

E.L.K. Energy Inc.

**Application for electricity distribution rates and other
charges beginning May 1, 2024**

**PROCEDURAL ORDER NO. 2
February 29, 2024**

E.L.K. Energy Inc. (ELK Energy) filed an incentive rate-setting mechanism (IRM) application with the Ontario Energy Board (OEB) on October 11, 2023 under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the rates that ELK Energy charges for electricity distribution, beginning May 1, 2024. ELK Energy has also applied for incremental capital funding for the purchase of two fleet vehicles and the purchase and installation of six recloser switches; as well as a Z-factor claim to recover the costs (and carrying charges) related to the damage caused to its distribution system by an ice storm and a thunderstorm.

ELK Energy filed interrogatory responses to questions from OEB staff and Vulnerable Energy Consumers Coalition (VECC) on January 11, 2024.

OEB staff and VECC filed their submissions on January 25 and 26, 2024. ELK Energy filed its reply submission on February 8, 2024.

Having reviewed the evidence, the OEB seeks answers to certain questions. Pursuant to Rule 11.01(b) of the OEB's *Rules of Practice and Procedure*, the OEB directs ELK Energy to file answers to the questions attached as Schedule A to this Procedural Order.

IT IS THEREFORE ORDERED THAT:

1. ELK Energy shall file with the OEB complete written responses to the questions attached as Schedule A and serve them on VECC by **March 7, 2024**.

Parties are responsible for ensuring that any documents they file with the OEB, such as applicant and intervenor evidence, interrogatories and responses to interrogatories or any other type of document, **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](#).

Please quote file number, **EB-2023-0013** for all materials filed and submit them in searchable/unrestricted PDF format with a digital signature through the [OEB's online filing portal](#).

- Filings should clearly state the sender's name, postal address, telephone number and e-mail address.
- Please use the document naming conventions and document submission standards outlined in the [Regulatory Electronic Submission System \(RESS\) Document Guidelines](#) found at the [File documents online page](#) on the OEB's website.
- Parties are encouraged to use RESS. Those who have not yet [set up an account](#), or require assistance using the online filing portal can contact registrar@oeb.ca for assistance.

All communications should be directed to the attention of the Registrar and be received by end of business, 4:45 p.m., on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Abla Nur at Abla.Nur@oeb.ca and OEB Counsel, Lawren Murray at Lawren.Murray@oeb.ca.

Email: registrar@oeb.ca

Tel: 1-877-632-2727 (Toll free)

DATED at Toronto, **February 29, 2024**

ONTARIO ENERGY BOARD

Nancy Marconi
Registrar

SCHEDULE A
PROCEDURAL ORDER NO. 2
E.L.K. Energy Inc.
EB-2023-0013
PANEL INFORMATION REQUEST

Panel Information Request-1

Reference:

- (1) EB-2023-0013, Appendix A, paragraph 47, p. 16 of 20.
- (2) EB-2023-0013, Appendix B, paragraph 95, p. 25-26.
- (3) EB-2023-0013, Reply Submission, p.12-14.

Preamble:

As stated in Reference (1), ELK Energy rebased in 2022, with its most recently filed ROE for 2022 at (1.97%). ELK Energy further states that this trend is expected to persist in the immediate future as it makes necessary investments to revitalize.

Per Reference (2), ELK Energy estimates that, should the OEB reject its request for ICM funding, it would realize a 310 basis point reduction to its regulated ROE based on ICM additions to rate base, incremental depreciation, and interest expense being added to 2022 Cost of Service approved rate base and revenue requirement. The OEB seeks further clarity as to the impact to ELK Energy's ROE should the OEB deny its proposed PILS treatment or approve its proposed PILS smoothing methodology as indicated in Reference (3).

Questions:

- a. Please explain in detail what caused ELK Energy to underperform by 10.63% relative to its deemed 8.66% ROE in the year in which it rebased its rates.
- b. Please describe and detail the revitalization initiatives that cause ELK Energy to project that it will continue to underearn relative to its deemed ROE in the immediate future. Also explain the duration of the immediate future in years. Does ELK Energy's revitalization initiatives involve capital expenditures over and above expenditures identified in its Distribution System Plan at the time it rebased for 2022 rates?
- c. When does ELK Energy project that it will be in a positive taxable income position? Does ELK Energy project that it will be in a positive taxable income position before it rebases in 2027?
- d. Using the calculation methodology in Reference (2), what would be the impact on ELK Energy's 2024 ROE under the following scenarios, should the OEB:
 - i. reject ELK Energy's proposed PILS treatment? Please explain.
 - ii. approve ELK Energy's PILS smoothing proposal made in its reply submission? Please explain.