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BY EMAIL

December 7, 2023

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

Dear Ms. Marconi:

Re: EB-2023-0013 Application for 2024 Rates

In accordance with Procedural Order No. 1, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. The applicant and intervenors have been copied on this filing.

E.L.K. Energy Inc.'s responses to interrogatories are due by January 11, 2024.

Any questions relating to this letter should be directed to Abia Nur at Abia.Nur@oeb.ca or at 437-880-4351. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Abia Nur
Case Manager

Encl.

**OEB Staff Interrogatories
E.L.K. Energy Inc.
EB-2023-0013**

Please note, E.L.K. Energy Inc. (ELK Energy) is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff interrogatories and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Staff -1

Reference:

- (i) Manager's Summary, Section 3.3, Pg. 10
- (ii) Rate Generator Model, Tab 3, Continuity Schedule

ELK Energy has indicated its request to defer disposition of all Group 1 Deferral and Variance Accounts (DVA) while an external audit of accounts remains in progress. ELK Energy has also indicated internal staffing constraints as a cause for the delayed disposition of accounts.

Question(s):

- a) Please provide the status of the external audit. If the audit is still in progress, please provide the anticipated date of completion.
- b) Please explain what measures ELK Energy has taken to address staffing constraints in order to ensure timely disposition of the DVA balances in the future.
- c) Please confirm that ELK Energy intends to dispose of all Group 1 DVA accounts in the 2025 IRM rate application and that all required adjustments as a result of the audit will be implemented.

Staff -2

Reference:

- (i) Manager's Summary, Appendix A – Z-factor Application, Table 2, Pg 10

ELK Energy has indicated that the total ice storm costs and subsequent restoration related costs include \$226,863 in operating and \$60,389 in capital costs. The table below was provided to display a summary of costs related to the ice storm event.

Category	Operating \$	Capital \$	Total \$
E.L.K. Staff	\$66,582		\$66,582
Work Order for Reconnect	\$10,461		\$10,461
Electrical Contractor	\$112,503		\$112,503

Distributor A	\$34,664		\$34,664
Distributor B	\$2,653		\$2,653
Electrical Contractor		\$49,063	\$49,063
Material		\$11,326	\$11,326
Total	\$226,863	\$60,389	\$287,252

Question(s):

- a) Please explain the distinction between capitalized “Electrical Contractor” costs and operating “Electrical Contractor” costs in the table above.
 - i) Please explain why some electrical contractor costs are being capitalized and some electrical contractor costs are expensed.
 - ii) Please confirm that \$49,063 electrical contractor costs are being capitalized in accordance with ELK Energy’s capitalization policy.
- b) Please discuss in detail whether the total capital amount of \$60,389 includes costs in addition to poles repairment/replacement.
- c) Please summarize the physical damage to ELK Energy’s distribution infrastructure from the ice storm by filling out the table below (i.e.: poles, cross arms, etc.)

Values in CA\$

Asset/Equipment	Quantity	Repaired/Replaced	Estimated Net Asset Value	Use ful Life

- d) Please confirm that ELK Energy has written off damaged assets from its books and that their depreciation expense will no longer be recognized during the course of their useful life listed in 2022 Cost of Service application.
- e) Please confirm that the Z-factor claim does not include repair/upgrade cost of the current assets that are not impacted by the ice storm.
- f) Please confirm if there are changes expected to ELK Energy’s future investment plans as a result of replacing damaged assets caused by the storm event. If yes, please explain the changes. If no, please explain why not.

Staff -3

Reference:

- (ii) Manager’s Summary, Appendix A – Z-factor Application, Table 5, Pg 12

ELK Energy has mentioned that the total thunderstorm costs and subsequent restoration related costs include \$177,538 in operating and \$34,574 in capital costs. The table below was provided to display a summary of costs related to the ice storm event.

Category	Operating \$	Capital \$	Total \$
E.L.K. Staff	\$38,487		\$38,487
Work Order for Reconnect	\$8,007		\$8,007
Electrical Contractor	\$67,520		\$67,520
Distributor A OM&A	\$4,772		\$4,772
Distributor B OM&A	\$23,486		\$23,486
Vegetation Management Contractor	\$12,968		\$12,968
Excavation Contractor	\$5,100		\$5,100
Distributor C OM&A	\$17,199		\$4,182
Hydro Vac Capital		\$4,182	\$17,199
Distributor B Capital		\$10,907	\$10,907
Distributor C Capital		\$6,231	\$6,231
Material		\$13,253	\$13,253
Total	\$177,538	\$34,574	\$212,112

Question(s):

- a) The total cost for the Distributor C OM&A and Hydro Vac Capital categories does not reconcile. Please confirm if the total cost categories were incorrectly switched. Please update the evidence as applicable.
- b) Please explain the capitalized costs for the Hydro Vac in the table above.
- c) Please discuss in detail whether the total capital amount of \$34,574 includes costs in addition to poles repairment/replacement.
- d) Please summarize the physical damage to ELK Energy’s distribution infrastructure from the thunderstorm by filling out the table below (i.e.: poles, cross arms, etc.):

Values in CA\$

Asset/Equipment	Quantity	Repaired/Replaced	Estimated Net Asset Value	Use ful Life

- e) Please confirm that ELK Energy has written off damaged assets from its books and that their depreciation expense will no longer be recognized during the course of their useful life listed in 2022 Cost of Service application.
- f) Please confirm that the thunderstorm event claim does not include repair/upgrade cost of the current assets that are not impacted by the storm.

- g) Please confirm if there are changes expected to ELK Energy's future investment plans as a result of replacing damaged assets caused by the thunderstorm event. If yes, please explain the changes. If no, please explain why not.

Staff -4

Reference:

- (i) Manager's Summary, Appendix A – Z-factor Application, Pg. 15

Question(s):

- a) Please discuss ELK Energy's policy for capitalization of labour charges and how the capitalized labour cost is directly related to the restoration work.
b) Please indicate the cost categories and dollar amounts that have not been audited in relation to the restoration of power after both storms. Also, please indicate when these costs will be audited.

Staff -5

Reference:

- (i) Manager's Summary, Appendix A - Z Factor, Pg 14.

ELK Energy has mentioned that at the time of the Ice Storm Event, ELK Energy was not part of any third-party mutual assistance agreement with other utilities. However, neighboring utilities were able to send crews to assist with the restoration efforts.

Question(s):

- a) Since both storm events, has ELK Energy entered into any mutual assistance agreements with third-party utilities to enhance its preparedness and collaborative response for future similar events?

Staff -6

Reference:

- (i) Manager's Summary, Appendix A-1 – Ice Storm and Thunderstorm Events Additional Information, Pg.8

ELK Energy has indicated that it has a 3-year inspection cycle in its Distribution System Inspection and Maintenance Program (DSP). In addition, ELK Energy has identified the vegetation control program as an area for continuous improvement.

Question(s):

- a) Please discuss in detail the budget reserved for vegetation management programs.
b) Please provide the 2022 budget and actual amounts for capital and O&M expenses related to vegetation management and system renewals. Discuss any budget versus actual variances.

- c) Please explain how storm restoration or other emergency response/maintenance costs are normally considered in ELK Energy's budgeting process.

Staff -7

Reference:

- (i) Manager's Summary, Appendix B – ICM Application, Section 8.3, Pg. 32
- (ii) 2024 IRM Rate Generator, Tab 19

In the Manager's Summary, ELK Energy has proposed Incremental Capital Module (ICM) rate riders effective May 1, 2024 to May 1, 2027. However, in the generator model, ELK Energy is proposing rate riders effective from 2024 to 2026.

Question(s):

- a) Please confirm the correct effective dates of the rate riders.

Staff -8

Reference:

- (ii) Report of the Board: New Policy Options for the Funding of Capital Investments: The Advanced Capital Module, Page 24
- (iii) 2024 IRM Application, Appendix B – ICM Application, Page 31

According to Reference 1, the OEB provides policy related to the taxes/PILs section in the revenue requirement calculation. Section 7.1.4 states that "a distributor filing for ACM or ICM rate riders should apply the current tax rates for calculating the revenue requirement associated with the incremental funding."

ELK Energy states in Reference 2 that it has set the current tax rate in Tab 10 of the ICM Model to 0% to generate an incremental revenue requirement value that recovers Return on Rate Base and Amortization Expense without any positive or negative adjustment for PILs.

Question(s):

- a) What is ELK Energy's actual effective tax rate in the most recent tax return filing?
- b) Please recalculate the ICM model using the current actual effective tax rate as provided in the response to the previous question.
- c) Please compare the recalculated incremental revenue requirement with the existing request.

Staff -9

Reference:

- (i) Manager's Summary, Appendix B – ICM Application, Pg 19.

ELK Energy has requested ICM funding for the purchase of six recloser switches and two fleet vehicles. The fleet vehicles were first proposed in ELK Energy's 2022 Cost of Service application. The request was withdrawn over the course of the proceeding due to supply chain related issues.

Question(s):

- a) Please confirm if there are any anticipated delays in the delivery of the recloser switches and fleet vehicles that would prevent an in-service date of early 2024. If so, please provide the updated in-service dates.

Staff -10

Reference:

- (i) Manager's Summary, Appendix B-ICM Application, Pg. 19

ELK Energy has requested a total of six recloser switches for use in two of the six communities it serves. At present, the switches are proposed for installation in the communities of Harrow and Essex. ELK Energy states that this decision is based on two primary considerations. Firstly, installing three or more switches is deemed a system, yielding greater benefits in mitigating the loss of supply. Secondly, the deployment of switches necessitates an area with dual supply points, of which Harrow and Essex have. ELK Energy also states that the four other communities do not currently have the system configuration required for the installation of the switches.

Question(s):

- a) Please explain how ELK Energy plans to address the supply configuration requirements in the remaining four communities.

Staff -11

Reference:

- (ii) Manager's Summary, Appendix B-ICM Application, Pg. 12

ELK Energy has entered into a Management Services Agreement with Chatham-based Entegrus Powerlines Inc. (Entegrus) in 2023 to provide management services for ELK Energy's operations. With the assistance of Entegrus, ELK Energy developed a Grid Modernization Roadmap which sets out a plan to improve service quality and reliability.

Question(s):

- a) Please explain what steps ELK Energy has taken thus far in implementing the Grid Modernization Roadmap.