May 2, 2025

Nancy Marconi
Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge Street, Suite 2700
Toronto ON M4P 1E4

Dear Ms. Marconi:

Re: E.L.K. Energy Inc. 2025 Incentive Regulation Mechanism ("IRM") Distribution Rate Application Supplemental Interrogatory Responses (EB-2024-0015)

Please find enclosed E.L.K. Energy Inc.'s ("E.L.K. Energy") responses to supplemental interrogatories received from Ontario Energy Board ("OEB") Staff April 15, 2025.

Regards,

Kayla Lucier

Kayla Lucier
Supervisor, Finance & Regulatory
E.L.K. Energy Inc.
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RESPONSES TO OEB STAFF INTERROGATORIES

Supplemental Staff-1

Adjustments to Accounts 1588 and 1589 Audited Balances

Ref 1: E.L.K. 2025 IRM Application, Attachment C, KPMG 2016-2023 DVA Accounts 1588 and 1589 Audit Report
Ref 2: E.L.K. Interrogatory Responses, 2025 IRM RGM_20250127 Ref 3: E.L.K. Interrogatory Responses, pp. 1 – 8
Ref 4: E.L.K. Interrogatory Responses, Attachment 1: KPMG Letter re. Materiality Ref 5: E.L.K. Interrogatory Responses, p. 2, Table 1
Ref 6: E.L.K. Interrogatory Responses, p. 6, Table 2s
Ref 7: E.L.K. Interrogatory Responses, 2025 GA Analysis Workform_20250127 Ref 8: E.L.K. Interrogatory Responses, 2025 GA Analysis Workform 2016-2018_20250127
Ref 9: 2025 GA Analysis Workform Instructions
Ref 10: E.L.K. Interrogatory Responses to Staff Question - 9

Preamble:

OEB staff has compiled Table 1, summarizing the adjustments made to Accounts 1588/1589 based on the evidence provided in Ref 5 and Ref 6.

Table 1: Additional Adjustments Made to Accounts 1588/1589

Years	1588			1589		
	Formula Error Correction (Ref. 5)	ED Invoice Impacts (Ref. 6)	Total Adjustments ($)	Formula Error Correction (Ref. 5)	ED Invoice Impacts (Ref. 6)	Total Adjustments ($)

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2020	39,150	-	**39,150**	(39,150)	-	**(39,150)**
2021	(282)	(6,599)	**(6,881)**	-	7,578	**7,578**
2022	(3,713)	(1,108)	**(4,820)**	-	7,401	**7,401**
2023	24,476	(27,216)	**(2,740)**	-	(198)	**(198)**
Net Impact	**59,632**	**(34,923)**	**24,709**	**(39,150)**	**14,781**	**(24,369)**

OEB staff notes discrepancies between the principal balances reported in the revised Rate Generator Model (RGM) and the KPMG audited balances for Accounts 1588 and 1589, as summarized in Table 2.

Table 2: Differences Between the KPMG Audited Principal Balances and RGM for Accounts 1588 and 1589

Years	1588			1589		
	Ref. 1: KPMG Audit Report	Ref.2 RGM	Variances ($)	Ref. 1: KPMG Audit Report	Ref.2 RGM	Variances ($)
2020	(2,818,813)	(2,740,513)	**78,300**	(3,115,263)	(3,193,563)	**(78,300)**
2021	(3,030,497)	(2,959,205)	**71,292**	(3,569,166)	(3,640,810)	**(71,644)**
2022	(3,204,047)	(3,146,604)	**57,443**	(2,923,103)	(2,987,956)	**(64,853)**
2023	(3,163,925)	(3,109,378)	**54,547**	(2,807,992)	(2,873,662)	**(65,670)**

Additionally, OEB staff has compiled Table 3 and Table 4 below to highlight the differences between the net changes to Accounts 1588/1589 provided in Ref 1 and those reported in the updated RGM and GA Analysis Workform.

Table 3: Comparison of Net Changes in Principal Balance for Account 1588

Years	Ref. 2: Continuity Schedule			Ref. 7 and 8: GA Analysis Workform			Ref. 1: KPMG Audit Report			Variances ($)	
	Transactions During the Year	Principal Adjustments	A. Net Activities	Transactions	Principal Adjustments	B. Total Activities	Net Change	OEB Approved Disposition	C. Net Change Excl. OEB Approved Disposition	A - B: Variances between Ref. 2 and Ref. 7/8	A- C Variance between Ref. 2 and Ref. 1
2016	(450,379)	63,286	(387,093)	(450,379)	63,286	(387,093)	97,208	(484,301)	(387,093)	-	-
2017	27,022	(705,749)	(678,727)	27,022	(705,749)	(678,727)	(678,727)		(678,727)	-	-
2018	(984,957)	(149,558)	(1,134,515)	(984,957)	(149,558)	(1,134,515)	(1,134,515)		(1,134,515)	-	-
2019	(896,143)	342,335	(553,808)	(896,143)	342,335	(553,808)	(553,808)		(553,808)	-	-
2020	(837,254)	1,173,175	335,921	(837,254)	1,173,175	335,921	257,622		257,622	-	**78,299**
2021	(4,185,219)	3,966,527	(218,692)	(4,185,219)	3,966,527	(218,692)	(211,684)		(211,684)	-	**(7,008)**
2022	(2,701,510)	2,836,403	134,893	(2,701,510)	2,836,403	134,893	(173,550)	322,292	148,742	-	**(13,849)**

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2023	(7,747,121)	7,784,347	37,226	(7,747,121)	7,784,347	37,226	(40,122)		(40,122)	-	**77,348**

Table 4: Comparison of Net Changes in Principal Balance for Account 1589

Years	Ref. 2: Continuity Schedule			Ref. 7 and 8: GA Analysis Workform			Ref. 1: KPMG Audit Report			Variances ($)	
	Transactions During the Year	Principal Adjustments	A. Net Activities	Transactions	Principal Adjustments	B. Total Activities	Net Change	OEB Approved Disposition	C. Net Change Excl. OEB Approved Disposition	A - B: Variances between Ref. 2 and Ref. 7/8	A- C Variance between Ref. 2 and Ref. 1
2016	(345,005)	(77,966)	(422,971)	(422,971)	57,879	(365,092)	(1,375,480)	952,509	(422,971)	**(57,879)**	-
2017	(249,587)	(299,027)	(548,614)	(548,614)	(36,821)	(585,435)	(548,614)		(548,614)	**36,821**	-
2018	(343,677)	(596,822)	(940,499)	(940,499)	(850)	(941,349)	(940,499)		(940,499)	**850**	-
2019	(294,448)	(42,666)	(337,114)	(337,114)	(11,587)	(348,701)	(337,114)		(337,114)	**11,587**	-
2020	2,380,336	(2,574,251)	(193,915)	(154,765)	(62,117)	(216,882)	(115,315)		(115,315)	**22,967**	**(78,600)**
2021	2,210,977	(2,658,224)	(447,247)	(447,247)	225,529	(221,718)	(453,903)		(453,903)	**(225,529)**	**6,656**
2022	3,788,521	(2,385,216)	1,403,305	(97,596)	4,392	(93,204)	646,063	750,450	1,396,513	**1,496,509**	**6,792**
2023	10,384,703	(10,270,408)	114,295	114,294	(10,756)	103,538	115,111		115,111	**10,757**	**(816)**

Based on Tables 2, 3, and 4, OEB staff notes that the total adjustments made to Accounts 1588 and 1589 do not align with the summary tables provided in E.L.K. Energy's responses or the total adjustments referenced in the KPMG letter in Ref 4.

Page 5 of Ref 9 states 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 Deferral and Variance Accounts (DVA) Continuity Schedule.
> - This amount should agree to the "Transactions Debit/(Credit)" column shown in the DVA Continuity Schedule.

Additionally, OEB staff notes consistent variances between the net activities (excluding OEB-approved dispositions) reported in the GA Analysis Workform and the Continuity Schedule in the RGM. These variances are outlined in Table 4, Column "A-B".

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Question(s):

a) Please confirm OEB staff's calculation of the total adjustments made to the audited balances for Accounts 1588 and 1589 as outlined in Table 1.
b) Given that the adjustments made to the disposition balances for Group 1 accounts are solely due to impacts from subsequent events and corrections, as clarified by E.L.K. Energy in Ref 3, please provide an itemized explanation for why the variances in net changes (Column "A-C") outlined in Tables 3 and 4 differ from the variances in principal balances noted in Table 2.
c) Please provide any updated models, as applicable.

d) Please provide an updated summary of the additional adjustments and corrections made to the audited balances for Accounts 1588 and 1589, following the format used by OEB staff in Table 1.
   i. Please address any instances where the audit materiality threshold for the year is exceeded, if applicable.
e) Please confirm OEB staff's observation regarding the variances between the GA Analysis Workform and the Continuity Schedule for net activities in Account 1589.
   i. Please explain the variances (Columns "A-B") noted in Table 4.
   ii. Please provide any updated models, if applicable.
   iii. Please explain any instances where the materiality threshold for the year was exceeded, if applicable.
f) Please provide an itemized explanation for the years 2019-2021 in which the Account 1588 balance exceeded the 1% reasonability threshold.

RESPONSE:

a) E.L.K. Energy confirms the accuracy of OEB Staff's Table 1 above as summarizing the adjustments made to Accounts 1588 and 1589 for formula errors identified and the impacts of the updated Embedded Distributor invoice. In reviewing OEB Staff's tables, E.L.K. Energy identified two errors which are the source of the discrepancies identified in Tables 1 through 4 above:

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- **Double Counting of Adjustments:** In reviewing the discrepancies identified by Staff, E.L.K. Energy discovered the adjustments made in interrogatory responses in were some instances double counted in E.L.K. Energy's reconciliations.
- **Minor Embedded Distributor Global Adjustment Entries:** In summarizing the impacts of the change in Embedded Distributor invoice, E.L.K. inadvertently excluded minor credit entries into Account 1589 for 2021, 2022 and 2023 of ($922), ($610), and ($619). These entries relate to the Embedded Distributor's unique billing status as a customer that is not Class A, but that pays Global Adjustment directly. In addition, some of the specific impacts of the change from Embedded Distributor Invoice 1 ("ED 1") to Embedded Distributor Invoice 2 ("ED 2") were impacting by the double counting error referenced above.

When correcting for the two items noted above, updated versions of OEB Staff's Tables 1 through 4 are presented below. E.L.K. Energy made minor modifications to OEB Staff's Tables to correct for consistency with the KPMG Audit report, to show variances between Tables 2-4 and Table 1, and to properly establish variances between the GA Workform and other references, as further discussed in e) below.

Table 1: Additional Adjustments Made to Accounts 1588/1589

	1588			1589		
YEARS	**Formula Error Correction made in Interrogatory Responses**	**ED Invoice Impacts Corrected as of Supplemental Interrogatory Responses**	**Total Adjustments ($)**	**Formula Error Correction made in Interrogatory Responses**	**ED Invoice Impacts Corrected as of Supplemental Interrogatory Responses**	**Total Adjustments ($)**
2016	-	-	-	-	-	-
2020	39,150.13	-	39,150.13	(39,150.13)	-	(39,150.13)
2021	(282.03)	(6,316.88)	(6,598.90)	-	6,656.12	6,656.12
2022	(3,712.72)	(6,199.33)	(9,912.05)	-	6,791.00	6,791.00
2023	24,476.35	1,022.99	25,499.34	-	(816.57)	(816.57)
Net Impact	**59,631.73**	**(11,493.22)**	**48,138.51**	**(39,150.13)**	**12,630.55**	**(26,519.58)**

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Table 2: Differences Between the KPMG Audited Closing Principal Balances and RGM for Accounts 1588 and 1589

	1588					1589				
YEARS	**KPMG Audit Report (A)**	**RGM as of Supplemental IRs (B)**	**Single Year Adjustments Made Post KPMG Audit per Table 1**	**Cumulative Closing Principal Variances Post KPMG Audit**	**Variance (B - A)**	**KPMG Audit Report (C)**	**RGM as of Supplemental IRs (D)**	**Single Year Adjustments Made Post KPMG Audit per Table 1**	**Cumulative Closing Principal Variances Post KPMG Audit**	**Variance (D - C)**
2020	(2,818,813.00)	(2,779,662.87)	39,150.13	39,150.13	39,150.13	(3,115,263.00)	(3,154,413.13)	(39,150.13)	(39,150.13)	(39,150.13)
2021	(3,030,497.00)	(2,997,945.77)	(6,598.90)	32,551.23	32,551.23	(3,569,166.00)	(3,601,660.01)	6,656.12	(32,494.01)	(32,494.01)
2022	(3,204,047.00)	(3,181,407.83)	(9,912.05)	22,639.17	22,639.17	(2,923,103.00)	(2,948,806.01)	6,791.00	(25,703.01)	(25,703.01)
2023	(3,163,925.00)	(3,115,786.49)	25,499.34	48,138.51	48,138.51	(2,807,992.00)	(2,834,511.58)	(816.57)	(26,519.58)	(26,519.58)
Total				**142,479.03**	**142,479.03**				**(123,866.72)**	**(123,866.72)**

Table 3: Comparison of Net Changes in Principal Balance for Account 1588

	Ref. 2: Continuity Schedule			Ref. 7 and 8: GA Analysis Workform			Ref. 1: KPMG Audit Report			Variances ($)		
Years	**Transactions During the Year**	**Principal Adjustments**	**A. Net Activities**	**Transactions During the Year**	**Principal Adjustments**	**B. Total Principal Activities**	**Net Change**	**OEB Approved Disposition**	**C. Net Change Excl.OEB Approved Disposition**	**A - B: Variances Between Ref. 2 and Ref 7/8**	**A - C: Variances Between Ref. 2 and Ref. 1**	**Single Year Adjustments Made Post KPMG Audit per Table 1**
2016	(450,379)	63,286	(387,093)	(450,379)	63,286	(387,093)	97,208	484,301	(387,093)	-	-	-
2017	27,022	(705,749)	(678,727)	27,022	(705,749)	(678,727)	(678,727)		(678,727)	-	-	-
2017	(984,957)	(149,558)	(1,134,515)	(984,957)	(149,558)	(1,134,515)	(1,134,515)		(1,134,515)	-	-	-
2019	(896,143)	342,335	(553,808)	(896,143)	342,335	(553,808)	(553,808)		(553,808)	-	-	-
2020	(876,403)	1,173,175	296,772	(876,403)	1,173,175	296,772	257,622		257,622	-	39,150	39,150
2021	(4,260,056)	4,041,773	(218,283)	(4,260,056)	4,041,773	(218,283)	(211,684)		(211,684)	-	(6,599)	(6,599)
2022	(3,416,962)	2,911,208	(505,754)	(3,416,962)	2,911,208	(505,754)	(173,550)	322,292	(495,842)	-	(9,912)	(9,912)
2023	(7,805,654)	7,871,276	65,621	(7,805,654)	7,871,276	65,621	40,122		40,122	-	25,499	25,499

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Table 4: Comparison of Net Changes in Principal Balance for Account 1589

Years	Ref. 2: Continuity Schedule			Ref. 7 and 8: GA Analysis Workform**					Ref. 1: KPMG Audit Report			Variances ($)		
	Transactions During the Year	Principal Adjustments	A. Net Activities	Transactions During the Year	Total Adjustments in GA Workform	Less Non-Principal Adjustments	Principal Adjustments in Continuity Schedule	B. Total Activities	Net Change	OEB Approved Disposition	C. Net Change Excl.OEB Approved Disposition	B - A: Variances Between Continuity & GA WF	C - A Variances Between Continuity & KPMG Audit	Single Year Adjustments Made Post KPMG Audit per Table 1
2016	(345,005)	(77,966)	(422,971)	(345,005)	(20,087)	57,879	(77,966)	(422,971)	(1,375,480)	(952,509)	(422,971)	-	-	-
2017	(249,587)	(299,027)	(548,614)	(249,587)	(335,847)	(36,821)	(299,027)	(548,614)	(548,614)		(548,614)	-	-	-
2018	(343,677)	(596,822)	(940,499)	(343,677)	(597,672)	(850)	(596,822)	(940,499)	(940,499)		(940,499)	-	-	-
2019	(294,448)	(42,666)	(337,114)	(294,448)	(54,253)	(11,587)	(42,666)	(337,114)	(337,114)		(337,114)	-	-	-
2020	2,419,486	(2,574,251)	(154,765)	2,419,486	(2,636,368)	(62,117)	(2,574,251)	(154,765)	(115,615)		(115,615)	-	(39,150.13)	(39,150)
2021	2,175,137	(2,622,384)	(447,247)	2,175,137	(2,396,856)	225,528	(2,622,384)	(447,247)	(453,903)		(453,903)	-	6,656.12	6,656
2022	2,265,199	(2,362,795)	(97,596)	2,265,199	(2,358,403)	4,392	(2,362,795)	(97,596)	646,063	750,450	(104,387)	-	6,791.00	6,791
2023	10,359,229	(10,244,934)	114,294	10,359,229	(10,255,691)	(10,756)	(10,244,934)	114,294	115,111		115,111	-	(816.57)	(817)

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b) Please see a) above.

c) Please find attached an updated IRM Model and GA Analysis Workform, as well as an update to a previous supporting attachment to Staff-11, filed as ELK_Staff_Sup-1_Att 1 – 1588-1589 Adjustments 20250502.

d) Please see a) above. The total impacts of adjustments made to each account subsequent to KPMG's audit are below the applicable materiality thresholds for all years per KPMG's letter dated January 27, 2025, provided as Attachment 1 to E.L.K. Energy's interrogatory responses.

e) The variances shown between the sum of principal transactions and adjustments ("Net Activities") in the DVA Continuity Schedule and the sum of all adjustments in the GA Analysis Workform are appropriate and remain in the updated IRM Model and GA Analysis Workform submitted with these supplemental interrogatory responses. As articulated in E.L.K. Energy's pre-filed evidence, the adjustments to Accounts 1588 and 1589 were completed by way of a full reconstruction of entries and balances in these accounts from 2016 through 2023, as the interrelated nature of errors in the original entries were such that correcting the balances through the sum of individual error corrections was not practically possible. This process resulted in the precise calculation of variances owed to ratepayers as debits or credits for each year and each account, as the reconstructed entries and balances have the full benefit of hindsight and actuals, allowing for the determination of the differences between actual amounts charged to E.L.K. Energy by Hydro One and the IESO, and actual amounts paid by customers in rates. The variances between closing balances historically booked and what closing balances should be were booked as principal adjustments, and are incorporated into the closing balances shown in both the DVA Continuity Schedule and the GA Analysis Workform.

In order to reconstruct the balances in Accounts 1588 and 1589 E.L.K. Energy required detailed allocations of consumption across categories not available to E.L.K. Energy within historical data; namely the effective month in which consumption took place, as opposed

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to the billed month. In order to allocate its past consumption, E.L.K. Energy was forced to rely on purchase data from the IESO and Hydro One to infer detailed breakdowns of billing determinants. This process produced substantially correct results, however this necessary approach to allocating historical billing determinants left small variances in most years as between calculated purchases from the IESO and Hydro One, and actual invoiced amounts. These small variances are identified as “Purchase Price Variance” and “Sales Price Variance” in the GA Analysis Workform. These adjustments are made in order to effectively compare apples to apples, as between the GA at Estimate Rate in the GA Analysis Workform, with the calculated GA produced by E.L.K. Energy in order to reconstruct its account balances.

In addition to the Purchase Price Variance and Sales Price Variance, E.L.K. Energy booked three additional adjustments which do not require adjustment to the 1589 principal balance:

- **2016 Jan billed at Dec Est**: January 2016 billing determinants are established through an allocation of billing determinants based on purchases in the month. The January purchases were however skewed because they relied on the December 2015 Actual GA rate instead of Jan 2016 Est GA rate. The Impact of this is to overstate GA Billed at Actual. To make the GL comparable to GA Billed at Actual, this adjustment is required.
- **2020 COVID**: This adjustment relates to rate measures put in place during 2020 as a result of the COVID-19 pandemic. The impact of these measures is not reflected in the GA rate, so the adjustment is required to make the GL comparable to GA Billed at Actual. E.L.K. Energy’s treatment of this adjustment in the GA Analysis Workform is comparable to that of other applications reviewed by E.L.K.
- **2021 GA Recovery**: In 2021 a GA Recovery Rate was established to record foregone GA revenues from 2020. As per the above, this is not reflected in the GA rate, so the adjustment is required to make the GL comparable to

GA Billed at Actual. E.L.K. Energy's treatment of this adjustment in the GA Analysis Workform is comparable to that of other applications reviewed by E.L.K.

f) E.L.K. Energy is unable to itemize its explanation of the Account 1588 variances from 2019 through 2021. As described in e) above, E.L.K. Energy's billing determinants used for the purpose of allocation were inferred from purchase data, and are expected to contain minor variances as a result. In the case of 1588, E.L.K. Energy is not able to make non-principal adjusting adjustments to 1588 values which would otherwise allow for an appropriate comparison as is the case for Account 1589 in the "GA" tabs.

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RESPONSES TO OEB STAFF INTERROGATORIES

Supplemental Staff-2

2022 OEB approved Disposition

Ref 1: IRM-Rate-Generator-Model_20250127, Tab 3

Ref 2: Decision and Rate Order, EB-2021-0016, Table 4.2A

Preamble:

OEB staff has compiled the following table showing the differences between the 2022 OEB-approved disposition principal and interest amounts on the DVA continuity schedule (Ref 1), and those amounts shown in 2022 Decision and Order (Ref 2).

	Account 1588 (2022)		Account 1589 (2022)	
	Principal	Interest	Principal	Interest
Ref 1 (a)	322,292	(188,911)	750,450	0
Ref 2 (b)	(322,292)	(188,911)	(750,450)	138,561
Variance (a-b)	**$ 644,584**	**$ 0**	**$ 1,500,900**	**$ (138,561)**

Question(s):

a) Please confirm that the 2022 OEB-approved disposition amounts entered for principal and interest for Accounts 1588 and 1589 should be the amounts approved in row (b), which are taken from E.L.K. Energy's 2022 Decision and Order. If confirmed, please update the DVA continuity schedule using the correct figures.

RESPONSE:

a) Confirmed. Please find attached an updated IRM Model.

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RESPONSES TO OEB STAFF INTERROGATORIES

<u>Supplemental Staff-3</u>

Account 1595 (2018 and pre-2018)

Ref 1: IRM-Rate-Generator-Model_20250127, Tab 3

Ref 2: EB-2021-0016, DVA Continuity_Settlement_20220610, Tab 2a

Preamble:

Per Ref 1 and Ref 2, OEB staff has compiled the following table showing the difference of Account 1595 Sub-Account (2018 and pre-2018) between the DVA continuity schedule and the last cost of service application.

	Closing Principal-2020			**Closing Interest-2020**		
	Ref 1	Ref 2	Variance	Ref 1	Ref 2	Variance
1595 (2018 & Pre 2018)	**0**	**532,466** **(1,022,479-144,741-345,272	**$ (532,466)**	**114,260**	**113,298** **(101,952+2,612+8,734)	**$ 962**

Question(s):

a) Please explain the variance noted above and make the correction on the DVA continuity schedule.

RESPONSE:

a) Of note, E.L.K. Energy made adjustments in 2023 in the DVA Continuity Schedule to Account 1595 (2018 & Pre 2018) to remove any balances for disposition. E.L.K. Energy has updated the continuity schedule to show 2020 year-end balances as per Reference 2 above, and has accordingly modified the 2023 adjustments.

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RESPONSES TO OEB STAFF INTERROGATORIES

Supplemental Staff-4

Account 1595 (2020-2023)

Ref 1: IRM-Rate-Generator-Model_20250127, Tab 3

Ref 2: 2020 Decision and Rate Order, EB-2019-0029, Table 7.1 Ref 3: 2021 Decision and Rate Order, EB-2020-0014, Table 7.1 Ref 4: 2022 Decision and Rate Order, EB-2021-0016, Table 4.2A

Preamble:

Per Ref 1 to 4, OEB staff has compiled the following table showing the differences between OEB-approved dispositions in respective years and the amounts that are in sub-accounts under Account 1595 on the DVA continuity schedule of the IRM rate generator model.

	OEB Approved Disposition			
	Ref 1	Respective OEB Decisions	Variance	
1595 (2020) Principal	(247,593)	(229,415)	(18,178)	Ref 2
1595 (2020) Interest	0	(18,179)	18,178	Ref 2
1595 (2021) Principal	338,798	(328,826)	667,624	Ref 3
1595 (2021) Interest	0	(9,971)	9,971	Ref 3
1595 (2022) Principal	0	1,062,375	(1,062,375)	Ref 4
1595 (2022) Interest	0	28,389	(28,389)	Ref 4

Question(s):

a) Please explain the variance noted in the table above.

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b) Please resubmit DVA continuity after making the correction per question a).

RESPONSE:

a & b) Please see attached an updated IRM Model, which implements the changes noted by OEB Staff. E.L.K. Energy has not however implemented updates to Account 1595 (2022), as this Account is the subject of the settlement proposal currently submitted to the OEB and pending a Decision. E.L.K. Energy will update the DVA Continuity for Account 1595 (2022) in a manner that is consistent with the OEB's Decision and Order on the settlement proposal.

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RESPONSES TO OEB STAFF INTERROGATORIES

Supplemental Staff-5

IESO Adjustments

Ref 1: E.L.K. Interrogatory Responses, Staff Question - 11

Ref 2: E.L.K. Interrogatory Responses, Attachment 1- 1588-1589 Adjustments_20250127

Ref 3: E.L.K. Interrogatory Responses, 2025 IRM RGM_20250127

Preamble:

In Ref 1, E.L.K. Energy clarifies that if the OEB issues an Order allowing E.L.K. Energy to recover the identified $2.8 million from the Independent Electricity System Operator (IESO), this amount will be netted against the total credit disposition to ratepayers.

E.L.K. Energy states that this netting will not affect the total amount proposed for disposition, as the $2.8 million sought from the IESO is already included within the total credit disposition to ratepayers.

OEB staff notes that the "IRR Adjustment Required in 2025" for both accounts, as reported in the attachment to Ref 1, does not align with the additional adjustments made to these accounts as reflected in OEB staff's Table 2. Additionally, OEB staff notes that the corrections for the Embedded Distributor invoice error are not captured in Ref 2.

E.L.K. Energy states that all three types of adjustments should be made with the IESO at the same time. Further, E.L.K. Energy states that the total disposition request for Accounts 1588 and 1589 is a credit balance of $7.1 million. Without the OEB Order, E.L.K. Energy will be in a cashflow position with respect to these accounts of $7.1 million. Additionally, E.L.K. Energy's customers may be impacted by the OEB's Decision in this respect, as the material detrimental impact on E.L.K. Energy's cash position may have an impact on the utility's ability to fund the work required in support of E.L.K. Energy's system and customers.

Question(s):

a) Please explain why the "IRR Adjustment Required in 2025" for Accounts 1588 and 1589 reported in Ref 2, does not align with OEB staff's Table 2.

b) Please confirm whether the Embedded Distributor invoice error is captured in Ref 2.

c) Please update applicable models and supporting schedules, if necessary.

d) Please confirm the impact on E.L.K. Energy if the OEB does not grant an Order directing the IESO to accept the out-of-period adjustments related to the FIT Contract and Class A Volumes.

   i. Please confirm if E.L.K. Energy will submit the RPP True-Up Adjustment to the IESO, if the OEB does not grant an Order for the out-of-period adjustments related to the Class A Volumes and FIT Contracts.

e) Please confirm whether all adjustments reflected in Ref 2 are also captured in Ref 3.

RESPONSE:

a) The "IRR Adjustment Required in 2025" section of Reference 1 does not align with OEB Staff's Table 2, as this section of the attachment addresses only the formula errors identified as part of interrogatory responses, and does not include the change in Embedded Distributor invoicing shown in tables above at the same reference. Please see the updates provided in response to OEB Staff Supplemental Interrogatory 1, as well as Attachment 1 to the same.

b) Confirmed. Please see Attachment 1 to the responses to OEB Staff Supplemental Interrogatory 1, under heading "HONI Special Metering Adjustment Req'd in 2024".

c) Please see the updates provided in response to OEB Staff Supplemental Interrogatory 1, as well as Attachment 1 to the same.

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d) E.L.K. Energy's updated response to SEC-2 summarizes the impact on E.L.K. Energy of the OEB not granting an Order directing the IESO to accept out-of-period adjustments. Please see below a relevant excerpt from E.L.K. Energy's updated response to SEC-2:

As shown in the table below E.L.K.'s reported ROE for 2022 and 2023 was (-1.97%) and (-22.33%), respectively. As a result of the low ROE in 2022, in Decision and Rate Order EB-2023- 0013 issued on March 21, 2024 the OEB encouraged "…E.L.K. Energy's management and Board of Directors to thoroughly examine all strategic options for the utility, including an early rebasing." ROE significantly worsened in 2023. Ratepayers across Ontario unjustly benefitted from the under-recovery by E.L.K. from the IESO, particularly when E.L.K. is encountering significant financial difficulties.

When the errors below were initially identified contract and internal resources were immediately engaged to intensely prioritize analyze the identified errors (see paragraph 26 of the Application and SEC-3). As noted in the attachment to SEC-3, the errors below had not been conclusively identified until early 2024 after nearly 2,000 labour hours from MSA Staff to recreate DVA Accounts 1588 and 1589 in their entirety from source documents and billing system data downloads. Following the completion of this review E.L.K. brought these errors before the OEB as soon as possible to ensure corrections could be implemented in a timely, accurate and efficient manner.

The requested amount of $2.8 million from the IESO is approximately 78% of E.L.K.'s 2022 approved base revenue requirement and will be an undue burden upon E.L.K.

While the error may have been in the control of E.L.K. and not in accordance with OEB guidance, the errors occurred during a period of time where E.L.K. had been experiencing significant accounting staff constraints and turnover (especially with the departure of the CFO). The staffing constrain was recognized and corrected expeditiously with the hiring of MSA Staff. These errors are not recurring and do not appear to be a widespread issue

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with other LDCs. Considering the foregoing, E.L.K.'s has sufficiently justified its request for an exception to the limitation period under section 36.1.1 of the Electricity Act, 1998, to the extent the limitation period apply to the stated amounts.

E.L.K. Electricity Reporting & Record Keeping Requirements (RRR): Section 2.1.5.6 Regulated Return on Equity

	Achieved ROE	Regulated Deemed ROE	Difference Achieved ROE minus Deemed ROE
2022	-1.97%	8.66%	-10.63%
2023	-22.33%	8.66%	-30.99%

i. E.L.K. Energy will review the OEB's Decision and Order in its entirety at the time it is issued, and will make a determination regarding the best course of action for the utility at that time.

e) Confirmed. Per above, all models and supporting evidence have been updated in accordance with E.L.K. Energy's responses to OEB Staff Supplemental Interrogatory 1.

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RESPONSES TO OEB STAFF INTERROGATORIES

<u>Supplemental Staff-6</u>

Retroactive Adjustments to Account 1550

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

Ref 2: E.L.K. Interrogatory Responses, Staff Question - 14

Ref 3: ELK_IRM_1550_1551_1580_1584_1586 Supporting calculations_20250127 Ref 4: E.L.K. Interrogatory Responses, 2025 IRM RGM_20250127

Ref 5: E.L.K. Interrogatory Responses, Attachment 1- 1588-1589 Adjustments_20250127

Preamble:

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.

According to Tab "2021-2024 REG ASSET 1550-00 LV" of Ref 2, the total adjustment required to Account 1550 is a debit of $899,207. OEB staff notes that the amounts calculated in the "Adjustment Required" cells (Cell S54 to Cell U54) include the OEB- approved disposals.

OEB staff has compiled a summary table (Table 5) below based on the information provided in Ref 3.

Table 5: Summary of Principal Adjustment Required to Account 1550

Account 1550	2021	2022	2023	Accumulative Total
Beginning Balance	928,473	1,315,976	1,143,525	3,387,973
A: Current Year (CY) Additions	798,733	344,792	(19,996)	1,123,529
OEB Approved Disposals	411,230	517,243	-	928,473
Reconstructed Ending Balance	1,315,976	1,143,525	1,123,528	3,583,029
B: Previously Reported CY Transactions	88,415	(229,424)	(563,143)	(704,152)
A - B: Principal Adjustment Required	$ 710,318.58	$ 574,215.35	$ 543,146.46	$ 1,827,680

OEB staff notes that the principal adjustment required, as calculated in Table 5, aligns with the principal adjustments reported in Ref 4.

Additionally, in Ref 5, OEB staff notes that a total debit of $321,388 is reported in Account 1589, and a debit of $59,645 is reported in Account 1588 under the description of "Hydro One Purchase (Reclass from LV Acc 4722-00)"

Question(s):

a) Please confirm OEB staff's calculation of the total principal adjustments of debit $1,827,680 requested by E.L.K. Energy to Account 1550.

   i. Please clarify whether the Low Voltage (LV) charge reclassification is included in the total principal adjustment of $1,827,680 within the disposition balance for Account 1550.

   ii. If so, please specify the cell(s) in which this reclassification adjustment is recorded.

b) The current year additions are calculated based on the difference between billings to customers and LV charges received from Hydro One Networks Inc. Please provide a detailed explanation for the significant year-over-year variance in current-year additions, which decreased from $800K in 2021 to a credit of $19K in 2023.

c) Please provide the details and composition of the proposed adjustments of $321,888 to Account 1550, broken down by month and year, along with supporting calculations for 2016 to 2019, following the same format as Ref 3.

   i. Additionally, please provide the interest calculations for the adjustments accruing from 2016.

d) Please confirm whether the debit adjustments of $321,888 in Account 1589 and $59,645 in Account 1588, as reported in Ref 5, are related to the reclassification of LV charges to Account 1550.

i. If so, please explain why the reclassifications of the LV purchases from Accounts 1588 and 1589 are recorded as debits to the accounts.

ii. If not, please provide an explanation.

RESPONSE:

a) Confirmed in principle for the years 2021 to 2023, however subsequent to interrogatory responses E.L.K. Energy discovered legacy formula errors impacting the years 2021 to 2023 for Account 1550. Please see below a reproduced version of OEB Staff's table, with updated figures reflective of the most current IRM Model filed with these responses:

Account 1550	2021	2022	2023	Accumulative Total
Beginning Balance	928,473	1,302,325	1,129,873.56	3,360,671
A:Current Year (CY) Additions	785,082	344,792	-27,481.75	1,102,392
OEB Approved Disposals	-411,230	-517,243	0.00	-928,473
Reconstructed Ending Balance	1,302,325	1,129,874	1,102,392	3,534,590
B: Previously Reported CY Transactions	88,415	-229,424	-563,143	-704,152
A-B: Principal Adjustment Required	696,668	574,215	535,661	1,806,544

i. Confirmed, subject to corrections and clarifications provided in d) below.

ii. Please find attached ELK_Staff_Sup-6_Att1 – 1550 Reclassification.

b) E.L.K. Energy has reviewed and confirms the current year additions are equal to the difference between LV charges issued by Hydro One, and LV rate revenues received from customers. E.L.K. notes its LV rates were materially changed as part of its 2022 Cost of Service implemented mid-2022; changing from $0.0012/kWh to $0.0035/kWh for Residential customers, for example. E.L.K. expects this largely accounts for the variance in Account 1550 entries from 2021 to 2023.

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c) Please find attached ELK_Staff_Sup-6_Att1 – 1550 Reclassification.

d) Not confirmed. On detailed review of the entries required to reconcile Accounts 1588 and 1589 back to 2016, E.L.K. Energy concludes its description of the 2016 to 2020 adjustments as between Account 1550 and 1588/1589 in pre-filed evidence and interrogatory responses was not accurate. Prior descriptions of the entries described LV charges being inadvertently entered into Accounts 1588/1589, requiring a credit to these accounts and a debit to Account 1550. On review, the opposite is true. Reviewing the historical invoices in question and reconstruction of balances, the errors dating back to 2016 relate to commodity and GA amounts being incorrectly booked as LV Charges. The result of this historical error, was that over the period of 2016 to 2020 $381,033 was incorrectly recovered from customers via Account 1550. In fact, these amounts should have been recovered from customers via a debit of $59,645 to Account 1588, and a debit of $321,388 to Account 1589. In order to correct Accounts 1588 and 1589 for disposition covering the years 2016 to 2023, E.L.K. Energy has entered the debits listed above to these accounts. For clarity, these debits were included within the scope of KPMG's Audit Report. The credit entry accompanying these debits, is a credit of $381,033 to LV Charges / Account 1550.

   i. See d) above.

   ii. See d) above.

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RESPONSES TO OEB STAFF INTERROGATORIES

Supplemental Staff-7

Accounts 1550, 1551, 1580, 1584 and 1586

Ref 1: E.L.K. Interrogatory Responses, 2025 IRM RGM_20250127 Ref 2: E.L.K. Interrogatory Responses, pp. 1 – 8
Ref 3: E.L.K. Interrogatory Responses, p. 2, Table 3
Ref 4: E.L.K. Interrogatory Responses, p. 6, Table 4

Ref 5: E.L.K. Interrogatory Responses, p. 8, Table 5

Ref 6: ELK_IRM_1550_1551_1580_1584_1586 Supporting calculations_20250127 Ref 7: E.L.K. Interrogatory Responses, Staff Question - 15
Preamble:

In Ref 2, E.L.K. Energy identifies a series of corrections required to the balances and requested disposition of Group 1 DVA. One of the subsequent events that impacted on the balances is related to Embedded Distributor (ED) billing. E.L.K. Energy states that the invoice issued to its ED customer for a particular set of costs over the 2021 to 2023 period on October 8, 2024 (prior to the submission of its 2025 IRM application), has been revised to reflect a Cost Netting basis. This revision is consistent with E.L.K. Energy's historical practice for the costs in question. E.L.K. Energy further states that implementing the historical Cost Netting approach results in minor revisions to the majority of the Group 1 DVA balances sought for disposition in this proceeding.

Additionally, E.L.K. Energy identifies another subsequent event that affected the Group 1 DVA balances. E.L.K. Energy states that after submitting its 2025 IRM application on October 28, 2024, it received revised invoices from its host distributor dating back to October 2023.

OEB staff has compiled the following table (Table 6) summarizing the adjustments made to the Group 1 DVAs based on the evidence in Ref 3 and Ref 4.

Table 6: Additional Adjustments Made to Group 1 DVAs

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Account/ Year	ED Invoice Correction Impact ($)			Host Distributor Invoice Impact ($)	2023 Total ($)	Total Impact ($)
	2021	2022	2023	2023		
1550	(452)	(1,512)	(2,410)	(9,671)	(12,081)	**(14,044)**
1551	(164)	(138)	(117)	-	(117)	**(419)**
1580	(75)	(72)	297	-	297	**150**
1584	(2,995)	(5,386)	(7,835)	(14,049)	(21,884)	**(30,265)**
1586	(2,308)	(3,654)	(5,440)	(4,571)	(10,011)	**(15,973)**
Total	**(5,993)**	**(10,762)**	**(15,505)**	**(28,291)**	**(43,796)**	**(60,552)**

In the Summary tab of Ref 6, E.L.K. Energy provides a table summarizing both the originally proposed balances and principal adjustments for Accounts 1550, 1551, 1580, 1584, and 1586, as well as the adjusted proposed balances and adjusted principal adjustments reflecting additional adjustments made during the interrogatory process.

OEB staff calculates the differences between the newly proposed balances and the originally proposed balances, based on the summary table provided. This calculation is provided in Table 7 below.

Table 7: Summary of Changes Made to the Originally Proposed Balance

Account	Last Approved Balance EB-2021-0016	RRR Balance 12/31/2021	A. Proposed Balance 12/31/2023	Principal Adjustments 12/31/2023	B. New Proposed Balance 12/31/2023 due to Host Distributor Rebill, Accounting Adjs & New LTLT sales for Host Distributor	Adjusted Principal Adjustments 12/31/2023	A- B: Changes Made to the Originally Proposed Blances
1550	$528,099.00	$303,652.00	$1,130,428.13	$882,134.38	1,123,528.42	$875,234.67	**($6,899.71)**
1551	($2,534.00)	($76,466.00)	($68,747.39)	$4,302.64	(69,221.53)	$3,828.50	**($474.14)**
1580	($129,788.00)	$583,040.00	$416,044.96	($163,040.55)	453,466.68	($125,618.83)	**$37,421.72**
1580	($29,711.00)	($33,114.00)	$41,718.83	$74,169.39	4,783.33	$37,233.89	**($36,935.50)**
1584	($170,422.00)	($314,632.00)	($381,873.85)	($77,467.61)	(388,311.45)	($83,905.21)	**($6,437.60)**
1586	$366,584.00	($121,982.00)	($518,734.95)	($399,601.41)	(499,601.69)	($380,468.15)	**$19,133.26**

OEB staff notes that the additional adjustments made to the originally proposed balances do not align with the total impacts summarized in Table 6. Additionally,

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OEB staff notes that the adjusted principal adjustments calculated in Columns F and H of the Summary tab in Ref 6 incorporate the OEB-approved disposals.

Further, in Ref 6, OEB staff notes significant fluctuations in the current year additions reported in the accounts from year to year. The current year additions reported in each account are summarized in Table 8 below.

Table 8: Summary of the Current Year Additions

Account	Current Year Additions		
	2021	2022	2023
1550	798,733	344,792	(19,996)
1551	(2,929)	(36,396)	(29,897)
1580-WMSC	118,212	429,998	(94,743)
1580-CBR Class B	(21,871)	(17,689)	44,344
1584	(348,656)	157,539	(197,194)
1586	(280,101)	14,479	(233,980)

Question(s):

a) Please confirm OEB staff's summary of the additional adjustments made to the Group 1 DVAs in Table 6.
   i. Please explain why the changes made to the originally proposed balances, as outlined in Table 7, do not align with the additional adjustments made to the Group 1 DVAs summarized in Table 6.

b) Please update the adjusted principal adjustments in the Summary tab of Ref 2 to exclude the OEB-approved disposals.

c) Please provide an itemized explanation for the significant fluctuations in the current year additions observed by OEB staff in Table 7, broken down by account and by year.

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RESPONSE:

a) Subsequent to the submission of interrogatory responses, a series of mapping errors were identified in the construction of the revised balances for the Accounts summarized in Tables 6 through 8 above. In addition, also subsequent to interrogatory responses, in discussion with the Embedded Distributor customer it was determined that to maintain consistency with the historical Cost Netting arrangement, fixed charges should be excluded from the invoice.

The following tables provide a breakdown of the issues identified in each account, with amounts and descriptions for each adjustment made since E.L.K. Energy's interrogatory submission. The amounts in each table, are equal to the total in column "Additional Changes Since IRR Impact" of the reproduced Table 6 below. These adjustments exclude the impacts of the implementation of the revised Embedded Distributor Invoice, as well as the receipt of a revised Host Distributor invoice, which are accounted for separately in Table 6. With specific respect to the Embedded Distributor invoice, while E.L.K. Energy provided the impact of changing the methodology of invoicing the Embedded Distributor in its interrogatory responses, it has come to E.L.K. Energy's attention that no charges for 1550, 1580, 1584 or 1586 were booked in E.L.K. Energy's accounting records. As such, the impact of the new Embedded Distributor invoice for these accounts is the entire amount billed to the Embedded Distributor in each account, as opposed to the difference between the first and second invoice.

1550 - LV	Adjustment	Description
(13,651.00)	MAP_ERROR_2021	Charges booked as LV Charges which should have been booked as WMS Charges
160.24	2023 MAPPING ADJ DIFFERENCES	Previously submitted mapping adjsutments were identified to be incorrect, requiring subsequent adjustment . The error discovered related to the wrong month's consumption data being used to determine entries
(4,889.73)	2021 PRINCIPAL BEG BALANCE DIFFERENCE	Correct opening balance for 2021 had been included in DVA Continuity, however the incorrect value had been included in ELK's accounting records for the purpose of constructing balances post 2020
(18,380.49)	**TOTAL**	

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1551 - SME	Adjustment	Description
(55.14)	2021 PRINCIPAL BEG BALANCE DIFFERENCE	Correct opening balance for 2021 had been included in DVA Continuity, however the incorrect value had been included in ELK's accounting records for the purpose of constructing balances post 2020
(55.14)	**TOTAL**	

1580-WMS	Adjustment	Description
13,651.00	MAP_ERROR_2021	Charges booked as LV Charges which should have been booked as WMS Charges
3,933.03	EFFECTIVE DATE_ADJ2	Correction to the effective dates of revenues previously entered. Prior entry related to the prior period (i.e. pre 2021), and needed to be mapped to the current period (i.e. 2021-2023)
61,219.14	EFFECTIVE DATE_ADJ	Correction to the effective dates of revenues previously entered. Prior entry and corrected entry both relate to current period (i.e. 2021-2023)
62,808.22	ADJ05	Impact of the reversal of a revenue accrual which had not been reversed
(61,219.14)	EFFECTIVE DATE_ADJ	Correction to the effective dates of revenues previously entered. Prior entry and corrected entry both relate to current period (i.e. 2021-2023)
51,983.28	2021 PRINCIPAL BEG BALANCE DIFFERENCE	Correct opening balance for 2021 had been included in DVA Continuity, however the incorrect value had been included in ELK's accounting records for the purpose of constructing balances post 2020
132,375.53	**TOTAL**	

1584-NW	Adjustment	Description
5,532.73	EFFECTIVE DATE_ADJ2	Correction to the effective dates of revenues previously entered. Prior entry related to the prior period (i.e. pre 2021), and needed to be mapped to the current period (i.e. 2021-2023)
157,579.38	EFFECTIVE DATE_ADJ	Correction to the effective dates of revenues previously entered. Prior entry and corrected entry both relate to current period (i.e. 2021-2023)
58,496.80	MAP_ERROR_2021	Previously submitted mapping adjustment was incorrect, as it failed to include two primary metering points
(157,579.38)	EFFECTIVE DATE_ADJ	Correction to the effective dates of revenues previously entered. Prior entry and corrected entry both relate to current period (i.e. 2021-2023)
0.03	2022 MAPPING ADJ DIFFERENCES	Previously submitted mapping adjsutments were identified to be incorrect, requiring subsequent adjustment . The error discovered related to the wrong month's consumption data being used to determine entries
(7,376.45)	2023 MAPPING ADJ DIFFERENCES	Previously submitted mapping adjsutments were identified to be incorrect, requiring subsequent adjustment . The error discovered related to the wrong month's consumption data being used to determine entries
(8,414.15)	2021 PRINCIPAL BEG BALANCE DIFFERENCE	Correct opening balance for 2021 had been included in DVA Continuity, however the incorrect value had been included in ELK's accounting records for the purpose of constructing balances post 2020
48,238.97	**TOTAL**	

1586-CN	Adjustment	Description
3,939.91	EFFECTIVE DATE_ADJ	Correction to the effective dates of revenues previously entered. Prior entry related to the prior period (i.e. pre 2021), and needed to be mapped to the current period (i.e. 2021-2023)
135,139.84	ADJ06	Impact of the reversal of a revenue accrual which had not been reversed
13,816.43	2023 MAPPING ADJ DIFFERENCES	
(3,014.06)	2021 PRINCIPAL BEG BALANCE DIFFERENCE	Correct opening balance for 2021 had been included in DVA Continuity, however the incorrect value had been included in ELK's accounting records for the purpose of constructing balances post 2020
149,882.12	**TOTAL**	

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To provide clarity and an update to these figures, please see below reproduced versions of OEB Staff's tables 6, 7 and 8 below.

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Table 6: Additional Adjustments Made to Group 1 DVAs

Account/ Year	ED Invoice Correction Impact ($) (LTLT switch)			Host Distributor Invoice Impact ($)	Additional Changes Since IRR Impact ($)	Total Impact ($)
	2021	2022	2023	2023		
1550 (LV)	(941.71)	(1,732.61)	(2,410.16)	(4,571.36)	(18,380.49)	(28,036.32)
1551 (SME)	-	-	-	-	(55.14)	(55.14)
1580 (WMS)	(3,607.00)	(3,542.39)	(3,680.10)	-	132,375.53	121,546.04
1580(WMS-CBDR)	(412.23)	(404.84)	(337.43)	-	(35,780.95)	(36,935.45)
1584 (NW)	(6,127.53)	(6,779.36)	(7,835.36)	(14,048.50)	48,238.97	13,448.22
1586 (CN)	(4,647.79)	(4,692.37)	(5,439.70)	(9,671.13)	149,882.12	125,431.13
Total	(15,736.26)	(17,151.56)	(19,702.74)	(28,290.98)	276,280.03	195,398.48

Table 7: Summary of Changes Made to the Originally Proposed Balance

Account	Last Approved Balance EB-2021-0016	RRR Balance 12/31/2021	A. Proposed Balance 12/31/2023	Principal Adjustments 12/31/2023	B. New Proposed Balance 12/31/2023 due to Host Distributor Rebill, Accounting Adjs & New LTLT sales for Host Distributor	Adjusted Principal Adjustments 12/31/2023	C. New Proposed Balance 12/31/2023 due to Additional Changes Since IRR	Adjusted Principal Adjustments 12/31/2023	C-A: Changes Made to the Originally Proposed Balances	Total Impact of Adjustments since October 2024 Proposed Balance (From Table 6)
1550	$ 528,099	$ 303,652	$ 1,130,428	$ 882,134	$ 1,123,528	$ 875,235	$ 1,102,392	$ 910,171	$ (28,036)	$ (28,036)
1551	$ (2,534)	$ (76,466)	$ (68,747)	$ 4,303	$ (69,222)	$ 3,829	$ (68,803)	$ 4,358	$ (55)	$ (55)
1580 (WMS)	$ (129,788)	$ 583,040	$ 416,045	$ (163,041)	$ 453,467	$ (125,619)	$ 537,591	$ (284,587)	$ 121,546	$ 121,546
1580 (CBDR)	$ (29,711)	$ (33,114)	$ 41,719	$ 74,169	$ 4,783	$ 37,234	$ 4,783	$ 111,105	$ (36,936)	$ (36,935)
1584	$ (170,422)	$ (314,632)	$ (381,874)	$ (77,468)	$ (388,311)	$ (83,905)	$ (368,426)	$ (90,916)	$ 13,448	$ 13,448
1586	$ 366,584	$ (121,982)	$ (518,735)	$ (399,601)	$ (499,602)	$ (380,468)	$ (393,307)	$ (525,033)	$ 125,428	$ 125,431

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Table 8: Summary of the Current Year Additions

Account	Current Year Additions		
	2021	2022	2023
1550	785,082	344,792	-27,482
1551	(2,765)	(36,258)	(29,780)
1580-WMSC	193,157	492,879	(148,445)
1580-CBR Class B	(21,871)	(17,689)	44,344
1584	(132,580)	(41)	(235,805)
1586	(280,101)	14,479	(127,685)

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b) Please find attached ELK_Staff_Sup-7_Att1 – 1550,1551,1580,1584,1586 Supporting Calculations_20250502.

c) The following provides explanation of the variances in each of the Accounts noted:

- **Account 1550:** Please see response to OEB Staff Supplemental Interrogatory 6c).
- **Account 1551:** Variances in 2021 are minimal, and larger in 2022 and 2023. In 2022 and 2023, sequentially, the IESO significantly reduced the Smart Metering Entity charge, and issued surplus Smart Metering Entity revenues back to E.L.K. Energy, generating credits to ratepayers.
- **Account 1580-WMS**: In 2021 and 2022, E.L.K. Energy collected largely consistent revenues from customers for Account 1580-WMS of $881k and $875k, respectively. However, total combined IESO and Hydro One charges increased by 27% from 2021 to 2022, resulting in a larger 2022 variance. Conversely, E.L.K. recorded higher revenues of $1.3 million in this account in 2023, relative to much lower total combined IESO and Hydro One charges of $979k.
- **Account 1580**-**CBR Class B**: 2021 and 2022 costs and revenues in Account 1580-CBR Class B are relatively consistent, however in 2023 total combined IESO and Hydro One charges increased by 75%, flipping the account variance to a debit position.
- **Account 1584:** E.L.K. notes reasonable consistency in its variances for this account in light of the volume of expenditure and revenue entered. The values entered into the account are equal to the difference between Network charges paid to Hydro One and RTSR-Network rates billed to customers.
- **Account 1584:** E.L.K. notes reasonable consistency in its variances for this account in light of the volume of expenditure and revenue entered. The values entered into the account are equal to the difference between Line and Connection Transformation charges paid to Hydro One and RTSR-Line and Connection rates billed to customers.

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RESPONSES TO OEB STAFF INTERROGATORIES

Supplemental Staff-8

Internal Review Report

Ref 1: E.L.K. Interrogatory Responses, SEC-3, Attachment 1- Special Report to BoD

Ref 2: E.L.K. Interrogatory Responses, pp. 1 – 8

Preamble:

In Attachment C of Ref 1, the internal review team (Management Services Agreement Staff), outlines a list of observed issues and recommendations for resolutions.

Question(s):

a) Please confirm the current status of the recommended resolutions and provide itemized updates for each resolution.

RESPONSE:

a) The most notable status update with respect to E.L.K. Energy's refinement of items noted in Reference 1, is the announcement of the Town of Essex agreeing to sell E.L.K. Energy Inc. to the ENWIN Group of Companies.[1] E.L.K. Energy expects the refinement of processes and policies to be influenced by this planned transaction. With respect to the areas specifically identified in Attachment C to Reference 1:

- **Tier Price / TOU / ULO:** In light of the above, E.L.K. Energy has not undertaken new investments in systems to enhance its settlement process. E.L.K. Energy has improved the training of its team and put in place manual processes to address the

[1] https://www.essex.ca/en/news/town-of-essex-announces-sale-of-e-l-k-energy-inc-shares-to-enwin.aspx, March 14, 2025

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issues identified. A more comprehensive, long-term resolution in this area will be dependent on the timing and specifics of any transaction undertaken.

- **NSLS:** In light of the above, E.L.K. Energy has not undertaken new investments in systems to enhance its calculation of net system load shape. E.L.K. Energy has improved the training of its team and put in place manual processes to address the issues identified. A more comprehensive, long-term resolution in this area will be dependent on the timing and specifics of any transaction undertaken.
- **Embedded Generation Consumption Timing:** E.L.K. Energy has rectified this issue through a corrected monthly reconciliation process.
- **Class A Consumption Timing:** E.L.K. Energy has rectified this issue through a corrected monthly reconciliation process.
- **Feed-In-Tariff:** E.L.K. Energy has rectified this issue through a corrected monthly reconciliation process, and correct calculation of Global Adjustment entries.
- **Ontario Electricity Rebate:** E.L.K. Energy has rectified this issue through a corrected monthly settlement process.
- **Ontario Electricity Support Program:** E.L.K. Energy has rectified this issue through a corrected monthly accounting process.

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RESPONSES TO OEB STAFF INTERROGATORIES

Supplemental Staff-9

Unbilled Cost of Power

Ref 1: E.L.K. Interrogatory Responses, Staff Question - 10

Ref 2: E.L.K. Interrogatory Responses, 2025 GA Analysis Workform 2016- 2018_20250127

Preamble:

In Ref 1, E.L.K. Energy provides a breakdown of the estimated unbilled cost of power expenses recorded in Accounts 1588 and 1589 for the years 2017 through 2019 regarding the unbilled electricity of 28 MWh.

Particular	2017	2018	2019	Total
Account 1588	$131,912	$396,452	$60,388	$588,752
Account1589	$740,626	$1,226,795	$333,711	$2,301,132
Total	**$872,538**	**$1,623,247**	**$394,099**	**$2,889,884**

E.L.K. Energy states that it communicated the apparent cost of power underbilling to its host distributor in the summer of 2024 and subsequently attempted to follow up to obtain a billing adjustment, revised invoice, or some other appropriate remedy. E.L.K. Energy further states, to its understanding, the host distributor does not intend to issue a billing adjustment or revised invoice.

Question(s):

a) Please confirm as to the basis for E.L.K. Energy's "understanding" that the host distributor does not intend to issue a billing adjustment or revised invoice and provide any written confirmation regarding the same from the host distributor.

b) If no such written confirmation has been provided by the host distributor, please ask the host distributor to provide written confirmation of the following:

- the host distributor's acknowledgement of the unbilled cost of power of 28 MWh (approximately $2.8 million) for the period from 2017 to 2019; and

- the host distributor's agreement that it does not intend to seek

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collection of the underbilled cost of power of approximately $2.8 million from E.L.K. Energy or E.L.K. Energy's ratepayers at any point (i.e., the host distributor is writing off these amounts).

RESPONSE:

a) E.L.K. Energy's understanding is on the basis of communications between previously-engaged Management Services Agreement ("MSA") staff and the host distributor. E.L.K. Energy has correspondence on this matter which confirmed that effective August 2020, billing was updated from the host distributor to E.L.K. Energy to reflect changes to the physical configuration of the system. Please see below this correspondence from April of 2024 from the Host Distributor:

> In summary Hydro One changed the connection point of two embedded Distributed Generation Facilities ("DGs") to Kingsville TS. As a result of this configuration change ELK purchases more energy from HONI and less from the IESO. Retail Totalization Tables were reviewed and updated between E.L.K. and HONI to reflect this reconfiguration in the system.

E.L.K. Energy's internal records indicate completion of the reconfiguration was planned for 2016-2017. MSA staff are no longer engaged in support of E.L.K. Energy, however it is E.L.K. Energy's understanding from prior discussion with MSA staff that follow-up attempts with the host distributor were unsuccessful in securing agreement on the timing lag between physical reconfiguration of the system, and the corresponding billing adjustment.

b) Per a) above, E.L.K. Energy does not have written confirmation from the host distributor of its intention not to bill E.L.K. Energy for unbilled consumption on a retroactive basis. E.L.K. Energy sent an email to Hydro One on May 2, 2025 attaching this interrogatory and requesting that Hydro One confirm OEB Staff's interrogatory. E.L.K. Energy will file correspondence with the OEB once Hydro One's response is received.

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