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

BY EMAIL

April 1, 2025

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

Re: Ontario Energy Board (OEB) Staff Submission on Settlement Proposal
E.L.K. Energy Inc. (E.L.K. Energy)
2025 Distribution Rate Application
OEB File Number: EB-2024-0015

Please find attached OEB staff's submission on the settlement proposal in the above referenced proceeding.

Yours truly,

Harshleen Kaur

Digitally signed by Harshleen Kaur
Date: 2025.04.01 13:21:18 -04'00'

Harshleen Kaur
Advisor, Incentive Rate-setting

Encl.

cc: All parties in EB-2024-0015

ONTARIO ENERGY BOARD

OEB Staff Submission on Settlement Proposal

E.L.K. Energy Inc.

Application for 2025 Rates

EB-2024-0015

April 1, 2025

Introduction

E.L.K. Energy Inc. (E.L.K. Energy) filed an application dated October 28, 2024, with the Ontario Energy Board (OEB) under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to its electricity distribution rates to be effective May 1, 2025. E.L.K. Energy 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.

A half-day settlement conference was held on February 5, 2025. The scope of the settlement conference was limited to the issues that were subject to E.L.K. Energy's 2022 cost of service[1] application. Specifically, E.L.K. Energy identified and seeks to correct for two issues that were subject to the settlement proposal approved by the OEB in the 2022 cost of service application:

1. **Foregone Revenue Rate Rider Residual Amount:** The General Service 50 to 4,999 kW (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 (2022 Cost of Service Foregone Revenue).

2. **2015 Non-Regulated Price Plan (RPP) Global Adjustment (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 (2022 Cost of Service GA Rider).

E.L.K. Energy and the following intervenors participated in the settlement conference: School Energy Coalition (SEC) and Vulnerable Energy Consumers Coalition (VECC) (collectively, the Parties).

On March 13, 2025, E.L.K. Energy filed a settlement proposal on behalf of the Parties. The settlement proposal represents a comprehensive settlement on the two issues.

[1] EB-2021-0016

Overview

OEB staff submits that the explanations and rationale provided by the Parties support the settlement proposal. The outcomes arising from the OEB's approval of the settlement proposal would reflect the public interest and result in just and reasonable rates for customers. OEB staff submits that the OEB should approve the settlement proposal.

OEB staff's position was developed in consideration of the objectives of the *Renewed Regulatory Framework*[2], the *Handbook for Utility Rate Applications*[3], applicable OEB policies, relevant OEB decisions, and the OEB's statutory obligations.

Below, OEB staff provides specific submissions on the two issues.

[2] Report of the Board – *Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach*, October 18, 2012
[3] *Handbook for Utility Rate Applications*, October 13, 2016

OEB Staff Submissions on the Settlement Proposal

Issue 1: 2022 Cost of Service Foregone Revenue

In its application,[4] E.L.K. Energy states that a transcription error was identified in the Forgone Revenue Rate Rider in the GS>50 kW rate class, as established in the 2022 cost of service Tariff of Rates and Charges. Specifically, the rate rider for the GS>50 kW rate class was erroneously set as a refund of $0.0072 per kWh instead of per kW in the Tariff of Rates and Charges.[5] This error has resulted in an over-refund of $430,610 to customers in the GS>50 kW rate class. Consequently, this over-refund issue is reflected in Account 1508, Sub-Account Revenue Differential Account. This account was established to track differences in distribution revenue collected under the 2022 interim and final approved rates, for the period of May 1, 2022 up to the implementation date of the new 2022 rates.[6]

The originally forecasted credit for this rate class, based on the revenue difference between the 2022 interim rates and the 2022 final approved rates, was $4,774.

Through the settlement, the Parties agreed to the recovery of $430,610 for the GS>50 kW rate class only and E.L.K. Energy shall write off all other variances for all other rate classes in Account 1508, Sub-account Revenue Differential Account as they are de minimis. Additionally, the Parties agreed to the rate rider for the GS>50 kW rate class, as specified in Table 1.2 of the settlement proposal.

OEB staff supports the proposed methodology to resolve the 2022 Cost of Service Foregone Revenue issue. OEB staff notes that the transcription error only occurred on the approved Tariff of Rates and Charges and did not affect the approved balance in Account 1508, Sub-Account Revenue Differential Account. Therefore, it is reasonable for E.L.K. Energy to recover the over-refunded amounts from the GS>50 kW rate class.

Additionally, OEB staff has no concern with the Parties' agreement to limit the recovery to the GS>50 kW rate class. OEB staff agrees that the variances for all other rate classes (a total debit of $1,474) should be written off, as they are de minimis.

Issue 2: 2022 Cost of Service GA Rider

In its application,[7] E.L.K. Energy identifies an error in the allocation of the disposition

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[4] E.L.K. Energy Inc. 2025 IRM Application, p. 24
[5] EB-2021-0016, Decision and Rate Order, June 30, 2022, Schedule A Tariff of Rates and Charges, p. 3
[6] EB-2021-0016, Decision and Rate Order, June 30, 2022, Appendix E – Accounting Order – Revenue Differential Account
[7] E.L.K. Energy Inc. 2025 IRM Application, pp. 25-26

balance for Account 1589, which was approved in the 2022 cost of service proceeding. Specifically, the Embedded Distributor rate class consumption data was mistakenly included in the allocation of the credit disposition for Account 1589. However, this rate class is billed based on Class B Actual GA rates and did not contribute to the creation of the original balance.

E.L.K. Energy states that the original credit amount of $268,995, which was allocated to the Embedded Distributor rate class, was not refunded to customers within this rate class. Therefore, this amount remains as a residual credit balance in Account 1595 (2022). E.L.K. Energy noted that, typically, Account 1595 would not be disposed of until two years after the completion of the rate rider. However, to correct the allocation error, E.L.K. Energy proposed reallocating the Embedded Distributor residual credit amount of $268,995 to the remaining rate classes and disposing of it along with other remaining residual balances to Non-RPP customers, effective May 1, 2025. As a result, the total proposed disposition principal balance for the overall residual balance in Account 1595 (2022) is a credit balance of $306,071.

The Parties agreed to the methodology proposed by E.L.K. Energy to resolve the 2022 Cost of Service GA Rider issue. Additionally, the Parties have accepted E.L.K. Energy's updated interest amount based on the OEB's prescribed interest rates. As outlined in Table 2.1 of the settlement proposal, the total claim amounts to a credit of $344,607, including a credit of $38,536 for carrying charges.

OEB staff supports the agreement reached by the Parties with respect to reallocating and disposing of the residual amount of $344,607 to its Class B Non-RPP ratepayers, arising from the 2022 Cost of Service GA Rider issue. OEB staff submits that this approach is correct because the residual balance of the approved disposition amount for Account 1589 should be refunded to its Non-RPP customers based on the Cost Causality principle.

OEB staff notes that distributors only become eligible to seek disposition of the residual balances in Account 1595 two years after the expiry of the rate rider.[8] However, OEB staff is of the view that an early adjustment as requested by E.L.K. Energy would result in earlier refunds to customers and prevent the utility from accruing additional interest on those amounts.

~All of which is respectfully submitted~

[8] Chapter 3 Filing Requirements for Electricity Distributor, June 18, 2024, p. 14