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

BY E-MAIL

January 8, 2025

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

Dear Ms. Marconi:

Re: E.L.K. Energy Inc. (E.L.K. Energy)
Application for 2025 Distribution Rates
Ontario Energy Board (OEB) File Number: EB-2024-0015

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's responses to interrogatories are due by January 22, 2025.

Any questions relating to this letter should be directed to Harshleen Kaur at harshleen.kaur@oeb.ca or at 416-440-8136. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Harshleen Kaur

Digitally signed by Harshleen Kaur
Date: 2025.01.08 13:49:58 -05'00'

Harshleen Kaur
Advisor, Incentive-Rate Setting

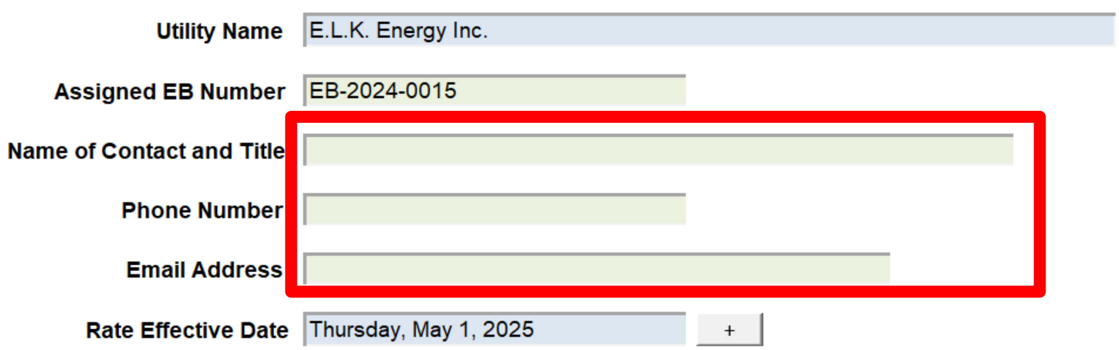
Attach.

OEB Staff Interrogatories
E.L.K. Energy Inc.
EB-2024-0015

Please note, E.L.K. Energy Inc. (E.L.K. 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
Ref. 1: ELK_2025-IRM-Rate-Generator-Model_20241028, Tab 1 Information Sheet

Preamble:
The green shaded cells are input fields and have not been filled out by E.L.K. Energy.


Utility Name	E.L.K. Energy Inc.
Assigned EB Number	EB-2024-0015
Name of Contact and Title	
Phone Number	
Email Address	
Rate Effective Date	Thursday, May 1, 2025

Question(s):
a) Please fill out the details for the above fields.

Staff-2
Ref. 1: ELK_2025-IRM-Rate-Generator-Model_20241028, Tab 6 Class A Consumption Data
Ref. 2: ELK_APPL_2025 IRM_20241028, Section 3.7 Capacity Based Recovery

Preamble:
Based on Ref. 2, E.L.K. Energy states that "E.L.K. has only one Class A customer that began on July 1, 2017, and this lone customer has never transitioned between Class A and Class B."

In Ref. 1, Cells C19 and C25, E.L.K. Energy mentions that it has had a customer transition between Class A and Class B.

Question(s):

a) Please clarify the variance in what is stated in the Manager's Summary and what has been marked in the Rate Generator Model. Please make any corrections to the Rate Generator Model as necessary.

Staff-3

Ref. 1: ELK_2025-IRM-Rate-Generator-Model_20241028, Tab 8 STS Tax Change

Preamble:

E.L.K. Energy has not filled information for OEB-Approved Regulatory Taxable Income and Combined Effective Tax Rate.

Summary - Sharing of Tax Change Forecast Amounts

	2022	2025
OEB-Approved Rate Base	$ 13,633,387	$ 13,633,387
OEB-Approved Regulatory Taxable Income	$ -	$ -
Federal General Rate		15.0%
Federal Small Business Rate		9.0%
Federal Small Business Rate (calculated effective rate)[1,2]		9.5%
Ontario General Rate		11.5%
Ontario Small Business Rate		3.2%
Ontario Small Business Rate (calculated effective rate)[1,2]		4.0%
Federal Small Business Limit		$ 500,000
Ontario Small Business Limit		$ 500,000
Federal Taxes Payable		$ -
Provincial Taxes Payable		$ -
Federal Effective Tax Rate		0.0%
Provincial Effective Tax Rate		0.0%
Combined Effective Tax Rate	0.0%	0.0%

Question(s):

a) Please update the Rate Generator Model with these values.

Staff-4
Ref. 1: ELK_2025-IRM-Rate-Generator-Model_20241028, Tabs 11, 15, 17, and 20

Preamble:
On November 1, 2024, the OEB issued a letter regarding 2025 Preliminary Uniform Transmission Rates (UTRs) and Hydro One Sub-Transmission Rates. The OEB determined to use preliminary UTRs to calculate 2025 Retail Service Transmission rates (RTSR) to improve regulatory efficiency, allowing for this data to feed into the rate applications including annual updates for electricity distributors on a timelier basis. The OEB also directed distributors to update their 2025 application with Hydro One Networks Inc.'s (Hydro One) proposed host RTSRs. Any further updates to Hydro One's proposed host RTSR will be reflected in the final Rate Generator Model.

On November 19, 2024, the OEB issued a letter outlining that the fixed microFIT Generator Service Classification charge (microFIT charge) would be increased from $4.55 to $5.00 for the 2025 rate year.

OEB staff has updated E.L.K. Energy's Rate Generator Model with the preliminary UTRs, proposed host RTSR by Hydro One, and microFIT charge as follows:

UTRs

Uniform Transmission Rates	Unit	2023 Jan to Jun	2023 Jul to Dec	2024 Jan to Jun	2024 Jul to Dec	2025
Rate Description		Rate		Rate		Rate
Network Service Rate	kW	$ 5.60	$ 5.37	$ 5.78	$ 6.12	$ 6.25
Line Connection Service Rate	kW	$ 0.92	$ 0.88	$ 0.95	$ 0.95	$ 1.00
Transformation Connection Service Rate	kW	$ 3.10	$ 2.98	$ 3.21	$ 3.21	$ 3.39

Hydro One Sub-Transmission Rates

Hydro One Sub-Transmission Rates	Unit	2023	2024	2025
Rate Description		Rate	Rate	Rate
Network Service Rate	kW	$ 4.6545	$ 4.9103	$ 5.2172
Line Connection Service Rate	kW	$ 0.6056	$ 0.6537	$ 0.6537
Transformation Connection Service Rate	kW	$ 2.8924	$ 3.3041	$ 3.3041
Both Line and Transformation Connection Service Rate	kW	$ 3.4980	$ 3.9578	$ 3.9578

microFIT Charge

Rate Class	Current MFC	MFC Adjustment from R/C Model	Current Volumetric Charge	DVR Adjustment from R/C Model	Price Cap Index to be Applied to MFC and DVR	Proposed MFC	Proposed Volumetric Charge
RESIDENTIAL SERVICE CLASSIFICATION	19.73				3.60%	20.44	0.0000
GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION	19.31		0.0066		3.60%	20.01	0.0068
GENERAL SERVICE 50 to 4,999 kW SERVICE CLASSIFICATION	195.42		1.7492		3.60%	202.46	1.8122
UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION	7.85		0.0022		3.60%	8.13	0.0023
SENTINEL LIGHTING SERVICE CLASSIFICATION	3.69		6.9316		3.60%	3.82	7.1811
STREET LIGHTING SERVICE CLASSIFICATION	1.27		12.3462		3.60%	1.32	12.7907
EMBEDDED DISTRIBUTOR SERVICE CLASSIFICATION	1545.57				3.60%	1,601.21	0.0000
microFIT SERVICE CLASSIFICATION	4.55					5.00	

Question(s):

a) Please confirm the accuracy of the Rate Generator Model updates, as well as the accuracy of the resulting RTSRs following these updates.

Staff-5

Ref. 1: ELK_2025-IRM-Rate-Generator-Model_20241028, Tabs 18 and 21

Preamble:

On December 10, 2024, the OEB set the updated Rural or Remote Electricity Rate Protection (RRRP) rate as $0.0015 kWh. There was no change to the Wholesale Market Service rate.

OEB staff has updated E.L.K. Energy's Rate Generator Model with the updated RRRP value as follows:

Regulatory Charges

Effective Date of Regulatory Charges		January 1, 2024	January 1, 2025
Wholesale Market Service Rate (WMS) - not including CBR	$/kWh	0.0041	0.0041
Capacity Based Recovery (CBR) - Applicable for Class B Customers	$/kWh	0.0004	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	$/kWh	0.0014	0.0015
Standard Supply Service - Administrative Charge (if applicable)	$/kWh	0.25	0.25

Question(s):

a) Please confirm the accuracy of the Rate Generator Model updates for the RRRP values.

Staff-6

Question(s):

a) Upon completing all interrogatory responses from OEB staff and intervenors, please file an updated DVA continuity schedule and GA Analysis Workforms covering all years of 2016 to 2023, reflecting the interrogatory responses. In addition, please ensure that the requested DVA balances for Accounts 1588 and 1589 reflect the correct cost of power and global adjustment costs (i.e. the IESO overcharge or undercharge because of errors in the RPP settlements, FIT contract settlement and Class A submissions).

Staff-7
Ref. 1: ELK_GA_Workform Update_2016-2018_20242218, Tab GA 2016
Ref. 2: ELK_GA Workform_20241028

Preamble:
OEB staff made the following observations while reviewing the documents in Ref. 1 and Ref. 2 regarding the reconciling items in the GA Analysis Workforms:

- There are no reconciling items of 1a) and 1b) for CT148 true-ups in the GA Analysis Workforms of all years
- There are no reconciling items of 2a) and 2b) for the unbilled accrual and reversal of the unbilled accrual in the GA Analysis Workforms of all years
- 2016 GA Analysis Workform: one reconciling item of $54,676 with the description of JANUARY 2016 BILLED AT DEC ACT INSTEAD OF JAN EST
- 2016 to 2022 GA Analysis Workforms: reconciling items of various amounts (from $(580) to $(36,821)) with the description of “GA Purchase Price Variance”
- GA Analysis Workform 2019, Reconciliating Items $(5,010) for “Class B Sales Price Variance”
- GA Analysis Workform 2021 Reconciliating Items of $2,259 for “Sales Pricing Error”
- 2020 GA Analysis Workform: Impact of GA deferral of $(88,836)
- 2021 GA Analysis Workform: Impact of GA deferral recovery of $215,104

Question(s):

a) Please confirm if the reconstructed schedules for Accounts 1588 and 1589 use the accrual method. If so, please fill out the reconciling items 1a), 1b), 2a) and 2b) for the GA Analysis Workforms of all years. If these reconciling items are not needed in E.L.K. Energy’s opinion, please provide reasons.
b) Please provide an explanation for each type of the reconciling items listed above (not including the GA deferral and its recovery).

c) Please provide calculations for the impact of GA deferral of $(88,836) and the GA deferral recovery of $215,104.

Staff-8
Ref. 1: ELK_GA_Workform Update_2016-2018_20242218
Ref. 2: ELK_GA Workform_20241028
Ref. 3: 2025 GA Analysis Workform Instructions

Preamble:
OEB staff compiled the following table using the amounts from Ref. 1 and Ref. 2 and notes that the total non-RPP consumption used for the expected GA volume variance is more than double the total consumption used in the expected GA price variance for all years:

A	B	C	D
	Analysis of Expected GA Price Variance	Analysis Expected GA Volume Variance	
Year	Non-RPP Class B Including Loss Adjusted Consumption, Adjusted for Unbilled (kWh) (Column I)	Annual Non-RPP Class B Retail billed kWh (Column P)	Difference (Staff Calculation)
2016	72,525,037	134,641,015	(62,115,978)
2017	60,498,215	120,756,958	(60,258,743)
2018	52,058,865	118,259,031	(66,200,166)
2019	51,591,321	116,933,405	(65,342,084)
2020	47,029,266	107,334,870	(60,305,604)
2021	45,008,032	94,093,391	(49,085,359)
2022	43,666,021	91,957,849	(48,291,828)
2023	43,852,816	92,781,790	(48,928,974)

Page 5 of the GA Analysis Workform instruction states the following:

> The annual non-RPP Class B retail consumption is generally equal to the total non-RPP Class B consumption, including loss adjusted consumption and adjusted for unbilled consumption.

Question(s):

a) Please confirm the table and explain the significant differences in the table.
b) Please provide updated GA Analysis Workforms with correct non-RPP Class B billed consumption kWh for all years.

Staff-9
Ref. 1: Instructions for Completing GA Analysis Workform – 2025 Rates, Page 5
Ref. 2: ELK_GA_Workform Update_2016-2018_20242218, Tab GA 2016
Ref. 3: ELK_GA Workform_20241028
Ref. 4: ELK_Continuity Schedule_Sheets 6 series_20241118
Ref. 5: Attachment C, KPMG 2016-2023 DVA Accounts 1588 and 1589 Audit Report

Preamble:
In Ref. 1, Under item 5a, the instructions state the following:

> Input the Net Change in Principal Balance in the General Ledger. This should equal the GA transactions recorded in Account 1589 for the year.
>
> - Do not include dispositions in this amount.
> - Do not include principal adjustments in this amount as that will be shown in the “Principal Adjustments” column in the DVA Continuity Schedule.
> - This amount should agree to the “Transactions Debit/(Credit)” column shown in the DVA Continuity Schedule.

This instruction also applies to Account 1588.

OEB staff notes “Net Change in Principal Balance in the GL (i.e., Transactions in the Year)” in GA Analysis Workforms of all years (Ref. 2 and Ref. 3) does not agree to the “Transactions Debit/Credit” column in the DVA continuity schedule for Accounts 1588 and 1589 (Ref. 4). Instead these amounts are reflected in Principal Adjustments columns in respective year from 2016 to 2023 in the DVA continuity schedule.

KPMG’s audit report states that it had audited the schedule of Accounts 1588 and 1589 for the balances from 2015 to 2023. The schedule was attached to the audit report showing the net changes and ending balances for principal and interest respectively for Accounts 1588 and 1589. The net changes for principal for Accounts 1588 and 1589 match with the “Net change in Principal balance in the GL” for Account 1589 on the GA Analysis Workform and “Principal adjustments” column on Tab “Account 1588” of the GA Analysis Workform.

In addition, OEB staff notes the following observations on the GA Analysis Workforms and DVA continuity schedule:

- E.L.K. Energy has incorrectly reflected "Previously approved disposition" of $952,509 in GA 2016 tab in reconciliating items. In the 2019 GA Analysis Workform, E.L.K. Energy has included a reconciling item of "2022 disposition"

On the DVA continuity schedule, there are no numbers for Accounts 1588 and 1589 for the OEB approved disposition during 2016 (Column AA) and the OEB approved disposition during 2022 (Colmn CN) while these two accounts were disposed on a final basis along with other Group 1 DVAs in the 2016 IRM application and 2022 Cost of service application.

Question(s):

a) Please confirm that the net changes in KMPG's audited schedules represent the reconstructed variances annually in Accounts 1588 and 1589 and there are no principal adjustments for all years from 2016 to 2023 for these two accounts. If not confirmed, please explain the audited schedule.
b) If a) is confirmed (i.e., the net changes represent the annual variance for Accounts 1588 and 1589 respectively), please provide an updated DVA continuity schedule with "Transactions Debit/Credit" columns being filled with the net changes in the audited schedule. Please also include the 2016 and 2022 dispositions of Accounts 1588 and 1589 in the respective columns of the DVA continuity schedule and remove them from the GA Analysis Workform.
c) Please provide an explanation if the variances in the years are greater than the 1% threshold.

Staff-10
Ref. 1: 2025 E.L.K. Energy IRM Application Manager's Summary Section 3.3.2
Ref. 2: 2025 GA Analysis Workform Instructions

Preamble:
In Ref. 1, E.L.K. Energy explains that the large credits in Accounts 1588 and 1589 were partially due to the unusually low line loss rates observed over the 2017 to 2019 period as outlined in the table below.

Reconstructed Actual Line Loss Rate

	2016	2017	2018	2019
Loss Rate	4.6%	1.7%	(1.2%)	3.4%

E.L.K. Energy's approved primary line loss rates embedded in the approved 2017 rates were 8.1% for the Secondary Metered Customers, 5,000 kW and 7.03% for the Primary Metered Customers.

E.L.K. Energy states that its supply mix includes purchases from both the IESO and the host distributor. A physical reconfiguration to the system occurred in 2017 to re-assign E.L.K. Energy electricity purchases (in a specific area) from the IESO to the host distributor. This shift was not reflected in billing changes rendered by the host distributor to E.L.K. Energy from 2017 to 2019.

E.L.K. Energy believes it may not have been charged for approximately 28 MWh of electricity over this time period, equaling an approximate cost of $3 million. This resulted in E.L.K. Energy's customers paying a line loss rate of approximately 8% in rates. However, when properly accounting for the above-noted 28 MWh of electricity, this results in actual line loss rates well below the 8% level during the same period. E.L.K. Energy has recorded this difference in Accounts 1588 and 1589 as a credit to ratepayers, as reflected in the DVA Audit results, to be disposed of in this proceeding.

Question(s):

a) Please explain if E.L.K. Energy has sought a billing adjustment from the host distributor given that the shift of the system reconfiguration was not reflected in billing changes rendered by the host distributor. If not, please explain why E.L.K. Energy has not communicated with its host distributor for a material undercharge of approximately $3 million.
b) Please provide the calculations supporting the actual line loss rates from 2016 to 2019.
c) Please confirm that: 1) E.L.K. Energy did not receive invoices from the host distributor for the cost of power from 2016 to 2019; and 2) E.L.K. Energy's approach of reconstructing the actual line losses based on the undercharged 28 MWh cost of power represents passing through the loss of the host distributor to E.L.K. Energy's customers. If confirmed, please explain how this approach is appropriate from a rates point of view.
d) Please confirm if this material undercharged cost of power by the host distributor has also impacted other Group 1 DVAs (for example, Accounts 1550, 1584, 1586). If so, please elaborate on the details. If not, please explain why not.
e) Please quantify and itemize the impact from the line loss for each year from 2016 to 2019 on Accounts 1588 and 1589.
f) Please provide the actual line loss rates from 2020 to 2023 and explain if this issue has any impact on the line losses for these years.

g) Please quantify the adjustments made to the accounts each year related to the identified errors and report these as principal adjustments in accordance with the GA Analysis Workform instructions.

Staff-11
Ref. 1: 2024 E.L.K. Energy IRM Application Manager's Summary Section 3.3.2.1
Ref. 2: 2025 GA Analysis Workform Instructions
Ref. 3: O. Reg. 153/23
Ref. 4: OEB letter "Adjustments to Correct for Errors in Electricity Distributor "Pass-Through" Variance Accounts After Disposition" October 31, 2019 (OEB's retroactivity letter)

Preamble:

In Ref. 1, Page 8 of the Manager's Summary states that:

> With respect to the disposition of Group 1 DVAs, in October 2024, an external auditor completed the audit of DVA Accounts 1588 and 1589 for 2016-2023 (the "DVA Audit), the process of which resulted in series of adjustments to correct accounting errors.
>
> E.L.K. notes that these adjustments **are not inclusive of the requested approval to recover approximately $2.8M from the IESO**. E.L.K. is proposing these adjustments and final disposition of Group 1 accounts (along with addressing one Group 2 issue) to comply with prior directions of the OEB. [**Emphasis added**]

In Ref. 1, E.L.K. Energy states that its Internal Review Team identified under-recovery of $2.8 million from the IESO over the 2016 to 2023 period. Three corrections were identified and implemented:

- A credit from the IESO in the amount of $3.8 million related to the RPP true-up
- A debit to the IESO in the amount of $1.2 million related to an error for FIT contracts
- A credit from the IESO of $0.2 million related to an error for Class A volumes

E.L.K. Energy requests an Order of the OEB enabling the collection of the $2.8 million in under-recovery by E.L.K. Energy from the IESO, in accordance with section 36.1.1(7)(b) of the *Electricity Act*, since the associated invoices for payment, adjustment or amount were issued by the IESO more than 24 months ago.

According to Ref. 3, the provision of the two-year limitation is not applicable to RPP settlements, section 79.16 of the *Ontario Energy Board Act, 1998*.

In Ref. 4, the OEB's retroactivity letter states that "Where an accounting or other error is discovered after the balance in one of the above-listed variance accounts has been cleared by a final order of the OEB, the OEB will determine on a case-by-case basis whether to make a retroactive adjustment based on the particular circumstances of each case, including factors such as:

- whether the error was within the control of the distributor
- the frequency with which the distributor has made the same error
- failure to follow guidance provided by the OEB
- the degree to which other distributors are making similar errors

Question(s):

a) Please clarify whether or not the $2.8 million adjustments corresponding to the under/over-recovery from the IESO are reflected in the requested disposition balances for Accounts 1588 and 1589. If not, please explain why not. If not, why is E.L.K. Energy requesting the final disposition of Accounts 1588 and 1589 in this application.
b) If E.L.K. Energy has accrued the adjustments for the $2.8 million IESO in the respective periods of Accounts 1588 and 1589, please provide a breakdown of the principal adjustments related to the corrections for each year recorded in each account and report these principal adjustments separately, in accordance with the GA Analysis Workform instructions.
c) Please provide a detailed monthly and yearly breakdown, along with the calculation backup, supporting the principal adjustments booked into the accounts and the $2.8 million overpayment to the IESO.
d) Please confirm that E.L.K. Energy understands that the RPP true-up adjustments are excepted from the two-year limitation window set in the regulation. In other words, only $1.2 million debit for FIT contracts and $0.2 million credit for Class A customers. If so, please provide a plan to submit the RPP true-up adjustments with the IESO.
e) Please clarify whether E.L.K. Energy has contacted the IESO, requesting any submissions of the corrections.
    i. If so, please provide details of the correspondence with timelines.
    ii. If not, please explain why, specifically given that the RPP true-up are not subject to the two-year limitation period.
f) For the IESO adjustments that E.L.K. Energy is requesting for the OEB's order to settle with the IESO, please comment on the four factors outlined in

the 2019 OEB retroactivity letter for the out-of-period adjustments in pass-through accounts.

g) Please explain the impacts on the utility (over/under-recovery $) under both scenarios: 1) the requested out-of-period settlement adjustments are approved by the OEB; and 2) the requested out-of-period settlement adjustments are not approved by the OEB.

h) Please confirm that under both scenarios mentioned above, independent of the OEB's order on the IESO settlement errors, customers should not be impacted by the OEB's order because the relevant adjustments have been made in Accounts 1588 and 1589 to reflect the correct global adjustment and cost of power costs.

i) Please explain E.L.K. Energy's proposal, in the instance that the OEB denies E.L.K. Energy's request of the order.

Staff-12

Ref. 1: ELK_GA_Workform Update_2016-2018_20242218, Tab GA 2016

Ref. 2: ELK_GA Workform_20241028

Ref. 3: [2025 GA Analysis Workform Instructions]

Ref. 4: 2024 E.L.K. Energy IRM Application Manager's Summary Section paragraph 33 and 34.

Preamble:

In Ref. 1 and Ref. 2, the following amounts have been provided in Tab 1588.

Account 1588 Reasonability Test

	Account 1588 - RSVA Power				
Year	**Transactions[1]**	**Principal Adjustments[1]**	**Total Activity in Calendar Year**	**Account 4705 - Power Purchased**	**Account 1588 as % of Account 4705**
2016		97,208	97,208	15,006,345	0.6%
2017		- 678,727	- 678,727	13,936,405	-4.9%
2018		- 1,134,515	- 1,134,515	12,890,540	-8.8%
2019		- 553,808	- 553,808	12,777,701	-4.3%
2020		257,622	257,622	17,463,623	1.5%
2021		- 211,684	- 211,684	14,884,669	-1.4%
2022		- 173,550	- 173,550	22,814,971	-0.8%
2023		40,122	40,122	21,144,272	0.2%
Cumulative	**-**	**- 2,357,332**	**- 2,357,332**	**89,085,237**	**-2.6%**

In Ref. 1, E.L.K. Energy states:

> E.L.K. reached the conclusion that this physical reconfiguration to the system occurred in 2017, but that this shift was not reflected in billing changes rendered by the Host Distributor to E.L.K. during the 2017 through 2019 period. E.L.K.

> believes it may not have been charged for approximately 28 MWh of electricity over this time period equaling an approximate cost of $3 million.

In Ref. 3, under item 5a, the instructions state the following:

> Input the Net Change in Principal Balance in the General Ledger. This should equal the GA transactions recorded in Account 1589 for the year.
> - Do not include dispositions in this amount.
> - Do not include principal adjustments in this amount as that will be shown in the "Principal Adjustments" column in the DVA Continuity Schedule.
> - This amount should agree to the "Transactions Debit/(Credit)" column shown in the DVA Continuity Schedule.

Question(s):

a) Please explain if the 4705- Power Purchased is significantly lower in 2016 through 2021 as compared to 2022 and 2023 due to being undercharged for approximately 28MWh.

b) If not, please explain the variance.

c) The annual Account 1588 balance relative to the cost of power is expected to be small. If it is greater than +/-1%, an explanation should be provided. Please explain the higher percentages for 2017 through 2021.

Staff-13

Ref. 1: 2024 E.L.K. Energy IRM Application Manager's Summary Sections 3.3.1 and 3.3.2

Ref. 2: Attachment C: KPMG 2016-2023 DVA Accounts 1588 and 1589 Audit Report

Preamble:

In Ref. 1, under section 3.3.1. E.L.K. Energy states:

> In October 2024, E.L.K.'s external auditor completed its audit of Accounts 1588 and 1589 from 2016-2023 ("DVA Audit") and issued an unqualified audit opinion. Though the approved settlement in EB-2021-0016 required an audit of 1588 and 1589 through only 2021, Management determined that an extension of the DVA Audit to 2023 was a prudent choice to true-up a greater proportion of balances between ratepayers and the utility. The DVA Audit is provided as Attachment C.

E.L.K. Energy also states in section 3.3.2 that:

> When the Review Team commenced reperformance of the 2016-2023 DVA reconciliations, it became apparent errors were made in the treatment of pass-thru accounts which required significant adjustment and additional reconciliation. The 1588/1589 reconciliations were completed in early 2024 by the Review Team, ultimately informing the DVA Audit.

Also, in Ref. 1, paragraph 26, E.L.K. Energy states:

> Contract and internal resources were engaged to prioritize the completion of the DVA Audit regarding Accounts 1588 and 1589, including a dedicated Temporary Regulatory Analyst and a Temporary Controller, as well as multiple experienced MSA staff (collectively the "Review Team"). The Review team completed extensive reperformance of the DVA accounts for the 2016-2023 period, using original source data and billing data.

Question(s):

a) Please provide the scope of the DVA audit with KPMG.
b) Please confirm the DVA audit completed by KPMG included the settlement process with the IESO. If not, please provide reasoning for why not.
c) Please clarify the informing of the internal review results by E.L.K. Energy in early 2024 to KPMG. Has KPMG reviewed and agreed with these adjustments and reconciliations from E.L.K. Energy's internal review?
d) Please provide a timeline including but not limited to the start date and end date of error occurrence, for E.L.K. Energy's internal review and KPMG's audit as well as the interaction between the internal review and KPMG's audit.
e) Please confirm that all adjustments for the errors identified by the internal review team have been reflected in the balances of Accounts 1588 and 1589 that are being requested for disposition in this application.
f) Please provide a complete and detailed audit report prepared by KPMG for the DVA audit as the report only provides the final balances for each account.

Staff-14
Ref. 1: 2024 E.L.K. Energy IRM Application Manager's Summary Section 3.3.3
Ref. 2: 2025 Rate Generator Model, Continuity Schedule, November 18, 2024
Ref. 3: OEB letter "Adjustments to Correct for Errors in Electricity Distributor "Pass-Through" Variance Accounts After Disposition" October 31, 2019

Preamble:
In Ref. 1, paragraph 40 through 48, E.L.K. Energy states the following:

> E.L.K. previously disposed of Accounts 1550, 1551, 1580, 1584, and 1586 (“Accounts 1550-1586”) to December 31, 2020, as part of its 2022 Cost of Service (EB-2021-0016). In the course of the DVA Audit work, it was discovered by the Review Team that during the period of 2016 through 2020 considerable amounts were recorded in Account 1588, which should have in fact been recorded in Account 1550. These amounts were the Host Distributor low voltage purchases, which were being erroneously recorded as wholesale power purchases.
>
> In total, E.L.K. determined that $321,388 in low voltage purchases were erroneously entered into Account 1588 during the 2016 to 2020 period.
>
> E.L.K. recognizes that the OEB-approved disposition of Account 1550 was on a final basis in its 2022 Cost of Service application, clearing the stated balance as of December 31, 2020. E.L.K. is seeking an exception from the OEB’s standing practice of not allowing the reconsideration of past balances which are the subject of final disposition per a Board Order.

Also in Ref. 1, E.L.K. Energy states:

> Including the above-described error, E.L.K. has recalculated the appropriate Account 1550 principal balance as at December 31, 2023 to be $1,130,428, requiring an adjustment of $882,134 to the principal balance, inclusive of the previously noted $321,388 adjustment described above. E.L.K. has included this amount in the 2023 Adjustments column BF of the Continuity Schedule within its attached IRM Model, with a corresponding adjustment to interest.

Question(s):

a) Please provide the details and composition of the proposed adjustments to Account 1550, broken down by month and year, along with supporting calculations.
b) Principal adjustments should be reported in the respective year of the related adjustments rather than as a lump sum adjustment to the 2023 ending balances. Please update the models accordingly, if necessary.
c) Please provide E.L.K. Energy’s consideration regarding the rates retroactivity issues raised in the OEB’s October 31, 2019 letter in Ref. 3, given that the 2020 balances were disposed of on a final basis in the 2022 Cost of Service Decision and Order, including the comments on the four factors in the letter.

d) Please explain the rate impact on customers under both scenarios: 1) the adjustment in Account 1550 is approved; and 2) the adjustment in Account 1550 is not approved.
e) Please describe E.L.K. Energy's procedures that have been implemented to prevent mistakes like this.

Staff-15
Ref. 1: 2024 E.L.K. Energy IRM Application Manager's Summary Section 3.3.3

Preamble:
OEB staff created the following table:

Account		Last approved Balance EB-2021-0016	RRR Balance 12/31/2023	Proposed Balance 12/31/2023	Prinicpal Adjustments 12/31/2023
1550	LV Variance Account	528,099	$303,652	$1,130,428	$882,134
1551	Smart Metering Entity Charge Variance Accoun	(2,534)	($76,466)	($68,747)	$4,303
1580	RSVA - Wholesale Market Service Charge	(129,788)	$583,040	$416,045	($163,041)
1580	Variance WMS – Sub-account CBR Class A				
1580	Variance WMS – Sub-account CBR Class B	(29,711)	($33,114)	41,719	$74,169
1584	RSVA - Retail Transmission Network Charge	(170,422)	($314,632)	($381,874)	($77,468)
1586	RSVA - Retail Transmission Connection Charge	366,584	($121,982)	($518,735)	($399,601)

In Ref. 1, E.L.K. Energy states:

> E.L.K. previously disposed of Accounts 1550, 1551, 1580, 1584 and 1586 ("Accounts 1550-1586") to December 31, 2020 as part of its 2022 Cost of Service (EB-2021-0016). The Review Team reconciled transactions from 2021 to 2023 and except as described further below for Account 1550, the adjustments netted to a relatively minimal impact. The Review Team recreated the balances in these accounts from scratch using source documents and data.

Question(s):

a) Please provide the details and composition of the proposed adjustments to all the accounts shown in the table above, broken down by month and year, and explain the nature of the adjustments.
b) E.L.K. Energy states the review team reconciled transactions from 2021 to 2023. OEB staff notes that the principal adjustments should be reported in the respective year of the related adjustments rather than as a lump sum adjustment to the 2023 ending balances because the carrying charges can then be recorded

based on the proper opening balances of each year. Please update the DVA continuity schedule accordingly.

Staff-16
Ref. 1: 2024 E.L.K. Energy IRM Application Manager's Summary Section 3.3.5
Ref. 2: OEB letter "Adjustments to Correct for Errors in Electricity Distributor "Pass-Through" Variance Accounts After Disposition" October 31, 2019

Preamble:
In Ref. 1, under section 3.3.5 E.L.K. Energy states the following:

> The Review Team identified an error related to the 2022 non-RPP disposition. The Embedded Distributor rate class was included within the credit disposition of Account 1589; however, this rate class is billed on Class B Actual GA rates and did not contribute to the creation of the original balance.
>
> E.L.K. acknowledges that typically, Account 1595 would not be disposed of until two years after the completion of the rate rider. However, E.L.K. is proposing the disposition of the residual balance of this portion of the 2022 disposition since it represents significant credit to non-RPP customers.

The OEB's October 31, 2019 retroactivity letter provides the four factors (see Staff-11 for details).

Question(s):

a) Please provide the supporting calculation of the credit of $358K to non-RPP ratepayers broken down by month and year.
b) Please provide the journal entry of $358K with the associated date of this entry booked in the general ledger.
c) OEB staff notes no adjustment related to $358K is reflected in GA Analysis Workform or the DVA continuity schedule. Principal adjustments should be reported in the respective year of the related adjustments rather than as a lump sum adjustment to the last year ending balances. Please update the models accordingly.
d) Please provide E.L.K. Energy's thought of whether this error is a rates retroactivity issue. If so, please provide comments on the four factors.
e) Please describe E.L.K. Energy's procedures that have been implemented to prevent mistakes like this.

f) Please explain in which account the $358K disposition is being tracked. Is E.L.K. Energy proposing to track it in 1595 (2022), or would there be a new sub-account, such as 1595 (2022 GA), that would track this disposition?

Staff-17
Ref. 1: 2024 E.L.K. Energy IRM Application Manager's Summary
Ref. 2: OEB letter "Adjustments to Correct for Errors in Electricity Distributor "Pass-Through" Variance Accounts After Disposition" October 31, 2019
Ref. 3: 2025 Rate Generator Model, Continuity Schedule, November 18, 2024

Preamble:
In Ref. 1, E.L.K. Energy states:

> An error was present on the OEB-approved Tariff in EB-2021-0016, in which a $/kW credit rate rider for Account 1508, Revenue Differential Account was written as a $/kWh value. The rate rider is correctly expressed as a $/kW value in the Settlement and DVA Continuity Schedule. The rider was subsequently disposed of on the basis of kWh billing determinants, resulting in an over-crediting of the amount shown. E.L.K. is seeking recovery of this inadvertent over-credit in its 2025 IRM application.

Question(s):

a) Please provide E.L.K. Energy's thought of whether this issue is an issue of rates retroactivity.
b) Please provide comments on the four factors outlined in the OEB's October 31, 2019 letter as applicable.
c) Please describe E.L.K. Energy's procedures that have been implemented to prevent tariff rate rider mistakes like that mentioned above.

Staff-18
Ref. 1: EB-2021-0016 Exhibit 1, page 76

Preamble:
In Ref. 1, E.L.K. Energy states:

> On August 5, 2020, E.L.K. Energy submitted an Operational Review Report prepared by KPMG dated November 29, 2019 ("Operational Review Report") for the OEB's review and comment (provided at Exhibit 1, Tab 3, Attachment 2). The

OEB responded on December 14, 2020 with a request for follow-up information, and E.L.K. Energy responded in January 2021.

Question(s):

a) Please provide the request for follow-up information, and the response provided by E.L.K. Energy on January 2021.

Staff-19

Ref. 1: ELK_2025-IRM-Rate-Generator-Model_20241028, Tab 3 Continuity Schedule

Preamble:

On September 13, 2024, and December 11, 2024, the OEB published the Q4 2024 and Q1 2025 prescribed accounting interest rate applicable to the carrying charges of deferral, variance and construction work in progress (CWIP) accounts of natural gas utilities, electricity distributors and other rate-regulated entities.

Question(s):

a) Please update Tab 3 (Continuity Schedule) of the Rate Generator Model, as necessary, to reflect the Q4 2024 and Q1 2025 OEB-prescribed interest rates of 4.40% and 3.64%.