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File No. 17001.13

March 13, 2025

BY RESS

Ms. Nancy Marconi
Ontario Energy Board
2300 Yonge Street, 27th floor
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Marconi:

**Re: E.L.K. Energy Inc.
Application for May 1, 2025 Electricity Distribution Rates
Ontario Energy Board (“OEB”) File No. EB-2024-0015 (“Proceeding”)**

Pursuant to the OEB’s letter dated February 25, 2025, please find the enclosed Settlement Proposal for the above-noted Proceeding and updated Interrogatory Response SEC-2.

Yours truly,

BORDEN LADNER GERVAIS LLP

A handwritten signature in black ink, appearing to read 'Colm Boyle', is written over a light blue horizontal line.

Colm Boyle

JV/CB

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by E.L.K.
Energy Inc. for an order approving just and reasonable rates
and other charges for electricity distribution beginning May
1, 2025.

E.L.K. ENERGY INC.

SETTLEMENT PROPOSAL

MARCH 13, 2025

E.L.K. Energy Inc.
EB-2024-0015
Settlement Proposal

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E.L.K. Energy Inc.
("E.L.K.")
EB-2024-0015
Settlement Proposal

Filed with OEB: March 13, 2025

This Settlement Proposal is the culmination of extensive discussion and consideration by the Parties which represent an array of interests affected by E.L.K.'s Application for electricity distribution rates. Based on the evidence and rationale provided below, the Parties agree that this Settlement Proposal is appropriate and recommend its acceptance by the Ontario Energy Board ("**OEB**").

BACKGROUND

E.L.K. filed an incentive rate-setting mechanism application with the OEB on October 28, 2024 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B) (the "**Act**"), seeking approval for changes to the rates that E.L.K. charges for electricity distribution, to be effective May 1, 2025. E.L.K. is also requesting disposition of its balances from 2016 to 2023 in a deferral and variance account referred to as a Group 1 account and a single Group 2 account over a four-year period. (OEB Docket Number EB-2024-0015) (the "**Application**").

E.L.K. described at Section 3.3 of the Application two issues that were subject to the Settlement Proposal approved by the OEB in EB-2021-0016 that it sought to correct:

1. **2015 Non-RPP GA Rate Rider** - 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 (please see section 3.3.5 of the Application for more detail). ("**2022 COS GA Rider Issue**")
2. **Foregone Revenue Rate Rider Residual Amount** – The GS>50 kW rate class was to receive a volumetric rate rider of \$0.0072 per kW. However, on the submitted and approved Tariff of Rates and Charges, this rider was erroneously established as \$0.0072 per kWh (please see section 3.3.4 of the Application for more detail). ("**2022 COS Foregone Revenue Issue**")

(together the, "**2022 COS Issues**")

The OEB issued and published a Notice of Hearing dated November 19, 2024, and Procedural Order ("PO") No. 1 on December 9, 2024. The Vulnerable Energy Consumer Coalition filed a late intervention request on December 10, 2024. The OEB granted the following parties intervenor status and cost eligibility ("**Intervenors**"):

Independent Electricity System Operator ("**IESO**")
School Energy Coalition ("**SEC**"); and
Vulnerable Energy Consumers Coalition ("**VECC**").

OEB Staff and SEC filed interrogatories on January 8, 2025.

E.L.K. filed its Interrogatory Responses with the OEB on January 27, 2025, pursuant to which E.L.K. updated several models and submitted them to the OEB as Excel documents.

PO No. 1 scheduled the Settlement Conference for February 5, 2025. A Settlement Conference was on February 5, 2025 in accordance with the OEB's *Rules of Practice and Procedure* (the "**Rules**") and the OEB's *Practice Direction on Settlement Conferences* (the "**Practice Direction**").

Michelle Dagnino acted as facilitator for the Settlement Conference which lasted for one day. E.L.K., SEC and VECC participated in the Settlement Conference. The IESO did not attend the Settlement Conference.

E.L.K., VECC and SEC are collectively referred to below as the "**Parties**". The Parties represent the parties who took a position on the relevant issues in the approved EB-2021-0016 Settlement Proposal and are thus able to agree to a settlement on the 2022 COS Issues. Hydro One Networks Inc. ("HONI") was a party to the approved EB-2021-0016 Settlement Proposal but took no position on the relevant issues. HONI was served with the application, and E.L.K. specifically ensured they were aware of the specific 2022 COS Issues aspects of the application.

OEB staff also participated in the Settlement Conference. The role adopted by OEB staff is set out in the Practice Direction (p. 5). Although OEB staff is not a party to this Settlement Proposal, as noted in the Practice Direction, OEB staff who did participate in the Settlement Conference are bound by the same confidentiality requirements that apply to the Parties to the proceeding.

This document is called a "Settlement Proposal" because it is a proposal by the Parties to the OEB to settle the issues in this proceeding. It is termed a proposal as between the Parties and the OEB. However, as between the Parties, and subject only to the OEB's approval of this Settlement Proposal, this document is intended to be a legal agreement, creating mutual obligations, and binding and enforceable in accordance with its terms. As set forth later in this Preamble, this agreement is subject to a condition subsequent, that if it is not accepted by the OEB in its entirety, then unless amended by the Parties, it is null and void and of no further effect. In entering into this Agreement, the Parties understand and agree that, pursuant to the Act, the OEB has exclusive jurisdiction with respect to the interpretation and enforcement of the terms hereof.

The Parties acknowledge that the Settlement Conference is privileged and confidential in accordance with the Practice Direction. The Parties understand that confidentiality in that context does not have the same meaning as confidentiality in the OEB's *Practice Direction on Confidential Filings* and the rules of that latter document do not apply. Instead, in the Settlement Conference, and in this Agreement, the Parties have interpreted "confidential" to mean that the documents and other information provided during the course of the Settlement Conference, the discussion of each issue, the offers and counter-offers, and the negotiations leading to the settlement – or not – of each issue during the Settlement Conference are strictly privileged and without prejudice. None of the foregoing is admissible as evidence in this proceeding, or otherwise, with one exception, the need to resolve a subsequent dispute over the interpretation of any provision of this Settlement Proposal. Further, the

Parties shall not disclose those documents or other information to persons who were not attendees at the Settlement Conference. However, the Parties agree that “attendees” is deemed to include, in this context, persons who were not in attendance via video conference at the Settlement Conference but were a) any persons or entities that the Parties engage to assist them with the Settlement Conference, and b) any persons or entities from whom they seek instructions with respect to the negotiations; in each case provided that any such persons or entities have agreed to be bound by the same confidentiality provisions.

This Settlement Proposal provides a brief description of each of the settled and partially settled issues, as applicable, together with references to the evidence. The Parties agree that references to the “evidence” in this Settlement Proposal shall, unless the context otherwise requires, include (a) additional information included by the Parties in this Settlement Proposal; (b) the Appendices to this document; and (c) the evidence filed concurrently with this Settlement Proposal titled “Responses to Pre-Settlement Clarification Questions” (“Clarification Responses”). The supporting Parties for each settled issue, as applicable, agree that the evidence in respect of that settled or partially settled issue, as applicable, is sufficient in the context of the overall settlement to support the proposed settlement, and the sum of the evidence in this proceeding provides an appropriate evidentiary record to support acceptance by the OEB of this Settlement Proposal.

There are Appendices to this Settlement Proposal which provide further support for the proposed settlement. The Parties acknowledge that the Appendices were prepared by E.L.K. While the Intervenor has reviewed the Appendices, the Intervenor is relying on the accuracy of those Appendices and the underlying evidence in entering into this Settlement Proposal.

Outlined below are the final positions of the Parties following the Settlement Conference. For ease of reference, this Settlement Proposal follows the format of the final Approved Issues List for the Application attached to the Decision on Issues List dated October 28, 2024.

The Parties are pleased to advise the OEB that they have reached a complete agreement with respect to the **settlement of the two 2022 COS Issues** in this proceeding. Specifically:

“Complete Settlement” means an issue for which complete settlement was reached by all Parties, and if this Settlement Proposal is accepted by the OEB, none of the Parties (including Parties who take no position on that issue) will adduce any evidence or argument during the oral hearing in respect of the specific issue.	# issues settled: ALL
“Partial Settlement” means an issue for which there is partial settlement, as E.L.K. and the Intervenor who take any position on the issue were able to agree on some, but not all, aspects of the particular issue. If this Settlement Proposal is accepted by the OEB, the Parties (including Parties who take no position on the Partial Settlement) will only adduce evidence and argument during the hearing on the portions of the issue for which no agreement has been reached.	# issues partially settled: None

<p>“No Settlement” means an issue for which no settlement was reached. E.L.K. and the Intervenors who take a position on the issue will adduce evidence and/or argument at the hearing on the issue.</p>	<p># issues not settled: None</p>
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According to the Practice Direction (p. 2), the Parties must consider whether a Settlement Proposal should include an appropriate adjustment mechanism for any settled issue that may be affected by external factors. These adjustments are specifically set out in the text of the Settlement Proposal.

The Parties have settled the issues as a package and none of the parts of this Settlement Proposal are severable. If the OEB does not accept this Settlement Proposal in its entirety, then there is no settlement (unless the Parties agree in writing that any part(s) of this Settlement Proposal that the OEB does accept may continue as a valid settlement without inclusion of any part(s) that the OEB does not accept).

In the event that the OEB directs the Parties to make reasonable efforts to revise the Settlement Proposal, the Parties agree to use reasonable efforts to discuss any potential revisions, but no Party will be obligated to accept any proposed revision. The Parties agree that all of the Parties who took a position on a particular issue must agree with any revised Settlement Proposal as it relates to that issue, or decide to take no position on the issue, prior to its resubmission to the OEB.

Unless stated otherwise, the settlement of any particular issue in this proceeding and the positions of the Parties in this Settlement Proposal are without prejudice to the rights of Parties to raise the same issue and/or to take any position thereon in any other proceeding, whether or not E.L.K. is a party to such proceeding.

Where in this Settlement Proposal, the Parties “accept” the evidence of E.L.K., or the Parties or any of them “agree” to a revised term or condition, including a revised budget or forecast, then unless the Settlement Proposal expressly states to the contrary, the words “for the purpose of settlement of the issues herein” shall be deemed to qualify that acceptance or agreement.

1. 2022 COS Foregone Revenue Issue

Complete Settlement: Notwithstanding, the terms of the approved EB-2021-0016 Settlement Proposal, subject to the adjustments in this Settlement Proposal, the Parties agree that the methodology proposed by E.L.K. in sections 3.3.5 and 3.14 of the Application is appropriate to resolve the 2022 COS Foregone Revenue Issue.

The resultant variance between actual billed and approved amount in the 1508 Revenue Differential Account and rate riders are reproduced below in Tables 1.1 and 1.2 below. E.L.K. did not propose to apply interest to the balances. The Parties agree that E.L.K. shall only recover the variance in Table 1.1 below for the “GS > 50 kW” rate class in accordance with the rate rider specified in Table 1.2 and shall write off all other variances for all other rate classes as they are de minimus.

Table 1.1: 2022 Variance between Actual Billed and Approved Amount in Revenue Differential Account

RATE CLASS	2022 APPROVED AMOUNT	Actual Amount Billed	Variance (\$)
Residential	-\$20,861.42	-\$21,333.80	\$472.38
GS < 50 kW	\$7,160.10	\$5,915.89	\$1,244.21
GS > 50 kW	-\$4,773.95	-\$435,384.11	\$430,610.16
Street Lighting	-\$730.51	-\$444.92	-\$285.59
Sentinel Lighting	\$20.73	\$0.00	\$20.73
USL	\$21.83	\$0.00	\$21.83
Embedded Dist.	-\$11,991.66	-\$11,991.60	-\$0.06
TOTAL	-\$31,154.88	-\$463,238.54	\$432,083.66

Table 1.2: GS>50kW Rate Rider for Correction of Erroneous Disposition of Revenue Differential Account

RATE CLASS	Unit	Variance (2022 Approved Less Total Amount Billed)	Variable Rate Rider (Rounded to 4 decimal places)
GS > 50 kW	kW	\$430,610.16	\$2.0018

Evidence:

Application: Sections 3.3.5 and 3.14, paragraph 25(d).

IRRs: Staff-16, SEC-2, SEC-3.

Updated IRRs: SEC-2.

Supporting Parties: All

Parties Taking No Position: None.

2. 2022 COS GA Rider Issue

Complete Settlement: Notwithstanding, the terms of the approved EB-2021-0016 Settlement Proposal, the Parties agree that the methodology proposed by E.L.K. in sections 3.3.4 and 3.14 of the Application are appropriate to resolve the 2022 GA Rider Issue.

The resultant reallocation of 1589 balances and rate riders are reproduced below in Tables 2.1 and 2.2 below, inclusive of interest rate updates. E.L.K. identified a formulaic inconsistency in the spreadsheet used in the Application in respect of the interest calculation for the GS>50 class represented in Table 8 of the Application. The Parties accept the updated interest calculations are based on the OEB's prescribed interest rates, as set out in Table 2.1 below.

Table 2.1: Reallocation of 2015 1589 Balances relative to 2022 Cost of Service

Rate Class	Original Amount per Decision	Amount Refunded to Customers	Residual Amount	Reallocation of Embedded Distributor Credit	Adjusted Residual Amount	Interest to April 30, 2025	Total Claim
Residential	-\$11,085	-\$7,588	-\$3,498	-\$8,696	-\$12,194	-\$1,246	-\$13,440
General Less Than 50 Kw	-\$18,977	-\$26,904	\$7,926	-\$14,888	-\$6,961	-\$2,133	-\$9,094
General 50 To 4,999 Kw	-\$304,025	-\$264,308	-\$39,717	-\$238,503	-\$278,220	-\$34,168	-\$312,387
Unmetered Scattered Load	-\$1,313	-\$543	-\$769	-\$1,030	-\$1,799	-\$148	-\$1,947
Street Lighting	-\$728	-\$164	-\$564	-\$571	-\$1,135	-\$82	-\$1,217
Sentinel Lighting	-\$6,766	-\$6,311	-\$454	-\$5,308	-\$5,762	-\$760	-\$6,522
Embedded Distributor	-\$268,995	\$0	-\$268,995	\$268,995	\$0	\$0	\$0
Total	-\$611,889	-\$305,818	-\$306,071	\$0	-\$306,071	-\$38,536	-\$344,607

Table 2.2: Rate Riders for Reallocated 2015 1589 Balances

Rate Class	Disposition Amount	Class B Non-RPP kWh*	\$/kWh Rate Rider
Residential	-\$13,440	1,415,296	-\$0.0095
General Less Than 50 Kw	-\$9,094	5,619,122	-\$0.0016
General 50 To 4,999 Kw	-\$312,387	52,508,517	-\$0.0059
Unmetered Scattered Load	-\$1,947	103,260	-\$0.0189
Street Lighting	-\$1,217	31,182	-\$0.0390
Sentinel Lighting	-\$6,522	1,187,658	-\$0.0055
Embedded Distributor	-	47,435,811	-
Total	-\$344,607	108,300,846	

Evidence:

Application: Sections 3.3.4 and 3.14, paragraph 25(c).

IRRs: Staff-17, SEC-2, SEC-3.

Updated IRRs: SEC-2.

Supporting Parties: All

Parties Taking No Position: None.

3. Appendices

Appendix A – Pre-Settlement Clarification Questions

E.L.K. Energy Inc.
EB-2024-0015
February 4, 2025

E.L.K. Energy Inc. (E.L.K.) confirms this submission does 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*.

OEB Staff Clarifying Question-1

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

Preamble:

On December 11, 2024, the OEB published the 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) as necessary to reflect Q1 2025 OEB-prescribed interest rates of 3.64% for the Rate Generator Model.

Response:

- a) Please see column BR in Tab 3 (Continuity Schedule) of the IRM Model submitted January 27, 2025 (ELK_2025-IRM-Rate-Generator-Model_20250127), in which the OEB-prescribed interest rate of 3.64% is appropriately reflected. This value remains consistent in the attached update, ELK_2025-IRM-Rate-Generator-Model_20250204.

OEB Staff Clarifying Question-2

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

Preamble:

On December 19, 2024, the OEB issued a rate order regarding 2025 Final Hydro One Sub-Transmission Rates.

On January 21, 2025, the OEB issued a Decision and Rate Order regarding Final 2025 UTRs.

Updated UTRs

Network Service Rate	6.37
Line Connection Service Rate	1.00
Transformation Connection Service Rate	3.39

Hydro One Sub-Tx Rates

Network Service Rate	5.3280
Line Connection Service Rate	0.6882
Transformation Connection Service Rate	3.4894
Both Line and Transformation Connection Service Rate	4.1776

Question(s):

- a) Please update the Rate Generator Model with the above changes.

Response:

- a) Please find attached an updated IRM Model, ELK_2025-IRM-Rate-Generator-Model_20250204, inclusive of the requested changes.