516.99	-$1,080.80	-0.91%

DEPARTMENT: Finance & Regulatory Affairs

DATE: 21 October 2021

PREPARED BY: Cheryl Tratechaud

REPORT NUMBER: FRA-21-06

SUBJECT: 2022 Cost of Service – Operations, Maintenance & Administrative (OM&A) Expense

PURPOSE

To present to the Board of Directors E.L.K.'s 2022 Cost of Service OM & A Expenditure Plan.

BACKGROUND

BACKGROUND:
E.L.K. continues to work feverishly and diligently on its 2022 Cost of Service Application, together with our 3rd party consultants Borden Ladner Gervais LLP and Elenchus. The planned submission date has been set for December 31, 2021.

As we have continued to work through the Cost of Service Application, E.L.K. has determined a planned Operations, Maintenance & Administrative Expenditure for its 2022 Cost of Service Application in the amount of $3.5M. This is consistent with E.L.K.'s previously approved OM & A 2021 budgeted amount of approximately $3.2M.

The estimated rate impact from a distribution revenue standpoint is an increase of approximately 6-7% for E.L.K. customer classes. This is a reasonable increase which represents E.L.K.'s "ask". The final rate impact will be determined at a much later date once the application is reviewed and vetted by the Ontario Energy Board.

RECOMMENDATION(S)/CONCLUSION(S)

THAT the Board of Directors receive and approve the report as presented.

Appendix 2-JA

Summary of Recoverable OM&A Expenses

	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Bridge Year	2022 Test Year
Reporting Basis	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS	MIFRS
Operations	$ 284,584	$ 273,238	$ 311,700	$ 284,999	$ 387,414	$ 497,943
Maintenance	$ 626,094	$ 696,284	$ 774,109	$ 578,700	$ 804,383	$ 852,630
SubTotal	**$ 910,678**	**$ 969,522**	**$ 1,085,809**	**$ 863,699**	**$ 1,191,797**	**$ 1,350,573**
%Change (year over year)	-2.2%	6.5%	12.0%	-20.5%	38.0%	13.3%
%Change (Test Year vs Last Rebasing Year -						54.0%
Billing and Collecting	$ 635,071	$ 719,649	$ 669,849	$ 551,626	$ 678,651	$ 721,707
Community Relations	$ 3,497	$ 20,967	$ 6,065	$ 3,438	$ 10,000	$ 11,537
Administrative and General	$ 1,099,287	$ 942,515	$ 1,110,166	$ 1,029,074	$ 1,334,836	$ 1,403,687
SubTotal	**$ 1,737,855**	**$ 1,683,130**	**$ 1,786,079**	**$ 1,584,138**	**$ 2,023,487**	**$ 2,136,930**
%Change (year over year)	7.6%	-3.1%	6.1%	-11.3%	27.7%	5.6%
%Change (Test Year vs Last Rebasing Year -						63.1%
Total	**$ 2,648,533**	**$ 2,652,652**	**$ 2,871,888**	**$ 2,447,837**	**$ 3,215,284**	**$ 3,487,503**
%Change (year over year)	4.0%	0.2%	8.3%	-14.8%	31.4%	8.5%

	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Bridge Year	2022 Test Year
Operations	$ 284,584	$ 273,238	$ 311,700	$ 284,999	$ 387,414	$ 497,943
Maintenance	$ 626,094	$ 696,284	$ 774,109	$ 578,700	$ 804,383	$ 852,630
Billing and Collecting	$ 635,071	$ 719,649	$ 669,849	$ 551,626	$ 678,651	$ 721,707
Community Relations	$ 3,497	$ 20,967	$ 6,065	$ 3,438	$ 10,000	$ 11,537
Administrative and General	$ 1,099,287	$ 942,515	$ 1,110,166	$ 1,029,074	$ 1,334,836	$ 1,403,687
Total	**$ 2,648,533**	**$ 2,652,652**	**$ 2,871,888**	**$ 2,447,837**	**$ 3,215,284**	**$ 3,487,503**
%Change (year over year)	4.0%	0.2%	8.3%	-14.8%	31.4%	8.5%

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.

Response:

a) Implementation of the recommendations are in progress. Implementation will be completed by end of May 2022.

b) The engagement letter has been signed and the audit work has commenced. Estimated completion date is September 2022.

c) Full DVA continuity schedule including Accounts 1588 and 1589, up to December 31, 2020, has been provided with responses to interrogatories.

d) GA Analysis Workform has been updated for 2016 to 2020 and is provided in Excel Format as Attachment 1. Expected percentages exceed tolerances. These will be corrected at the conclusion of the proposed audit of these years.

e) E.L.K. Energy would be agreeable to disposing of the balances for 2015. The years 2016 to 2020 exceeded tolerable differences and as a result E.L.K. Energy would seek disposition after the regulatory audit for 2016 to 2020 is completed.

1-SEC-1

Please place on the record in this proceeding all evidence from EB-2016-0066. (Note: It is sufficient for the Applicant to simply agree to deem its evidence in that proceeding on the record for this proceeding and provide a link to the OEB's RDS, as opposed to re-filing all the material).

Response:

Yes. E.L.K. agrees to deem the evidence from the proceeding EB-2016-0066 to be on the record in this proceeding. The link to the evidence in that proceeding can be found at https://www.rds.oeb.ca/CMWebDrawer/Record?q=CaseNumber=EB-2016-0066&sortBy=recRegisteredOn-&pageSize=400

1-SEC-2

[Ex.1] Please provide all material provided to the Applicant's Board of Directors regarding its approval of this application, and the underlying budgets.

Response:

See response to 1-Staff-5

1-SEC-3

[Ex.1] Please provide copies of all benchmarking studies, reports, and analyses that the Applicant has undertaken or participated in since the filing of its last rebasing application in 2017, that are not already included in the application.

Response:

A full list of productivity initiatives and benchmarking studies undertaken by E.L.K. since 2017 have been listed in this application. See Exhibit 1 Tab 2 Schedules 1,2,4 and 5.

1-SEC-4

[Ex.1, Tab 6, p.108] The Applicant has listed a number of productivity initiatives it has undertaken over the last several years. Please provide a full list of all productivity and efficiency measures the Applicant has undertaken since the filing of its last rebasing application in 2017 and quantify the savings. Please explain how the savings were calculated.

Response:

A full list of productivity initiatives and benchmarking studies undertaken by E.L.K. since 2017 have been listed in this application. See Exhibit 1 Tab 2 Schedules 1,2,4 and 5.

1-SEC-5

Please provide details of all productivity and efficiency measures the Applicant plans to undertake in the test year. Please quantify the savings and explain how they were calculated.

Response:

Please see Exhibit 1, Tab 6, Schedule 4 for a discussion of E.L.K.'s Productivity and Continuous Improvement Initiatives.

Achieved financial related productivity savings are reflected in lower work program costs. E.L.K. has not calculated specific productivity savings associated with each initiative as the nature of the initiatives makes it a challenge to quantify such savings.

In the 2022 Test Year, E.L.K. will continue to make productivity and efficiency improvements a priority. Some of the key initiatives include:

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. will be implementing a new capital project management software to integrate with the financial software to allow efficiencies for the management team to evaluate and analyze the projects and adjust as required

6. E.L.K. will be adding a Landlord/Tenant portal to the new website to address Landlord/customer's requests for information.

7. E.L.K. is in the process of implementing a new Budget system in its financial system to allow management to review the over/under variances on a quarterly basis.

The productivity and efficiency improvements of all test year initiatives, including those listed above, have already been factored into E.L.K.'s test year budget forecasts.

1-SEC-6

[Ex.1; EB-2016-0066, 1-SEC-4,] Please provide a step-by-step explanation of the Applicant's budgeting and capital planning process, and explain how that process differs, if at all, from that in place for its EB-2016-0066 application.

Budgeting and capital planning process
Ref: Exhibit #1; EB-2016-0066, 1-SEC-4

Response:

E.L.K.'s asset management (AM) process, which is the foundation to its budgeting and capital planning process, is detailed in Section 5.3 of the DSP (Exhibit 2, Tab 4, Attachment 1, pages 47-52). As explained in this section, E.L.K.'s AM process is broken out into the following steps:

- **Step 1 – Needs Assessment & Evaluation of Alternatives**: The first step of the process corresponds to a needs assessment to identify high level programs and projects that E.L.K. could undertake to address the identified needs. As part of this, an evaluation of different options to address the need is also performed. This step is informed by various inputs and considerations, including asset condition and age information, inspection and maintenance data, outage records, load forecast, and customer surveys.
- **Step 2 – Prioritization Process:** Following the identification of needs and recommended projects and programs, E.L.K. undertakes a prioritization process to identify a list of prioritized projects and programs. When completing its prioritization process, E.L.K. takes into consideration its corporate strategic goals, mission, vision and values, the OEB's performance outcomes and E.L.K.'s planning and AM objectives to determine the highest priority projects.
- **Step 3 – Management and Board Review & Approval:** Following the identification, selection and prioritization processes, the final approval resides with E.L.K.'s management and Board. As part of this step, the list of prioritized projects and programs are reviewed, adjusted (if needed), and approved.
- **Step 4 – Execute Maintenance & Capital Investment Plans:** Once approved, E.L.K. will execute its approved investment plans.
- **Step 5 – Monitor Asset Performance:** Finally, once the projects/programs are complete, the assets are monitored through regular maintenance and inspection and updated information is fed back into the asset database.

Information on E.L.K.'s capital expenditure planning process is also provided in Section 5.4.1 of the DSP (Exhibit 2, Tab 4, Attachment 1, pages 82-88). As explained in this section, the identification, selection, and prioritization processes (i.e., Steps 1 and 2 of the AM process detailed above), vary slightly between investment categories. Key considerations and differences between each investment category are highlighted below.

- **System Access:** The level of investment required for System Access is based on a combination of historical expenditures and the number of anticipated developments over the forecast period, which is informed by consultations with key stakeholders including customers, municipal government, and developers. Since System Access projects are non-discretionary in nature, they are automatically selected and prioritized based on externally driven schedules and needs.
- **System Renewal:** The level of investment required for System Renewal is determine through a combination of asset inspection and testing information, outage information, asset performance, useful life of assets and asset condition. System Renewal projects and programs are discretionary in nature, and as a result, they are prioritized based on risks associated with not undertaking each project, cost/benefit analysis, and the resources and budget available to deliver the projects/programs.
- **System Service:** The level of investment required for System Service is normally informed by forecast load changes, system capacity, customer feedback, and system reliability data. System Service projects are typically discretionary in nature and are therefore prioritized based on risks associated with not undertaking the project, cost/benefit analysis, and the resources and budget available to deliver the projects.
- **General Plant:** The level of investment for General Plant is determined through the assessment of E.L.K.'s fleet, facilities and IT systems, reviewing age, obsoleteness and industry best practices for these areas. General Plant projects are discretionary in nature, and as a result projects are selected and prioritized based on risks associated with not undertaking the project, cost/benefit analysis, and the resources and budget available to deliver the projects.

In addition to developing its five-year expenditure plan for this DSP, E.L.K. uses these same processes to optimize and update its budget and plans each year for the following year based on the latest information available.

Since issuing the 2016 DSP, E.L.K. has had a significant change in personnel and has undertaken a fundamental review and update of its AM process. The updated AM process clearly identifies the inputs that are used at various process points. The updated AM process takes account of E.L.K.'s updated corporate goals. It also includes clear decision points when programs, projects, capital and operational budgets are reviewed and

approved. In addition, E.L.K.’s process now includes a clear indication that the process is iterative, with latest information on asset condition, inspection and maintenance data, information from completed capital projects, and updates from third-party engagements are regularly updated and inputted into the process. Additional information on some of the changes to ELK’s AM process are outlined in Section 5.2.1.6 of the DSP (Exhibit 2, Tab 4, Attachment 1, pages 17-18).

1-SEC-7

[Ex.1; EB-2016-0066, 1-SEC-5] Have the metrics and measures that the Applicant's management and Board of Directors use to monitor its performance changed since 2017? If so, please provide details.

Response:

E.L.K Energy management and Board have used the same metrics and measures since 2017.

1-SEC-8

Please revise the following appendices (and also file in excel format) to include 2021 actuals and explain any material variances between 2021 forecast and actual amounts:

a. 2-AA
b. 2-AB
c. 2-BA
d. 2-H
e. 2-JA
f. 2-JB
g. 2-JC

Response:

The listed appendices have been updated in the revised Chapter 2 Appendices filed with interrogatories. Differences by account category are provided in the table below.

App.	Account Category	2021 Forecast	2021 Actual	Difference
Capital Expenditures				
2-AB	System Access	$659,428	$564,650	$(94,778)
	System Renewal	$152,494	$460,683	$308,189
	System Service	$-	$-	$-
	General Plant	$474,553	$488,144	$13,591
	Capital Contributions	$(467,951)	$(467,951)	$-
	Total Capital Expenditures	**$818,524**	**$1,045,526**	**$227,002**
OM&A				
2-JA	Operations	$387,414	$267,080	$(120,334)
	Maintenance	$804,383	$600,972	$(203,411)
	Billing and Collecting	$678,651	$591,772	$(86,879)
	Community Relations	$10,000	$3,895	$(6,105)
	Administrative and General	$1,334,836	$1,472,889	$138,053
	Total OM&A	**$3,215,284**	**$2,936,608**	**$(278,676)**
Other Revenues				
2-H	Specific Service Charges	$91,153	$172,365	$81,212
	Late Payment Charges	$79,871	$100,165	$20,294
	Other Operating Revenues	$5,000	$77,140	$72,140
	Other Income or Deductions	$410,318	$329,285	$(81,033)
	Total Other Revenues	**$586,342**	**$678,955**	**$92,613**

System Access capital expenditures were $94,778 lower than forecast because a system access project planned for 2021 was delayed to 2022. System Renewal capital expenditures were $308,189 higher than forecast because four Highway 3 – MTO projects were completed in 2021.

Operations OM&A was $120,334 below forecast and Maintenance OM&A was $203,411 below forecast because work programs that involved transformers were delayed due to the delayed receipt of transformers ordered in Jan/2021 that did not arrive until 2022 due to COVID supply chain issues.

Billing and Collecting OM&A was $86,879 below forecast due to less expenses incurred for collections processes due to COVID shutdowns and customer service representatives success in encouraging customers to take advantage of the programs for financial relief. Administrative and General OM&A was $138,053 above forecast because extra costs to complete the paperless project to move customer files to online and elimination of filing cabinet system.

Specific Service Charges revenue was $81,212 above forecast because of increased unanticipated customer requests for extra service requests. Variances of Other Operating Revenues and Other Income or Deductions are caused by a change in rental revenues from 4385 Non-Rate Regulated Utility Rental Income to 4210 Rent from Electric Property

1-SEC-9

Please provide a copy of any OEB initiated audit since 2017.

Response:

The Operational Review, Regulatory Audit and ACA Assessment are included in this application as Exhibit 1 Tab 3 Section 9 attachments 1, 2, and 4 respectively

The Ontario Electricity Rebate (OER) audit is the only other OEB initiated audit since 2017 and is attached to this interrogatory response.

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

BY EMAIL

April 13, 2022

Cheryl Tratechaud
Chief Financial Officer, Director Stakeholder Relations
E.L.K. Energy Inc.
172 Forest Avenue
Essex ON N8M 3E4
ctratechaud@elkenergy.com

Dear Ms. Tratechaud:

Re: Inspection of E.L.K. Energy re: Ontario Electricity Rebate

The Ontario Energy Board's (OEB) Inspection & Enforcement department has completed its inspection of E.L.K. Energy Inc.'s (E.L.K.) processes related to the calculation, billing, recording and settlement with the Independent Electricity System Operator (IESO) of monthly Ontario Electricity Rebate (OER) amounts.

Based on our review, E.L.K. provided OER to eligible consumers in compliance with Sections 2 and 2.1 of O.Reg. 363/16 under the *Ontario Rebate for Electricity Consumers Act, 2016* (ORECA). We also found that E.L.K. presented information on consumer bills in compliance with O.Reg. 364/16 under ORECA and O.Reg. 275/04 and O.Reg. 314/19 under the *Ontario Energy Board Act, 1998*.

As you are aware by the Notice of Inspection dated June 4, 2021, OEB staff commenced the inspection as a result of our analysis of information reported by E.L.K. with regard to its monthly OER claims for reimbursement from the IESO.

As part of the inspection, OEB staff obtained an understanding of E.L.K.'s processes related to OER, including the accounting and monthly settlement of OER with the IESO. Upon further OEB staff inquiries, E.L.K. determined that it had omitted retailer-billed OER amounts in the claims made to the IESO for the period of January 2020 to September 2021. As a result, E.L.K. had under-claimed a total of $1,025,964 for

reimbursement from the IESO. E.L.K. has since submitted this claim adjustment from the IESO.

We also noted that E.L.K. continued to account for and settle monthly OER amounts on a billed basis. E.L.K. has confirmed beginning May 2022 onward, it will accrue monthly OER amounts in accordance with the OEB's February 2021 accounting order related to OER transactions.

OEB staff also obtained and analyzed 60 bill samples for the December 2020 to February 2021 period to confirm the accuracy of E.L.K.'s OER calculations and the presentation of OER amounts on consumer bills. We did not identify any concerns from our review.

We thank you for your cooperation and assistance. Please do not hesitate to contact the undersigned directly should you have any questions.

Yours truly,

Tony Stanco
Manager, Inspection & Enforcement
Phone: (416) 440-7614
Fax: (416) 440-7656
Email address: Tony.Stanco@oeb.ca

1-SEC-10

Please provide a copy of the Applicant's 2021 financial statements.

Response:

E.L.K. Energy's 2021 financial statements are filed as an attachment to this interrogatory response.

Non-Consolidated Financial Statements of

E.L.K. ENERGY INC.

And Independent Auditors' Report thereon

Year ended December 31, 2021

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, 2021
- 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, 2021, 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.

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada
Date

E.L.K. ENERGY INC.

Non-Consolidated Statement of Financial Position

December 31, 2021, with comparative information for 2020

	Note	2021	2020
Assets			
Current assets			
Cash and cash equivalents	5	$ 5,934,555	$ 6,226,867
Accounts receivable	6	3,696,767	3,877,087
Due from related parties	22	89,196	306,582
Income taxes receivable		64,710	-
Unbilled revenue		2,524,095	3,441,309
Inventory	7	531,392	375,996
Prepaid expenses		259,580	90,708
Total current assets		13,100,295	14,318,549
Non-current assets			
Investments	8	104,027	83,643
Property, plant and equipment	9	12,151,108	11,319,229
Deferred tax assets	10	-	19,682
Total non-current assets		12,255,135	11,422,554
Total assets		25,355,430	25,741,103
Regulatory balances	11	6,704,139	4,376,748
Total assets and regulatory balances		$ 32,059,569	$ 30,117,851
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12	$ 3,391,620	$ 4,738,832
Due to related parties	22	597,218	589,999
Customer deposits		1,900,766	2,055,830
Deferred revenue		1,625,358	995,656
Income taxes payable		-	38,319
Bank debt	13	2,200,000	2,600,000
Total current liabilities		9,714,962	11,018,636
Non-current liabilities			
Post-employment benefits	14	517,575	423,785
Deferred tax liabilities	10	120,357	-
Total non-current liabilities		637,932	423,785
Total liabilities		10,352,894	11,442,421
Equity			
Share capital	15	2,000,100	2,000,100
Contributed surplus		4,402,375	4,402,375
Retained earnings		6,401,334	5,748,833
Accumulated other comprehensive income		110,523	196,657
Total equity		12,914,332	12,347,965
Total liabilities and equity		23,267,226	23,790,386
Regulatory balances	11	8,792,343	6,327,465
Commitments and contingencies	21		
Total liabilities, equity and regulatory balances		$ 32,059,569	$ 30,117,851

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, 2021, with comparative information for 2020

	Notes	2021	2020
Revenue			
Sale of energy		$ 31,943,320	$ 36,926,113
Distribution revenue	16	3,731,585	3,763,721
Other	17	900,976	1,000,973
		36,575,881	41,690,807
Other expenses			
Cost of power purchased		31,917,448	40,148,609
Administration expenses		1,869,864	1,572,881
Distribution expenses	19	976,038	932,421
Depreciation and amortization		671,741	631,934
		35,435,091	43,285,845
Income (loss) from operating activities		1,140,790	(1,595,038)
Net finance income	20	158,142	121,162
Income (loss) before income taxes		1,298,932	(1,473,876)
Income tax expense	10	308,844	468,914
Net income (loss) for the year		**990,088**	**(1,942,790)**
Net movement in regulatory balances, net of tax	11	(137,487)	3,091,276
Net income for the year and net movement in regulatory balances		**852,601**	**1,148,486**
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefits	14	(117,189)	38,285
Tax on remeasurement	10	31,055	(10,070)
Other comprehensive income (loss) for the year		(86,134)	28,215
Total comprehensive income for the year		$ 766,467	$ 1,176,701

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, 2021, with comparative information for 2020

	Share Capital	Contributed Surplus	Retained Earnings	Accumulated other comprehensive income	Total
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
Balance at January 1, 2021	$ 2,000,100	$ 4,402,375	$ 5,748,833	$ 196,657	$ 12,347,965
Net income and net movement in regulatory balances	-	-	852,601	-	852,601
Other comprehensive loss	-	-	-	(86,134)	(86,134)
Dividends	-	-	(200,100)	-	(200,100)
Balance at December 31, 2021	$ 2,000,100	$ 4,402,375	$ 6,401,334	$ 110,523	$ 12,914,332

See accompanying notes to the non-consolidated financial statements.

E.L.K. ENERGY INC.

Non-Consolidated Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Operating activities		
Net income	$ 852,601	$ 1,148,486
Adjustments for:		
Depreciation and amortization	671,741	631,934
Amortization of deferred revenue	(358,415)	(328,061)
Post-employment benefits	23,399	8,487
Remeasurement of post-employment benefits	(117,189)	38,285
Gain on sale of property, plant and equipment	(5,000)	-
Unrealized (gain) loss on investments	(20,384)	3,852
Income tax expense	308,844	468,914
	1,355,597	1,971,897
Changes in non-cash operating working capital:		
Accounts receivable	180,320	(2,638,421)
Due to/from related parties	224,605	(125,184)
Unbilled revenue	917,214	1,703,055
Inventory	(155,396)	(19,075)
Prepaid expenses	(168,872)	70,021
Accounts payable and accrued liabilities	(1,347,212)	204,390
Customer deposits	(155,064)	172,885
	(504,405)	(632,329)
Regulatory balances	137,487	(1,078,362)
Income tax paid	(370,488)	(209,409)
Net cash from operating activities	618,191	51,797
Investing activities		
Purchase of property, plant and equipment, net	(1,513,620)	(1,757,039)
Proceeds on disposition of property, plant and equipment	15,000	-
Contributions received from customers	988,117	529,593
Net cash used by investing activities	(510,503)	(1,227,446)
Financing activities		
Repayment of bank debt	(400,000)	(500,000)
Net cash used by financing activities	(400,000)	(500,000)
Change in cash and cash equivalents	(292,312)	(1,675,649)
Cash and cash equivalents, beginning of year	6,226,867	7,902,516
Cash and cash equivalents, end of year	$ 5,934,555	$ 6,226,867

See accompanying notes to the non-consolidated financial statements.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements

Year ended December 31, 2021

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, 2021.

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 DATE.

(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) 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.

2. Basis of preparation (continued):

(e) Use of estimates and judgements:

(i) Assumptions and estimation uncertainty:

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.

(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.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2021

2. Basis of preparation (continued):

(f) Rate regulation (continued):

(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.

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. On November 2, 2020, the Corporation submitted an IRM Application to the OEB requesting approval to change distribution rates effective May 1, 2021. The IRM Application, which provided a mechanistic and formulaic adjustment to distribution rates and charges, was approved by the OEB on March 25, 2021. The GDP IPI-FDD for 2021 is 2.20%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.60%, resulting in a net adjustment of 1.60% to the previous year's rates.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2021

2. Basis of preparation (continued):

(f) Rate regulation (continued):

(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.

In 2021, the OEB also adjusted the Regulated Price Plan (RPP) prices in January and February 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.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2021

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

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:

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, 2021

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.

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.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2021

3. Significant accounting policies (continued):

(d) Property, plant and equipment:

The estimated useful lives are as follows:

	Years
Buildings	50
Distribution and metering equipment	10 - 60
Other assets	5 – 15

(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, 2021

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.

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.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2021

3. Significant accounting policies (continued):

(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.

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.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2021

3. Significant accounting policies (continued):

(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.

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.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2021

4. Standards issued but not yet adopted:

The following standards, which are not yet effective for the year ended December 31, 2021, 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.

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.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2021

5. Cash and cash equivalents:

	2021	2020
Bank balances - unrestricted	$ 4,721,269	$ 4,833,275
Bank balance - restricted	1,213,286	1,393,592
Cash and cash equivalents in the statements of cash flows	$ 5,934,555	$ 6,226,867

Restricted cash relates to contractor security deposits.

6. Accounts receivable:

	2021	2020
Trade receivables	$ 3,860,904	$ 3,821,964
Other trade receivables	481,654	683,139
Allowance for doubtful accounts	(645,791)	(628,016)
	$ 3,696,767	$ 3,877,087

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 2021 was $130,727 (2020 - $367,214).

Amounts written down due to obsolescence in 2021 was $nil (2020 - $nil).

8. Investments:

	2021	2020
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	103,926	83,542
	$ 104,027	$ 83,643

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2021

9. Property, plant and equipment:

	Land and buildings	Distribution equipment	Other fixed assets	Total
Cost or deemed cost				
Balance at January 1, 2021	$ 181,538	$14,108,849	$1,306,706	$15,597,093
Additions	8,954	1,025,476	479,190	1,513,620
Disposals	(10,000)	-	-	(10,000)
Balance at December 31, 2021	$ 180,492	$15,134,325	$1,785,896	$17,100,713
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
Accumulated depreciation				
Balance at January 1, 2021	$ 46,770	$ 3,686,135	$ 544,959	$4,277,864
Depreciation	12,329	534,036	125,376	671,741
Balance at December 31, 2021	$ 59,099	$ 4,220,171	$ 670,335	$4,949,605
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
Carrying amounts				
At December 31, 2021	$ 121,393	$10,914,154	$1,115,561	$12,151,108
At December 31, 2020	$ 134,768	$10,422,714	$ 761,748	$11,319,229

10. Income tax expense:

Current year tax expense:

	2021	2020
Current year	$ 308,844	$ 468,914
	$ 308,844	$ 468,914

Significant components of the Corporation's deferred tax balances are as follows:

	2021	2020
Deferred tax assets (liabilities):		
Property, plant and equipment	$ (745,631)	$ (398,176)
Cumulative eligible capital	50,000	53,764
Post-employment benefits	187,580	112,303
Deferred revenue	629,702	263,849
Other	(20,382)	(12,058)
	$ (120,357)	$ 19,682

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2021

11. Regulatory balances:

Reconciliation of the carrying amount for each class of regulatory balances

Regulatory deferral account debit balances	January 1, 2021	Additions	Recovery/ reversal	December 31, 2021
Group 1 deferred accounts	$ 2,801,276	$14,246,700	$(11,301,246)	$ 5,746,730
Regulatory settlement account	176,494	38,333	-	214,827
Regulatory transition to IFRS	39,587	-	-	39,587
Regulatory settlement account	926,619	134,385	(650,742)	410,262
Income tax	432,772	-	(140,039)	292,733
	$ 4,376,748	$14,419,418	$(12,092,027)	$ 6,704,139

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 credit balances	January 1, 2021	Additions	Recovery/ reversal	December 31, 2021
Group 1 deferred accounts	$ 5,366,238	$20,778,499	$(18,389,252)	$ 7,755,485
Other regulatory account	149,534	65,269	(38,398)	176,405
Income tax	343,249	-	-	343,249
Regulatory settlement account	468,444	146,131	(97,371)	517,204
	$ 6,327,465	$20,989,899	$(18,598,773)	$ 8,792,343

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

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, 2021

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 $338,797 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 2021, the rate was 0.57% for the period January to December (in 2020, the rate was 2.18% in the first quarter, 0.57% in the second through fourth quarters).

12. Accounts payable and accrued liabilities:

	2021	2020
Trade payables	$ 1,673,127	$ 3,019,085
Accrued expenses	1,718,493	1,719,747
	$ 3,391,620	$ 4,738,832

13. Bank debt:

(a) Bank debt consists of:

	2021	2020
One year term loan with interest rate of 1.127% (2020 – 1.36%) repayable in full on or before maturity of July 2022 secured by a general security agreement	$ 2,200,000	$ 2,600,000

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2021	2020
Bank debt, balance at January 1	$ 2,600,000	$ 3,100,000
Repayment of borrowings	400,000	500,000
Balance, December 31	$ 2,200,000	$ 2,600,000

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2021

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 2021, the Corporation made employer contributions of $176,227 to OMERS (2020 - $171,986). The Corporation estimates that a contribution of $198,000 to OMERS will be made during the next fiscal year.

As at December 31, 2021, OMERS had over 541,000 members, of whom 14 are current employees of the Corporation. The most recently available OMERS annual report is for the year ended December 31, 2021, which reported that the plan was 97% funded (2020 - 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. The most recent valuation was completed December 31, 2021.

Reconciliation of the obligation	2021	2020
Defined benefit obligation, beginning of year	$ 423,785	$ 470,557
Included in profit or loss		
Current service cost	5,982	7,730
Interest cost	8,160	13,783
	14,142	21,513
Included in OCI		
Actuarial (gain) loss arising from:		
changes in demographic and financial assumptions	117,189	(38,285)
	117,189	(38,285)
Benefit payments	(37,541)	(30,000)
Defined benefit obligation, end of year	$ 517,575	$ 423,785

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2021

14. Post-employment benefits (continued):

(b) Post-employment benefits other than pension (continued):

Actuarial assumptions	2021	2020
General inflation	2.25%	2.25%
Discount (interest) rate	2.50%	2.00%
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 $21,000. A 1% decrease in the assumed medical trend rate would result in the defined benefits obligation decreasing by $20,000.

15. Share capital:

	2021	2020
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:

	2021	2020
Residential	$ 2,491,923	$ 2,623,003
Commercial	435,290	446,274
Large users	719,796	578,766
Other	84,576	115,678
Total distribution revenue	$ 3,731,585	$ 3,763,721

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2021

17. Other revenue:

	2021	2020
Rendering of services	$ 418,387	$ 400,925
Contributions received from customers	358,415	529,593
Government grants & incentives under CDM programs	58,620	4,092
Rental income	65,554	66,363
	$ 900,976	$ 1,000,973

18. Employee salaries and benefits:

	2021	2020
Salaries, wages and benefits	$ 1,674,880	$ 1,625,317
CPP and EI remittances	70,546	66,948
Contributions to OMERS	176,227	171,986
Post-employment benefit plans	20,984	21,513
	$ 1,942,637	$ 1,885,764

19. Distribution expenses:

	2021	2020
Labour	$ 241,750	$ 226,347
Materials, supplies, maintenance	668,849	637,352
Other	65,439	68,722
	$ 976,038	$ 932,421

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2021

20. Finance income and costs:

	2021	2020
Finance income		
Late payment charges	$ 100,165	$ 86,403
Unrealized gain on investments	20,384	-
Interest income on bank deposits	78,841	150,442
	199,390	236,845
Finance cost		
Interest expense on bank debt	34,536	54,642
Unrealized loss on investments	-	3,852
Other	6,712	57,189
	41,248	115,683
Net finance income recognized in profit or loss	$ 158,142	$ 121,162

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, 2021, 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.

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2021

22. Related party transactions (continued):

(b) Outstanding balances due from (due to) with related parties:

	2021	2020
Parent company, included in accounts receivable	$ 34,987	$ 34,313
Subsidiary, included in accounts receivable	54,209	272,269
	$ 89,196	$ 306,582
Parent company payables	$ (597,218)	$ (589,999)

(c) Transactions with parent:

During the year, the Corporation paid provision of services fees to its parent in the amount of $597,218 (2020 - $589,999).

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:

	2021	2020
Directors' fees	$ 23,730	$ 23,381
Salaries and other short-term benefits	424,000	415,739
Post-employment benefits	5,086	5,088
	$ 452,816	$ 444,208

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2021

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.

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, 2021 is $645,791 (2020 - $628,016). An impairment loss of $17,775 (2020 – reversal of $24,354) 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, 2021, approximately $1,252,323 (2020 - $1,055,390) 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, 2021, the Corporation holds security deposits in the amount of $1,900,766 (2020 - $2,055,830).

E.L.K. ENERGY INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2021

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, 2021 would have increased interest expense on the long-term debt by $22,000 (2020 - $26,000), 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, 2021, shareholder's equity amounts to $12,914,332 (2020 - $12,347,965).

1-SEC-11

[Ex.1, Tab 3, Attachment 2] With respect to the KPMG Operational Review:

a. Please provide details of the KPMG employees who were responsible for the operational review and provide their qualifications.
b. Please confirm that KPMG found not issues with respect to the Applicant's distribution system planning information, processes and procedures.
c. Please explain how KPMG did not identify as a concerns the documented findings in the statement of facts included in the Assurance of Compliance (February 28, 2022).

Response:

a. Details are provided below.

Brian Bost – Engagement Partner

Brian has more than 29 years of experience focused on the provision of internal audit, external audit and other advisory services gained during his employment with KPMG and the Office of the Auditor General.

Bruce Peever – Engagement Manager & Lead Consultant

Bruce is a Director with KPMG's Public Sector practice. He is an accomplished local government executive with over 17 years of experience with a number of different sized Canadian municipalities. Bruce holds a Bachelor of Arts (Political Science) from Bishop's University, a Master of Arts (Political Science) from Wilfrid Laurier University and an MBA from Queen's University

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Philip Mostert – Financial & Distribution Planning Lead

Philip Mostert is a Senior Manager with the Internal Audit practice in Ottawa, ON. Philip has over 30 years' experience in a broad spectrum of financial and risk management engagements in the public and private sectors.

b. In accordance with Section 4 of KPMG Operational Review, 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 in the report.

c. As set out in section 1 of the KPMG Operational Review, KPMG was engaged by ELK to help respond to the second undertaking in the October 5, 2017 settlement proposal to conduct specified procedures to review operations at ELK to help inform management for their creation of a plan to address and support ELK's resourcing requirements. The Assurance of Voluntary compliance dealt with the third undertaking, which was outside the scope of KPMG's review.

1.0-VECC-1

Reference: Exhibit 1, Tab 2, page 16

a) What is the proportion of customers receiving e-bills?
b) In the last month (or most recent period for which ELK has records) please provide a breakdown of the methods of payment (e.g., mail cheque, e-payment, bank, or in person cash/cheque).
c) What program(s) does ELK have to encourage customers to move to e-billing and online or bank payment?

Response:

a) The number of E.L.K. customer receiving e-bills is 23.8% of the total number of E.L.K. customers

b) Please see the table below.

E.L.K. Energy customer payments by method		**Mar-22**
Method of payment	**Number of payments**	**Percentage**
Debits-in office	45	0.3%
Mail cheque	301	1.8%
e-payment	8,171	48.9%
Paymentus	82	0.5%
In person cash/chq	24	0.1%
PAP	8,084	48.4%
Total	**16,707**	**100.00%**

c) ELK does not have a current program to encourage customers to move to e-billing. Customer Service staff explain to customer's the benefits of moving to e-billing. With the role-out of E.L.K.'S new website; mobile application and Green Button Project this year, E.L.K. plans to look at e-bill incentives like Aeroplan miles etc.

1.0-VECC-2

Reference: Exhibit 1, Tab 2, Attachment 2

a) Please update the ELK Scorecard to include 2021 results.

Response:

a) Please see scorecard provided as Attachment 1 to this interrogatory response. Please note that the scorecard is in draft form and is subject to further refinement prior to finalizing and filing with the OEB.

E.L.K. 2021 SCORECARD		2021	2020	2019	2018	2017	2016
SERVICE QUALITY	NEW RES/BUS SERV CONNECT ON TIME	99.59%	99.5	99.34	99.04	94.44	93.9
	SCHEDULED APPTS MET ON TIME	100%	99.07	100	100	98.63	98.9
	TELEPHONE CALLS ANSWERED ON TIME	91.20	95.08	97.69	96.25	96.6	97.2
CUSTOMER SATISFACTIO	FIRST CONTACT RESOLUTION - RESPONSE TO EMAIL/TELELPHONE AND RESOLVED	EXCELLENT	same				
	BILLING ACCURACY	99.97	99.95	99.96	99.96	99.99	99.97
	CUSTOMER SATISFACTION SURVEY RESULTS	92.41	91	91	90	90	88
SAFETY	LEVEL OF PUBLIC AWARENESS	83	83	83	82	82	78
	LEVEL OF COMPLIANCE WITH ONTARIO REG 22/04	C	C	C	C	C	C
	Serious Electrical Incident Index - Number of General public incidents	0	0	0	0	0	0
	Serious Electrical Incident Index - Rate per 10,100,1000 km of line	0	0	0	0	0	0
System Reliability	Average # of hours that power to Customer is interrupted	3.21	3.34	1.85	1.63	0.63	0.25
	Average number of Times that Power to a Customer is Interrupted	0.88	1.15	0.72	0.48	0.21	0.09
Asset Management	Distribution System Plan Implementation Progress	In Progress	In Progress	In Progress	In Progress	In Progress	In Progress
Cost Control	Efficiency Assessment	1	1	1	1	1	1
	Total Cost per Customer	$338.07	$380.00	418	402	394	416
	Total cost per km of line	$24,503.29	$28,537.00	$31,613.00	$30,795.00	$30,987.00	$31,239.00
Connection of Renewable Generation							
Financial Ratios	Current Ratio - Current Assets/Current Liabilities	1.35	2.67	2.95	2.51	1.85	2.04
	LEVERAGE TOTAL DEBT (SHORT TERM AND LONG TERM) TO EQUTY RATIO	0.17	0.21	0.28	0.35	0.43	0.52
	PROFITABILITY : REGULATORY RETURN ON EQUITY						
	DEEMED INCLUDED IN RATES	8.78	8.78	8.78	8.78	8.78	9.12
	ROE ACHIEVED	10.06	11.76	9.66	16.17	11.15	8.39

2021 Scorecard Management Discussion and Analysis ("2021 Scorecard MD&A")

The link below provides a document titled "Scorecard - Performance Measure Descriptions" that has the technical definition, plain language description and how the measure may be compared for each of the Scorecard's measures in the 2021 Scorecard MD&A:

http://www.ontarioenergyboard.ca/OEB/_Documents/scorecard/Scorecard_Performance_Measure_Descriptions.pdf

Scorecard MD&A - General Overview

- In 2021, E.L.K. Energy Inc. (E.L.K.) exceeded its performance targets. In 2022, E.L.K. will continue to strive to achieve positive scorecard results and continue to look for ways to improve the customer experience.

Service Quality

- **New Residential/Small Business Services Connected on Time**

In 2021, E.L.K. connected 99.50% of approximately 240 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%.

- **Scheduled Appointments Met On Time**

In 2021, E.L.K. scheduled approximately 174 appointments with customers in 2021 to complete work requested by customers, read meters, reconnect, or otherwise necessary to perform. E.L.K. met 100% of these appointments on time, which significantly exceeds the industry target of 90%.

- **Telephone Calls Answered On Time**

In 2021, E.L.K. customer service agents received approximately 11,559 calls from its customers. An agent answered a call in 30 seconds or less in 91.20% of these calls which is consistent with 2020. This result significantly exceeds the OEB – mandated 65% target for timely call response.

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 experience. E.L.K. also conducted a survey for E.L.K.'s COS and produced positive results. The number of customer issues that required escalation after the first contact were minimal.

- **Billing Accuracy**

In 2021, E.L.K. issued approximately 149,000 electricity bills and achieved a billing accuracy of 99.96%. This compares favorably to the prescribed OEB target of 98%.

- **Customer Satisfaction Survey Results**

In 2021, as part of Active engagement with customers, E.L.K. understands its customer preferences and assists the organization in shifting focus in order to deliver services in alignment with customer needs. A recent study conducted by Survey Monkey, indicated that 92.41% of respondents were satisfied.

Safety

- **Public 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, Twitter, 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 2021 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 2021 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.

System Reliability

- **Average Number of Hours that Power to a Customer is Interrupted**

In 2021, E.L.K.'s average number of hours that power to a customer was interrupted was 3.2. This decrease from 2020.

- **Average Number of Times that Power to a Customer is Interrupted**

In 2021, E.L.K.'s average number of times that power to a customer was interrupted (i.e. frequency) was .87 which is lower than previous year.

Asset Management

- **Distribution System Plan Implementation Progress**

Currently in process

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 seven utilities in Group 1 in 2020. Results not available for 2021

- **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 $338/customer, and a 5 year average of $386/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 $25,503 per Km of line, which is lower than 2020.

Conservation & Demand Management

- **Net Cumulative Energy Savings**

E.L.K. Continues to finalize the wind-down of conservation and demand management as directed by the Ontario Energy Board and IESO.

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 2021, there were no new microFIT connections as the program has ceased.

Financial Ratios

- **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 1.34.

- **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 is more highly leveraged than the 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 0.71 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 an expected return on equity of 8.78%. E.L.K. Rate is 10.05%.

- **Profitability: Regulatory Return on Equity – Achieved**

E.L.K.'s actual rate of return is within the +-300 basis points deadband.

Note to Readers of 2020 Scorecard MD&A

The information provided by distributors on their future performance (or what can be construed as forward-looking information) may be subject to a number of risks, uncertainties and other factors that may cause actual events, conditions or results to differ materially from historical results or those contemplated by the distributor regarding their future performance. Some of the factors that could cause such differences include legislative or regulatory developments, financial market conditions, general economic conditions and the weather. For these reasons, the information on future performance is intended to be management's best judgement on the reporting date of the performance scorecard, and could be markedly different in the future.

Exhibit 2 – Rate Base

2-Staff-7

Rate Base
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.

Response:

a) While the Kinectrics ACA report is predominately based on age, E.L.K. did commission EDM International Inc. to undertake pole testing. The results of this testing have been used to create an asset condition assessment for poles. This report is included in Exhibit 2, Tab 4, Attachment 1, pages 167-189.

   In addition, since the asset groups assessed in the Kinectrics ACA report had age data only, age failure curves were used to determine the condition rather than using a straight typical useful life (TUL) target. This is another improvement.

   As explained in the response to part c) below, E.L.K. has also taken steps to improve its knowledge of asset condition since the completion of the ACA and pole testing reports, and further improvements are planned over the forecast period.

b) The following table summarizes the "high priority" asset data gaps identified in the ACA, along with E.L.K.'s action plan to address it:

Asset Type	Data Gap	Parent Condition Parameter	E.L.K. Action Plan
Pole Mounted Transformers	Oil Leak	Connection and Insulation Condition	Undertake on-site three-yearly visual inspection
Pad Mounted Transformers	Oil Leak	Connection and Insulation Condition	Undertake on-site three-yearly visual inspection
Overhead Line Switches	Motor Mechanism	Operation Mechanism	Undertake on-site three-yearly visual inspection. E.L.K. only has four load break switches, so is not planning on undertaking any further testing at this stage.
Pad Mounted Switchgear	Fuse Holder	Switch/Fuse Condition	Undertake on-site three-yearly visual inspection
Underground Cables	Dielectric Loss	Insulation	At this stage E.L.K. is not planning to undertake any on-site testing as it is extremely costly. E.L.K. is assessing other options which may be more appropriate.
Underground Cables	Fault Rate at Segment Level	Service Record	Update Asset Record and Failure Database when Faults occur.
All Asset Types	Historic Removal Record		Update Asset Record indicating date of removal, reason for removal, and mark as removed from service.

E.L.K. is also undertaking pole testing on a three-year cycle. Additionally, E.L.K. will undertake IR Thermographic scanning of load break, in-line switches, cut-out arrestors, transformer's, primary and secondary bushings, and Tie points between HONI and E.L.K.

c) While there is a ten-year "flagged for action" plan indicated in the Kinectrics ACA report, this plan represents only one of the many factors that E.L.K. considered when developing its asset investment plan. Pole testing data, ad-hoc visual inspections, and customer impacts are a few examples of other factors that were considered and reflected in E.L.K.'s investment plan. As a result, E.L.K.'s

investment plan is supported by more than just the “flagged for action” plan provided in the Kinectrics ACA. E.L.K.’s full planning process is detailed in Section 5.3 of the DSP (Exhibit 2, Tab 4, Attachment 1, pages 47-52). In addition, E.L.K.’s largest system renewal investment is its pole replacement program, for which E.L.K. does have sufficient data to understand the condition.

Since completion of the ACA report, E.L.K. has also taken numerous steps to improve its collection of asset condition data and will continue to make improvements over the forecast period. This includes implementing updated work order forms to document inspections associated with work orders, hiring a third-party firm to perform asset inspection and creating a more formalized record-keeping of asset inspections. These improved processes and data will be used in to inform any necessary modifications to E.L.K.’s asset replacement plan over the forecast period.

d) Yes, E.L.K. has an asset registry.

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?

Response:

a) E.L.K.'s underspending in system renewal over the past 5 years was driven by a number of factors, including:

- Reprioritization of system renewal budgets to accommodate non-discretionary, mandatory, and higher priority projects while remaining within overall budget envelopes.
- Some planned system renewal work was delayed because of supply chain issues and material delays resulting from the COVID-19 pandemic.
- Some planned system renewal work was also delayed as a result of resource constraints and impacts from E.L.K.'s key management staff turnover.

A more detailed assessment of the annual system renewal budget variances exceeding +/- 10% is also included in Section 5.4.2.2 of the DSP (Exhibit 2, Tab 4, Attachment 1, pages 90-92).

b) SAIDI, SAIFI and CAIDI are the key reliability indicators currently used by E.L.K. to monitor the overall system reliability, and E.L.K. also tracks outage statistics including root causes on a regular basis (please refer to Exhibit 2, Tab 4, Attachment 1, Section 5.2.3.1.5 pages 29-37 for additional details on E.L.K.'s historical reliability performance). However, this information is provided on a system-wide basis, and E.L.K. does not currently have the data or means to determine the reliability impacts specifically associated with the historical underspending of its system renewal budgets.

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.

Response:

a) The statement in reference 2 is incorrect. The 24 Pearl King Kingsville building was sold to the Town of Kingsville in 2016, not 2017. The associated disposal entries are included under Accounts 1905 and 1908 of the 2016 fixed asset continuity schedule (Exhibit 2, tab 1, page 7):

- Account 1905 – Disposal: $89,356
- Account 1908 – Disposal: $249,155

b) Confirmed. The gain from the sale of the asset was included in 2016 under the following accounts:

- Account 4355 - Gain on Disposition: $50,259
- Account 1508 - 09 Regulatory Asset Gain on Disposition: $50,259

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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.

Response:

a) Although E.L.K.'s proactive pole and transformer replacement programs are not new programs, E.L.K. is proposing to increase capital investment within these programs over the forecast period to help improve reliability of service.

Table 5.2-9 of the DSP (recreated below) presents the historical outage counts broken down by cause code for the historical period. As seen in this table, cause code #5 "Defective Equipment" was the top contributing cause of outages and accounted for nearly 37% of the total outages experienced by E.L.K. between 2016 and 2020.

Table 5.2-9: Number of Outages by cause codes - Excluding MEDs

Cause Code	2016	2017	2018	2019	2020	Total Outages	Percent Share
0-Unknown/Other	1	8	6	3	8	26	5.86%
1-Scheduled Outage	9	8	24	8	4	53	11.94%
2-Loss of Supply	1	0	7	7	11	26	5.86%
3-Tree Contacts	2	3	16	12	14	47	10.59%
4-Lightning	5	3	0	3	3	14	3.15%
5-Defective Equipment	27	28	25	43	40	163	36.71%
6-Adverse Weather	1	6	7	4	7	25	5.63%
7-Adverse Environment	1	1	1	2	1	6	1.35%
8-Human Element	1	0	1	0	0	2	0.45%
9-Foreign Interference	13	13	13	19	24	82	18.47%
Total	61	70	100	101	112	444	100%

E.L.K. does not currently track defective equipment failure events by equipment or major asset type so E.L.K. does not have the data or means to identify specific outages associated with either pole or transformer failures. E.L.K. cannot confirm with accuracy which historical outages would have been eliminated or mitigated

had E.L.K. implemented the current forecast level of pole and transformer replacement program spending historically. However, it is likely that some of the Defective Equipment outages would have been avoided.

b) During the historical period, outages which would have been unaffected by increased spending in these programs include those outages which are outside of E.L.K.'s control. This includes outages caused by Loss of Supply, Tree Contacts, Lightning, Adverse Weather, and Foreign Interference, for example.

c) As noted in the DSP, there are several projects, programs and practices being implemented by E.L.K. over the forecast period to help improve reliability. This includes E.L.K.'s planned renewal of end-of-life assets such as poles and transformers, testing and treating of wood poles, proactive vegetation management using a third-party company, and ongoing inspection and maintenance of assets. E.L.K. is also proposing to deploy a fault indicator program, a GIS system and an Outage Management System which will enable E.L.K. to better monitor and manage unplanned outages more effectively.

   E.L.K. is not able to accurately quantify the forecasted reliability improvement at the end of the DSP period, however E.L.K. will continue to monitor and report on system reliability indicators as part of the OEB's Performance Scorecards and the Electricity Reporting and Record Keeping Requirements.

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?

Response:

a) There is not a formalized IT strategy document developed by E.L.K. Information pertaining to the IT activities undertaken by E.L.K. are discussed internally and captured within the application.

b) E.L.K. intends to improve the outage maps currently on display on its website. In addition, customer feedback received as part of the engagement activities will be reviewed to determine if there are changes that can be made to make the website more user-friendly.

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?

Response:

a) E.L.K. has not determined the capital and O&M savings annually for each program. The intention of the savings will be realized by the reduced frequency of outage response and reactive responses to vegetation issues, pole failures and transformer failures.

b) The investment in vegetation management does not explicitly consider the impact of climate change. However, E.L.K. removes only the required amount of vegetation impeding right-of-way's or towers and does not clear cut or remove excess vegetation. By managing vegetation effectively, E.L.K. is also reducing the risk of fires caused by vegetation contact on lines, which provides a climate and environmental benefit.

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?

Response:

a) Yes. The reverification numbers for 2022 are being finalized.
b) E.L.K. is anticipating a seal extension on all meter groups and does not expect group replacement.
c) E.L.K. has an anticipated useful life of 15 – 20 years 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?

Response:

a) Broadband infrastructure has already been implemented across E.L.K.'s service territory, with the most recent fibre upgrade completed in Belle River. This work was facilitated by E.L.K.'s established Joint Use program which enables the attachment of other infrastructure, including cable, telephone and fibre to E.L.K.'s poles.

   E.L.K. is also part of the distribution list for the Town of Lakeshore and participates in regular meetings regarding infrastructure projects. E.L.K. will continue to communicate and coordinate with internet service providers on an as-needed basis over the forecast period should any new broadband infrastructure or expansion projects be identified.

b) In the case of new subdivision developments requiring infrastructure from internet service providers, these costs are included as part of the quoted amount for the project. Other than that, E.L.K. is not aware of any other investments needed during the forecast period to support internet service providers.

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?

Response:

a) E.L.K. did not post its draft DSP on its website as part of the consultation process.

b) E.L.K. did consult with customers regarding specific projects and costs proposed to be undertaken in the forecast period as part of its November 2021 customer survey. Within this survey, E.L.K. provided information on its proposed system renewal expenditures, including the pole and transformer replacement programs, as well as on its proposed general plant expenditures, including the bucket truck replacement and IT strategy. The survey also included information on E.L.K.'s overall capital and system operations and maintenance expenditure plans over the forecast period.

   The survey was deployed across E.L.K.'s entire customer base to capture information and solicit feedback relating to E.L.K.'s capital investments. The complete customer survey report is included in Appendix C of the DSP (Exhibit 2, Tab 4, Attachment 1, pages 190-234).

c) E.L.K. notified customers of their application to the OEB to increase electricity distribution rates via their Twitter account. The final version of the DSP was also posted to E.L.K.'s website to facilitate customer access (the link to E.L.K.'s 2022 COS Application on its website is included here: https://www.elkenergy.com/?page_id=2179).

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.

Response:

a) When customer service representatives from E.L.K. respond to customer inquires, the responses are tracked to determine if the inquiry was successfully answered at the first point of contact. If customer inquiries are not resolved at the first point of contact, they are not considered to be a successful first contact.

   The performance of "Excellent" in this case means that the first contact resolution resulted in the customer being completely satisfied, and as a result, no additional follow-up was necessary by E.L.K. staff or the customer. This corresponds to the highest standard of performance within the First Contact Resolution metric.

   The target of 90% indicated in Table 5.2-2 of the DSP is incorrect. E.L.K. does not have an established target for First Contact Resolution, as noted in Table 5.2-4 of the DSP (Exhibit 2, Tab 4, Attachment 1, page 26). However, E.L.K. sets a high standard for performance when it comes to customer care, and continuously strives to better serve customers with the highest excellence.

b) As noted above in part a), the target of 90% is incorrect. E.L.K. does not currently have any other qualitative performance results for this metric, however if the customer inquiry is not resolved after three business days, the performance would be classified as unsatisfactory.

c) The percentage number of successful first contact answers for each of the historical years is provided in the following table.

	2016	2017	2018	2019	2020	2021
Number of Successful First Contact Answers	1,040	1,079	900	1,226	1,348	1,398
Total Number of Contacts	1,062	1,091	906	906	1,350	1,443
Percentage of Successful First Contact Resolutions	97.93%	98.90%	99.34%	98.32%	99.85%	96.88%

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.

Response:

a) The number of outages by cause code for 2012 to 2021 is provided in the following table.

Table 1: Number of Outages by Cause Codes (2012-2021)

Cause Code	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total Outages	% Share
0-Unknown/Other	12	4	5	3	1	8	6	3	8	2	52	6%
1- Scheduled Outage	12	16	4	8	9	8	24	8	4	15	108	12%
2- Loss of Supply	6	1	9	3	1	0	7	7	11	8	53	6%
3- Tree Contacts	6	7	3	11	2	3	16	12	14	16	90	10%
4- Lightning	7	12	8	2	5	3	0	3	3	1	44	5%
5- Defective Equipment	37	43	26	30	27	28	25	43	40	42	341	37%
6- Adverse Weather	10	11	7	15	1	6	7	4	7	1	69	7%
7- Adverse Environment	0	2	1	0	1	1	1	2	1	0	9	1%
8- Human Element	15	14	0	3	1	0	1	0	0	1	35	4%
9- Foreign Interference	-	-	17	8	13	13	13	19	24	14	121	13%
Total	**105**	**110**	**80**	**83**	**61**	**70**	**100**	**101**	**112**	**100**	**922**	**100%**

b) The outage duration by cause code for 2012 to 2021 is provided in the following table.

Table 2: Outage Duration (in hours) by Cause Code (2012-2021)

Cause Code	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total Outage Duration	% Share
0-Unknown/Other	15	8	15	5	2	14	10	5	10	4	88	3%
1- Scheduled Outage	31	36	7	23	46	35	80	24	10	43	335	13%
2- Loss of Supply	19	8	18	25	2	0	15	12	26	27	152	6%
3- Tree Contacts	13	19	6	41	4	10	39	46	50	75	303	11%
4- Lightning	18	24	18	10	11	5	0	6	16	2	110	4%
5- Defective Equipment	80	98	53	69	59	111	79	135	101	97	882	33%
6- Adverse Weather	27	35	15	50	1	111	34	33	31	12	349	13%
7- Adverse Environment	0	7	3	0	2	1	2	4	4	0	23	1%
8- Human Element	54	30	3	8	5	0	9	0	0	7	116	4%
9- Foreign Interference	-	-	32	11	24	57	41	49	52	38	304	11%
Total	**257**	**265**	**170**	**242**	**156**	**344**	**309**	**314**	**300**	**305**	**2,662**	**100%**

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?

Response:

a) E.L.K. does not currently have the data to determine the number of annual momentary outages originating on the supply side of the PME. Gathering this data would take a significant amount of time and data mining that is not feasible to undertake given the limited timelines and available resources.

b) E.L.K. is not able to confirm what is causing momentary outages on the supply side of the PME. However, through correspondence with Hydro One, common causes appear to include animal contact and equipment failures such as blown fuses or burnt switches.

c) E.L.K. and Hydro One have shared correspondence regarding the causes of these momentary outages and have also participated in joint strategy meetings to develop plans to address these issues and improve reliability. Through this coordination, E.L.K. and Hydro One have successfully improved the reliability of one of their shared feeders (Kingsville M1 feeder) and are currently working towards improving the reliability of another shared feeder (Kingsville M5 feeder).

d) E.L.K. does not currently have the data to determine the number of annual momentary outages originating on E.L.K.'s side of the PME. Gathering this data would take a significant amount of time and data mining that is not feasible to undertake given the limited timelines and available resources.

e) The main root cause of the momentary outages originating on E.L.K.'s side of the PME has been contact by trees or animals. Because E.L.K.'s service territory is home to substantial vegetation and wildlife activity, momentary outages are often caused by branches or animals, such as squirrels or birds, making contact with the lines. Weather events may also impact equipment and may cause tree branches to touch lines, or lines to come in contact with each other. Some momentary outages are also caused by equipment failures.

f) No, E.L.K. does not have and is not currently 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.

Response:

a) E.L.K.'s SAIDI and SAIFI targets established in 2020 are based on the most recent historical 5-year average, as shown in the following table.

Metric	2015	2016	2017	2018	2019	5-Year Average
SAIDI	0.61	0.25	0.63	1.63	1.85	0.99
SAIFI	0.21	0.09	0.21	0.48	0.72	0.34

b) There were no MEDs identified over the historical period, therefore the 2020 Loss of Supply Adjusted and the 2020 Loss of Supply and Major Event Days Adjusted numbers should be the same. The corrected version of Table 5.2-8, which was also updated to include actuals from 2021, is provided below.

Table 5.2-8: Historical Reliability Performance Metrics – LOS and MED Adjusted
[Corrected Version]

Metric	2016	2017	2018	2019	2020	2021	Average
Loss of Supply Adjusted							
SAIDI	0.25	0.63	1.63	1.85	3.34	2.04	1.62
SAIFI	0.09	0.21	0.48	0.72	1.15	0.52	0.53
CAIDI	2.78	3.00	3.40	2.57	2.90	3.92	3.10
Loss of Supply and Major Event Days Adjusted							
SAIDI	0.25	0.63	1.63	1.85	3.34	2.04	1.62
SAIFI	0.09	0.21	0.48	0.72	1.15	0.52	0.53
CAIDI	2.78	3.00	3.40	2.57	2.90	3.92	3.10

c) E.L.K. uses historical performance to establish its SAIDI and SAIFI targets, which is an industry standard practice that is widely implemented and accepted by the OEB. The following excerpt is from Section 5.2.3 of the OEB's Chapter 5 Filing Requirements that provides guidance to LDC's on how to set their SAIDI and SAIFI targets:

> *"As established in the Report of the OEB: Electricity Distribution System Reliability Measures and Expectations, distributors' SAIDI and SAIFI performance* ***is expected to meet the performance target set out in the Scorecard****. A distributor who wishes to establish performance expectations based on something other than historical performance* ***should provide evidence*** *of its capital and operational plan and other factors that justify the reliability performance it plans to deliver. Distributors* ***should also provide a summary of any feedback*** *from their customers regarding the reliability of the distributor's system.*
>
> *Distributors who wish to use SAIDI and SAIFI performance benchmarks that are different than the historical average must provide evidence to support the reasonableness of such benchmarks." (Emphasis added).*

E.L.K. is electing to maintain historical targets based on the Chapter 5 Filing Requirements. E.L.K. is under no obligation to propose a different target and would in fact be saddled with an additional evidentiary burden if it were to choose to do so.

d) Please refer to E.L.K.'s response to part c) above.

e) E.L.K. does not currently monitor worst performing feeders.

f) The total number of customers that experienced interruptions of 10 hours or more for each year between 2017 to 2021, excluding loss of supply and major event days, is summarized in the following table.

	Annual Number of Customers that Experienced Interruptions of 10 Hours or More (Excluding LOS and MED)					Total
	2017	2018	2019	2020	2021	
Number of Customers	202	20	16	0	2	240

g) For each outage event, E.L.K. currently tracks the outage date and duration, the number of customers impacted, and the total customer hours interrupted. Each outage event is also categorized under the appropriate cause code.

Based on the existing data, E.L.K. is not able to determine the total number of customers that experienced 5 or more sustained outages for each historical year. This would require an additional level of granularity and significant research that is not currently have available.

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.

Response:

a) The annual contributions to SAIDI and SAIFI over the historical period for each of the four causes is summarized in the following table.

Cause Code	2016	2017	2018	2019	2020	2021
Number of Outages – Excluding MEDs						
5-Defective Equipment	27	28	25	43	40	42
9-Foreign Interference	13	13	13	19	24	14
1-Scheduled Outages	9	8	24	8	4	15
3-Tree Contacts	2	3	16	12	14	16
Number of Customers Interrupted – Excluding MEDs (contribution to SAIFI)						
5-Defective Equipment	254	804	199	1,518	1,054	522
9-Foreign Interference	403	544	655	3,661	3,794	373
1-Scheduled Outages	79	275	383	95	40	199
3-Tree Contacts	16	8	217	154	1,921	4,936
Number of Customer Hours Interrupted – Excluding MEDs (contribution to SAIDI)						
5-Defective Equipment	1,155	1,909	476	4,568	3,902	1,809
9-Foreign Interference	677	3,418	1,960	10,477	7,034	820
1-Scheduled Outages	308	455	920	161	100	308
3-Tree Contacts	17	31	441	474	5,703	19,394

b) The top 5 outage events for each of the historical years in terms of SAIFI and SAIDI impact are summarized in the following tables.

2021:

#	Outage Event Type	Outage Event Date	Number of Customers Interrupted (contribution to SAIFI)
1	3-Tree Contacts	August 11, 2021	4,512
2	2-Loss of Supply	March 18, 2021	1,723
3	2-Loss of Supply	April 3, 2021	1,723
4	2-Loss of Supply	October 20, 2021	500
5	8-Human Element	October 10, 2021	300

#	Outage Event Type	Outage Event Date	Number of Customer Hours Interrupted (contribution to SAIDI)
1	3-Tree Contacts	August 11, 2021	17,446
2	2-Loss of Supply	March 18, 2021	4,738
3	2-Loss of Supply	April 3, 2021	2,585
4	8-Human Element	October 10, 2021	2,125
5	2-Loss of Supply	October 20, 2021	1,083

2020:

#	Outage Event Type	Outage Event Date	Number of Customers Interrupted (contribution to SAIFI)
1	6-Adverse Weather	June 28, 2020	3,389
2	2-Loss of Supply	September 19, 2020	3,000
3	2-Loss of Supply	April 10, 2020	1,722
4	2-Loss of Supply	April 12, 2020	1,722
5	2-Loss of Supply	May 10, 2020	1,722

#	Outage Event Type	Outage Event Date	Number of Customer Hours Interrupted (contribution to SAIDI)
1	6-Adverse Weather	June 28, 2020	14,968
2	2-Loss of Supply	June 6, 2020	9,000
3	2-Loss of Supply	September 19, 2020	4,150
4	4-Lightning	August 28, 2020	3,653
5	2-Loss of Supply	May 10, 2020	3,444

2019:

#	Outage Event Type	Outage Event Date	Number of Customers Interrupted (contribution to SAIFI)
1	2-Loss of Supply	May 22, 2019	2,826
2	9-Foreign Interference	August 10, 2019	2,673
3	2-Loss of Supply	April 15, 2019	2,526
4	2-Loss of Supply	January 21, 2019	900
5	9-Foreign Interference	May 31, 2019	774

#	Outage Event Type	Outage Event Date	Number of Customer Hours Interrupted (contribution to SAIDI)
1	9-Fireign Interference	August 10, 2019	8,019
2	2-Loss of Supply	April 15, 2019	3,957
3	9-Fireign Interference	May 31, 2019	2,129
4	2-Loss of Supply	January 21, 2019	2,175
5	2-Loss of Supply	May 22, 2019	1,884

2018:

#	Outage Event Type	Outage Event Date	Number of Customers Interrupted (contribution to SAIFI)
1	6-Adverse Weather	April 15, 2018	3,408
2	2-Loss of Supply	February 19, 2018	1,850
3	2-Loss of Supply	January 8, 2018	1,750
4	2-Loss of Supply	March 1, 2018	1,639
5	2-Loss of Supply	April 15, 2018	975

#	Outage Event Type	Outage Event Date	Number of Customer Hours Interrupted (contribution to SAIDI)
1	6-Adverse Weather	April 15, 2018	11,928
2	2-Loss of Supply	March 1, 2018	7,102
3	2-Loss of Supply	February 19, 2018	3,484
4	6-Adverse Weather	May 4, 2018	2,100
5	2-Loss of Supply	April 15, 2018	1,463

2017:

#	Outage Event Type	Outage Event Date	Number of Customers Interrupted (contribution to SAIFI)
1	9-Foreign Interference	January 12, 2017	200
2	5-Defective Equipment	January 10, 2017	200
3	1-Scheduled Outages	May 16, 2017	125
4	0-Unknown/Other	May 20, 2017	100
5	5-Defective Equipment	July 4, 2017	100

#	Outage Event Type	Outage Event Date	Number of Customer Hours Interrupted (contribution to SAIDI)
1	9-Foreign Interference	January 12, 2017	2,168
2	9-Foreign Interference	March 13. 2017	557
3	5-Defective Equipment	May 20, 2017	438
4	5-Defective Equipment	July 4, 2017	384
5	0-Unknown/Other	October 9, 2017	333

2016:

#	Outage Event Type	Outage Event Date	Number of Customers Interrupted (contribution to SAIFI)
1	2-Loss of Supply	May 29, 2016	1,000
2	9-Foreign Interference	November 9, 2016	240
3	5-Defective Equipment	December 16, 2016	125
4	5-Defective Equipment	December 23, 2016	90
5	4-Lightning	December 26, 2016	75

#	Outage Event Type	Outage Event Date	Number of Customer Hours Interrupted (contribution to SAIDI)
1	2-Loss of Supply	May 29, 2016	2,000
2	5-Defective Equipment	December 16, 2016	781
3	9-Foreign Interference	November 9, 2016	420
4	5-Defective Equipment	December 23, 2016	270
5	4-Lightning	December 26, 2016	112

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?

Response:

a) Yes. At the time of billing, Hydro One was not able to provide E.L.K. with the total actual hourly consumption information due to an issue in the field. As a result of this issue, information could only be sent once a week or later, and the total consumption had to be estimated at the time of billing. Once the total actual consumption information was made available, E.L.K. issued a rebill to the customer to recover the difference.

b) Yes, E.L.K. was able to recover the amount under billed via the rebill.

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) 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?

Response:

a) E.L.K. has used or considered the following pole treatment activities:
    a. Groundline Treatment using CuBor paste
    b. Liquid Fumigant Treatment
    c. Mechanical Damage Treatment

b) Historically, tree trimming was conducted on an as-needed basis and upon customer requests. 2021 was the first year E.L.K. targeted planned areas for tree trimming. In 2021 this planned tree trimming scope of work cost $57,386 with a forecast cost of $60k per year from 2022 to 2026.

c) E.L.K. has stated steps it is taking in its response to 2-Staff-7 b) and c). In addition as part of the AVC E.L.K. has:
    a. Updated work order forms to document inspections associated with every work order performed in October 2021.
    b. Training to all operations staff on the use of the new work order forms in October 2021.
    c. Completed visual inspection of one-third of E.L.K.'s system as of December 20, 2021 and documented the outcome of those inspections in accordance with the DSC.
    d. Retained a third-party firm that will perform asset inspections in conformity with the DSC commencing January 2022. The third-party firm will perform

inspections of at least one-third of E.L.K.'s system every year going forward and create a more formalized record-keeping of the asset inspections.

e. Implemented staffing changes with specific responsibilities and oversight of asset management practices and compliance with regulatory obligations in December 2021.

Additionally, E.L.K. will consolidate its asset registry by installing a GIS, where all key asset data shall be collected and stored.

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. Nondiscretionary 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.

Response:

a) E.L.K.'s current prioritization process is more qualitative in nature and is completed via discussions between E.L.K.'s Finance, Operations, Engineering and Management teams. The asset management objectives shown in Table 5.3-2, along with their associated weights, are considered as part of these discussions to help guide the identification of highest priority projects and programs over the forecast period.

b) E.L.K. not does currently use a scoring guide in its project prioritization process.

c) E.L.K. is not able to provide the 2022 prioritization rankings of all discretionary programs and projects selected for the 2022 Test Year because this process is currently done on a qualitative basis only. E.L.K.'s proposed discretionary programs and projects are the highest priority investments identified by E.L.K.'s team using E.L.K.'s existing prioritization approach.

d) All non-discretionary projects/programs are in the System Access category, and include the following:

- Subdivision Program- There are four known subdivision connections planned in 2022: Essex Town Center Subdivision, Tracey Comber Phase 2, Cottom Ridge Armstrong Subdivision and Woodridge Phase 2. These projects are all developer-driven and as per the OEB's Distribution System Code (DSC), E.L.K. has an obligation to enable these connections.
- Road Relocation Program- There is currently one known road relocation projects planned in 2022: The Gosfield/Maidstone Road Relocation. This is a mandatory project driven by the Town of Essex and E.L.K. is required to relocate some of its infrastructure to accommodate municipal road work.
- Service Connections- Each year E.L.K has requests from customers for new connections or to relocate or upgrade existing connections. As a regulatory requirement, E.L.K. must remain compliant with the obligations set forth for accommodating customer connection requests in the DSC. As a result, service connection investments are non-discretionary.
- Metering Program- E.L.K.'s metering program includes expenditures related to the supply, installation and upgrades of meters at each customer service point. These investments are required by the DSC, and are therefore 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?

Response:

a) E.L.K will begin scanning asset components in 2023 with infrared scans. The following assets will be scanned starting in 2023:
    a. Load Break, In-line Switches
    b. Cut-out arrestors
    c. Transformers
    d. Primary and secondary bushings
    e. Tie points between HONI and E.L.K.

b) E.L.K. does not have a sample of the scan report. The IR scans will begin in 2023.

c) E.L.K. operates a 10ft clearance from primary distribution lines and 5ft clearance from all secondary lines including and service lines.

d) E.L.K. does not have any planned out-of-cycle tree trimming practices. The current cycle addresses tree growth rates within the E.L.K. service territory such that out-of-cycle tree trimming is not required.

e) Tree trimming is the activity of removing tree growth that has expanded into the utility right-of-way either 10ft or 5ft based on if the distribution line is a primary or secondary/service feeder. Vegetation management is clearing vegetation such as bushes, weeds, grasses on the ground or within the station.

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?

Response:

a) E.L.K. does not intend to revise its maintenance and inspection practices to a 4-year cycle. This was a mistake within Exhibit 2 and E.L.K. will continue to conduct maintenance inspections on a 3-year cycle to comply with the DSC.

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?

Response:

a) E.L.K. can confirm that all numbers for System Renewal, System Service and General plant in Tables 5.4-6 and 5.4-7 are "gross" for both historical and 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 average $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.

Response:

a) The remaining $78,000 is associated with the Metering and Service Connections programs. Metering accounts for $33,000 and Service Connections for $45,000.
b) As stated in Ref 4: Distribution System Plan – Appendix K – SA-1 Subdivisions, there are four subdivision projects in 2022, totalling $609K Gross and $183K net. The costs associated with this in Appendix 2-AA were incorrect in the filing. An

updated 2-AA has been submitted in the revised Ch. 2 Appendices filed with interrogatory responses.

c) E.L.K. is not predicting a linear trend in customer growth for 2022. The current system access 2022 budget is based on the most accurate information available based on information E.L.K. has from developers. Currently, based on connection offers and other information obtained from developers, there are will 247 new customer connections. One of the main reasons for a larger increase is the fact that in 2021, a number of customers were not connected due to delays in transformer deliveries from suppliers. This has led to them being connected in 2022.

d) As mentioned in the response in part c above, one of the main reasons for a larger increase is the fact that in 2021, a number of customers were not connected due to delays in transformer deliveries from suppliers. This has led to them being connected in 2022. In addition, since pandemic there has been an increase in the housing market and as a result E.L.K. is seeing builders increasing the production of homes, which in turn requires E.L.K. to connect these new connections.

e) The following table shows the capital contributions for the 2017-2026 period. As with all system access costs, these are built on best available information, and it is likely they will change as customers and developers change their plans (both timing and scope). Each year E.L.K. updates its plan to reflect the latest available information, including capital contributions.

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Capital Contributions ($K)	243	173	702	530	465	876	696	710	724	738

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?

Response:

a) E.L.K.'s conditions of service speaks specifically to road widening. In a road widening project, if a primary circuit is involved, it will be relocated but remains OH. However, if it is only a secondary circuit, then it is converted to UG.

b) If E.L.K. relocates and converts assets from OH to UG, E.L.K. would seek cost recovery.

c) See the response to part b) of this question.

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?

Response:

a) The Viscount project has now been allocated to System Renewal, and no capital contribution is expected.

   The current estimated capital contribution for Gosfield/Maidstone Road relocation project is $56K.

b) E.L.K. has reviewed the scope of the project and agrees that the primary driver is System Renewal. The budget allocation for this project has now been assigned to the System Renewal category.

c) Yes, the Town of Essex will pay a 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.

Response:

a) $32,000 is for UG Cable replacement, $12,000 is for OH Conductors and Device associated with OH pole upgrades. $37,000 for reactive pole replacements, $28,000 for reactive transformers replacements.

b) Please see the updated Appendix 2-AA.

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?

Response:

a) This table is part of the Kinectrics report which does indicate a reactive strategy. However, E.L.K. is moving to a proactive strategy for its transformer replacements.

b) Yes, E.L.K's historical replacements have been reactive.

c) The number of proactive and expected reactive transformer replacements for each of the forecasted years is listed below.

	2022	2023	2024	2025	2026
Pole Mount Proactive	10	12	16	16	17
Pole Mount Reactive	2	2	2	2	2
Pad Mount Proactive	6	7	13	16	18
Pad Mount Reactive	1	2	2	2	2
Total	**19**	**23**	**33**	**36**	**39**

d) For residential, E.L.K. typically will install new 100kVA units (some current units are sized at 75kVA), which allows for customers to have electric charging and other items, such as hot tubs installed without the need to upgrade their ratings. Commerical transformers are load based and can vary from 150, 300, or 500kVA. For larger commercial settings the transformers can be either 750 or 1000kVA.

e) As indicated in the response for d), E.L.K. now installs 100kVA transformers to account for the potential uptake in EV load.

f) E.L.K. has identified the highest risk transformers based on the area and number of customers attached to it. Therefore, whilst it is not proactively addressing all transformers ‘flagged for action’ it is replacing the highest priority ones first. As E.L.K. continues it visual inspection of its transformers, it will use this information to further refine and adjust its proactive replacement of the transformers. In addition, if a transformer fails unexpectantly, E.L.K. will replace it reactively, and carries spares for this type of event. Any outage from an unexpected outage should therefore be short lived and minimal.

g) E.L.K. does not track the data to this granularity.

h) E.L.K.’s transformer replacement strategy is discussed in Appendix N in Exhibit 2, Tab 4, Attachment 1. In addition, to the proactive strategy, E.L.K. will also replace transformers reactively as required.

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-forlike basis.

a) 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?

Response:

a) Red Pine pole species is used when installing a new pole. If pole treatment rather than replacement is required the following types of treatments are typically used:
   - Groundline Treatment using CuBor paste
   - Liquid Fumigant Treatment
   - Mechanical Damage Treatment

b) E.L.K. will procure Red Pine.

c) E.L.K. are forecasting to replace 18 poles proactively and 5 poles reactively each year.

d) The average number of annual pole replacements based on reactive measures over the 2017-2021 historical period is four reactive pole replacements a year.

e) E.L.K. has not investigated this in any detail. E.L.K. typically only installs Red Pine species of poles as indicated in the answer in a) and b).

f) No, E.L.K. does not directly look at pole class considerations that may aid in hardening the distribution system against severe weather. E.L.K. typically uses Class 3, 4, and 5 poles. Class 3 poles are used where multiple circuits, telecom, streetlight is all attached on the same pole.

g) All new poles that E.L.K. install allow for the addition of telecommunication assets. If further requirements are needed, these are assessed on a case-by-case basis.

h) Yes. E.L.K. is testing 1/3 of the system each year.

i) Yes, pole data collected will be updated into E.L.K.'s asset registry. This also be included in the new GIS system that will be installed in the forecast period.

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?

Response:

a) The Hortsmann Smart Navigator 2.0 fault indicator transmits overhead line monitoring including voltage and amperage information on the circuit with which the fault indicator is connected.

b) The information, when faults occur, is transmitted to the control room within 1 minute of the incident. The information transmitted includes fault direction, voltage interruption, current drop and any increases in conductor temperature.

c) There are multiple resets available within the fault indicators:

    a. Manual with magnet

    b. Automatic time reset (4hr default; configurable by software)

    c. Remote (via iHost software and control room)

    d. Current restoration

    e. Voltage restoration

d) E.L.K. has not calculated the SAIDI improvements in this investment and improvements have not been integrated into future SAIDI targets. It is expected that an increase in the efficiency of outage restoration and response time will result in improved SAIDI metrics.

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.

Response:

a) The remaining $49,000 is for Facilities and IT investments. $12,000 is for facilities investments (office equipment, fencing for yard) and a further $37,000 for IT investments (new computers and updates to website).

b) The repairs for vehicle #20207 included brake testing and replacement, boom control box repairs, sandblasting and painting, tire testing and replacement, headlight repairs, and fabrication work.

c) As the GIS is not being implement until 2023, and not in the 2022 test year, E.L.K. is not submitting a business case at this stage.

d) E.L.K. will look to install Esri ArcGIS Utility Network. This is an industry accepted standard software. E.L.K. is exploring the Esri Canada Small Utility Enterprise Agreement as the most cost-effective approach to a GIS solution. The GIS will be

procured in 2022 to ensure E.L.K. can get Esri Canada to do a full installation in 2023, when it will put into service. The current expected cost is $220K.

e) E.L.K. is planning on installing an outage management system in 2024 after the GIS has been fully implemented, and therefore will not submit a business case at this time.

f) E.L.K. is currently considering two providers, Utilismart and Sensus. The current estimate of cost is $120K but this will be refined through the procurement process.

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.

Response:

c) All Sensus meters on E.L.K.'s network have the last gasp functionality.

d) Yes, E.L.K. is planning to use 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?

Response:

a) Currently, the actual estimates are monitored twice a year.

b) Yes, project prioritization ranking impacts which discretionary projects may be 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.

Response:

b) Yes, E.L.K. has the resources available and will utilize both external and internal resource as required to managed increased spending in forecast years.

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.

Response:

a) The Load-weighted Price has been revised to $33.75 in App.2-ZA.
b) Appendix 2-ZB has been updated with the values of the revised load forecast filed with interrogatories. Additionally, the OER credit in 2-ZB has been revised to 17%.

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.

Response:

b) For tax purposes, gross depreciation is added back on schedule 1. Filing Requirements Chapter2 Appendices – App. 2-C DepExp depreciation amounts are net of the amortization of capital contributions and grants.

Please note an updated PILs model has been filed with interrogatory responses.

2-HONI-1

Reference:

1. Exhibit 2, Tab 4, Appendix 2-AA
2. Decision & Order, EB-2016-0155, dated April 27, 2017, pp.8-9

a) Please confirm whether any of the $83,796 of gross capital expenditures captured at Reference 1, specifically under Project #34 entitled Sellick, are in any way related to E.L.K.'s Service Area Amendment (SAA) request, which was approved by the Ontario Energy Board (Reference 2), to have E.L.K. serve Sellick Equipment Limited.
    i. If they are related, please provide details on how the $83,796 of gross capital expenditures align with the forecast fully loaded costs of approximately $8,703 approved by the OEB at Reference 2.
    ii. If they are not related, please explain what these capital expenditures capture?

Response:

a) The $83,796 captured in Exhibit 2, Tab 4, Appendix 2-AA are not related to the Service Area Amendment (SAA) request nor are they a portion of the $8,703 forecast fully loaded costs approved by the OEB in Reference 2. The $83,796 is the cost of transformation related infrastructure installed by E.L.K. to support the Sellick Equipment Ltd. Connection beyond the customer demarcation point.

   This was discussed explicitly during the oral hearing associated with Reference 1, when Mr. McCauley noted:

> "We did not include the costs to supply the 600 voltage pad-mounted transformer or the ancillary equipment required to connect it. Similarly, we also did not include the costs associated with the underground switching apparatus or underground infrastructure, as the customer would be responsible for supplying this."[1]

   Consistent with its obligations under the Distribution System Code, E.L.K. Energy charged this customer an Expansion Deposit for the incremental transformation related work.

[1] Transcript dated February 9, 2017 in EB-2016-0155 at page 15, lines 1-6.

2-HONI-2

Reference:

1. Exhibit 2, Tab 4, Attachment 1

a) Please confirm that all System Access investments identified in this Application fall within the defined service territory of E.L.K., including those explicitly identified at the Reference above.

b) Please provide a map of the E.L.K. service territory and any corresponding planned investments that impede on the territory of Hydro One Networks Inc.

   i. If any planned investments do impede on Hydro One service territory, please confirm whether E.L.K. has had any conversations with Hydro One about those plans.

Response:

a) E.L.K. can confirm that System Access investments, including subdivision developments and road relocations, are within the defined E.L.K service territory.

b) A service territory map has been included below. It can be found in *Figure 5.1-1* of the DSP application. None of the planned System Access investments impede on the territory of the Hydro One Networks Inc. E.L.K. maintains regular communication with Hydro One about System Access developments if they require consideration of Hydro One service territory.


County of Essex Mapping
Legend
Street
Municipal Boundary
Pelee Island
0
4,145.38
8,290.8
Meters
1: 248,692
8/27/2012
Notes
Enter Map Description
THIS MAP IS NOT TO BE USED FOR NAVIGATION
Copyright the Corporation of the County of Essex, 2012. Data herein is provided by the Corporation of the County of Essex on an 'as is' basis. Assessment parcel provided by Teranet Enterprises Inc. Data layers that appear on this map may or may not be accurate, current, or otherwise reliable.

2-SEC-12

[Ex.2, p36; Appendix 2-AB] Please explain the basis of the 2017 to 2021 'Plan' amount.

Response:

The 2017 to 2021 amounts relate to the number submitted as part of the previous 2016 COS application.

2-SEC-13

[Ex.2, p.40] Please provide a revised version of Tables 2-21 to 2-23 that includes 2021 actual information.

Response:

The revised version of Table 2-21 is provided below.

Table 2-21: Historical Reliability Performance Metrics *(Revised Version)*

Metric	2016	2017	2018	2019	2020	2021	Average
SAIDI	0.42	0.63	2.95	2.66	5.45	2.77	2.48
SAIFI	0.17	0.21	1.13	1.31	2.17	0.86	0.98
CAIDI	2.47	3.00	2.61	2.03	2.51	3.22	2.64

For the revised version of Table 2-22 with 2021 actual information, please refer to E.L.K.'s response to 2-Staff-19 part b).

For the revised version of Table 2-23 with 2021 actual information, please refer to E.L.K.'s response to 2-Staff-17 part a).

2-SEC-14

[Ex.2, Appendix 2-AA] Please provide a revised version of Appendix 2-AA that includes:

a. 2023-2026 expenditures, that align with the proposed DSP spending included in Appendix 2-AB.
b. A breakdown of the projects by category (i.e. system access, system renewal, etc.).

Response:

a. Please see an updated Appendix 2-AA in the Ch. 2 Appendices filed with interrogatory responses that now includes 2023-2026 expenditures.
b. Please see an updated Appendix 2-AA that includes the breakdown by the four OEB categories.

2-SEC-15

[Ex.42-46] For material projects since 2016, the Applicant has provided only the projects names and total costs. For each material project, please provide further details that would allow intervenors to assess the prudence of each project. Please provide a similar document as provided for 2022 material capital projects in Appendix K-0.

Response:

The information requested requires a level of effort that greatly outweighs the probative value of the information, if any. It took E.L.K. Energy months to complete the material capital project narratives for the test year projects, which information is set out in DSP and which provides a clear evidentiary basis upon which to assess the material capital projects in the test year. It is simply not feasible to complete similar narratives for all capital projects for all years since 2016.

2-SEC-16

[Ex.2, Tab 4, Attach 1, p.67] For each of the asset categories included in Table 5.3-6, please provide the number replaced or planned to be replaced for each year between 2020 and 2026.

Response:

The Table below shows the number of assets to be replaced or planned to be replaced for each year between 2020 and 2026.

Asset Category	2020	2021	2022	2023	2024	2025	2026
Pole Mounted Transformers	10	0	12	14	18	18	19
Pad Mounted Transformers	10	0	8	9	15	18	20
Overhead Switches	0	0	0	0	0	0	0
Pad Mounted Switchgear	0	0	0	0	0	0	0
Underground Cable (km)	0.2	0.2	0.2	0.2	0.2	0.2	0.2

2-SEC-17

[Ex.2, Tab 4, Attach 1, Appendix K] Please provide a status update on the development of the four listed sub-divisions.

Response:

All four subdivision projects are due to be completed in 2022.

1. Essex Town Center: Work started in 2022, with all civil work now completed and transformers are in place, crews are now working on terminations and energizing subdivision.
2. Tracey Comber Phase 2: Tender packages have been received to complete the civil work.
3. Cottam Ridge: Offer to Connect is currently being finalized.
4. Woodridge Phase 2: The contract has been awarded and work will begin on April 25th, 2022.

2-SEC-18

[Ex.2, Tab 4, Attachment 1, Attachment A] With respect to the 2020 Asset Condition Assessment ("ACA"):

a. Please provide a copy of the retainer with Kinetrics and any project work plans or similar documents.
b. Please confirm that the Asset Condition Assessment, does not include actual condition data or information, and is solely based on asset age. If confirmed, please explain how it is an Asset Condition Assessment.
c. Knowing that the Applicant was required to undertake an Asset Condition Assessment, please explain why it did not put in place a system to capture the information from its asset inspections that meet the minimum requirements set out in Appendix C of the Distribution System Code.
d. Please explain why the Applicant did not ask Kinetrics, or another entity, to gather asset condition information similar to what EDM International Inc. did with respect to its reports regarding poles (See Ex.2, Tab 4, Attachment 1, Attachment A).
e. [Ex.1, Tab 3, p.65] In response to the recommendations included in the ACA, the Applicant states that the "[i]nspection forms are to come out of the ACA RFT and will be used in 2021." Please explain what is meant by this?
f. Please provide the Applicant's plan for reducing the data gaps identified by Kinetrics.

Response:

a. E.L.K. has no formal retainer with Kinectrics. A purchase order was issued for the completion of this work.
b. The Kinectrics Asset Condition Assessment used age and age failure curve information only. While other information should be used to help determine a more accurate assessment of condition, age is a factor that is commonly used in condition assessments. The report by EDM International Inc. uses pole testing data and is therefore a condition-based assessment for poles.
c. Please see E.L.K.'s response to 2-SEC-19 a).
d. E.L.K. has had changes in personnel since the 2020 ACA was undertaken. Refer to responses in 2-SEC-19 a) for a list of personnel changes. The personnel who originally commissioned the ACA are no longer working at E.L.K., and therefore E.L.K. can not comment on why Kinectrics were not asked to gather further condition data.

e. As part of its plan to improve its process to collect asset condition information, E.L.K. has developed inspection forms to be used by its staff and other contractors when undertaking both formal and ad-hoc inspections.
f. Please see E.L.K.'s response to 2-Staff-7 b).

2-SEC-19

[EB-2022-0078, Assurance of Voluntary Compliance, February 27, 2022] With respect to the Assurance of Voluntary Compliance ("AVC") entered into by the Applicant:

a. [p.3] The AVC that "[d]uring the period of the OEB Inspection, E.L.K. experienced turnover of key management and staff. E.L.K. stated that the lack of formal asset inspection procedures and documentation of asset inspections was attributable to former E.L.K. management and practices." Please provide details regarding the key management staff turnover.
b. [p.4] The AVC states that the Applicant "[c]ompleted visual inspection of one-third of E.L.K.'s system as of December 20, 2021 and documented the outcome of those inspections in accordance with the DSC." Please provide details of the results of those inspections including quantifiable data.
c. [p.4] The AVC states that the Applicant "[r]etained a third-party firm that will perform asset inspections in conformity with the DSC commencing January 2022. The third-party firm will perform inspections of at least one-third of E.L.K.'s system every year going forward and create a more formalized record-keeping of the asset inspections."
    i. Who is the third-party firm that the Applicant retained and what is the forecast 2022 cost for this work?
    ii. Please explain why the Applicant requires a third-party firm to undertake asset inspections in each year as opposed to the Applicant's own staff.
    iii. Considering the approved OEB Settlement Proposal in 2017 required undertaking a third-party Asset Condition Assessment, please explain why it was not until December 2021, that inspections of assets were undertaken and recorded.
d. Does the Applicant now have formal asset inspection procedures and documentation? If so, please provide.
e. Please provide the Applicant's views on what additional public reporting requirements could be put in place until its next cost of service application to ensure customers and the OEB can track the Applicant's progress on the issues raised by the AVC.

Response:

a) E.L.K. experienced turnover in the following management positions during the period of OEB inspection:
    a. The CFO resigned with two-weeks notice in August 2021.
    b. The Operations Manager resigned with two-weeks notice in May 2021. The new Operations Manager then resigned after 10 months.
b) E.L.K. completed visual inspections carried out by members of the E.L.K. Operations staff. Inspection reports were filled out, and any observations that

required remediation were identified. The inspections completed on 1/3 of the system look at all assets including poles, wires, transformers, guy wire, and grounding components. These reports inform corrective repairs to be completed in 2022. A sample completed inspection report is provided as Attachment 1 to this response.

c) Answer c) is broken into three responses:

   a. The third-party inspection support will be provided by Provincial Pole.

   b. E.L.K. requires additional support on inspections because of limited staff and turnover within the organization.

   c. Please refer to the response a) in this IR for the timing of E.L.K.'s inspection activities

d) E.L.K. does not have a formalized asset inspection procedure. E.L.K, however, does have formal inspection documents that are used consistently when conducting field inspections. A sample completed inspection report is provided as Attachment 1 to this response.

e) With respect to the AVC, the OEB did not impose any public reporting requirements, and there is already a statutory framework in place that allows the OEB to conduct further inspections at any time. Additionally, the intent of this cost of service application is for the OEB to approve just and reasonable rates; it is not intended to be used as a framework for establishing processes to track progress on the issues raised by the AVC.

   As a result, E.L.K. is of the view that no additional public reporting requirements are necessary or appropriate to establish as part of this cost of service application.

E.L.K Energy Inc.

Distribution System Asset Inspection Form

Asset Deficiency

Date: 12/20/21

Inspector Name: Jason

Area: Comber

Asset Description: Pole east of house on William.

Address: 6500 Taylor Ave

Asset ID#: N/A.

Description of Deficiency:

Guy Guard missing / Trees approaching 3ø Lines.

Action Timing: **30 Days** ☐ **Planned** ☑

Asset Remedial Action

Date: _____

Description of Remedial Action:

_____

Note: Electric distribution system equipment left in safe condition, presenting no undue hazard to the public.

_____ _____

Name **Signature**

Return Distribution System Asset Inspection Form to Engineering Upon Completion of Work

2.0-VECC-3

Reference: Exhibit 1, Tab 3, Attachment 4: Asset Condition Assessment

a) The Kinectrics Report identifies a number of asset categories for which the only data used was age. Please identify the asset categories which used data other than age and specify what data was collected for those assets.

b) Please describe what steps ELK is taking to expand the type of data to be used for future asset conditions assessments?

Response:

a) Only poles have used data other than age through the use of pole testing data, which was used in EDM International Inc.'s assessment and report. This report is included in Exhibit 2, Tab 4, Attachment 1, pages 167-189.

b) Please see E.L.K.'s response to 2-Staff-7 b).

2.0-VECC-4

Reference: Exhibit 2, Tab 4, page 45, Appendix 2AB, Continuity Schedules Table 2-x pages 7-, Appendix 2-AA

a) Please update Appendix 2-AA and 2-AB to show 2021 actual amounts (or confirm the 2021 figures are actuals).

b) Please correct the discrepancy between Appendix 2-AA which shows net capital expenditures in 2016 of -437k and the continuity schedule for that year showing next capital additions of 460,458.

c) Appendix 2AA also appears to show capital contributions being added to the net capital expenditures (as opposed to removed as indicated by the negative sign). If this is in error please correct or explain why net capital expenditures in year 2022-2026 appear to include capital contributions

Response:

a) Please see updated Appendix 2-AA.

b) Please see updated Appendix 2-AB.

c) This was an error. Please see updated Appendix 2-AB.

2.0-VECC-5

Reference: Exhibit 2, Tab 4, page 45, Appendix 2AB, Continuity Schedules Table 2-x pages 7-, Appendix 2-AA

a) Please explain the major variances (change) as between Appendix 2-AA filed in Exhibit 2 and the updated spreadsheet version (20220321_Updated.XLSM)

b) Please update Appendix 2-AA for 2021 actuals (or confirm the figures are actuals). Please also recast Appendix 2-AA to show the projects subtotaled amounts by the Board defined categories (Access, Renewal, Service and General Plant).

Response:

a) This was a mistake in inputting the incorrect projects and costs. An updated 2-AA has been submitted in the updated Ch. 2 Appendices filed with interrogatory responses.

b) Please see updated Appendix 2-AA.

2.0-VECC-6

Reference: Exhibit 2, Tab 2, Table 2-16, pages 18-19

a) Table 2-16 shows that the 2012 Board approved General Plant amount was $4.011 million and includes $1,886 in Transportation Equipment. Please explain what transportation equipment was anticipated to be added to rate base in 2012.

b) Please explain the large discrepancy between the 2012 General Plant anticipated in rates of $4.011 million and the current estimate for General Plan in 2022 of $3.434 million?

Response:

a) The $1,886 is the carry forward amount, with no additions for 2012.

b) The General Plant cost in 2022 is based on the best information available during the development of this DSP application, as was the case for the 2012 General Plant anticipated rates.

2.0-VECC-7

Reference: Exhibit 2 Appendix 2-AA and 2-AB/ Attachment 1, page 79

a) Please explain how the 2022 System Access forecast budget of $867M was derived.

b) Please explain how the 2023-2026 system access forecasts were derived

c) Do any projects other than those classified as system access attract a capital contribution? If yes using Appendix 2-AB please show the capital contributions in each year by capital investment category.

d) Using Appendix 2-AA (Capital Projects) please show for the projects #1 through #79 which occur in 2021 and 2022, the capital contributions forecast for each project.

Response:

a) The 2022 System Access budget has been developed on known projects. Costs are based on known costs and estimates, as well as costs based on historical spend on similar project, as well as accounting for inflation and increased material costs. In addition, metering costs are also included and have been developed using known information on the number of meters that will require reverification and replacement.

b) The level of investment required for System Access investments is based on a combination of historical expenditures and the number of anticipated developments over the forecast period, which is informed by consultations with key stakeholders including customers, municipal government, and developers. In addition, metering costs are also included and have been developed using known information on the number of meters that will require reverification and replacement.

c) No, only system access projects attract a capital contribution.

d) The Tables below shows the projects in 2021 and 2022 which will incur capital contribution and the amount.

Project	2021 Total Costs	2021 Capital Contributions
#64- Jasperson Relocation	$7,176	$7,176
#65- MTO HWY 3- Maidstone Relocation	$54,669	$48,409
#67 – MTO HWY3 South Talbot	$57,949	$57,949
#68 MTO HWY3 Victoria Crossing	$210,557	$175,140
#80 Timbercreek Estates Phase 3	$160,715	$139,719
#81 140 Main St Condo	$130,000	$36,571

Project	2022 Total Costs	2022 Capital Contributions
#66-Service Connections	$45,000	$45,000
# 70 Essex Town Center	$439,212	$365,872
#71 Tracey Comber Phase 2	$183,898	$165,805
#72 Woodbridge Phase 2	$121,598	$103,308
#73 Cottam Ridge Armstrong Sub	$170,000	$140,000
#74 Gosfield/Maidstone Intersection Work	$140,000	$56,000

2.0-VECC-8

Reference: Exhibit 2, Tab 4, page 38

> "*There are two main categories that E.L.K. anticipates System Access investments to fall into: Subdivision development and rebuilds*".

a) Please explain why rebuilds are classified as system access projects as opposed to system renewal or system service projects.

b) Please identify the projects in 2022 which are classified as rebuilds.

Response:

a) In this context rebuilds relate to externally initiated road relocation projects. These are typically driven as a result of a request from a third party that requires E.L.K. to relocate its assets. These projects are classed as system access project as they are non-discretionary type projects.

b) The 2022 projects are identified in the material narrative SA-2:Road Relocations in Exhibit 2, Tab 4, Appendix L. It should be noted that one of the projects listed (Viscount Upgrade) has now been reclassed as a System Renewal Project.

2.0-VECC-9

Reference: Exhibit 2, Tab 4, pages 40-/Attachment 1 DSP page 27-

https://www.cbc.ca/news/canada/windsor/essex-residents-furious-demand-answers-power-flickers-1.6130704

Table 5.2-6: Power Quality Tracking at PME Points

Measure	PME	2017[1]	2018	2019	2020	2021[2]	Total	% Total
Power Quality Momentary (<1min)	Harrow East	19	23	21	17	8	88	23
	Harrow North	3	12	16	10	7	48	13
	Belle River	0	6	6	9	3	24	6
	Kingsville	10	12	34	21	16	93	24
	Naylor	6	11	8	12	10	47	12
	Hopgood	2	13	12	9	16	52	14
	Comber North	3	3	7	6	3	22	6
	Cottam	1	2	2	3	0	8	2
	Total	44	82	106	87	63	382	100

a) Please provide an explanation as to the root cause of the large number of momentary outages on the ELK distribution system.

b) What capital programs are being implemented to address ELK's power quality issues?

c) What scorecard metrics and targets are ELK proposing to monitor and address its power quality issues?

Response:

a) Please refer to E.L.K.'s response to 2-Staff-18, parts b) and e).

b) There are several projects, programs and practices being implemented by E.L.K. over the forecast period to help improve system reliability, which would also help to address the power quality issues. This includes E.L.K.'s planned renewal of end-of-life assets such as poles and transformers, testing and treating of wood poles, proactive vegetation management using a third-party company, and ongoing inspection and maintenance of assets. E.L.K. is also proposing to deploy a fault indicator program, a GIS system and an Outage Management System which will enable E.L.K. to better monitor and manage unplanned outages more effectively.

c) E.L.K. is not proposing any new scorecard metrics and targets relating to power quality issues.

2.0-VECC-10

Reference: Exhibit 2, Tab 4, pages 40- / Attachment 1 (DSP) page 36

a) Please update tables 5.2-10 and 5.2-11 (Outage by cause code) to include data for 2021.

b) For 2020 and 2021 what were the main type of equipment failures causing outages due to defective equipment?

c) What capital programs in 2022 are aimed at reducing outages due to defective equipment?

Response:

a) The updated tables 5.2-10 and 5.2-11 with 2021 data are provided below.

Table 5.2 -10: Customers Interrupted by cause codes- Excluding MEDS (2016-2021)

Cause Code	2016	2017	2018	2019	2020	2021	Total CI	% Share
0-Unknown/Other	14	494	339	270	823	3	1,943	2.66%
1- Scheduled Outage	79	275	383	95	40	199	1,071	1.46%
2- Loss of Supply	1,000	0	7,751	7,154	13,503	4,149	33,557	45.86%
3- Tree Contacts	16	8	217	154	1,921	4,936	7,252	9.91%
4- Lightning	141	103	0	79	2,558	50	2,931	4.01%
5- Defective Equipment	254	804	199	1,518	1,054	522	4,351	5.95%
6- Adverse Weather	10	180	538	2,962	4,882	220	8,792	12.01%
7- Adverse Environment	1	1	3,409	2	20	0	3,433	4.69%
8- Human Element	100	0	16	0	0	300	416	0.57%
9- Foreign Interference	403	544	655	3,661	3,794	373	9,430	12.89%
Total	**2,018**	**2,409**	**13,507**	**15,895**	**28,595**	**10,752**	**73,176**	**100.00%**

Table 5.2 -11: Customer Hours Interrupted by cause codes- Excluding MEDS (2016-2021)

Cause Code	2016	2017	2018	2019	2020	2021	Total CHI	% Share
0-Unknown/Other	24	832	978	477	1,180	6	3,497	1.88%
1- Scheduled Outage	308	455	920	161	100	308	2,252	1.21%
2- Loss of Supply	2,000	0	15,803	9,784	27,720	8,863	64,170	34.51%
3- Tree Contacts	17	31	441	474	5,703	19,394	26,060	14.01%
4- Lightning	257	146	0	189	7,079	92	7,763	4.17%
5- Defective Equipment	1,155	1,909	476	4,568	3,902	1,809	13,819	7.43%
6- Adverse Weather	13	605	2,609	6,019	18,945	1,068	29,259	15.73%
7- Adverse Environment	2	1	11,930	4	82	0	12,019	6.46%
8- Human Element	465	0	136	0	0	2,125	2,726	1.47%
9- Foreign Interference	677	3,418	1,960	10,477	7,034	820	24,386	13.11%
Total	**4,918**	**7,397**	**35,254**	**32,152**	**71,744**	**34,485**	**185,950**	**100.00%**

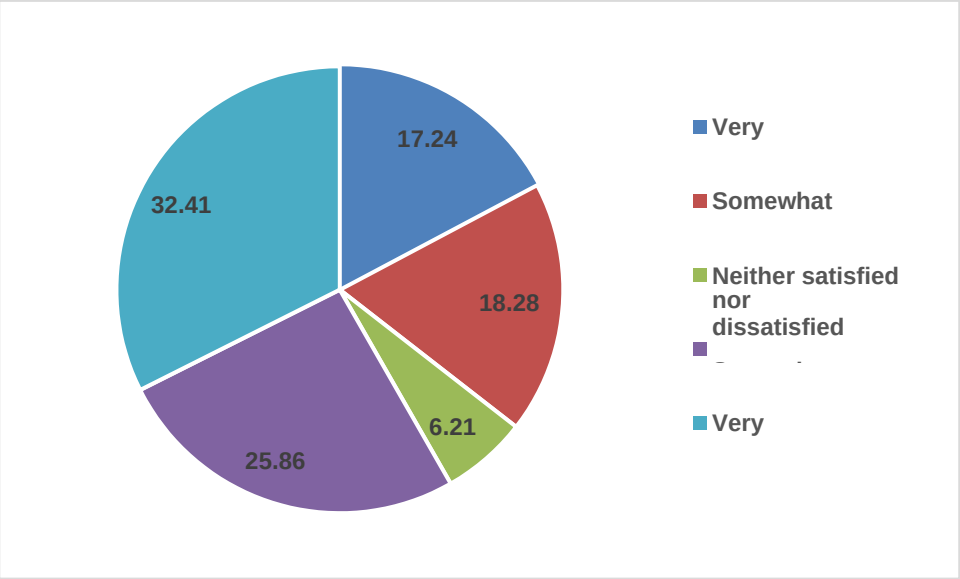
b) E.L.K. does not currently track defective equipment failure events by equipment or major asset type. Therefore E.L.K. does not have the data or means to identify the main type of equipment failures causing outages due to defective equipment in 2020 and 2021.

c) E.L.K.'s system renewal expenditures, including its proactive pole and transformer replacement programs, are aimed at reducing outages due to defective equipment over the forecast period.

2.0-VECC-11

Reference: Exhibit 2, Tab 4, Attachment 1, page 198

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?



a) ELK customers clearly are dissatisfied with the Utility's reliability performance. Please explain what metrics or targets are being instituted to measure the progress ELK is making on its reliability issues.

b) Please explain what management incentives or disincentives are being implemented to assist in reaching these targets.

Response:

a) E.L.K. will continue to monitor and report on system reliability indicators as part of the OEB's Performance Scorecards and the Electricity Reporting and Record Keeping Requirements.

b) E.L.K. is not proposing to implement any management incentives or disincentives as part of this application.

2.0-VECC-12

Reference: Exhibit 2, Tab 7, Appendix 2-G

a) Please update Appendix 2-G to show 2021 results.

Response:

a) The updated Appendix 2-G for the 2017-2021 period is filed in Excel format as Attachment 1 to this interrogatory response.

2.0-VECC-13

Reference: Exhibit 2, Tab 4, Attachment 1, page 94

> "*The General Plant expenditures are then forecast to drop below historical levels from 2024-2026 after the purchase of the new vehicles. The justification for which is expanded upon further in Appendix X ("Fleet Vehicle Material Narrative*")."

a) Please confirm (or correct) Appendix X refers to Appendix O – GP1: Fleet Replacement Program found at E2/T4/Attachment 1, page 517 or 527.

b) Please provide a list showing for each year, 2020, 2021, 2022, and 2023: (1) the vehicles purchased (or expected to be purchased); (2) cost of each vehicle (actual or estimated), the date of delivery (actual or estimated).

Response:

a) This is correct. The reference should be Appendix O.

b) The following table list the costs and vehicles purchased or forecast to be purchased:

	2020	2021	2022	2023
Cost ($K)	$407[1]	$424	$370	$516
Vehicles Purchased	RBD Digger Truck	Ford F150 Pickup, Ford F550 Dump Truck, Double Bucket Truck	Single Bucket Truck 42 footer[2]	Single Bucket Truck 46 footer[2]
Date of Delivery	2020	2021 & 2022(Ford F150)	2022	2023

[1]- An Additional $110K was spent in 2019 to buy the chassis with the remaining amount incurred in 2020 for the body of the truck.

[2] – For Both the Chassis is bought in one year and received the year after due to Covid Supply chain impacts

2.0-VECC-14

Reference: Exhibit 2, Tab 4, Attachment 1, page 97

Table 5.4-8: Project Costs

Category	Project Name	2022 Test Year Net Costs ($ '000)
System Access	SA-1: Subdivisions	$183
	SA-2: Road Relocations	$138
System Renewal	SR-1: Pole Replacement Program	$103
	SR-2: Transformer Replacement Program	$95
General Plant	GP-1: Fleet Replacement Program	$370
Total		**$889**

a) For each of these projects please provide a mapping to Appendix 2-AA to show under which project # they are included.

b) ELK's materiality threshold is $50,000 (E1/T7/page 123). Appendix 2-AA list 6 projects at or above this threshold:

   i. #74 Home Hardware,

   ii. #75 Liftow,

   iii. #76 Telus Tower,

   iv. #77, Residential Sub WH,

   v. #78 Woodbridge Ph2.

   Has ELK provided in this application detailed descriptions for these projects? If not please provide these.

c) Please indicate whether each of the above projects is being completed by internal resources or by an outside contractor. Please also provide the start and expected completion date for each project.

Response:

a) The following Table shows the mapping of the Table5.4-8 projects with Appendix 2-AA. Please note Appendix 2-AA in the revised Ch. 2 Appendices has been updated and resubmitted and costs have been updated.

Category	Project Name	2022 Test Year Net Costs ($ '000)	Project # in Appendix 2-AA
System Access	SA-1: Subdivisions	$183	#70, #71, #72, #73
	SA-2: Road Relocations	$138	#75
System Renewal	SR-1: Pole Replacement Program	$103	#1
	SR-2: Transformer Replacement Program	$95	#1
General Plant	GP-1: Fleet Replacement Program	$370	#69
Total		**$889**	

b) This was a mistake in the Appendix 2-AA. Appendix 2-AA has been updated with correct System Access projects that meet the materiality threshold.

c) Projects will be completed by either internal resource, external resources or a combination of both. This will be decided on an ad-hoc basis as to what is the most appropriate. The start and completion dates are listed in the material narratives (Exhibit 2, Tab 4, Attachment 1, Appendix K-O) attached to this application.

2.0-VECC-15

Reference: Exhibit 2, Appendix 2-AA

a) Please explain how the 2022 forecast for Project #79 “Unknown Access Projects” ($260k) was derived.

b) For 2021 the amount shown for this project is $116,493. What was the actual amount spent on unforecasted access projects in 2021?

Response:

a) The incorrect Appendix 2-AA was submitted. Appendix 2-AA has been updated accordingly in the revised Ch. 2 Appendices filed with interrogatory responses.

b) Please see updated Appendix 2-AA.

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.

e) Please explain what is included in revenues and costs for Non-Rate-Regulated Utility.

f) Please explain how E.L.K. Energy forecasted the revenues and costs for Non-Rate-Regulated Utility.

g) Please explain how E.L.K. Energy marks up the cost base of its affiliate services.

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

Response:

a) Non-rate-regulated Utility revenues and costs include joint use of poles and water/sewer billing services for Town of Essex.

b) Non-rate-regulated numbers forecasted are based on projected service connections for customers that will have water/sewer services; joint use of poles is determined by the number of poles being used.

c) E.L.K. Energy marks up the cost of services to the Town of Essex by 20%.

d) E.L.K. has updated Appendix 2-H to appropriately include Pole Rental Revenue in USofA 4210. E.L.K. now has $0 revenue recorded in USofA 4385.

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?

Response:

a) Actual 2021 kWh consumption, kW demand (if applicable), and customers/connections are provided in the table below.

2021 Actuals	Residential	General Service < 50 kW	General Service 50 to 4,999 kW	Street Lighting	USL	Sentinel Lights	Embedded
kWh	104,175,818	27,649,402	59,954,921	1,308,977	248,217	141,998	50,859,469
kW			221,094	3,620		360	122,199
Customers/ Connections	10,917	1,202	101	3,092	31	17	6

Purchases in 2021 was 252,792,163 kWh.

b) An updated load forecast has been filed with interrogatories "ELK_2022_Load_Forecast_IRR_20220502".

c) EV penetration has not been factored into the load forecast.

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?

Response:

a) General Service > 50 kW energy and demand in 2017 did not include loads of the Class A customer. Additionally, demands of this customer were not included in 2017 to 2019. The load forecast filed with interrogatories has been revised to include this data.

3-SEC-20

[Ex.3, p.3-4] Please provide revised versions of Tables 3-2 to 3-7 that include 2021 actuals.

Response:

Tables 3-2 to 3-7 are provided below with actual 2021 data. For clarity, the tables do not include updated 2022 forecast figures from the revised load forecast filed with interrogatories.

Table 3-2 Summary of Load and Customer Forecast

Year	Total Consumption				Customers / Connections	
	Actual		Weather-Normal			
	MWh	Percent Change	MWh	Percent Change	Customers / Connections	Percent Change
2012 Approved			240,659		14,176	
2011	242,103		238,504		14,011	
2012	233,519	-3.5%	232,763	-2.4%	14,057	0.6%
2013	229,906	-1.5%	229,852	-1.3%	14,147	0.6%
2014	239,176	4.0%	241,309	5.0%	14,231	0.6%
2015	246,710	3.2%	249,089	3.2%	14,321	0.6%
2016	238,443	-3.4%	235,887	-5.3%	14,402	0.9%
2017	230,348	-3.4%	235,787	0.0%	14,535	1.1%
2018	246,427	7.0%	239,666	1.6%	14,697	1.1%
2019	242,877	-1.4%	243,527	1.6%	14,855	1.1%
2020	229,297	-5.6%	230,528	-5.3%	15,016	1.4%
2021	242,792	5.9%	241,079	4.6%	15,365	0.9%
2022 Forecast			244,303	1.3%	15,497	0.9%

Table 3-3 Actual Energy by Rate Class

Year	Residential	General Service < 50 kW	General Service 50 to 4,999 kW	Street Lighting	USL	Sentinel Lights	Embedded	Total
	Actual Energy (MWh)							
2012 Approved	95,979	32,595	66,669	2,225	189	6	42,997	240,659
2011	91,776	30,635	64,324	2,245	202	180	52,740	242,103
2012	90,281	29,409	60,934	2,346	262	174	50,112	233,519
2013	88,791	28,921	59,428	2,513	261	181	49,811	229,906
2014	89,131	29,747	57,346	2,302	260	179	60,211	239,176
2015	90,749	28,622	62,304	2,368	260	163	62,244	246,710
2016	90,966	28,274	59,052	1,586	257	154	58,155	238,443
2017	86,530	27,228	47,450	1,362	255	153	56,843	219,821
2018	94,517	28,693	59,788	1,349	249	150	61,681	246,427
2019	92,485	28,348	59,632	1,354	247	145	60,666	242,877
2020	98,306	26,410	52,048	1,284	248	142	50,859	229,297
2021	106,360	27,377	56,545	1,265	248	138	50,859	242,792

Table 3-4 Weather-Normal and Forecast Energy by Rate Class

Year	Residential	General Service < 50 kW	General Service 50 to 4,999 kW	Street Lighting	USL	Sentinel Lights	Embedded	Total
	Weather-Normal/Forecast Energy (MWh)							
2012 Approved	95,979	32,595	66,669	2,225	189	6	42,997	240,659
2011	91,776	30,635	64,324	2,245	202	180	52,740	242,103
2012	90,281	29,409	60,934	2,346	262	174	50,112	233,519
2013	88,791	28,921	59,428	2,513	261	181	49,811	229,906
2014	89,131	29,747	57,346	2,302	260	179	60,211	239,176
2015	90,749	28,622	62,304	2,368	260	163	62,244	246,710
2016	90,966	28,274	59,052	1,586	257	154	58,155	238,443
2017	86,530	27,228	57,977	1,362	255	153	56,843	230,348
2018	94,517	28,693	59,788	1,349	249	150	61,681	246,427
2019	92,485	28,348	59,632	1,354	247	145	60,666	242,877
2020	98,306	26,410	52,048	1,284	248	142	50,859	229,297
2021	106,360	27,377	56,545	1,265	248	138	50,859	242,792
2022 Forecast	104,176	27,649	59,955	1,279	248	138	50,859	244,305

Table 3-5 Number of Customers/Connections

Year	Residential	General Service < 50 kW	General Service 50 to 4,999 kW	Street Lighting	USL	Sentinel Lights	Embedded	Total
	Customers / Connections							
2012 Approved	10,023	1,214	93	2,801	32	7	4	14,176
2011	9,934	1,195	95	2,790	32	7	4	14,057
2012	10,011	1,205	89	2,799	31	7	4	14,147
2013	10,085	1,207	89	2,808	31	7	4	14,231
2014	10,157	1,215	90	2,817	31	7	5	14,321
2015	10,220	1,221	93	2,826	31	7	5	14,402
2016	10,280	1,228	94	2,885	30	11	6	14,535
2017	10,380	1,237	95	2,932	31	16	6	14,697
2018	10,510	1,238	95	2,957	32	17	6	14,855
2019	10,635	1,237	95	2,993	32	17	6	15,016
2020	10,783	1,246	97	3,046	32	17	6	15,227
2021	10,917	1,202	101	3,092	31	17	6	15,365
2022 Forecast	10,981	1,257	98	3,106	32	17	6	15,497

Table 3-6 Actual Annual Usage by Rate Class

Year	Residential	General Service < 50 kW	General Service 50 to 4,999 kW	Street Lighting	USL	Sentinel Lights	Embedded
	Actual Energy (kWh) per Customer/Connection						
2011	9,238	25,645	680,080	805	6,214	25,742	13,185,104
2012	9,018	24,399	685,299	838	8,336	24,906	12,527,923
2013	8,804	23,954	667,100	895	8,406	25,820	12,452,811
2014	8,776	24,479	637,182	817	8,377	25,543	13,257,511
2015	8,880	23,445	672,048	838	8,374	23,224	12,448,850
2016	8,849	23,021	628,770	550	8,440	13,561	10,494,093
2017	8,336	22,010	609,220	464	8,365	9,500	9,473,902
2018	8,993	23,177	626,872	456	7,899	8,798	10,280,109
2019	8,696	22,908	627,160	452	7,715	8,509	10,111,055
2020	9,117	21,202	536,113	421	7,757	8,353	8,476,578
2021	9,743	22,785	561,470	409	8,027	8,101	8,476,578

Table 3-7 Weather Normalized Annual Usage by Rate Class

Year	Residential	General Service < 50 kW	General Service 50 to 4,999 kW	Street Lighting	USL	Sentinel Lights	Embedded
	Weather-Normal/Forecast Energy (MWh) per Customer/Connection						
2011	9,238	25,645	680,080	805	6,214	25,742	13,185,104
2012	9,018	24,399	685,299	838	8,336	24,906	12,527,923
2013	8,804	23,954	667,100	895	8,406	25,820	12,452,811
2014	8,776	24,479	637,182	817	8,377	25,543	13,257,511
2015	8,880	23,445	672,048	838	8,374	23,224	12,448,850
2016	8,849	23,021	628,770	550	8,440	13,561	10,494,093
2017	8,336	22,010	609,220	464	8,365	9,500	9,473,902
2018	8,993	23,177	626,872	456	7,899	8,798	10,280,109
2019	8,696	22,908	627,160	452	7,715	8,509	10,111,055
2020	9,117	21,202	536,113	421	7,757	8,353	8,476,578
2021	9,743	22,785	561,470	409	8,027	8,101	8,476,578
2022 Forecast	9,185	22,517	574,914	409	8,027	8,101	8,476,578

3.0-VECC-16

Reference: Exhibit 3, page 5

Preamble: The Application states (page 5): "Customer/Connection values are on an average basis and Street Lights, Sentinel Lights and Unmetered Scattered Load are measured as connections."

a) Please confirm that by "average" ELK means the average of the 12 monthly values for each year.

b) Please provide the actual 2021 average customer/connection count for each class.

Response:

a) Confirmed.

b) Please see the table below.

Year	Residential	General Service < 50 kW	General Service 50 to 4,999 kW	Street Lighting	USL	Sentinel Lights	Embedded
	Customers / Connections						
2021	10,917	1,202	101	3,092	31	17	6

3.0-VECC-17

Reference: Exhibit 3, pages 18-19

Preamble: The Application states (page 18): "*For the Residential, General Service < 50 kW, General Service 50 to 4,999 kW, and Streetlights classes the geometric mean analysis was used to forecast the number of customers/connections for 2021 and 2022*".

a) Over what period (i.e., years) was the geometric mean for each class calculated and why was this period chosen?

Response:

a) The 10-year geometric mean growth rate from 2011 to 2020 is used for each class. Ten years was selected because it is the same time frame used for the consumption forecast and reflects E.L.K.'s long-run customer growth rates.

3.0-VECC- 18

Reference: Exhibit 3, page 11

Exhibit 4, Tab 11, Attachment 1 (2011-2015 CDM Program Persistence)

Load Forecast Model, CDM Tab

Preamble: The Application states (page 11): *"The regression model uses monthly kWh purchases (plus CDM) and monthly values of independent variables from January 2011 to December 2020 to determine the monthly regression coefficients".*

a) Do the monthly purchases include purchases from microFIT and FIT customers as well as purchases from the IESO?

b) If not, please re-do the load forecast model so as to include purchases from microFIT and FIT generators in the value for power purchases.

c) Please reconcile each of the following values in the CDM Tab with the IESO's reported results per Exhibit 4, Tab 11, Attachment 1

- 2012 CDM Program Savings in 2012 (1,192,683 kWh per the CDM Tab)
- 2013 CDM Program Savings in 2013 (650,445 kWh per the CDM Tab)
- 2014 CDM Program Savings in 2014 (1,056,394 kWh per the CDM Tab)

Response:

a) No.

b) Purchases from microFit and FIT generation have been incorporated into the updated load forecast filed with interrogatories.

c) 2012: The CDM tab value of 1,192,683 kWh is equal to the sum of 2012 net verified annual energy savings in tab '2012 Results Persistence' with a 2012 Implementation Year (1,191,992 kWh) plus a 2013 adjustment to 2012 HVAC savings (691 kWh).

2013: The CDM tab value of 650,445 kWh is equal to the sum of 2013 net verified annual energy savings in tab '2013 Results Persistence' with a 2013 Implementation Year (646,865 kWh) plus 2014 adjustments to 2013 (3,580 kWh). Adjustments in 2014 were made to 2013 HVAC savings (3,494 kWh), Energy Audit savings (32 kWh), and Instant Coupon savings (54 kWh).

2014: The CDM tab value of 1,056,394 kWh is equal to the sum of 2014 net verified annual energy savings in tab '2014 Results Persistence' with a 2014

Implementation Year. Note that this value is equal to the 2014 subtotal in tab '2014 Results Persistence' (1,059,974 kWh), less the 2014 adjustments to 2013 savings (3,580 kWh) described above.

Please see the 'Summary' tab of Exhibit 4, Tab 11, Attachment 4 "CDM Summary" for a full reconciliation of CDM values from IESO reports to the load forecast and LRAMVA workform.

3.0-VECC-19

Reference: Exhibit 3, pages 4, 11 and 13

Preamble: The Application states (page 4): "*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 Application states (page 11): "*The multivariate regression model has determined drivers of year-over-year changes in E.L.K.'s load growth are weather (heating and cooling degree days), calendar variables (days in month 21 and seasonal flag), and Customer Counts*".

The Application states (page 13):
"*E.L.K. Monthly Predicted kWh Purchases plus CDM =*
*= Heating Degree Days (18°C) * 11,008*
*+ Cooling Degree Days (16°C) * 45,501*
*+ Number of Days in the Month * 481,703*
*+ Spring Flag * (614,549)*
*+ GDP Index * 25,483*
+ Constant of (3,168,790)"

a) Please reconcile/clarify the following inconsistencies:

- Page 4 states GDP was not included as an independent variable but page 13 indicates it was.
- Page 11 indicates that Customer Count was included as an independent variable but page 13 indicates it was not.

b) It is noted that for each historic year the same GDP Index value is used for all months. Is there some reason why ELK did not use the more detailed quarterly data available from the Ontario Economic Accounts (Ontario Economic Accounts - Datasets - Ontario Data Catalogue)

c) Please explain why the base temperature for Cooling Degree Days was changed from 18 to 16 degrees Celsius.

Response:

a) The statement on page 4 is incorrect, GDP index was used as an independent variable.

The statement on page 11 is incorrect, Customer Count was not included as an independent variable

b) E.L.K. Energy relied on Statistics Canada data for GDP data, which is provided on an annual basis. E.L.K. Energy did not consider an alternate source and was not aware of the quarterly data available from Ontario Economic Accounts.

c) A range of base temperatures were considered for both heating and cooling degree days. The variables 18°C HDD and 16°C CDD were selected because these variables produced the statistical results. In particular, among the base temperatures tested, the R^2 and t-statistics for both HDD and CDD are highest when 18°C HDD and 16°C CDD are used. Please see tab 'Weather' cells AK114:AP175 for details on the results of alternate models.

3.0-VECC-20

Reference: Exhibit 3, pages 13-14

a) Are there more recent GDP forecasts for 2021 and 2022 available from the same major banks (or actual values available for 2021)? If so, please provide.

b) Please confirm that ELK has not included any CDM savings for programs implemented in 2020, 2021 or 2022.

Response:

a) Please see the table below. These values are used in the revised IRR load forecast.

		TD	BMO	Scotia	RBC	Average
Report Date		17-Mar-22	14-Apr-22	12-Apr-22	10-Mar-22	
GDP	2020		-5.1%	-5.1%	-5.1%	-5.10%
	2021	4.3%	4.3%	4.1%	4.2%	4.25%
	2022	4.2%	3.4%	4.1%	4.2%	3.98%
Report Date		17-Mar-22	14-Apr-22	12-Apr-22	10-Mar-22	Average
FTE	2020		-4.7%	-4.8%	-4.8%	-4.77%
	2021	4.9%	4.9%	4.9%	4.9%	4.90%
	2022	4.5%	5.0%	4.5%	3.4%	4.35%

b) Confirmed.

3.0-VECC-21

Reference: Exhibit 3, pages 23-25

a) Please provide for each customer class the actual kWh for 2021.

b) For the GS>50 kW, Street Lights, Sentinel Lights and Embedded Distributor classes please provide the actual billed kW for 2021 and the resulting kW/kWh ratio.

Response:

a) and b) Please see the table below for the requested information.

2021 Actuals	Residential	General Service < 50 kW	General Service 50 to 4,999 kW	Street Lighting	USL	Sentinel Lights	Embedded
kWh	106,359,838	27,377,213	56,544,701	1,265,084	248,173	137,713	50,859,469
kW			167,489	3,399		357	115,598
kW/kWh Ratio			0.002962	0.002687		0.002592	0.002273

3.0-VECC-22

Reference: Exhibit 3, pages 37 and 39

Preamble: The Application states (page 39):

"*Specific Service Charges are forecast to decrease materially from 2020 to the 2021 Bridge Year, returning to a more typical level after high Specific Service Charges revenues in 2020. Other Income or Deductions is forecast to decrease by $224,038 from 2020 to the 2021 Bridge Year. This increase is caused by a decrease in Revenues from Non Rate-Regulated Utility Operations and an increase in Expenses of Non Rate-Regulated Utility Operations*."

a) Provide the 2021 actual Other Operating Revenue in the same level of detail as Table 3-37.

b) The Application page 39) states that 2021 revenues from Specific Service Charges returned to more typical levels. However, the forecast for 2021 (and 2022) is materially less than the actual values for 2017-2019. Please reconcile.

c) Please explain what is leading to a decrease in Revenues from Non Rate-Regulated Utility Operations in 2021 and 2022 versus 2020 and why, at the same time, Expenses of Non Rate-Regulated Utility Operations are increasing.

d) Please indicate in which USOA account is the revenue from Pole Rental charges recorded?

e) Please provide: i) the actual annual pole rental revenues for 2017-2020, ii) the forecast 2021 pole rental revenues per the Application, iii) the actual 2021 pole rental revenues and iv) the forecast pole rental revenues for 2022.

f) Where is the rental revenue for the Pearl St. Property recorded (i.e., which USOA account) and what are the annual values for 2017 to 2022?

g) What are sources for the revenues recorded in USOA #1435?

h) Please confirm that none of ELK's customers are served via Retailers.

Response:

a) Other Operating Revenue in the same format as Table 3-37 with 2021 Actuals is provided below.

Appendix 2-H
Other Operating Revenue

USoA #	USoA Description	2020 Actual	2021 Actual	Test Year
		2020	2021	2022
	Reporting Basis	MIFRS	MIFRS	MIFRS
4235	**Specific Service Charges**	-$ 163,733	-$ 172,365	-$ 172,365
4225	**Late Payment Charges**	-$ 86,403	-$ 100,165	-$ 100,165
4082	**Retail Services Revenues**	-$ 10,208	-$ 9,011	-$ 9,011
4210	Rent from Electric Property	-$ 66,363	-$ 65,563	-$ 61,056
4215	Other Utility Operating Income	-$ 6,928		-$ 5,964
4220	Other Electric Revenues	-$ 9,741	-$ 2,566	
4305	Regulatory Debits			
4320	Expenses of Electric Plant Leased to Others			
4325	Revenues from Merchandise			
4355	Gain on Disposition of Utility and Other Property		-$ 7,851	
4375	Revenues from Non Rate-Regulated Utility Operations	-$ 641,314	-$ 328,256	-$ 354,555
4380	Expenses of Non Rate-Regulated Utility Operations	$ 225,375	$ 107,793	$ 317,340
4385	Non Rate-Regulated Utility Rental Income			
4405	Interest and Dividend Income	-$ 141,846	-$ 100,971	-$ 100,971
Specific Service Charges		-$ 163,733	-$ 172,365	-$ 172,365
Late Payment Charges		-$ 86,403	-$ 100,165	-$ 100,165
Other Operating Revenues		-$ 93,240	-$ 77,140	-$ 76,031
Other Income or Deductions		-$ 557,785	-$ 329,285	-$ 138,186
Total		-$ 901,161	-$ 678,955	-$ 486,747

b) Specific service charges revenue declined by 20 percent in 2021 over 2020. Customers are requesting less specific charges due to COVID shutdowns.

c) Decrease in Revenues from non rate-regulated utility operations in 2021 and 2022 is a result of fewer requests than prior years. Sale of scrap of old equipment has been paused as E.L.K. is holding old equipment in case spare parts are required due to COVID supply chain delays. The forecast for 2022 is conservatively estimated to increase as COVID shutdowns lessen it's expected that requests in this area may increase. Expenses are forecast to increase with an anticipated increase in requests due to regional activity with home renovations and building etc.

d) Pole Rental charges are included in USoA #4210. Please note the E.L.K. has updated Appendix 2-H to more clearly align Other Revenues with the appropriate USofA account.

e) Pole rental revenues by year are provided in the following table.

Year	Pole Rental Revenues.
2017	$41,209
2018	$44,437
2019	$60,596
2020	$61,055
2021 (Actual)	$41,192
2021 (Forecast)	$61,055
2022	$61,055

f) Revenues from rental of the Pearl St. property are recorded in USoA #4210. Annual revenues are provided in the table below.

Year	Pearl St. Revenue
2017	$5,120
2018	$5,308
2019	$5,309
2020	$5,307
2021	$0 (Property Sold)
2022	$0 (Property Sold)

g) E.L.K. Energy does not have amounts recorded in Account #1435.

h) As of January 1st, 2022, E.L.K. Energy has 397 customers served by Retailers.

Exhibit 4 – Operating Expenses

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.

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

Response:

a) See table below.

Number of Calls

Year	**2017**	**2018**	**2019**	**2020**	**2021**
# of calls	10,576	6,938	9,145	9,974	13,195

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.

Response:

a) E.L.K. does not separate the cost for locates and underground distribution lines however the allocation is approximately 75% for locates and 25% for distribution lines.

b) See table below.

Number of Requests for Locates

(Ontario One Call)

Year	**2017**	**2018**	**2019**	**2020**	**2021**
# of requests	1,247	1,281	1,197	1,409	1,963

There have 850 locates in 2022 up to April 13, 2022.

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.

Response:

a) Yes, E.L.K. Energy has digitized much of its information. Examples include field service orders that are now scanned to a server and customer records that are scanned and attached to customer accounts in E.L.K.'s CIS system.

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?

Response:

a) E.L.K.'s demand meters, that require manual meter reading, are being moved to a cloud-based software application
b) The present manual reading system has been moved to a cloud-based software application. The E.L.K. water billing function also uses the same software. Other LDCs such as ENWIN, Entergus, Wellington North and Lakefront use this software. This allows staff to use software on mobile phones, tablets etc. resulting in greater efficiency for doing reads in the field and will interface with the CIS system.
c) There are no yearly costs to E.L.K.'s distribution customers as the Town of Essex Water Billing Department absorbs these costs. There was a one-time cost of $3,000 to have import/export file configured to CIS specifications.

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.

Response:

a) Management salaries program includes the 4-5 management positions as in 2-K.
b) The increase in management salaries is due to a new position hired in 2021 – the Engineer & Asset Management Supervisor. This is the first time an Engineer has been hired by E.L.K. Energy Inc. and thus to attract and retain an individual with these qualifications and expertise the salary was increased from the former Operations Manager position.

   The Regulatory Analyst position is not included in the management salaries program.

c) The increase in management salaries and expenses from 2018 to 2019 is primarily due to a greater allocation of CEO and CFO time to this work program in 2019, resulting in a higher level of direct and payroll burden costs being charged.

d) Board of Directors compensation is included in management salaries and expenses. Please see following table for amounts.

E.L.K. Board of Directors Compensation

2017 to 2021

Year	**2017**	**2018**	**2019**	**2020**	**2021**
$	$19,696	$21,884	$20,052	$20,529	$20,579

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.

Response:

a) See table below

Number of Requests for Locates

(Ontario One Call)

Year	**2017**	**2018**	**2019**	**2020**	**2021**
# of requests	1,247	1,281	1,197	1,409	1,963

There have 850 locates in 2022 up to April 13, 2022

b) The Operations Review did not cause increases in E.L.K.'s underground / overhead maintenance programs. However, E.L.K.'s Asset Condition Asset study did help E.L.K. plan certain programs in the 2022 period. 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

c) The age distribution of E.L.K.'s underground cables is listed in the Kinectrics asset condition assessment in Exhibit 2, Tab 4, Attachment 1, Page 162, Section 5.2, Figure 5-2 Age Distribution – Underground Cables.

d) See Table below

2021 Underground Failures

#	Date	Type	Time (hours)
1	Nov 6, 2021	Underground	1.0
2	Aug. 26, 2021	Underground	2.0
3	August 24, 2021	Underground	2.0
4	August 15, 2021	Underground	1.0
5	July 15, 2021	Underground	0.45
6	June 2, 2021	Underground	2.5

e) EL.K. does not have an underground cable testing program. Common practice is to do cable testing when installing a new cable and not test existing older cables because testing does degrade the cables.

f) E.L.K. is responding to customer's feedback. With respect to outages 10.59% are due to foreign interference (i.e., animal contact) and 18.47% are due to tree contact (which is the second highest outage cause). One of our service areas has extensive old tree canopy and we have noticed an increase in tree contact and animal contact in the fall and spring resulting in increased outages. This service area was focused on before the 2022 Winter season. As a result, there have been no outages is Q1 2022 in these two areas.

g) As a result of the focused tree trimming campaign there have been no outages in Q1 2022 in these two classifications.

h) E.L.K. has a tree trimming standard of a 3-year cycle.

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.

Response:

a) In 2021 the total amount collected via the collection agency was $3,477. The fee charged by the collection agency was $1,217 or 35%.

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.

Response:

a) See the table below.

Position	2017	2018	2019	2020	2021
Management					
Supervisor, Finance & Customer Service	X	X	X	X	Vacant Sept. 1/21 to Oct. 4/21
Engineer & Asset Management Supervisor	n/a	n/a	n/a	n/a	Vacant Jan. 25/21 to Dec 1/21
Non-Management					
Regulatory Analyst	n/a	n/a	n/a	n/a	Vacant Nov. 1/21
Journeyman Lineman	X	X	X	Vacant Nov. 30/20	Filled Jan. 1/21
Journeyman Lineman	X	X	X	Vacant Nov. 30/20	Filled April 1/21
Journeyman Lineman	X	X	Vacant Oct. 1/19	Filled June 1/20	X
Apprentice	Filled June12/17	X	Vacant Nov. 3/19	V	Filled Aug. 20/21
Apprentice	n/a	n/a	n/a	n/a	Filled April 5/21
Admin. Assistant (P/T)	Vacant April 1/17	V	V	V	V

Legend:	
X=	Position Filled
V=	Position Vacant
n/a=	New Position Not Yet Created

b) The Mearie Management survey and the Korn Ferry surveys were used for internal benchmarking. See PDF Attachments 1 and 2 to this interrogatory response for the Mearie 2020 management survey and the Korn Ferry 2021 update survey, respectively.

4-Staff-50

Attachment 1 - 2020 Mearie Management Salary Survey Report

Confidential.

4-Staff-50

Attachment 2 - Korn Ferry Compensation Planning Update for 2021

Confidential.

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.

Response:

a) The Town of Essex shared service revenue is accounted for in USofA account 4375. E.L.K. Solutions shared services revenue is also accounted for in USofA account 4375.

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.

Response:

a) One-time costs to date are summarized as follows:

One-Time Costs

Category		Costs to Mar. 31/22
Legal Costs	(a)	$ 95,965
Consultant Costs	(b)	$ 346,675
Incremental Op. Ex.		$ -
Intervenor Costs		$ -
OEB Costs (S. 30)		$ -
		$ 442,640

	Legal/Consultant	to Mar. 31/22
(a)	BLG	$ 95,965
(b)	Elenchus	$ 211,425
(b)	METSCO	$ 104,500
(b)	KPMG	$ 27,250
(b)	Oracle Poll	$ 3,500
		$ 442,640

b) E.L.K. assumed there would be 3 intervenors in its 2022 Cost of Service proceeding.

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.

Response:

a) Industrial/Commercial Meters have a range of 25 to 35 years useful service lives. Based on experience and consultation with KPMG when converting from MIFRS to IFRS, KPMG recommend moving to a 15 year useful service life.

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.

Response:

a) There will be no future LRAMVA amounts related to persistence of 2016 to 2020, or earlier, CDM activity.

b) Confirmed. Please see Exhibit 3, Tab 1, section 1.3.1.

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.

Response:

a) E.L.K. Energy is seeking disposition of its LRAMVA balance over a two-year period.
b) N/A.
c) A two-year period disposition is proposed for all deferral and variance accounts to mitigate bill impacts.

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.

Response:

a) Please see Attachment 1 - Mondelis 2021 Post Employment Benefit report. The main reason for the change between 2021 and 2022 is the retirement of several staff over this period.

MONDELIS
ACTUARIAL

January 18, 2022

Cheryl Tratechaud
Chief Financial Officer, Director Stakeholder Relations
E.L.K. Energy Inc.
172 Forest Avenue
Essex ON N8M 3E4
ctratechaud@elkenergy.com

via email only

Dear Cheryl:

Re: E.L.K. Energy Post-Employment Benefits Accounting at December 31, 2021.

E.L.K. Energy Inc. has retained the services of Mondelis Actuarial Services to perform a valuation of post-employment benefits for the fiscal period ending December 31, 2021. The results have been prepared in accordance with our understanding of the International Financial Reporting Standards (IFRS).

A full valuation has been prepared effective December 31, 2021. This document contains the accounting results to be disclosed in the December 31, 2021 financial statements. The attached table provides the exhibits showing disclosure information for the fiscal year ending December 31, 2021 and the prior fiscal year.

Insurance Plan

Benefits are payable to future retirees provided they retire from active service and have at least 15 years of service with the company.

Life insurance benefits are provided to four current retirees; future retirees will not be provided with life insurance benefits.

The health insurance program provides extended health insurance, dental insurance, and vision benefits; various deductibles are applicable. Current retirees are covered for various periods and coverages (some for life). For future retirees, extended health insurance benefits will cease at age 65; survivor's benefits are provided with respect to one currently retired employee.

Premiums

Monthly premiums as at January 1, 2020, January 1, 2021 and January 1, 2022 have been provided by E.L.K. Energy. The table below shows the monthly premiums, excluding provincial sales taxes.

	Class 1 and 10 (actives)				Class 2 and 11 (retirees)			
	Health		Dental		Health		Dental	
	Single	Family	Single	Family	Single	Family	Single	Family
Premiums at Jan 1, 2020	76.66	196.34	47.21	166.73	78.95	202.23	46.75	165.10
Premiums at Jan 1, 2021	76.66	196.34	47.21	166.73	78.95	202.23	46.75	165.10
Premiums at Jan 1, 2022	78.96	202.23	48.63	171.73	78.95	208.30	46.75	170.05

Data

The data used for the valuation effective December 31, 2021 is summarized in the following tables.

Age Group	Male	Female	Total	Average Service (Years)
		Active Employees		
50-54	3	0	3	28.532
55 & over	0	1	1	22.167
Totals	3	1	4	26.941

Age Group	Male	Female	Total	Average Life Ins.
		Retirees		
55-59	3	0	3	0
60-64	2	0	2	0
75-79	0	1	1	5,584
80-84	2	0	2	15,179
85-89	1	1	2	22,050
Totals	8	2	10	8,004

Confirmations

We have been engaged to prepare actuarial valuations for E.L.K Energy's post-employment benefits plan. We confirm that:

a) The valuation regarding the recognition of employee future benefit obligation through December 31, 2021 is in accordance with IFRS.
b) The valuation has been performed in accordance with the Canadian Institute of Actuaries (CIA) standards of practice.
c) The valuation has been performed using the discount rate determined in accordance with IFRS and best estimate assumptions determined by management in consultation with our office.
d) We have used a materiality level of $25,000 in dealing with errors or changes in principle and the application thereof.
e) Our calculations include all employee future benefit plans of the Company required to be included in the calculations for which we have been retained. No changes in plan provisions have been brought to our attention that have occurred in the period from the valuation date up to the date of this report that would have a material impact on the results of this report.
f) The valuation is accurate and properly reflects the effect of all events and changes that have been brought to our attention by management.
g) No matters have come to our attention which occurred in the period from the effective date of the report (December 31, 2021) to the date of the completion of this report which would have a material effect on our calculations.

Assumptions/Method

The significant actuarial assumptions used in the calculations are as follows:

- The date of all calculations is December 31, 2021.
- A 2.50% discount rate is used to determine the obligation at December 31, 2021; a rate of 2.00% was used at December 31, 2020 and for extrapolation during 2021. The discount rate of 2.50% at December 31, 2021 represents the equivalent annual yield derived from use of the Fiera Capital Canadian Institute of Actuaries Method Accounting Discount Rate Curve at December 31, 2021, rounded to the nearest 0.25%.
- No assets have or are expected to be accumulated for the plan.
- Salary growth is not anticipated, as benefits are not salary related.
- No employee contributions are to be made to the plan; the value of benefits funded by plan members is excluded from the calculated liabilities (i.e. only the employer's share of the cost of benefits is considered).
- The Canadian Pensioners' Mortality Table (Composite) projected on a generational basis using CPM Improvement Scale B is used for the current valuation.
- Termination of employment is based on the Ontario Light Scale, with no termination after age 54.

- Retirement is assumed to be at the later of age 57 and the age at which benefits become available under the plan; previously retirement was assumed to be at the later of age 60 and the age at which benefits become available under the plan.
- Inflation of 2.25% per year is assumed.
- Health care trend rates are assumed to be 6.5% starting in 2023, reducing by 0.5% per year until an ultimate rate of inflation plus 1.75% (i.e. 4%) is attained.
- Dental care trend rate of 4% per year.
- A life insurance settlement expense of $500 per policy is assumed.
- The value of projected benefits is prorated over the attribution period to determine the amount of expense to charge to various periods. The accrued obligation represents the present value of benefits assigned to periods prior to the valuation date.
- Amortizations: Gains/losses are immediately recognized in the Balance Sheet Asset.
- The attribution method is based on prorating benefits over each employee's period of service to the age at which the employee is eligible for post-employment benefits.
- The valuation allowance is zero.
- It is assumed that current marital status will be in place at each active employee's retirement; spouse is assumed to have same age as employee.

Should you require additional information or additional calculations, please contact us.

Sincerely,

Harish Pawagi
519-804-2896
harish.pawagi@mondelis.com
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries

Att.

E.L.K. Energy Post-Employment Benefits		
Fiscal period	**2020**	**2021**
Discount Rate		
At start of period	**3.00%**	**2.00%**
At end of period	**2.00%**	**2.50%**
Interest rate on assets	N/A	N/A
Salary Growth assumption	N/A	N/A
YMPE Growth assumption	N/A	N/A
CPI increase assumption	2.25%	2.25%
Termination rates used	Yes	Yes
Retirement Age	60/15yos	57/15yos
Trend Rates (starting at most recent valuation)		
Health Care Initial Trend Rate	6.5%	6.5%
Ultimate Trend Rate/Dental Trend Rate	4.0%	4.0%
Period (years) to Ultimate	5	5
EARSL Period	N/A	N/A
Number of active employees, valuation data	7	4
Number of retirees, valuation data	8	10
Reconcile Obligation		
Obligation at start of period	470,557	423,785
Change in obligation on revaluation	0	0
Plan improvements in period	0	0
Current service accrual cost	7,730	5,982
Member contributions	0	0
Benefit payments	(30,000)	(37,541)
Interest on obligation	13,783	8,160
Obligation at end of period	462,070	400,386
Actual obligation at end of period	423,785	517,575
Total (Gains) & Losses	(38,285)	117,189
Reconcile Plan Funds		
Fund at start of period	0	0
Company contributions	30,000	37,541
Benefit payments	(30,000)	(37,541)
Interest on fund	0	0
Expected fund at end of period	0	0
Actual fund at end of period	0	0
(Gains) & Losses	0	0

E.L.K. Energy Post-Employment Benefits Fiscal period	2020	2021
Expense		
Current service cost	7,730	5,982
Interest on obligation	13,783	8,160
Interest on assets	0	0
Amortize transition amount	0	0
Amortize plan improvements	0	0
Amortize (gains) and losses	0	0
Expense	21,513	14,142
Unamortized (Gains) & Losses		
Unamortized (gain)/loss at start of period	0	0
Restatement of Liability	0	0
(Gain)/Loss in period	(38,285)	117,189
Amortization in period	(38,285)	117,189
Unamortized (gain)/loss at end of period	0	0
Balance Sheet Asset (Liability)		
Asset/(Liability) at start of period	(470,557)	(423,785)
Restatement of Pension Liability	0	0
Income/(Expense) in period	(21,513)	(14,142)
Company contributions	30,000	37,541
Recognize gains/(losses)	38,285	(117,189)
Asset/(Liability) at end of period	(423,785)	(517,575)
Reconcile Balance Sheet Asset to Funded Status		
Funded status	(423,785)	(517,575)
Unamortized transition amount	0	0
Unamortized prior service costs	0	0
Unamortized gains & (losses)	0	0
Balance Sheet Asset/(Liability)	(423,785)	(517,575)
Impact of 1% change in health insurance trend rates		
Change in obligation for 1% increase in trend rates		21,000
Change in obligation for 1% decrease in trend rates		(20,000)

E.L.K. Energy Post-Employment Benefits Fiscal period	2020	2021
Sources of (Gains) & Losses		
Change in Financial Assumptions		(14,396)
Change in Demographic Assumptions		55,533
Plan experience		76,052
Total (Gains) & Losses		117,189

4-SEC-21

[Ex. 4, p.10] Please explain why the Applicant did not replace any of the 2.5 staff that retired in 2017.

Response:

ELK did not replace 2.5 positions in 2017. An Administrative Assistant retired and due to achieving greater efficiencies in processes other staff were able to absorb the responsibilities. The two lineman that left were not replaced as the forecast at that time was, that starting in 2018 and forward, fewer capital projects were expected.

4-SEC-22

[Ex. 4, Tab 2, p.16] Please explain what specific energy conservation costs the Applicant is seeking to include in the test year.

Response:

E.L.K. is not seeking recovery of any specific energy conservation costs in this application for the test year.

4-SEC-23

[Ex.4, Tab 3, p.23] With respect to the locates/underground distribution lines and feeders, the Applicant states that the variance between the 2020 actuals and 2022 test year amount is “primarily the result of increased customer requests and growth in our service areas.” Please provide the number of the customer requests for each between 2016 and 2021.

Response:

Please see response to 4 – Staff 44 part b).

4-SEC-24

[Ex 4, Tab 3, p.28; Appendix 2-M] With respect to regulatory costs:

a. Please confirm that the Applicant's 2020 and 2021 OM&A costs, including in the various appendices (i.e., 2-JA, JB, JC, etc.). include costs related to preparation of this application.
b. If confirmed, please provide the specific amounts included in each year.
c. Please confirm that the Applicant is also seeking to amortize all one-time application costs over the DSP period (i.e., 1/5 of total one-time costs are included in its 2022 test year budget).
d. Please provide a breakdown of the $539,799 in one-time costs related to the application.

Response:

a) E.L.K. Energy confirms that costs related to the preparation of this application are included in 2020 and 2021 OM&A and various appendices.

b) One-time costs by year are as follows:

One Time Costs				
	Year			Total
Category	2020	2021	2022	
Legal Costs	6,470	124,000	70,000	200,470
Consultant Costs	74,884	124,945	47,500	247,329
Incremental Op. Ex.		7,000		7,000
Intervenor Costs			65,000	65,000
OEB Costs (S. 30)			20,000	20,000
	81,354	255,945	202,500	539,799

c) Confirmed. The costs of this application are being amortized over 5-year period and 1/5th of the amount is in the 2022 Test Year.

d) Please see response (b) above.

4-SEC-25

[Ex.2, Appendix 2-K) Please provide the amount of total compensation allocated to each of OM&A and capital each year between 2012 and 2022.

Response:

Please see the table below

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Compensation	1,680,630	1,725,828	1,749,460	1,828,202	1,758,708	1,749,522	1,779,953	1,810,100	1,715,879	1,808,141	2,035,757
Labour - Capital	320,662	464,410	335,186	224,446	323,218	295,890	352,495	284,544	322,730	384,290	391,976
Capital %	19.1%	26.9%	19.2%	12.3%	18.4%	16.9%	19.8%	15.7%	18.8%	21.3%	19.3%
Labour - OM&A	1,359,968	1,261,418	1,414,274	1,603,756	1,435,490	1,453,632	1,427,458	1,525,556	1,393,149	1,423,851	1,643,781
OM&A %	80.9%	73.1%	80.8%	87.7%	81.6%	83.1%	80.2%	84.3%	81.2%	78.7%	80.7%

4.0-VECC-23

Reference: Exhibit 4, Appendices 2-JC (OMA Programs) and 2-JA (OM&A Summary)

a) If Appendices 2-JA and 2-JC do not show 2021 actual results please update the tables for the actual results (unaudited if necessary).
b) Please subdivided Appendix 2-JC OM&A by program to show which 2-JA category Operations, Maintenance etc..) they fall within.

Response:

a) Please see the updated Ch 2 Appendices filed with interrogatory responses.
b) Appendix 2-JC in the updated Ch. 2 Appendices has been reorganized by 2-JA category.

4.0-VECC-24

Reference: Exhibit 4, Tab 3, page 20-

a) How was the 2022 Bad Debt amount of $120,000 calculated/derived?

Response:

a) Historical bad debt information was used and adjusted for COVID-19 impacts. The E.L.K. service territory has been impacted as a result of being a border community. As a result, E.L.K.'s customers are struggling and our Accounts Receivable is currently the highest based on historical information.

4.0-VECC-25

Reference: Exhibit 4, Tab 3, page 23-

a) Please show how the $363,003 for locates was calculated/derived.

b) Please provide the number of locates undertaken in each of 2018 to 2021.

c) What are the expected number of locates in 2022?

Response:

a) The value of $363,003 for locates in 2022 was derived by taking the actual 2021-dollar amount for this program and adjusting for expected program uptake in 2022. The expected uptake in 2022 is 2,600-2,800 locates.

b) See response to 4-Staff 44-part b)

c) The expected uptake in 2022 is 2,600-2,800 locates. The number of locates in 2022 was derived by taking the number of locates in 2021 and adjusting that value for expected uptake in this program in 2022. Locates increased 39% from 2020 to 2021. Based on the increased construction activity in E.L.K. service areas, locates are forecasted to be higher in 2022 than any other year. Specifically, E.L.K. has capital project requests (3 subdivisions) in Q1; plus, more coming, plus service layouts in Q1. Locates in Q1 2022 were 850.

4.0-VECC-26

Reference: Exhibit 4, Tab 3, page 24

a) ELK explains that "*Sensus is required to be paid in foreign currency and subject to foreign exchange fluctuations which accounts for the majority of the* (Meter Maintenance & Readings) *increase*. However, our review of US-Canadian exchange rates appears to show the Canadian dollar generally appreciating over the 2020 - 2022 period (from a low of .71 in 2020 to a high of .83 in 2021. In any event, the current rate of .79-.80 would appear to be as compared to any period since 2017. Please show the calculation upon which the statement that exchange rates account for majority of the cost increase in this category was based.
b) What steps does ELK take to mitigate exchange risk for these costs?

Response:

a) The average exchange rate applied to the Sensus invoices was 1.29 in 2021. However, the invoice costs also increase relative to the increase in service connections and installation of the TOU meters that is anticipated in 2022. Furthermore, the meter maintenance program costs are anticipated to increase due to the meter reverification program that is in progress. With the new information regarding TOU meters shipments being unavailable until 2024; E.L.K. Energy anticipates that the meter reading expense program is expected to further increase with the requirement to monthly meter read of Analog meters that is expected for 2022 and 2023.

b) E.L.K. monitors the cost for this service on a regular basis. In addition, ELK receives a preferred rate on foreign exchange conversion at our financial institution.

4.0-VECC-27

Reference: Exhibit 4, Tab 3, page 28

ELK states: "*The increase in costs between 2020 actuals and 2021 Bridge year primarily relates to increased costs with respect to the preparation of E.L.K.'s 2022 Cost of Service Rates Application*."

a) What is the amount of 2022 rate application costs included in Appendix 2-JA in either the 2020 or 2021 Bridge Year related to this application?

Response:

a) In 2020, $81,354 and in 2021, $255,945 are the costs estimated for the 2022 rate application.

4.0-VECC-28

Reference: Exhibit 4, Tab 3, page 30

a) Please confirm (or correct) that vegetation management costs are captured under the program table category of "Overhead Operations/Maintenance (Program #9) of $472,488 in 2022.
b) Please provide the vegetation management costs separately for the years 2016 through 2022 (forecast).

Response:

a) ELK can confirm that vegetation management program costs are captured under the program table category Overhead Operations/Maintenance

b) See table below

Vegetation Management Costs

2016 to 2022

Year	2016	2017	2018	2019	2020	2021	2022
Cost ($)	$74,828	$64,819	$59,605	$54,100	$64,737	$123,802	$80,000

4.0-VECC-29

Reference: Exhibit 4, Tab 3, page 32

Table 4-26 – Underground Operations /Maintenance

Program #10	2012 OEB-Approved	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Bridge Year	2022 Test Year
Underground Operations /Maintenance	202,000	179,588	213,891	224,388	275,621	139,583	218,385	248,366
Variance - vs. previous year			34,303	10,497	51,233	-136,038	78,802	29,982
Variance - Test Year vs. 2020 Actuals								108,783
Variance - Test Year vs 2012 Approved								46,366

a) For the years 2016 through 2022 please separate the amounts into reactive and planned underground maintenance.
b) Please update Table 4-26 for 2021 actual results.

Response:

a) E.L.K. does not separately track reactive and planned underground maintenance work. E.L.K. estimates that in general, 75% of this work program is reactive work and that 25% is planned work.

b) See updated Table 4 – 26 below.

Table 4-26 – Underground Operations /Maintenance

Program #10	2012 OEB-Approved	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Actuals	2022 Test Year
Underground Operations /Maintenance	202,000	179,588	213,891	224,388	275,621	139,583	~~218,385~~ 188,763	248,366
Variance - vs. previous year			34,303	10,497	51,233	-136,038	~~78,802~~ 49,180	~~29,982~~ 59,603
Variance - Test Year vs. 2020 Actuals								108,783
Variance - Test Year vs 2012 Approved								46,366

4.0-VECC-30

Reference: Exhibit 4, Tab 4, page 37

a) Please identify any unfilled employment positions and provide the expected date for filling these positions.
b) Please provide ELK's churn rate (i.e., average vacancy rate) for each year 2016 through 2021.

Response:

a) E.L.K. has two vacant positions. The Engineer & Asset Management Supervisor is expected to be hired by June 2022 and the Regulatory Analyst is expected to be hired by May 2022.

b) E.L.K. has calculated the average vacancy rate as (1 – (the number of actual staff divided by the number positions available in the organization)). Please see table below:

E.L.K. "Churn Rate" (i.e. Average Vacancy Rate)

Year	2016	2017	2018	2019	2020	2021
Average Vacancy Rate	0.0%	0.0%	8.0%	8.0%	26.0%	16.0%

4.0-VECC-31

Reference: Exhibit 4, Tab 6, page 55

a) Please provide a detailed breakdown of the one-time regulatory costs for this application of $539,799 by dividing the costs into the categories: Legal, Consulting, internal utility, and Other (please specify). For each category, please indicate the amounts expended (invoiced) to date.

Response:

a) Please see responses to 4-Staff 52(a) and 4-SEC-24(b)

4.0-VECC-32

Reference: Exhibit 4, Tab 6

a) If ELK is a member of the EDA please provide the annual membership fees for each of the years 2016 through 2022 (forecast).

Response:

a) Yes. E.L.K. is a member of the EDA. See Table below for the annual membership fees for each of the years 2016 through 2022 (forecast).

EDA Costs

2016 to 2022

Year	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Cost ($)	$36,725	$37,064	$37,855	$38,646	$39,437	$39,776	$39,776

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 longterm 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.

Response:

j) The Term Loan in Reference 2 for the year 2016 is incorrect. It should be $4.3 million at a rate of 2.95%, which corresponds to the Reference 3 values.

k) Long term debt has reduced since 2012 as E.L.K. has had lower debt financing requirements and has been able to pay down outstanding debt.

l) E.L.K. Energy does not have an internal policy nor are there directives to achieve a minimum yearly ROE to the shareholder.

m) With the upcoming expiry of the current term loan in July 2022, E.L.K. plans on securing financing with its banker, the CIBC, as follows:

Date: July 2, 2022

Amount : $2,200,000

Term: 4 Years

Interest Rate: 4.607%

n) E.L.K. has not had a need in recent years to secure additional financing. It is expected that over the five year 4th Generation IRM period, E.L.K. will be moving closer to the OEB's deemed debt-to-equity structure of 60/40 as funding will be required for capital expenditures.

o) E.L.K. has provided a Distribution System Plan (DSP) as part of this application. It is expected that funding of this plan will require debt financing and E.L.K. will be securing such financing at the appropriate time.

p) From a rate setting mechanism perspective, notional debt is funded at the average cost of actual long term debt. With the update in part (d) above, notional debt will now be financed at a rate of 4.607%, as per the standard practice of such financing being at the weighted average cost of long term debt. E.L.K. intends to secure additional long term debt over the 4th Generation IRM period, it is expected that this will be at a rate higher than the updated 4.607%, and this would have a negative impact on ROE as it would be under-recovering its cost of debt and funding for actual interest payments made, thus lowering net income.

q) E.L.K is not trying to justify a higher ROE. E.L.K. is seeking to recover its expected cost of debt using the long term debt rate established by the OEB. E.L.K. has historically relied on lower cost short term (e.g. 1 year) financing, however, going forward it plans on securing longer term financing due to upward interest rate volatility and to more closely align financing with the associated capital assets.

5-SEC-26

[Ex.5, p.2] The Applicant notes that it will provide an update forecast interest rate for its proposed 4-year term loan expected to be acquired in the test year. Please provide the updated forecast rate and the basis for the forecast.

Response:

Please see response to 5-Staff - 57 (d).

5-SEC-27

[Ex.5] Please provide the Applicant's regulated ROE for each year between 2012 and 2021.

Response:

E.L.K. Regulated ROE										
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
ROE	11.90%	9.20%	19.22%	10.72%	8.39%	11.15%	16.17%	9.66%	11.76%	10.05%

5-SEC-28

[Ex.5, p.2] The Applicant proposed to fund notional debt at the OEB's long-term debt rate. It states that "[t]he reason for this departure is that current practice would require Notional Debt to be funded at 1.36% which will cause E.L.K. to be "locked" in to a low interest rate in advance of the time that Notional Debt (or part thereof) could be funded through actual borrowing." Please provide details regarding when the Applicant plans to issue new debt to reduce the amount of notional debt.

Response:

E.L.K. plans on securing longer term financing due to upward interest rate volatility and to more closely align financing with the associated capital assets. This is expected to take place over the 4th Generation IRM term and will correspondingly reduce the amount of notional debt. Please also see 5-Staff-57 (d) for information on 2022 refinancing.

5.0-VECC-33

Table 5-1

Long-Term Debt	Deemed LT Debt	Weighting	Deemed Rate	Weighted Rate
CIBC Loan	$2,400,000	31.0%	1.36%	0.4217%
Notional Debt	$5,339,732	69.0%	3.49%	2.4078%
Total Deemed LT Debt	**$7,739,732**	**100.0%**		
			Weighted-Average LT Debt Rate	2.8295%

Reference: Exhibit 5, Tab 1 page 6

a) ELK is significantly underleveraged. What are the reasons for this?

b) With such low borrowing what is ELK's capital budget financing strategy for the 2022-2026 rate period?

Response:

a) In recent years, E.L.K. has not required debt financing at the percentage provided for as part of the deemed capital structure (e.g. 56% Long Term Debt). As such, it did not seek borrowing as required expenditures could be funded through operating cash flow.

b) E.L.K. intends to increase its borrowing over the 2022-2026 period to finance capital expenditures and to move closer to the OEB deemed capital structure.

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?

Response:

a) In tab 'I6.2 Customer Data', billing and collecting factors are weighted by the number of bills for each rate class. In both 2012 and 2022 version of the cost allocation model, E.L.K. has assumed monthly billing for each customer class.

b) E.L.K. Energy does not have the information used in 2012 for those weighting factors. The proportion of customers expected to use electronic billing in 2022 is 23.8%.

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.

Response:

a) Confirmed.

b) The Embedded Distributor is served at the Essex DS, Kingsville Substation, Harrow West, Harraow Tap, HarM7 PME, and Cottam PME. E.L.K. Energy is supplied by Hydro One Distribution sub-transmission service from Comber North, Naylor, Hopgood PME-Essex, Harrow North, Cottam, Kingsville, Harrow East, and Belle River West. The points at which the Embedded Distributor receives services are generally close in proximity to the points E.L.K. Energy is served by Hydro One Distribution. Hydro One Distribution owns distribution infrastructure between the supply and service points so E.L.K. Energy assessed that Hydro One Distribution does not use E.L.K. distribution assets.

7-HONI-3

Reference

3. Exhibit 7, Tab 4, Section 4.0, Table 7-9

a) Please confirm that the Meter Reading costs assigned to the Embedded Distributor class represent over 30% of total forecast 2022 Meter Reading costs.

b) Please provide details behind the Meter Reading costs directly allocated to the Embedded Distributor class.

Response:

a) Confirmed.

b) The share of Meter Reading costs allocated to the Embedded Distributor is based on the expense for meter reading services from Meter Services Peterborough, a division of Peterborough Utilities Inc., and the Embedded Distributor's share of meters read. Meter Services Peterborough reads 21 meters at a cost of $54,892. The Embedded Distributor receives 38% (8 ED meters / 21 total meters) of this expense.

Please note that the Embedded Distributor is allocated 0.06% of 5305 Supervision costs, were the bulk of billing and collection-related costs are recorded.

7-HONI-4

Reference

1. Exhibit 7, Tab 4, Section 4.0, Table 7-9

   a) Please confirm that the Billing costs assigned to the Embedded Distributor class represent about 10% of total forecast 2022 Billing costs.

   b) Please provide details behind the Billing costs directly allocated to the Embedded Distributor class.

Response:

a) Confirmed.

b) Billing costs are calculated based on an estimate of hours per month spent on billing the Embedded Distributor and the burdened wage per hour. E.L.K. estimates 25 hours are spent per month for a total of $2,554 per month, which is equal to $30,649 for the Test Year.

7-HONI-5

Reference:

1. Exhibit 7, Tab 4, Attachment 2, Table 3

a) Please confirm that E.L.K. has been applying, and is proposing to continue to apply, the loss adjustment factor for Secondary Metered Customers<5,000kW to its Embedded Distributor Class. If confirmed, please explain why this is appropriate.

Response:

a) Not confirmed. The loss factor applied to the Embedded Distributor class is the Primary Metered Customer < 5,000 kW loss factor.

7-HONI-6

Reference:

1. E.L.K. Conditions of Service, Definition of Billing Demand, p.40
2. Exhibit 7, Tab 4, Attachment 2, Table 3

a) Please confirm if any of the Hydro One accounts in the Embedded Distributor class is billed using demand that is adjusted to account for lower power factor (in other words, billed on KVA instead of kW)?

   i. If confirmed, please list components of the bills (such as Distribution Volumetric charge, Low Voltage charge and RTSRs) that this power factor penalty is applied to.

   ii. If confirmed, please explain why applying power factor penalty to Hydro One account(s) is appropriate given that Hydro One does not utilize any of the E.L.K.'s distribution assets.

Response:

a) One Hydro One account in the Embedded Distributor class is billed using demand KVA. Please note that E.L.K. Energy is proposing a fully fixed monthly service charge for the Embedded Distributor rate class so the use of either KVA or KW would not impact distribution revenues.

   i. The power factor is relevant to bill components charged by volumes: RTSRs, Low Voltage Charges, volumetric rate riders, and volumetric regulatory charges. As noted above, this account is currently billed by KVA but E.L.K. Energy is proposing to move to fully fixed charges for this rate class.

   ii. As per E.L.K. Energy's Tariff Schedule, the Embedded Distributor rate class is billed by kW. This account is metered by a KVA meter so a conversion from KVA to kW using a power factor is necessary to properly bill this class.

7-SEC-29

[Ex.7, p.3] Please provide the basis for the billing and collecting weighting factor for GS >50 of 18.0.

Response:

The GS > 50 kW weighting factor of 18.0 is used because E.L.K. decided to apply the same weighting factors used in its last approved COS.

7.0-VECC-34

Reference: Exhibit 7
Cost Allocation Model, Tab I4

a) Please provide a schedule that compares the break-out of assets percentages as between primary and secondary as used in the current Allocation as compared to ELK's last cost of service for the following accounts: i) 1830, ii) 1835, iii)1840 and iv) 1845. Please explain any material changes.

b) Have there been any major changes in the way ELK purchases power and/or distributes it to customers (e.g., significant increase in km of line or change in distribution voltage used) since its 2012 Application?

Response:

a) The table below provides the breakout of assets 1830, 1835, 1840, and 1845 used in the last two COS applications, the breakouts as filed in this proceeding, and corrected breakouts. The Primary sub-accounts for 1840 and 1845 were inadvertently left at 0%, resulting in 100% allocated to Secondary.

USoA	Sub-Account	EB-2011-0099 EB-2016-0066	EB-2021-0016 As Filed	EB-2021-0016 Corrected
1830	1830-4 Primary	80%	80%	80%
	1830-5 Secondary	20%	20%	20%
1835	1835-4 Primary	80%	80%	80%
	1835-5 Secondary	20%	20%	20%
1840	1840-4 Primary	80%	0%	80%
	1840-5 Secondary	20%	100%	20%
1845	1845-4 Primary	80%	0%	80%
	1845-5 Secondary	20%	100%	20%

This has been corrected in the cost allocation model filed with interrogatories.

b) There have been no major changes in the way ELK Energy purchases and distributors power since the 2012 COS proceeding. As described in response to part a), the changes in asset allocations were not intended and have been corrected.

7.0-VECC-35

Reference: Exhibit 7, page 5
Cost Allocation Model, Tabs I9 and O1

a) It is noted that the capital cost for meters allocated to the Embedded Distributor class is equivalent to the accumulated depreciation allocated to the class. Are the meters installed at the Embedded Distributor's delivery points all fully depreciated?

b) Please explain the significant reduction in the costs allocated to the Embedded Distributor class as between the Board Approved 2012 Allocated costs and the results of the 2022 Cost Allocation Study.

Response:

a) Yes.

b) In consultations with the Hydro One as the Embedded Distributor customer prior to E.L.K. Energy's 2017 COS application, E.L.K. Energy and Hydro One agreed that Hydro One is not using E.L.K.'s distribution assets and should not receive an allocation of costs related to those assets. In its 2017 application E.L.K. Energy proposed to remove the allocation of assets and related expenses to the Embedded Distributor class but the resulting rates were not implemented at that time. It is still E.L.K. Energy's view that Hydro One does not use E.L.K.'s distribution assets so it applied the same methodology in this proceeding.

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

Response:

a) Please see low voltage expense at 2022 Hydro One Sub Transmission rates applied to 2021 actual demand and 2017-2021 average volumes calculated in the table below.

	Shared LVDS			Common ST Lines			Total
	kW	Rate	Charges	kW	Rate	Charges	Charges
i. 2021 Volumes	14,202	$1.6888	$23,984	519,131	$1.6208	$841,408	$865,392
ii. 2017-21 Avg. Vol.	13,950	$1.6888	$23,558	526,543	$1.6208	$853,421	$876,980

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?

Response:

a) An updated RTSR model has been filed with interrogatories.

b) The RRR values used in the RTSR reflects 2020 load. The 2020 RRR values are the values that are pre-populated in non-editable cells in the latest version of the RTSR workform.

c) Values in '5. Historic Wholesale' are 2020 load, as per the instructions on that tab to use data from the same period as the RRR volumes.

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.

Response:

a) Yes. E.L.K. Energy is fully embedded so the volumes are captured in A(1) and A(2).

b) A(1) reflects energy purchased from the IESO. E.L.K. Energy has embedded generation purchases but these were not included in Appendix 2-R. Generation purchases are included in Appendix 2-R of the Ch. 2 Appendices filed with interrogatory responses.

c) A(2) reflects energy received by E.L.K. at wholesale meters. E.L.K. Energy has embedded generation purchases but these were not included in Appendix 2-R. Generation purchases are included in Appendix 2-R of the Ch. 2 Appendices filed with interrogatory responses.

d) Variances are related to timing. The variance in 2017 is due to billing adjustments to some Hydro One bills that resulted in this difference. The variance was reported to the OEB June 15, 2018. The variance in 2020 was a result of accrued revenue calculations in which there were billing adjustments to one interval customer.

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?

Response:

a) Following updates to the revenue requirement, load forecast, and cost allocation models filed with interrogatories, the Street Lighting total bill impact no longer exceeds 10% so no mitigation is required.

b) E.L.K. Energy did not consult with 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.

Response:

a) and b)

	Shared LVDS			Common ST Lines			Total Charges
	kW	Rate	Charges	kW	Rate	Charges	
2017	13,742	$1.5464	$21,251	503,929	$1.2052	$607,335	$628,586
2018	14,786	$1.5464	$22,865	554,549	$1.2052	$668,343	$691,207
2019	6,633	$1.5464	$10,258	243,613	$1.2052	$293,602	$732,438
	7,419	$1.5386	$11,415	289,015	$1.4434	$417,164	
2020	12,967	$1.5363	$19,921	522,479	$1.4854	$776,090	$796,011
2021	14,202	$1.6671	$23,676	519,131	$1.5335	$796,088	$819,764

8-HONI-7

Reference:

1. Exhibit 1, Tab 4, Section 3.0
2. Exhibit 8, Tab 3, Section 3.0
3. Exhibit 8, Tab 4, Section 4.4

As stated in Reference 1, E.L.K. is a fully embedded distributor who receives electricity at distribution level voltages from Hydro One Networks Inc. (Hydro One Distribution). Therefore E.L.K. is a Sub-Transmission (ST) class customer of Hydro One Distribution. Further downstream from the transformer stations, E.L.K. is also a host distributor to Hydro One Distribution (Hydro One Distribution is an embedded distributor class customer of E.L.K.).

a) In regard to the Retail Transmission Service Rates (RTSRs), would E.L.K. agree that it would be more efficient and cost-effective for Hydro One Distribution to charge its ST customer, E.L.K. on net load basis (i.e. excluding the load for Hydro One Distribution's supply points embedded in E.L.K.'s system) for transmission services, which will then result in E.L.K. not applying the RTSRs to its Embedded Distributor class (where Hydro One Distribution is the sole customer)?

b) If the answer to part a) is no, please explain why.

c) In regard to the Low Voltage Service Charge, would E.L.K. agree that it would be more efficient and cost-effective for Hydro One Distribution to charge its ST customer, E.L.K. on net load basis (i.e. excluding the load for Hydro One Distribution's supply points embedded in E.L.K.'s system), which will then result in E.L.K. not applying the Low Voltage charge to its Embedded Distributor class (where Hydro One Distribution is the sole customer)?

d) If the answer to part c) is no, please explain why.

Response:

a) No, E.L.K. does not agree that it would be more efficient and cost effective.

b) Implementing HONI's proposed change to billing on a net load basis will require additional administrative expense to amend the billing system. E.L.K. would also incur additional expense in seeking an order that is binding on HONI to bill E.L.K. only in a manner consistent with the cost allocation utilized in E.L.K.'s rate order for net load billing.

c) No, E.L.K. does not agree that it would be more efficient and cost effective.

d) See answer to (b) above.

8.0-VECC-36

Reference: Exhibit 8, page 8
RTSR Workform, Tabs 3 and 4

a) Please confirm that the RRR data used in Tab 3 is for 2020.

b) With respect to Tab 4, why are the monthly 2020 billing quantities for Line Connection and Transformation Connection different?

c) Please update the RTSR Workform using HONI's approved 2022 RTSRs.

Response:

a) Confirmed.

b) Hydro One does not bill E.L.K. Energy Line Connection charges for demand related to the Windsor Lauzon TS. Demand volumes related to this transmission station are no included in Line Connection volumes in the RTSR workform.

c) An updated RTSR Workform with HONI's approved 2022 RTSRs has been filed with responses to interrogatories.

8.0-VECC-37

Reference: Exhibit 8, pages 9-10

a) What were HONI's actual Low Voltage charges to ELK for 2021?

b) What would be the resulting Low Voltage charges from HONI based on 2021 actual billing quantities and HONI's approved 2022 ST rates?

Response:

a) & b) Please see the responses to 8-Staff-60.

8.0-VECC-38

Reference: Exhibit 8, page 11

a) Please explain the significant year to year variance in Table 8-10, Row G (Loss Factor in Distributor's System).

Response:

a) Please note that an updated Appendix 2-R, which is the basis for Table 8-10, has been filed with interrogatories. Losses may differ from year to year based on weather, the amount of embedded generation within the year, and outages.

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.

Response:

a) The balance is not included in reference 2 of the application

b) E.L.K. is not including the renewable generation connection assets in rate base at this time. Details of the balance and continuity can be found in EB-2016-0066, Chapter 2 Appendices, App.2-FA, App.2-FB and App.2-FC.

c) The $176,493 is the capital expenditure amount.

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.

Response:

a) The Group 1 and 2 balances sought for disposition are those included in the DVA continuity schedule.

b) Account 1595 – Disposition and Recovery/Refund of Regulatory Balances (2015-pre-2015) was disposed in EB-2016-0066 with rates in effect until April 2022. This balance was not included in the disposition claim in column BT of the DVA Continuity schedule filed.

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.

Response:

a) These were done after the completion of the 2020 financial statement audit and have been included in the DVA 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.

Response:

a) The balances approved for disposition in EB-2011-0099 & EB-2013-0123 were as follows:

OEB Cost assessment	$15,838
Pension contribution	$42,681
Late payment penalty	$7,953

b) The amounts approved for disposition were audited by the OEB and the approved audited amounts were correctly transferred to account 1595 as required in 2012 and 2014 when approved. However, the GL balances did not clear to zero after the transfer due to differences between the audited value and the GL.

c) Our comment was in error. The balances were moved to account 1595 but this did not clear out the GL balance for these 1508 sub-accounts.

d) The balances for OEB Cost assessment and the Pension contribution sub-accounts are not being included in 1595 sub-accounts that are proposed for disposition again. The balance in these 1508 sub-accounts should have been written off as they did not agree to the audited balances. There are no ramifications to customers.

The late payment penalty sub-account included customer billings of $12,212 that were, inadvertently, not transferred to the relevant account 1595 (pre-2015). This correction has now been made in the DVA Continuity schedule. The remaining

balance of $392 should be written off as this is the amount that the account balance differed from the OEB audited balance.

The ramification to customers is an additional $12,211.80 to be paid to customers. Since this 1595 (pre-2015) sub-account is not being requested for disposition at this time, there are no ramifications to the customers currently.

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:

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.

Response:

a) Transactions for 2015 included billings to Hydro One related to 2014 in the amount of $207,428.

Transactions	$(433,736)
2014 billings	$207,428
Revised transactions for 2015	$(226,308)
Account 1588 as % of 4705	1.4%

b) Account 1588 activity includes billings related to 2014 for a particular customer.

c) Account 1588 requested for disposition is the balance at December 31, 2015 only. Most of the years from 2016 to 2020 have large balances which need to be further investigated and revised prior to seeking disposition.

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.

Response:

a) Causation: E.L.K. is currently requesting $0 for PILs/Income Tax. Should there be a tax obligation in the 2023-2026 period, E.L.K. will provide evidence that will justify the balance in the PILs/Income Tax account as being clearly outside of the base upon which rates were derived and not reasonably foreseeable.

   Materiality: On a cumulative basis over the 4th Generation IRM period, E.L.K. will only book amounts in excess of the materiality threshold pursuant Section 2.08 of the Chapter 2 Filing Requirements.

   Prudence: When seeking recovery for any future amounts in this account, E.L.K. will bring forward evidence that meets the OEB requirements for demonstrating prudence.

b) E.L.K. did consider use of the existing 1592 – PILs and Tax Variance account. However, it is E.L.K.'s understanding that account 1592 primarily relates to recording tax amounts due to legislative or regulatory changes. E.L.K. is anticipating that the scope of the current 1592 account will not be able to fully include potential tax impacts that E.L.K. may incur over the 2023-2026 period and is respectfully requesting relief and potential recovery of such amounts, subject to sufficient justification in a rate setting proceeding.

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.

Response:

c) The balances for true-up have been quantified but not yet trued-up with IESO.

d) Yes, there is an RPP settlement true-up for variances accumulated in 2015 for account 1588. The true-up is in the amount of $213,469 and is related to account 1588 and has been recorded in the general ledger in 2022.

e) The balances on the DVA continuity schedule reflect the 2015 true-up. Since E.L.K. is requesting disposition of the 2015 balance only, no further true-ups have been included.

f) E.L.K. Energy adopted the OEB's Accounting Guidance related to commodity flow-through accounts on January 1, 2022.

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).

Response:

b) The balance in Account 1576 is driven by the balance approved for disposition in EB-2013-0123 net of the billings made under the approved rider.

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.

Response:

a) A revised DVA continuity schedule is provided in Excel file format with responses to interrogatories.

b) Evidence updated.

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).

Response:

a) During 2015, E.L.K. billed a customer $705,656 related to usage in 2014.

9-SEC-30

[Ex.9, p.15; Ex. 1, Tab 3, p.47] Since Account 1576 was disposed of in the Applicant's 2014 IRM decision, please explain what the balance relates to.

Response:

Account 1576 was disposed in the EB-2013-0123 decision. The balance requested for disposition is the remaining balance after the rate for recovery expired.

9-SEC-31

[Ex.9] The Applicant has not provided, nor sought recovery, of any balance in Account 1592 – CCA Sub-Account. Does this mean that the Applicant has not taken accelerated CCA under the AII Program on any qualifying assets put in-service since 2018?

Response:

Correct. E.L.K. has not taken accelerated depreciation under the AII CCA program.

9-SEC-32

[Ex.9, Tab 12] With respect to the incremental PILs/Income Tax Variance Account:

a. Please provide a forecast of PILs expense of the Applicant in each year the proposed variance accounting order is expected to be in place. Please provide full calculations and detail all assumptions made.
b. Please provide the expected tax loss carry-forward available to the Applicant at the end of the 2022 tax year.
c. Please confirm the proposed variance account will capture any PILs taxes payable beginning in the 2023 tax year, including PILs amounts related to any potential overearning.

Response:

a. Please see response to 9-VECC-41.
b. Please see response to 9-VECC-41, the expected tax-loss carry forward is not yet known.
c. The proposed PILS variance account will capture taxes payable beginning in the 2023 tax year. However, the account will not include taxes payable due to potential over earning.

9.0-VECC-39

Reference: Exhibit 9, Tab 6, page 10

a) Please confirm that ELK has no balance and is seeking to recover no amounts with respect to the OEB Cost Assessments Account 1508.

Response:

a) Confirmed. E.L.K. has no balance in this account and is seeking no recovery.

9.0-VECC-40

Reference: Exhibit 9, Tab 12, page 26

a) Please provide the annual amounts of accelerated CCA taken under the Accelerated Investment Incentive Program (AIIP) since 2018.

Response:

a) Please see the response to 9-SEC-31.

9.0-VECC-41

Reference: Exhibit 9, Tab 12, page 26

a) Please provide the forecast PILS for each year 2022 to 2026. Please explain how the proposed new account for PILs meets the Board's materiality test.

Response:

a) On a cumulative basis over the 4th Generation IRM period, E.L.K. will only book amounts in excess of the materiality threshold pursuant Section 2.08 of the Chapter 2 Filing Requirements.

The PILs forecasts for 2022 to 2026 are dependant upon forecasts of revenue, operations, maintenance and administration and interest costs and capital expenditures for the period in order to forecast taxable income and PILs for the period. These forecasts are not currently available.

See also the response to 9-Staff-70.

9.0-VECC-42

Reference: Exhibit 9, Tab 8, page 14"

> *"This sub-account includes the gain on the settlement of Kingsville as directed by the OEB in EB-2011-0099. E.L.K. requests disposition of Account 1508 sub-account Gain on Disposition in the amount of $54,369, as a refund to customers, including interest to April 30, 2022."*

a) Please provide the Board direction referred to in the reference above.

Response:

a) Please see the Decision and Rate Order in Proceeding EB-2011-0099 dated May 2, 2013 at page 42 of the Settlement Agreement which states:

"The Parties have also agreed for the purposes of settlement that E.L.K. will credit its customers for 50% of its gain on the disposition of the Kingsville Satellite location. As no disposition has yet 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."

9.0-VECC-43

Reference: Exhibit 9, Tab 12, page 26

a) Please explain the nature of the $21,776 spent on IFRS transition costs.

Response:

a) The $21,776 in transition costs relate to the fee paid to KPMG to assist in the conversion to IFRS.