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**File No. 17001.13**

October 1, 2025

**BY EMAIL & RESS**  
**registrar@oeb.ca**

Mr. Ritchie Murray  
Ontario Energy Board  
2300 Yonge Street, 27th floor  
P.O. Box 2319  
Toronto, ON M4P 1E4

Dear Mr. Murray,

**Re: E.L.K. Energy Inc. (“E.L.K. Energy”) Application for 2025 Distribution Rates (EB-2024-0015)**  
**Compendium for Issues Day**

On September 15, 2025, the Ontario Energy Board (“OEB”) issued Procedural Order No. 6 scheduling an Issues Day for parties, including OEB Staff, to discuss the evidence regarding Accounts 1550, 1588, and 1589. The Issues Day will be an untranscribed meeting to facilitate open discussion among the parties and OEB Staff. E.L.K. Energy is approaching Issues Day in a similar manner to the OEB’s Discovery Day procedural step used in its processing Very Small Utilities cost of service applications.

The OEB expects that the Issues Day will address outstanding issues regarding Accounts 1550, 1588, and 1589, and discuss what, if any, additional evidence needs to be placed on the record of this proceeding. In anticipation of these discussions, E.L.K. Energy has prepared the enclosed summary table and compendium to help guide discussions through the following key topics on Issues Day:

1. Management Services Agreement with Entegrus Inc.
2. Accounts 1588 and 1589.
3. IESO Settlement Under-Recovery.
4. Account 1550.
5. MAADs Application (EB-2025-0172)

Please contact the undersigned with any questions.

Yours truly,

**BORDEN LADNER GERVAIS LLP**

A handwritten signature in black ink, appearing to read "Colm Boyle". The signature is written in a cursive, flowing style.

Colm Boyle

CB/JV

| Tab                           | Date              | Reference                           | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------|-------------------|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Management Services Agreement |                   |                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Tab 1A                        | March 13, 2023    | Application pgs. 12-13.             | <p>E.L.K. Board of Directors signed a Management Services Agreement (“MSA”) with Chatham-based Entegrus Inc. (“Entegrus”) to provide E.L.K. with management support. Multiple renewals of the MSA occurred and the MSA was extended to December 20, 2024. The MSA team provided information to the board on key functional areas, such as finance, customer service, outside operations, health &amp; safety and human resources. The MSA team also worked with E.L.K. staff to develop distribution system modernization plans.</p> <p>The MSA agreement was intended to provide the E.L.K. shareholders with time to complete a strategic review. The MSA was also assisted in resolving open items with E.L.K. DVA balances, including Accounts 1588 and 1589, from the 2022 Cost of Service Application and overseeing the DVA Audit.</p> |
| Tab 1B                        | June 19, 2024     | Application pgs. 15-27<br>IR SEC-3  | <p>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 “<b>Review Team</b>”). The Review team completed extensive reperformance of the DVA accounts for the 2016-2023 period, using original source data and billing data. E.L.K. provides a section below detailing revisions to its processes regarding the settlement of DVAs.</p> <p>The MSA provided a special report to the E.L.K. Board of Directors with certain recommendations in respect of certain deferral and variance accounts, including 1550, 1588 and 1589.</p>                                                                                         |
| Tab 1C                        | December 20, 2024 | IR SEC-1<br>ELK Letter Jan 27, 2025 | The MSA agreement was not further extended, and is no longer active.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Tab 1D                        | May 2, 2025       | Supplemental Staff-5(d)             | The errors 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Tab 1E                        | May 2, 2025       | Supplemental Staff-9(a)             | E.L.K.’s understanding 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 was based on MSA Staff. 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.                                                                                                                                                                                                                                                                                                                                                                                             |
| Accounts 1588 and 1589        |                   |                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Tab 2A                        | August 8, 2025    | IRM Model                           | E.L.K. Energy is requesting disposition of a credit amount to ratepayers from Accounts 1588 and 1589 of (\$7.07) million on a combined basis. These amounts relate to activities in Accounts 1588 and 1589 over the 2016 to 2023 period, and include carrying charges at the OEB’s prescribed rates. These requested disposition amounts have not changed since E.L.K. Energy’s filing of Supplemental Interrogatories to OEB Staff May 2, 2025.                                                                                                                                                                                                                                                                                                                                                                                              |

|                                            |                  |                                                    | <table><tr><th>Account</th><th></th><th>Principal<br/>Balance Dec<br/>31 2023</th><th>Total<br/>Interest to<br/>Apr 30 2025</th><th>Total Claim</th></tr><tr><td>RSVA - Power (excluding Global Adjustment)</td><td>1588</td><td>-3,115,786</td><td>-511,050</td><td>-3,626,836</td></tr><tr><td>RSVA - Global Adjustment</td><td>1589</td><td>-2,834,512</td><td>-613,549</td><td>-3,448,061</td></tr><tr><td>Total</td><td></td><td>-5,950,298</td><td>-1,124,599</td><td>-7,074,897</td></tr></table>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Account     |  | Principal<br>Balance Dec<br>31 2023 | Total<br>Interest to<br>Apr 30 2025 | Total Claim | RSVA - Power (excluding Global Adjustment) | 1588 | -3,115,786 | -511,050 | -3,626,836 | RSVA - Global Adjustment | 1589 | -2,834,512 | -613,549 | -3,448,061 | Total |  | -5,950,298 | -1,124,599 | -7,074,897 |
|--------------------------------------------|------------------|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|--|-------------------------------------|-------------------------------------|-------------|--------------------------------------------|------|------------|----------|------------|--------------------------|------|------------|----------|------------|-------|--|------------|------------|------------|
| Account                                    |                  | Principal<br>Balance Dec<br>31 2023                | Total<br>Interest to<br>Apr 30 2025                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Total Claim |  |                                     |                                     |             |                                            |      |            |          |            |                          |      |            |          |            |       |  |            |            |            |
| RSVA - Power (excluding Global Adjustment) | 1588             | -3,115,786                                         | -511,050                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | -3,626,836  |  |                                     |                                     |             |                                            |      |            |          |            |                          |      |            |          |            |       |  |            |            |            |
| RSVA - Global Adjustment                   | 1589             | -2,834,512                                         | -613,549                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | -3,448,061  |  |                                     |                                     |             |                                            |      |            |          |            |                          |      |            |          |            |       |  |            |            |            |
| Total                                      |                  | -5,950,298                                         | -1,124,599                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | -7,074,897  |  |                                     |                                     |             |                                            |      |            |          |            |                          |      |            |          |            |       |  |            |            |            |
| Tab 2B                                     | October 8, 2024  | Application Attachment C                           | KPMG audited the schedule of account balances – 1588, 1589 of E.L.K. Energy as at December 31, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |             |  |                                     |                                     |             |                                            |      |            |          |            |                          |      |            |          |            |       |  |            |            |            |
| Tab 2C                                     | October 28, 2024 | Application pgs. 15-18<br>IR Staff-10(a), (b), (g) | <p>The Review team completed extensive reperformance of the DVA accounts for the 2016-2023 period, using original source data and billing data. This was further clarified in Staff-10 (g):</p> <p><i>“In the early phases of E.L.K. Energy’s review, it was determined the extent of errors in historical entries was too extensive to allow for discrete identification of individual errors and adjustment of existing account balances. Further, the errors discovered effectively compound one another (e.g. the interplay between an incorrect cost of power and incorrect billing determinants being used for settlement). The disaggregation of these issues was deemed not practical or feasible by the Review Team, leading to E.L.K. Energy completing a full reconstruction of the DVA Accounts sought for disposition.”</i></p> <p>E.L.K. Energy put forward its best estimate that the source of the discrepancy may relate to unbilled power amounts, which would result in lower power expense relative to power revenues and explain the unusual loss factor. E.L.K. Energy’s belief was that this likely related to physical changes to the host distributor’s system immediate upstream of an E.L.K. Energy wholesale meter.</p> <p>A material portion of the balances in Accounts 1588 and 1589 relate to a discrepancy as between billed kWh (and associated revenues) and purchased kWh (and associated power expenses) over the 2017 to 2019 period. The discrepancy implies a very low, or in the case of 2018 a negative, distribution loss factor over this period. The table below from Staff-10 b), provided as Attachment 3 to Tab 2 of this compendium, outlines this discrepancy:</p> |             |  |                                     |                                     |             |                                            |      |            |          |            |                          |      |            |          |            |       |  |            |            |            |



|                           |                  |                         | <table><tr><th></th><th>2016</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th></tr><tr><td>IESO (MWh)</td><td>245.0</td><td>227.7</td><td>238.5</td><td>246.2</td><td>226.7</td><td>201.0</td><td>190.3</td><td>192.8</td></tr><tr><td>Host Distributor (MWh)</td><td>1.0</td><td>0.9</td><td>0.9</td><td>0.9</td><td>21.1</td><td>42.7</td><td>49.1</td><td>41.6</td></tr><tr><td>Embedded Generation (MWh)</td><td>5.3</td><td>5.8</td><td>5.8</td><td>5.8</td><td>6.3</td><td>6.2</td><td>6.0</td><td>6.3</td></tr><tr><td>Total Purchases (MWh)</td><td>251.3</td><td>234.5</td><td>245.2</td><td>252.9</td><td>254.0</td><td>249.9</td><td>245.4</td><td>240.7</td></tr><tr><td>Billed Consumption (MWh)</td><td>239.0</td><td>230.4</td><td>248.2</td><td>244.2</td><td>240.5</td><td>234.9</td><td>235.6</td><td>231.9</td></tr><tr><td>Variance (MWh)</td><td>12.3</td><td>4.1</td><td>-3.0</td><td>8.7</td><td>13.5</td><td>15.0</td><td>9.7</td><td>8.8</td></tr><tr><td>Implied Line Loss</td><td>4.895%</td><td>1.732%</td><td>-1.239%</td><td>3.427%</td><td>5.326%</td><td>6.012%</td><td>3.967%</td><td>3.662%</td></tr></table> <p>E.L.K. Energy clarified that it was the utility’s understanding the host distributor did not intend to issue a billing adjustment or revised invoice relating to these amounts.</p> |        | 2016   | 2017   | 2018   | 2019   | 2020 | 2021 | 2022 | 2023 | IESO (MWh) | 245.0 | 227.7 | 238.5 | 246.2 | 226.7 | 201.0 | 190.3 | 192.8 | Host Distributor (MWh) | 1.0 | 0.9 | 0.9 | 0.9 | 21.1 | 42.7 | 49.1 | 41.6 | Embedded Generation (MWh) | 5.3 | 5.8 | 5.8 | 5.8 | 6.3 | 6.2 | 6.0 | 6.3 | Total Purchases (MWh) | 251.3 | 234.5 | 245.2 | 252.9 | 254.0 | 249.9 | 245.4 | 240.7 | Billed Consumption (MWh) | 239.0 | 230.4 | 248.2 | 244.2 | 240.5 | 234.9 | 235.6 | 231.9 | Variance (MWh) | 12.3 | 4.1 | -3.0 | 8.7 | 13.5 | 15.0 | 9.7 | 8.8 | Implied Line Loss | 4.895% | 1.732% | -1.239% | 3.427% | 5.326% | 6.012% | 3.967% | 3.662% |
|---------------------------|------------------|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|--------|--------|--------|--------|------|------|------|------|------------|-------|-------|-------|-------|-------|-------|-------|-------|------------------------|-----|-----|-----|-----|------|------|------|------|---------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----------------------|-------|-------|-------|-------|-------|-------|-------|-------|--------------------------|-------|-------|-------|-------|-------|-------|-------|-------|----------------|------|-----|------|-----|------|------|-----|-----|-------------------|--------|--------|---------|--------|--------|--------|--------|--------|
|                           | 2016             | 2017                    | 2018                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 2019   | 2020   | 2021   | 2022   | 2023   |      |      |      |      |            |       |       |       |       |       |       |       |       |                        |     |     |     |     |      |      |      |      |                           |     |     |     |     |     |     |     |     |                       |       |       |       |       |       |       |       |       |                          |       |       |       |       |       |       |       |       |                |      |     |      |     |      |      |     |     |                   |        |        |         |        |        |        |        |        |
| IESO (MWh)                | 245.0            | 227.7                   | 238.5                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 246.2  | 226.7  | 201.0  | 190.3  | 192.8  |      |      |      |      |            |       |       |       |       |       |       |       |       |                        |     |     |     |     |      |      |      |      |                           |     |     |     |     |     |     |     |     |                       |       |       |       |       |       |       |       |       |                          |       |       |       |       |       |       |       |       |                |      |     |      |     |      |      |     |     |                   |        |        |         |        |        |        |        |        |
| Host Distributor (MWh)    | 1.0              | 0.9                     | 0.9                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 0.9    | 21.1   | 42.7   | 49.1   | 41.6   |      |      |      |      |            |       |       |       |       |       |       |       |       |                        |     |     |     |     |      |      |      |      |                           |     |     |     |     |     |     |     |     |                       |       |       |       |       |       |       |       |       |                          |       |       |       |       |       |       |       |       |                |      |     |      |     |      |      |     |     |                   |        |        |         |        |        |        |        |        |
| Embedded Generation (MWh) | 5.3              | 5.8                     | 5.8                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 5.8    | 6.3    | 6.2    | 6.0    | 6.3    |      |      |      |      |            |       |       |       |       |       |       |       |       |                        |     |     |     |     |      |      |      |      |                           |     |     |     |     |     |     |     |     |                       |       |       |       |       |       |       |       |       |                          |       |       |       |       |       |       |       |       |                |      |     |      |     |      |      |     |     |                   |        |        |         |        |        |        |        |        |
| Total Purchases (MWh)     | 251.3            | 234.5                   | 245.2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 252.9  | 254.0  | 249.9  | 245.4  | 240.7  |      |      |      |      |            |       |       |       |       |       |       |       |       |                        |     |     |     |     |      |      |      |      |                           |     |     |     |     |     |     |     |     |                       |       |       |       |       |       |       |       |       |                          |       |       |       |       |       |       |       |       |                |      |     |      |     |      |      |     |     |                   |        |        |         |        |        |        |        |        |
| Billed Consumption (MWh)  | 239.0            | 230.4                   | 248.2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 244.2  | 240.5  | 234.9  | 235.6  | 231.9  |      |      |      |      |            |       |       |       |       |       |       |       |       |                        |     |     |     |     |      |      |      |      |                           |     |     |     |     |     |     |     |     |                       |       |       |       |       |       |       |       |       |                          |       |       |       |       |       |       |       |       |                |      |     |      |     |      |      |     |     |                   |        |        |         |        |        |        |        |        |
| Variance (MWh)            | 12.3             | 4.1                     | -3.0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 8.7    | 13.5   | 15.0   | 9.7    | 8.8    |      |      |      |      |            |       |       |       |       |       |       |       |       |                        |     |     |     |     |      |      |      |      |                           |     |     |     |     |     |     |     |     |                       |       |       |       |       |       |       |       |       |                          |       |       |       |       |       |       |       |       |                |      |     |      |     |      |      |     |     |                   |        |        |         |        |        |        |        |        |
| Implied Line Loss         | 4.895%           | 1.732%                  | -1.239%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 3.427% | 5.326% | 6.012% | 3.967% | 3.662% |      |      |      |      |            |       |       |       |       |       |       |       |       |                        |     |     |     |     |      |      |      |      |                           |     |     |     |     |     |     |     |     |                       |       |       |       |       |       |       |       |       |                          |       |       |       |       |       |       |       |       |                |      |     |      |     |      |      |     |     |                   |        |        |         |        |        |        |        |        |
| Tab 2D                    | January 27, 2025 | Cover Letter            | On submission of interrogatory responses January 27, 2025, the Account 1588 and 1589 dispositions sought were revised due to two items; corrections to balances in amounts that were below the materiality threshold applicable to the third-party audit of Accounts 1588 and 1589, and revisions to account for a subsequent event (i.e. an updated net billing invoice issued to Hydro One Networks Inc.). Details and evidence relating to these updates can be found on pages 2 through 8 of E.L.K. Energy’s covering letter to interrogatory responses.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |        |        |        |        |        |      |      |      |      |            |       |       |       |       |       |       |       |       |                        |     |     |     |     |      |      |      |      |                           |     |     |     |     |     |     |     |     |                       |       |       |       |       |       |       |       |       |                          |       |       |       |       |       |       |       |       |                |      |     |      |     |      |      |     |     |                   |        |        |         |        |        |        |        |        |
| Tab 2E                    | May 2, 2025      | Supplemental Staff-9(a) | E.L.K. Energy provided additional information regarding its correspondence with the host distributor Hydro One Networks Inc. (“HONI”), and committed to seeking written confirmation from HONI that it did not intend to bill E.L.K. Energy retroactively relating to this issue.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |        |        |        |        |        |      |      |      |      |            |       |       |       |       |       |       |       |       |                        |     |     |     |     |      |      |      |      |                           |     |     |     |     |     |     |     |     |                       |       |       |       |       |       |       |       |       |                          |       |       |       |       |       |       |       |       |                |      |     |      |     |      |      |     |     |                   |        |        |         |        |        |        |        |        |
| Tab 2F                    | May 2, 2025      | Supplemental Staff-1    | E.L.K. Energy submitted Supplementary Interrogatory Responses to OEB Staff, which clarified the balances in Accounts 1588 and 1589, aligned all records associated with these accounts across the DVA Continuity Schedule, GA Analysis Workform, and KPMG Audit, and made two minor corrections. First, corrections were made for inadvertent double counting of correcting entries made in the course of preparing Interrogatory Responses for January 27, 2025. Second, three immaterial global adjustment entries which had been previously excluded in error, were included in the 1589 balance; each of which was less than \$1k.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |        |        |        |        |        |      |      |      |      |            |       |       |       |       |       |       |       |       |                        |     |     |     |     |      |      |      |      |                           |     |     |     |     |     |     |     |     |                       |       |       |       |       |       |       |       |       |                          |       |       |       |       |       |       |       |       |                |      |     |      |     |      |      |     |     |                   |        |        |         |        |        |        |        |        |
| Tab 2G                    | May 30, 2025     | Letter                  | E.L.K. Energy filed a letter providing correspondence from HONI wherein HONI confirmed there is no unbilled amount to be recovered by HONI from E.L.K. Energy for the 2017 to 2019 period. E.L.K. Energy indicated its intention to continue to investigate the matter, and requested the proceeding be placed in abeyance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |        |        |        |        |        |      |      |      |      |            |       |       |       |       |       |       |       |       |                        |     |     |     |     |      |      |      |      |                           |     |     |     |     |     |     |     |     |                       |       |       |       |       |       |       |       |       |                          |       |       |       |       |       |       |       |       |                |      |     |      |     |      |      |     |     |                   |        |        |         |        |        |        |        |        |
| Tab 2H                    | June 16, 2025    | Letter                  | E.L.K. Energy filed a letter providing a brief update on its investigation, informing the OEB of its intention to work with the IESO.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |        |        |        |        |        |      |      |      |      |            |       |       |       |       |       |       |       |       |                        |     |     |     |     |      |      |      |      |                           |     |     |     |     |     |     |     |     |                       |       |       |       |       |       |       |       |       |                          |       |       |       |       |       |       |       |       |                |      |     |      |     |      |      |     |     |                   |        |        |         |        |        |        |        |        |

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|--------------------------------|-------------------|------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tab 2I                         | July 31, 2025     | Letter                                         | E.L.K. Energy provided the results of its investigation to the OEB, including confirmation from the IESO that “the wholesale metering installations associated with E.L.K. Energy’s facility are correctly registered. The meter points location ensures that all energy conveyed in and out is accurately measured and allocated and loss adjusted to the appropriate delivery points for the determination of the settlement amounts.”                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Tab 2J                         | N/A               | IR Responses Staff-12, Staff-13, SEC-2a, SEC-3 | In addition to the foregoing, the attachments at this tab provide the relevant evidence in this proceeding, substantiating E.L.K. Energy’s request for disposition of the balances in Accounts 1588 and 1589                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| IESO Settlement Under-Recovery |                   |                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Tab 3A                         | October 28, 2024  | Application pgs. 18-19                         | <p>The Review Team work and DVA Audit process revealed that E.L.K. has under-recovered approximately \$2.8M from the IESO over the 2016 to 2023 period. The Review Team identified and implemented three corrections:</p> <ul style="list-style-type: none"> <li>a) <b>Completion of RPP TOU / Tier True Up:</b> The Review Team recalculated the necessary submissions using the OEB’s Accounting Guidance Related to Accounts 1588 RSVA Power and 1589 RSVA Global Adjustment issued in February 2019 that resulted in a credit (i.e. under-recovery) from the IESO in the amount of \$3.8 million.</li> <li>b) <b>FIT Contracts:</b> The Review Team corrected an error for FIT renewable contracts where E.L.K. previously did not net the HOEP from the FIT contract price; instead relying on the full, unreduced FIT contract price. The effect of this error is a debit (i.e. over-recovery) to the IESO in the amount of \$1.2 million.</li> <li>c) <b>Timing of Billing Determinants:</b> The Review Team corrected an error for Class A volumes that were being submitted based on volumes billed in that month, as opposed to volumes consumed in that month. This timing difference of billing determinants results in a credit (i.e. under-recovery) from the IESO of \$0.2 million</li> </ul> |
| Tab 3B                         | January 27, 2025  | Staff-11                                       | E.L.K. Energy provided further detail on the IESO settlement under-recovery, including comments on the four factors outlined in the 2019 OEB retroactivity letter for the out of-period adjustments in pass-through accounts.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Tab 3C                         | February 21, 2025 | Letter                                         | IESO files a letter of comment.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Tab 3D                         | May 2, 2025       | Supplemental Staff-5                           | E.L.K. Energy clarifies what impacts may arise if the relief is not granted.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Account 1550 Summary           |                   |                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Tab 4A                         | October 28, 2024  | Application pg. 21                             | As outlined in E.L.K. Energy’s IRM Model filed August 8, 2025 and shown in the table below, E.L.K. Energy is requesting disposition of a debit amount to ratepayers from Account 1550 of \$1.25 million. These amounts relate to activities in Account 1550 over the 2021 to 2023 period since last disposition, as well as adjustments to reconcile amounts as between Account 1550 and Accounts 1588 and 1589 over the 2016 to 2020 period, and include carrying charges at the OEB’s prescribed rates. The requested disposition amount has not changed since E.L.K. Energy’s filing of Supplemental Interrogatories to OEB Staff May 2, 2025.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                               |                               | <table><tr><th>Account</th><th>Principal Balance Dec 31 2023</th><th>Total Interest to Apr 30 2025</th><th>Total Claim</th></tr><tr><td>LV Variance Account</td><td>1550</td><td>1,102,392</td><td>149,225</td><td>1,251,617</td></tr><tr><td colspan="5">On page 21 of E.L.K. Energy’s initial application, E.L.K. Energy described its understanding of the correcting entries between Account 1550, and Accounts 1588 and 1589. At that time, E.L.K. Energy described the challenge as “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.”</td></tr></table>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Account   | Principal Balance Dec 31 2023 | Total Interest to Apr 30 2025 | Total Claim | LV Variance Account | 1550 | 1,102,392 | 149,225 | 1,251,617 | On page 21 of E.L.K. Energy’s initial application, E.L.K. Energy described its understanding of the correcting entries between Account 1550, and Accounts 1588 and 1589. At that time, E.L.K. Energy described the challenge as “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.” |  |  |  |  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-------------------------------|-------------------------------|-------------|---------------------|------|-----------|---------|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|--|
| Account                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Principal Balance Dec 31 2023 | Total Interest to Apr 30 2025 | Total Claim                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |           |                               |                               |             |                     |      |           |         |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |  |  |  |  |
| LV Variance Account                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 1550                          | 1,102,392                     | 149,225                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 1,251,617 |                               |                               |             |                     |      |           |         |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |  |  |  |  |
| On page 21 of E.L.K. Energy’s initial application, E.L.K. Energy described its understanding of the correcting entries between Account 1550, and Accounts 1588 and 1589. At that time, E.L.K. Energy described the challenge as “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.” |                               |                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |           |                               |                               |             |                     |      |           |         |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |  |  |  |  |
| Tab 4B                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | January 27, 2025              | Staff 10(d)<br>Staff 14       | E.L.K. Energy continued to represent its understanding that corrections made for Account 1550 errors prior to 2021 related to low voltage charges erroneously entered into Account 1588 (see Tab 2B). E.L.K. also included comments on the four factors outlined in the 2019 OEB retroactivity letter for the out of-period adjustments in pass-through accounts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |           |                               |                               |             |                     |      |           |         |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |  |  |  |  |
| Tab 4C                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | January 27, 2025              | Cover letter                  | E.L.K. Energy experienced two events subsequent to its initial application which impacted Account 1550. First, E.L.K. Energy issued a revised net billing invoice to HONI, as described on pages 3 to 8 of its cover letter to Interrogatory Responses. Second, E.L.K. Energy received a revised invoice from its host distributor, as described on page 6.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |           |                               |                               |             |                     |      |           |         |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |  |  |  |  |
| Tab 4D                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | May 2, 2025                   | Supplemental Staff-6(d)       | “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.” |           |                               |                               |             |                     |      |           |         |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |  |  |  |  |
| Tab 4E                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | May 2, 2025                   | Supplemental Staff-7          | E.L.K. Energy discovered a series of mapping errors to Account 1550, correcting these in its May 2, 2025 Supplemental Interrogatory Responses. Specific description of the corrections made is provided in Supplemental OEB Staff Interrogatory Response 7.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |           |                               |                               |             |                     |      |           |         |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |  |  |  |  |
| MAADs Application (EB-2025-0172)                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                               |                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |           |                               |                               |             |                     |      |           |         |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |  |  |  |  |

|        |                 |                             |                                                                                                                                                                     |
|--------|-----------------|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tab 5A | August 27, 2025 | Purchase and Sale Agreement | A decision in this proceeding is a condition precedent in the Purchase and Sale Agreement for the acquisition of E.L.K. Energy by Windsor Canada Utilities Limited. |
|--------|-----------------|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|

# Tab 1A

12. The materiality threshold applicable to a distributor with a distribution revenue requirement less than or equal to \$10 million is \$50,000<sup>1,2</sup>. As such, E.L.K.'s materiality threshold is \$50,000.
13. E.L.K. respectfully requests that this Application be decided by way of a written hearing.

### **3.2 Overview – History of E.L.K.**

14. On January 6, 2000, E.L.K. was incorporated pursuant to the Business Corporations Act, of Ontario, and is the successor corporation to the Hydro-Electric Commission for the Town of Essex, the Corporation of the Town of Lakeshore Hydro-Electric Commission, and the Kingsville Hydro Electric Commission. Within these towns, E.L.K. has six non-contiguous service areas, serving the communities of Belle River, Comber, Cottam, Essex, Harrow, and Kingsville. Initially, the three municipalities were shareholders of the corporation.
15. In 2008, E.L.K.'s shareholders entered into a share purchase agreement whereby the Town of Essex agreed to purchase the common shares of the Town of Lakeshore and Town of Kingsville. The transaction was approved by the Board in January 2009, and the Town of Essex became the Company's sole shareholder. E.L.K. is therefore 100% owned by The Corporation of the Town of Essex.
16. In January 2023, an entirely new board of directors was established for E.L.K. The new board supports the customers and employees of E.L.K. and is committed to providing employees with the tools and resources to be successful. The board's priorities are to modernize the utility and the distribution system through investments in the renewal of the system and introducing new technology which is standard in the industry. Over time, the new investments will improve the reliability of the distribution system and improve customer service.
17. On March 13, 2023, the E.L.K Board of Directors signed a Management Services Agreement ("MSA") with Chatham-based Entegrus Inc. ("Entegrus") to provide E.L.K. with management support. Since that time,

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<sup>1</sup> The previous \$50,000 for a distributor with a distribution revenue requirement less than or equal to \$10 million still applies to other applications of the materiality threshold, e.g., DVAs, Z-factor and eligible investments for the connection of qualifying generation facilities.

<sup>2</sup> OEB, Filing Requirements For Electricity Distribution Rate Applications - 2023 Edition for 2024 Rate Applications, Chapter 2, <https://www.oeb.ca/sites/default/files/OEB-Filing-Reqs-Chapter-2-2023-Clean-20221215.pdf>

multiple renewals of the MSA have occurred and the MSA is currently extended to December 20, 2024. The MSA team provides information to the board on key functional areas, such as finance, customer service, outside operations, health & safety and human resources. The MSA team also works with E.L.K. staff to develop distribution system modernization plans.

18. The MSA agreement was also intended to provide the E.L.K. shareholders with time to complete a strategic review.

19. As of its most recent Reporting and Record-Keeping Requirements ("RRR") filing in 2024, E.L.K. has approximately 12,679 electricity customers.

20. E.L.K. understands that its request in this application is a non-standard Group 1 Deferral and Variance Account ("DVA") request. E.L.K. is requesting disposition of substantial DVA true-up refunds to customers while also seeking to maintain its financial viability, and is therefore requesting the OEB's approval of the structured multi-year approach to disposition. This is further detailed in Section 3.6 Deferral and Variance Account Disposition.

### **3.3 Group One DVA Balances**

#### **3.3.1 Background**

21. As noted above, Entegrus is currently providing management services to E.L.K. under an MSA across multiple facets of E.L.K.'s day-to-day operations. Part of the MSA effort is assisting E.L.K. in working with the OEB to resolve open items with E.L.K. DVA balances, including Accounts 1588 and 1589, from the 2022 Cost of Service Application and overseeing the DVA Audit.<sup>3</sup>

22. In E.L.K.'s 2023 IRM (EB-2022-0023), the OEB accepted E.L.K.'s request to defer disposition of its Group 1 accounts to the 2024 IRM to correct unresolved discrepancies and allow for the completion of an external audit of Accounts 1588 and 1589 for the period of 2016 to 2021.<sup>4</sup>

23. In E.L.K.'s 2024 IRM (EB-2023-0013), the OEB approved E.L.K.'s request not to dispose of its Group 1 deferral and variance account balances in this proceeding. The OEB accepted that E.L.K. had taken the necessary steps

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<sup>3</sup> Decision and Order EB-2021-0016, 30 June 2022, p.4, online:

<<https://www.rds.oeb.ca/CMWebDrawer/Record/750208/File/document>>

<sup>4</sup> Decision and Order EB-2022-0023, 23 March 2023, p.8, online:

<<https://www.rds.oeb.ca/CMWebDrawer/Record/783672/File/document>>

# Tab 1B



- c. **Account 1508, Sub-Account Revenue Differential Account:** An error was discovered in the implementation of rates between those approved in the settlement proposal in EB-2021-0016 and the final approved Tariff of Rates and Charges. The implementation of incorrect rates resulted in the inadvertent crediting of \$432k (primarily related to the GS>50kW rate class), which E.L.K. seeks to rectify in this proceeding. Inclusive of interest to April 30, 2025, the balance sought for disposition is \$488k. As further described below, E.L.K. consulted with the parties to the settlement proposal on this matter, and those parties have indicated that they will consider the evidence herein;
  - d. **Account 1595 from 2020 to 2022:** Residual balances related to the years 2020 and 2021 are requested for disposition, with interest to April 30, 2025, as a credit of \$63k to ratepayers. In addition, an error was discovered wherein the Embedded Distributor class was inadvertently included in the derivation of 1589 rate riders for disposition of the 2015 balance, as approved in the 2022 Cost of Service (EB-2021-0016). Given E.L.K.'s sole Embedded Distributor customer was billed Global Adjustment charges on an actual basis in 2015, this customer did not contribute to the 2015 Account 1589 balance, and should not have been included in the calculation of credit disposition. This error in both the settlement and 2022 Tariff of Rates and Charges resulted in the understatement of credits to other ratepayers. The correction of this error and disposition of other residual balances will result in a credit to Non-RPP ratepayers of \$358k, inclusive of interest to the April 30, 2025. As further described below, E.L.K. has consulted with the parties to the settlement proposal on this matter, and those parties have indicated that they will consider the evidence herein;
26. The following sections of E.L.K.'s application describe how E.L.K. proposes to correct for all known errors after the extensive work completed by E.L.K. and the MSA team for the DVA Audit. 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. E.L.K. provides a section below detailing revisions to its processes regarding the settlement of DVAs.

### 3.3.2 Accounts 1588 & 1589

27. After the completion of the unqualified DVA Audit, E.L.K. is proposing an Account 1588 credit to customers of \$3.7 million, and an Account 1589 credit to customers of \$3.4 million, both of which amounts are inclusive of interest corrected to reflect the reconciliations that follow. Additionally, the outcome of the DVA Audit and application of corrections results in GA Workform variances falling within the OEB's unexplained discrepancy threshold of +/- 1%. The Commodity Workform falls within the Commodity variance threshold for most years, with exceptions described below related to the historical loss factor embedded in rates.
28. 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.
29. Among the most notable discrepancies, an unusually low line loss rate was observed over the 2017 to 2019 period, as shown in Table 3. This warranted further investigation since the approved primary line loss rates embedded in E.L.K.'s rates previous to July 1, 2022 were: 1.0810 (i.e. 8.10%) for Secondary Metered Customers < 5,000 kW and 1.0703 (i.e. 7.03%) for Primary Metered Customers >5,000 kW<sup>8</sup>

**Table 3 Reconstructed Actual Line Loss Rate**

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

30. While E.L.K. is primarily a transmission-connected distributor, certain portions of its service territory are embedded along the Host Distributor's feeders and served by the Kingsville TS, meaning the utility's supply mix includes purchases from both the IESO and the Host Distributor.
31. Investigations into the line losses revealed a significant decrease in power purchases from the IESO beginning in 2017. Conversely, power purchases from the Host Distributor increased significantly beginning in 2020.

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<sup>8</sup> In EB-2021-0016, the E.L.K. Total Loss Factor for Secondary Metered Customer < 5,000 kW was updated to 1.0417 and the Total Loss Factor for Primary Metered Customer > 5,000 kW was updated to 1.0313.

32. The Review Team examined available internal physical records, interviewed E.L.K. technical staff whose employment extended back to the years in question, and contacted the Host Distributor to investigate the cause and timing of this shift in power purchases from the IESO to the Host Distributor.
33. E.L.K. believes the discrepancies began after changes were made to the physical connection point of two embedded wind generation facilities to Kingsville TS, which subsequently re-assigned E.L.K. electricity purchases (in a specific geographic area) from the IESO to the Host Distributor. With support of the Review Team, 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.
34. 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. This resulted in E.L.K.'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. 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.
35. Though the line loss issue described above is among the most notable, other discrepancies in Accounts 1588 and 1589 over the 2016-2023 period were discovered, reconciled and corrected by the Review Team and E.L.K. in advance of filing this application, including but not limited to:
- a. Purchases from the Host Distributor are now fully recorded to the appropriate DVAs, and are consistency applied year-over-year;
  - b. For Class A customers and customers billed at Global Adjustment actuals, sales are recorded per approved methodologies, and errors in unbillable write-offs were addressed;
  - c. Monthly allocations between Accounts 1588 and 1589 were updated to be consistent and accurate;
  - d. All known general accounting errors have been corrected, including manual posting errors between the billing system and general ledger;
  - e. Errors in the settlement process (which led to errors in entries to Accounts 1588 and 1589), have been corrected, such as:
    - i. Settlement based on actual billed sales rather than allocations amongst various electricity charge types;
    - ii. True-ups for the previous month's volumes were aggregated into current month volumes at the current month's price;

- iii. A weighted average cost of power was being relied upon, as opposed to commodity costs based on month-specific averages and Global Adjustment based on appropriate IESO posted rates;
- iv. Timing of embedded generation consumption was based on the billing month as opposed to the consumption month;
- v. With respect to Feed-In-Tariff contracts, E.L.K. was recovering the full cost of generation, as opposed to the difference between the contract rate and the Hourly Ontario Electricity Price ("HOEP"); and,
- vi. Various other small miscellaneous issues and errors.

### ***3.3.2.1 IESO Settlement Under-Recovery***

36. For the reasons below, E.L.K. requests an Order of the Board enabling the collection of the \$2.8 million in under-recovery by E.L.K. 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.<sup>9</sup>

37. As encouraged by the OEB in EB-2023-0013, E.L.K. is considering all strategic options to remedy its recent financial challenges.<sup>10</sup> The size of the 1588/1589 dispositions and E.L.K.'s financial constraints places heightened importance on E.L.K.'s ability to collect the under-recovered amount from the IESO as a means to partially offset significant cash outflows and maintain a sound financial footing. Ultimately, it is vital that E.L.K., a small utility, recover this \$2.8 million from the IESO to ensure that there is sufficient funding to support both E.L.K.'s operational cash flow and continue to fund modernization investments.

38. The Review Team work and DVA Audit process revealed that E.L.K. has under-recovered approximately \$2.8M from the IESO over the 2016 to 2023 period. The Review Team identified and implemented three corrections:

- a. **Completion of RPP TOU / Tier True Up:** The Review Team re-calculated the necessary submissions using the OEB's Accounting Guidance Related to Accounts 1588 RSVA Power and 1589 RSVA Global Adjustment issued in February 2019 that resulted in a credit (i.e. under-recovery) from the IESO in the amount of \$3.8 million.

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<sup>9</sup> O. Reg. 153/23, s.2(1)(a).

<sup>10</sup> Decision and Order EB-2023-0013, p.21.

- b. **FIT Contracts:** The Review Team corrected an error for FIT renewable contracts where E.L.K. previously did not net the HOEP from the FIT contract price; instead relying on the full, unreduced FIT contract price. The effect of this error is a debit (i.e. over-recovery) to the IESO in the amount of \$1.2 million.
- c. **Timing of Billing Determinants:** The Review Team corrected an error for Class A volumes that were being submitted based on volumes billed in that month, as opposed to volumes consumed in that month. This timing difference of billing determinants results in a credit (i.e. under-recovery) from the IESO of \$0.2 million.

39. In summary, the three component amounts above net to the total E.L.K. under-recovery from the IESO of \$2.8 million.

### 3.3.3 Accounts 1550 – 1586

- 40. 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. The Review Team made the required adjustments to present appropriate and accurate balances and made the corresponding corrections to E.L.K.’s accounting processes.
- 41. With respect to Account 1551, Smart Metering Entity Charge Variance Account, the balance recorded in financial statements and reported via RRR is (\$76,466), inclusive of interest, as a credit to ratepayers. Based on a month-by-month analysis of SME Charges received from customers compared against SME Charges billed to E.L.K. by the IESO, E.L.K. has determined the appropriate balance as at December 31, 2023 should be (\$68,747), requiring an adjustment of \$4,303 to the Account 1551 principal balance. 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, and has also recorded the adjustment in the E.L.K. general ledger in the 2024 fiscal year.
- 42. With respect to Account 1580, Wholesale Market Service (“WMS”), the balance currently recorded in financial statements and reported via RRR is \$583,040, inclusive of interest, as a debit to ratepayers. Based on a month-by-month analysis of WMS billed by the IESO and the Host Distributor

compared against WMS charges received from customers, E.L.K. has determined the appropriate balance as at December 31, 2023 should be \$416,045, requiring an adjustment of (\$163,041) to the 1580 WMS account. 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, and has also recorded the adjustment in the E.L.K. general ledger in the 2024 fiscal year.

43. With respect to Account 1580, Variance WMS Sub-Account Capacity Based Recovery ("CBR") Class B, the balance currently recorded in financial statements and reported via RRR is (\$33,114), inclusive of interest, as a credit to ratepayers. Based on a month-by-month analysis of CBR billed by the IESO and the Host Distributor compared against CBR charges received from customers, E.L.K. has determined the appropriate balance as at December 31, 2023 should be \$41,719, requiring an adjustment of \$74,169 to the 1580 WMS Sub-Account. 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, and has also recorded the adjustment in the E.L.K. general ledger in the 2024 fiscal year.
44. With respect to Account 1584, Retail Transmission Network Charge, the balance currently recorded in financial statements and reported via RRR is (\$314,632), inclusive of interest, as a credit to ratepayers. Based on a month-by-month analysis of Network Charges billed by the Host Distributor compared against Retail Network Charges received from customers, E.L.K. has determined the appropriate balance as at December 31, 2023 should be (\$381,874), requiring an adjustment of (\$77,468) to Account 1584. 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, and has also recorded the adjustment in the E.L.K. general ledger in the 2024 fiscal year.
45. With respect to Account 1586, Retail Transmission Connection Charge, the balance currently recorded in financial statements and reported via RRR is (\$121,982), inclusive of interest, as a credit to ratepayers. Based on a month-by-month analysis of Connection Charges billed by The Host Distributor compared against Retail Connection Charges received from customers, E.L.K. has determined the appropriate balance as at December 31, 2023 should be (\$518,735), requiring an adjustment of (\$399,601) to Account 1586. 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.



46. With respect to Account 1550, Low Voltage Charges, the balance currently recorded in financial statements and reported via RRR is \$303,652, inclusive of interest. 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. This was corrected as part of the 2024 DVA Audit process for Account 1588. It is E.L.K.'s understanding that the OEB expects distributors to bring forward and disclose errors found in their submitted accounting records, and promptly correct such errors. Account 1550 was previously disposed for periods up to December 31, 2020. E.L.K.'s inclusion of this amount is responsive to this guidance.
47. 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.
48. Of note, 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 at 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. In this instance, the DVA Audit has revealed a significant error in the balances previously presented and approved for disposition in Account 1550. In retrospect, the approval of disposition of some, but not all Group 1 DVAs has created an imbalance in need of remedy. In order for E.L.K. to implement the recommendations of the third-party audit report, it requires (among other actions) a principal credit be applied to Account 1588 in the amount of \$321,388. The debit entry accompanying this credit should be made against Account 1550, despite the OEB's Order in EB-2021-0016. E.L.K. requests disposition of the resulting debit in Account 1550, which provides only a minor offset to the material credit balances which are proposed for clearance to ratepayers as a result of the DVA Audit.

### 3.3.4 Account 1508 – Sub-Account, Revenue Differential Account

49. The OEB approved settlement in EB-2021-0016 established May 1, 2022 as the effective date for implementation of 2022 cost-based rates. However, as a result of delays in the EB-2021-0016 proceeding, new 2022 cost-based rates were not implemented until July 1, 2022. The approved revenue requirement for 2022 reflected a revenue sufficiency relative to the then-in-place interim rates. While GS<50kW, Sentinel Lighting and Streetlighting customers saw increases to distribution rates, all other rate classes saw decreases to distribution rates as a result of the Decision and Order. As such, the delayed implementation of 2022 cost-based rates, all else equal, would result in excess revenue for E.L.K.

50. To address this circumstance, E.L.K. forecast the revenue difference from May 1 to June 30, 2022 between distribution revenue collected under 2022 interim rates and the distribution revenue that would have been collected under 2022 final approved rates. The calculation of this difference was provided on the public record in EB-2021-0016, and was the basis for the establishment of fixed and volumetric rate riders to true-up this difference between ratepayers and the utility. The associated rate rider components from EB-2021-0016 are provided below (emphasis added on the GS>50 kW rate class for reasons further described below):

**Table 4 EB-2021-0016 Rate Rider Component Listing**

| Rate Riders             | Foregone Revenue<br>Monthly Service<br>Charge |               | Foregone Revenue<br>Volumetric Charge |               |
|-------------------------|-----------------------------------------------|---------------|---------------------------------------|---------------|
|                         | Billing Units                                 | Proposed Rate | Billing Units                         | Proposed Rate |
| Residential             | Cust.                                         | (\$0.16)      | kWh                                   | \$-           |
| General Service < 50 kW | Cust.                                         | \$0.22        | kWh                                   | \$0.0001      |
| General Service > 50 kW | Cust.                                         | (\$2.60)      | kW                                    | (\$0.0072)    |
| Street Lighting         | Conn.                                         | (\$0.01)      | kW                                    | (\$0.0984)    |
| Sentinel Lighting       | Conn.                                         | \$0.04        | kW                                    | \$0.0376      |
| USL                     | Conn.                                         | \$0.05        | kWh                                   | \$0.0000      |
| Embedded Distributor    | Cust.                                         | (\$166.55)    | kW                                    | \$-           |

51. In order to hold this balance for crediting to ratepayers, Account 1508, Sub-Account Revenue Differential Account (“RDA”) was established as a new utility-specific, Group 2 DVA in EB-2021-0016. The establishment of the RDA would allow for the tracking of any variance between E.L.K.’s forecast revenue difference, and the actual revenue difference. To the degree a balance remained in the RDA on conclusion of the fixed and variable riders established, the Accounting Order stated it “...will be disposed of as part of



the Group 2 Accounts and in accordance with the OEB's direction regarding the disposition of Group 2 Accounts.”<sup>11</sup>

52. During the preparation of the draft Tariff of Rates and Charges in EB-2021-0016, a transcription error occurred relative to the negotiated, and subsequently approved, settlement proposal. Within the settlement proposal, Table 4.2B Proposed Rate Riders<sup>12</sup> outlined the volumetric riders which had been developed to recover the revenue difference between interim 2022 rates and final 2022 rates. The following table shows the approved amount that was to be billed for each rate class and the actual amount billed. The variance in total billed is \$432,084.

**Table 5 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             |
| <b>TOTAL</b>      | <b>-\$31,154.88</b>  | <b>-\$463,238.54</b> | <b>\$432,083.66</b> |

53. 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. The rate rider was ultimately implemented on the basis of the Tariff of Rates and Charges, which specified kWh rather than kW as the billing determinant, as shown in the following excerpt from the EB-2021-0016 rate order dated June 30, 2022 (emphasis added on GS>50 kW rate class to show erroneous change of billing determinant from kW to kWh):

<sup>11</sup> EB-2021-0016, Settlement Proposal, Attachment J

<sup>12</sup> Ibid., page 44

**Table 6 EB-2021-0016 Excerpt of Tariff of Rates June 30, 2022**

**MONTHLY RATES AND CHARGES - Delivery Component**

|                                                                                                                                                 |        |          |
|-------------------------------------------------------------------------------------------------------------------------------------------------|--------|----------|
| Service Charge                                                                                                                                  | \$     | 179.82   |
| Rate Rider for Recovery of Foregone Revenue (2022) - effective until June 30, 2023                                                              | \$     | (2.60)   |
| Distribution Volumetric Rate                                                                                                                    | \$/kW  | 1.6095   |
| Low Voltage Service Rate                                                                                                                        | \$/kW  | 1.1966   |
| Rate Rider for Disposition of Deferral/Variance Accounts (2022) - effective until June 30, 2023                                                 | \$/kW  | (0.6640) |
| Rate Rider for Disposition of Capacity Based Recovery Account (2022) - effective until June 30, 2023<br>- Applicable only for Class B Customers | \$/kW  | (0.0329) |
| Rate Rider for Disposition of Accounts 1575 and 1576 (2022) - effective until June 30, 2023                                                     | \$/kW  | 0.0199   |
| Rate Rider for Recovery of Foregone Revenue (2022) - effective until June 30, 2023                                                              | \$/kWh | (0.0072) |
| Rate Rider for Global Adjustment (2022) - effective until June 30, 2023<br>- Applicable only for non-RPP customers                              | \$/kWh | (0.0053) |
| Rate Rider for Lost Revenue Adjustment Mechanism (2022) - effective until June 30, 2023                                                         | \$/kW  | 0.1231   |
| Retail Transmission Rate - Network Service Rate                                                                                                 | \$/kW  | 3.7149   |
| Retail Transmission Rate - Line and Transformation Connection Service Rate                                                                      | \$/kW  | 2.3524   |

54. In light of the significantly greater value of kWh billing determinants relative to kW billing determinants, on implementation this error caused a significant over-crediting to the GS>50 kW rate class. The original forecast credit to GS>50 kW as a result of the revenue difference was (\$4,774), out of a total credit to ratepayers of (\$31,155). The application of a kW rider value to kWh billing determinants for GS>50 kW resulted in the crediting of (\$435,384) to this rate class; a variance of (\$430,610) for the GS>50 kW rate class relative to the forecast values underpinning the settlement and Decision in EB-2021-0016.

55. E.L.K. has informed and consulted with the parties to the settlement proposal in EB-2021-0016 that took a position on Issue 4.2 with respect to DVA disposition. As described below in the Additional Rates section, E.L.K. proposes a prospective rate rider in order to collect the \$432K variance in 1508 Sub Account Revenue Differential Account. E.L.K. requests the OEB convene a brief Settlement Conference with the parties to EB-2021-0016 which took a position on Issue 4.2 to allow the parties to explore and negotiate a resolution with respect to the Revenue Differential prospective rate rider.

56. In the event negotiations are unsuccessful, E.L.K. requests the OEB approve the 1508 prospective rate rider that was due to the 2022 Revenue Differential Tariff Sheet error (i.e. billing determinants)<sup>13</sup>.

### 3.3.5 Account 1595 – 2020 to 2022

<sup>13</sup> On the Tariff sheet this was called the Foregone Revenue Rate Rider, the deferral account is called the Revenue Differential Account.

57. As part of its review of all Group 1 DVAs E.L.K. reviewed Account 1595 from 2020 through to 2022. The principal residual balances recorded in the 1595 Sub-Accounts for years 2020 and 2021 were \$(610.98) and \$(57,170.85) respectively and are requested for disposition as shown in the attached IRM Model.
58. However, 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.
59. 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 disposition of the residual balance of this portion of the 2022 disposition since it represents a significant credit to Non-RPP customers.
60. In total, the amount approved and intended for disposition with interest in EB-2021-0016 was a credit to Non-RPP ratepayers of \$611,889. The table below shows the original allocation of the original amount and associated approved rates from the original model in EB-2021-0016 titled "ELK\_DVA\_Continuity\_Schedule\_Settlement\_20220610.xlsx", Tab "7. Rate Rider Calculations".

**Table 7 Original Allocation of Original Balance & Approved Rates**

| <b>Rate Rider Calculation for RSVA - Power - Global Adjustment</b> |              |            |                                            |                                                        |
|--------------------------------------------------------------------|--------------|------------|--------------------------------------------|--------------------------------------------------------|
| <i>Balance of Account 1589 Allocated to Non-WMPs</i>               |              |            |                                            |                                                        |
| <b>Rate Class</b><br>(Enter Rate Classes in cells below)           | <b>Units</b> | <b>kWh</b> | <b>Allocated Global Adjustment Balance</b> | <b>Rate Rider for RSVA - Power - Global Adjustment</b> |
| RESIDENTIAL                                                        | kWh          | 2,095,887  | -\$11,085                                  | -\$0.0053                                              |
| GENERAL SERVICE LESS THAN 50 KW                                    | kWh          | 3,588,094  | -\$18,977                                  | -\$0.0053                                              |
| GENERAL SERVICE 50 TO 4,999 KW                                     | kWh          | 57,482,522 | -\$304,025                                 | -\$0.0053                                              |
| UNMETERED SCATTERED LOAD                                           | kWh          | 248,173    | -\$1,313                                   | -\$0.0053                                              |
| SENTINEL LIGHTING                                                  | kWh          | 137,713    | -\$728                                     | -\$0.0053                                              |
| STREET LIGHTING                                                    | kWh          | 1,279,183  | -\$6,766                                   | -\$0.0053                                              |
| EMBEDDED DISTRIBUTOR                                               | kWh          | 50,859,469 | -\$268,995                                 | -\$0.0053                                              |
| <b>Total</b>                                                       |              |            | <b>-\$611,889</b>                          |                                                        |

61. The original credit amount allocated to the Embedded Distributor rate class of \$268,995 was not refunded to the customers since it was noted that the

Embedded Distributor rate class should not have been sharing in this disposition. This amount remains as a residual credit balance in 1595.

62.E.L.K. proposes the Embedded Distributor residual credit amount of \$268,995 be reallocated to the remaining rate classes and be disposed of with the other remaining residual balances to Non-RPP customers effective May 1, 2025. Please see the Table below for the proposed reallocation and total claim by rate class.

**Table 8 Proposed Re-allocation and Total Balance by Rate Class**

| Rate Class           | Original Amount per Decision | Amount Refunded to Customers | Residual Amount   | Reallocated Emd Dist Amount | Adjusted Residual Amount | Interest to April 30, 2025 | Total Claim       |
|----------------------|------------------------------|------------------------------|-------------------|-----------------------------|--------------------------|----------------------------|-------------------|
| Residential          | -\$11,085                    | -\$7,588                     | -\$3,497          | -\$8,696                    | <b>-\$12,193</b>         | -\$2,060                   | <b>-\$14,254</b>  |
| General Service < 50 | -\$18,977                    | -\$26,904                    | \$7,927           | -\$14,887                   | <b>-\$6,960</b>          | -\$1,176                   | <b>-\$8,136</b>   |
| General Service > 50 | -\$304,025                   | -\$264,308                   | -\$39,717         | -\$238,503                  | <b>-\$278,220</b>        | -\$47,005                  | <b>-\$325,224</b> |
| Unmetered            | -\$1,313                     | -\$543                       | -\$770            | -\$1,030                    | <b>-\$1,800</b>          | -\$304                     | <b>-\$2,104</b>   |
| Sentinel             | -\$728                       | -\$164                       | -\$564            | -\$571                      | <b>-\$1,135</b>          | -\$192                     | <b>-\$1,326</b>   |
| Streetlight          | -\$6,766                     | -\$6,311                     | -\$455            | -\$5,308                    | <b>-\$5,763</b>          | -\$974                     | <b>-\$6,736</b>   |
| Embedded Distributor | -\$268,995                   | \$0                          | -\$268,995        | \$268,995                   | <b>\$0</b>               | \$0                        | <b>\$0</b>        |
| <b>TOTAL</b>         | <b>-\$611,889</b>            | <b>-\$305,818</b>            | <b>-\$306,071</b> | <b>\$0</b>                  | <b>-\$306,071</b>        | <b>-\$51,710</b>           | <b>-\$357,780</b> |

This 1595-2022 residual balance has not been included in the IRM Model Continuity Schedule since it is only a portion of the original 2022 disposition specifically related to Non-RPP customers. E.L.K. has calculated the proposed rate riders in Section 3.14 below and included them as Additional Rates in the IRM Model.

63.As described below in the Additional Rates section, E.L.K. proposes a prospective rate rider in order to refund the amount shown above in Table 8. E.L.K. requests the OEB convene a brief Settlement Conference with the parties to EB-2021-0016 which took a position on Issue 4.2 to allow the parties to explore and negotiate a resolution with respect to the Global Adjustment 2022 Non-RPP rate rider.

### 3.3.6 IESO Settlement Process Review and Improvement

64.The Review Team has taken steps with E.L.K. to review internal processes and implement sustainable solutions. Given the strategic review that is currently underway, E.L.K. has identified the following potential improvements to its settlement process:

- a. **Enhanced Status Quo:** With this solution E.L.K. plans to implement year-end processes to ensure an accurate E.L.K. settlement process. At the accounting year end, and before the third-party year-end audit, manual reconciliations based on source documents will be prepared, similar to the reconciliation work the Review Team performed in reconciling DVA balances back to 2016 in preparation for this Application. Any settlement differences detected will be trued-up with the IESO. Note that in 2025, changes to LDC settlement processes will nonetheless be required in response to the IESO Market Renewal Program (“MRP”);
- b. **New Automated System:** This solution is the preferred long-term approach to implement new systems and processes for settlement, including investment in an ODS and Meter Settlement System. This longer-term, more automated solution would also require the creation and implementation of new supporting spreadsheets and significant training. Implementation of the new systems and processes would be a multi-year project across multiple systems and departments, but is the most comprehensive option. The New System option would include addressing 2025 MRP implementation. As previously noted, E.L.K.’s shareholder is in the process of a strategic review of the utility. This longer-term, more automated solution will be explored after the strategic review is completed.

65. As noted, E.L.K.’s shareholder is in the process of a strategic review regarding the future direction of the utility. Given the future-looking project timelines E.L.K. has determined investment in manual processes and its staff to improve the settlement process at a reasonable expense, while the strategic review is ongoing, is the prudent option to undertake.

66. Implementation of the Enhanced Status Quo approach is anticipated to significantly improve the assignment of costs to appropriate DVAs, the appropriate allocation of amounts as between Accounts 1588 and 1589, the appropriate calculation of Cost of Power entries, appropriate alignment of consumption amounts and costs, and more diligent processes with both the IESO and The Host Distributor from a settlement perspective.

67. On conclusion of the strategic review, E.L.K. plans to revisit its approach to settlement and determine whether another option should be selected, or whether new options will become available as a result of the ongoing shareholder strategic review process.

**RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES**

**INTERROGATORY SEC-3**

[p.14] With respect to errors a and b, please provide a copy of all memorandums, reports, or similar documents prepared by the Review Team (or other employees of or working for E.L.K. or MSA Staff) that outlined its specific findings and/or conclusions regarding the causes of the errors and recommendations regarding how to ensure similar errors do not occur in the future.

**RESPONSE:**

Please see SEC-3 Att 1 – Special Report to BoD. Minor redactions have been made to this report on the basis of relevance.

DEPARTMENT: MSA Regulatory, Finance & Customer Service Teams

DATE: June 19, 2024

PREPARED BY: MSA Staff

REPORT NUMBER: Special Report

SUBJECT: E.L.K. IESO Settlement Process & Regulatory Accounting

### PURPOSE

To provide the Board of Directors with an update and recommendations on the E.L.K. Independent Electricity System Operator (IESO) settlement processes and associated regulatory accounting.

### **(1) Section 1: Background on The Ontario IESO Monthly Settlement Process**

Since Ontario electricity industry Market Opening in 2002, the electricity distribution business has become increasingly complex, as has the monthly settlement process between LDCs and the Independent Electricity System Operator (IESO). LDCs must settle monthly with the IESO for the purchase and sale of electricity, as well as other electricity programs and rebates. Required submissions include customer consumption and pricing on Regulated Price Plan (Time-of-Use (TOU), Tiered Price, Ultra Low Overnight (ULO), Embedded Generation and Class A, Feed In Tariff (FIT), Ontario Energy Rebate (OER) and the Ontario Electricity Support Program (OESP). Further, other unique short-term programs sometimes arise, such as the special one-time pricing programs created by the Ontario government during the pandemic.

LDCs are required to submit settlement claims with the necessary backup data including all of the inputs around estimated sales, purchases, IESO-designated pricing, customer generation and any true-ups from prior months. The data is submitted through the IESO's electronic portal by the 4<sup>th</sup> business day of each month. Assembling and verifying this information involves the LDC running numerous reports and queries from the LDC's billing system, metering system and other sources. All of this information feeds into manual calculations performed in Excel that determine the end settlement claim being submitted.

The LDC settlement submission feeds into the IESO system which then provides detailed settlement statements to LDCs, breaking down electricity consumed, supply received, market charges, and adjustments. LDCs review these statements, make payments or



receive credits, and typically address any discrepancies through further verification and adjustments.

For an LDC, IESO electricity transactions are pass-through costs and neither a profit nor a loss is to occur (as LDCs earn profit only on distribution). Accordingly, volume and price differences for purchases and sales related to electricity transactions are captured by the LDC in Deferral and Variance Accounts (DVAs), which can be an asset or a liability. After an external audit, these DVAs are then typically submitted annually to the OEB in rate applications for true-up (disposition). During the rate application process, the OEB then conducts its own reasonability assessment on the DVAs by posing detailed clarifying questions to the applicant, on a year-by-year balance basis. If approved by the OEB for disposition, a rate rider is then established to charge (or refund) ratepayers for the DVA balances (typically over a one-year period).

In 2018, the OEB commenced an initiative to standardize LDC DVA regulatory accounting processes. In Feb 2019, the OEB issued Accounting Guidance Related to Commodity Pass-Through Accounts. In June 2024, the OEB issued amendments to this guidance in preparation for the upcoming launch of the IESO Market Renewal Project (MRP) in 2025. The Electricity Distributors Association (EDA) noted the importance of the OEB's revised Accounting Guidance and stressed the importance of the document and the importance of LDCs working with their billing and settlement vendors to prepare for the upcoming 2025 changes.

MRP market trials begin in Jul/24 and end-to-end testing is slated to commence in Jan/25 with a go-live of May/25. MRP will require all LDCs to make process changes.

The OEB Accounting Guidance Related to Pass-Through Accounts is a critical requirement. Nevertheless, no two of the current 57 LDCs in Ontario have the same methodology for settling with the IESO. Variations occur for some of the following reasons:

- Each LDC may bill on different allowable IESO Global Adjustment billing options (e.g. Actual, First Estimate or Second Estimate).
- Some LDCs employ an Operational Data Store (ODS) and electronic meter settlement system (e.g. Utilismart or Kinetiq), and some do not.
- Each LDC may have a different brand of billing system (e.g. Northstar, Daphron or SAP), or even a different version of the same billing system (e.g. LDCs may run different versions of Northstar, including with different configurations)
- Each LDC may have a different metering system (e.g. smart meters such as Honeywell / Elster, iTron or Tantalus and various models of electromechanical meters) and may also employ a metering service provider such as Peterborough Utilities

A small-to-mid-sized LDC may have a handful of industry-experienced internal resources with regulatory accounting and billing mastery over these systems and processes. When recent industry retirement and turnover trends are added to the equation, the conditions



are present for challenges. Accordingly, IESO settlement issues (and associated DVA regulatory accounting issues) continue to occur regularly across different LDCs in the industry. The root of industry DVA accounting issues is often problems within the LDC's IESO settlement process.

An example of such an industry settlement and DVA regulatory accounting issue recently occurred regarding Hydro One's Peterborough rate zone. In an earlier rate application decision, the OEB found that an audit of Peterborough Distribution's 2017 balances in Accounts 1588 and 1589 was necessary. When Hydro One acquired Peterborough Distribution in 2020, it did not acquire the billing system. Hydro One indicated that an audit would not likely result in reconciling the Accounts 1588 and 1589 balances. Accordingly, the OEB ordered a 30% adjustment in the DVAs payable to ratepayers, to insulate them and provide a reasonable buffer against the risk of error. It was noted that this 30% adjustment was consistent with a 2022 OEB decision regarding Group 2 DVA accounts related to the Hydro One acquisitions of Norfolk Power, Haldimand County Hydro and Woodstock Hydro.

Note that since the E.L.K. distribution system is, in part, embedded within the Hydro One distribution system, E.L.K. must also perform DVA regulatory accounting for Hydro One invoices.

## **(2) Section 2: Background on the E.L.K. IESO Settlement Process and DVA Regulatory Accounting**

The E.L.K. IESO settlement and regulatory accounting functions were under-resourced for many years and significant turnover has occurred amongst associated staff. Accordingly, E.L.K. has experienced DVA regulatory accounting issues in OEB regulatory proceedings.

### **Review and Adjustment of DVA Accounts 1588 (Cost of Power) and 1589 (Global Adjustment)**

E.L.K. regulatory accounting issues were first recognized in an OEB proceeding in the aborted 2017 E.L.K. Cost of Service (EB-2016-0066), wherein E.L.K. agreed to undertake a First Special Regulatory Audit to ensure that E.L.K. had the proper accounting procedures and practices. This audit included specific review of DVA Accounts 1588 and 1589 for 2015. E.L.K. filed the First Special KPMG Regulatory Audit Report with the OEB in February 2022 and then successfully disposed of DVA Accounts 1588 and 1589 for only 2015 in the Settlement Proposal ultimately approved by the OEB in the E.L.K. 2022 Cost of Service (EB-2021-0016).

In the approved Settlement Proposal from the E.L.K. 2022 Cost of Service (EB-2021-0016), E.L.K. committed to a second special regulatory audit, covering DVA Accounts 1588 and 1589 for the period 2016-2021. The OEB has granted E.L.K. multiple extensions for the completion of this Second Special KPMG Regulatory Audit.

After the Management Services Agreement (MSA) was signed in 2023, MSA staff undertook discussions with E.L.K. staff to determine the status of the Second Special KPMG Regulatory Audit. These discussions revealed significant turnover in the E.L.K. regulatory accounting function, particularly between 2021 and 2023. A high-level review of E.L.K. DVA Accounts 1588 and 1589 determined that any progress on the DVA accounting project was negligible. Discussion with KPMG confirmed that it had not received the requisite account reconciliations required to start the Second Special KPMG Audit.

It was determined that to prioritize and facilitate the Second Special KPMG Audit, E.L.K. DVA Accounts 1588 and 1589 would need to be recreated in their entirety from source documents and billing system data downloads. Accordingly, in the summer of 2023, E.L.K. added multiple additional contract resources, including the E.L.K. Regulatory Temp Analyst. With assistance from E.L.K. staff, the Temp Analyst commenced gathering all source documentation and billing system information and capturing it in spreadsheet models. The project was guided and assisted by MSA staff, as well as a part-time Temp Controller, who also helped with other projects.

Through this exercise, it became apparent that E.L.K. had not followed the OEB Accounting Guidance Related to Pass-Thru Accounts that was released in 2019. Thereafter, in the late fall of 2023, a senior experienced MSA leader with billing experience with the same billing system, as well as significant past regulatory accounting experience, was seconded to the project to work at the detailed level with the Temp Analyst.

In early 2024, as the year-by-year reconciliations of DVA Accounts 1588 and 1589 were developed, a clearer picture of unusual line loss rate trends emerged. It was determined that numerous billing adjustments had been booked out of period in the billing system during the 2016-2023 period. This required significant data analysis to match the billing adjustments back to the proper period. The investigation determined reasons for certain line loss patterns. See Appendix B for a summary of line loss investigation work undertaken.

During the process of reconciling DVA Accounts 1588 and 1589, the following issues were noted and corrected within the 2016-2023 period:

- The various monthly settlement processes completed by E.L.K. during the 2016-2023 period appeared to contain practices leading to errors in DVA Accounts 1588/1589. A detailed review of these practices occurred in Jun/24, please refer to Attachment C for further details.
- Purchases from Hydro One Distribution, as well as Long Term Load Transfer (LTLT) arrangements with Hydro One Distribution, were not fully recorded to appropriate DVA Accounts, nor was consistency applied in year-over-year accounting distributions. As part of the review, amounts needed to be reclassified to proper accounts for the period of 2016 to 2020.

- For Class A customers and customers billed at the actual Global Adjustment rate, sales were not recorded according to approved methodologies between 2016 and 2023. Due to the length of time between billing and the reconciliation process, the increases to these receivable balances were written off as unbillable.
- General accounting errors were identified and corrected, including manual posting errors between the billing system and the general ledger
- The monthly allocation between Accounts 1588 and 1589, as required under OEB guidance, was not being completed consistently or accurately. Adjustments were made to Account 1588 and 1589 balances between 2016 and 2023.
- Once appropriate principal balances were reconciled and determined for Accounts 1588 and 1589, interest was recalculated per OEB guidance for the entire period resulting in a significant adjustment to appropriately recognize interest

The above adjustments were completed to ensure that all required OEB methodologies and IRM model workform threshold tests were successful. The priority of late 2023 and early 2024 was to ensure that Accounts 1588 and 1589 accounting was accurate and complete. With the DVA regulatory accounting appropriately adjusted for Accounts 1588 and 1589 from 2016 to 2023, enhancements to the IESO settlement process and DVA regulatory accounting practices will need to occur in the future.

Notable, the reconciliations also determined that E.L.K. under-recovered \$2.8M from the IESO between 2016-2023. In Jul/23, the Government of Ontario passed a series of regulations, establishing a two-year limitation period applicable to certain settlement amounts. Under this regulation, market participants can no longer submit adjustment claims for settlement amounts related to the impacted programs, more than 24 months after such amounts were invoiced or should have been invoiced. One of the impacted programs is Global Adjustment, although the application of this new legislation will not be fully clear until a first case occurs. Guidance from BLG is recommended on this matter.

This project was a very large undertaking, requiring nearly 2,000 labour hours. It resulted in significant accounting adjustments. DVA Accounts 1588 and 1589 reconciliations for 2016-2023 were provided to KPMG in early Apr/24. Thereafter, E.L.K. expanded the scope of the Second Special KPMG Regulatory Audit to include the years 2022 and 2023. The Second Special KPMG Regulatory Audit work by KPMG, covering DVA Accounts 1588 and 1589 for the period 2016-2023, is nearing completion as of the date of this memo.

### **Review of Other Group 1 and Group 2 DVA Accounts**

In preparation for the E.L.K. 2025 IRM application (due Oct 2024), a preliminary analysis of DVAs potentially requiring disposition in the 2025 IRM application was conducted by MSA staff. This involved emails with BLG Law Firm (E.L.K.'s longstanding regulatory legal counsel) to obtain additional background, followed by a detailed review of past rate applications and filing models.

The analysis determined that E.L.K. has the following DVAs remaining for disposition with the OEB to the end of 2023:

- Accounts 1588 and 1589 for the Years 2016-2023
- Accounts 1550, 1551, 1580, 1584, 1586 for the Years 2021-2023
- Account 1595 for the Years 2018-2023

A 6-member team of Entegrus MSA staff from Regulatory, Finance and Customer Service conducted an onsite review of the E.L.K. DVA regulatory accounting processes in Jun/24, with assistance from E.L.K. staff. The review focused on the above-noted DVA accounts. See Attachment B for the list of observed issues, descriptions and resolutions related to the E.L.K. regulatory accounting for these accounts. In summary, significant issues were observed and significant remedial reconciliation efforts and account adjustments are required.

For E.L.K. to prepare its 2025 Incentive Rate Mechanism (IRM) application – and dispose of all DVA balances to the end of 2023 – the accounts described in Attachment B would need to be reconciled and adjusted by the end of Aug/24. This would allow just enough time for the 2025 IRM application to be completed and submitted by the OEB’s anticipated mid-Oct 2024 deadline. However, this strategy, including the timing of DVA disposition, should be confirmed with BLG.

The resolution of these DVA accounting issues by the end of Aug/24 will require fully dedicating the E.L.K. Regulatory Temp Analyst to this work until that time, with significant review and supervision by MSA staff. In the event that additional accounting challenges are detected in the process, additional resource deployment may be required.

### **(3) Section 3: Review of the E.L.K. IESO Settlement Process**

The same 6-member team of Entegrus MSA staff conducted an onsite review of the E.L.K. IESO Settlement Process, with assistance from E.L.K. staff, in Jun/24.

See Attachment C for a list of observed issues, descriptions and resolutions related to the E.L.K. monthly IESO settlement process. The E.L.K. process is largely manual (Excel-based), with some supporting billing system reports. E.L.K. does not have an ODS. E.L.K. does have an electronic meter settlement system (Kinetiq), but it is not configured to properly support the settlement process.

In summary, there are significant, pervasive issues with the current E.L.K. IESO settlement process. There are three potential strategies to address this:

- a) **Status Quo:** Maintain the current E.L.K. IESO settlement systems and process. Defer system or process changes until the future strategic direction of E.L.K. is determined (potentially in late 2024). Under this option, the various components of the settlement process will continue to be challenging and risk of settlement error will remain high. E.L.K. can continue to recalculate settlement in

spreadsheets under the approved OEB methodology after-the-fact and make regulatory accounting adjustments to correct for these issues. In 2025, changes to all Ontario LDC settlement processes will be required regardless due to the IESO's 2025 MRP launch (as noted above).

- b) **Enhanced Status Quo:** Maintain the current E.L.K. IESO settlement systems and processes but make certain enhancements, including multiple new settlement spreadsheets. Under this option, the estimation and true-ups process will continue to be challenging (due to the lack of certain systems) and there will continue to be the risk of settlement error due to the challenges that larger estimation errors create. Correction of regulatory accounting after the fact will continue to be needed, but not to the degree as option (a) above. Implementation of this option would require the redesign of workflows and processes, and 6-12 months of focused implementation, including significant consultant / contract resources and E.L.K. staff time. The project would also include a vital training phase and would later include updates for the upcoming IESO 2025 MRP launch.
- c) **New System:** Commence implementation of new systems and processes for settlement, including adding an Operational Data Store and Meter Settlement System. This would also require new settlement spreadsheets and generate better estimates and true-ups. This is the most comprehensive option and would also include IESO 2025 MRP updates. The initiative would be a multi-year project to redesign and implement systems and processes across multiple departments and train staff.

MSA Staff has initiated consultation with BLG on the appropriate next steps to take with the OEB and the IESO. The alternatives available in navigating such discussions may be dependent on the length of future time frame available to E.L.K. to complete the required steps. E.L.K. intends to seek recovery of the \$2.8M from the IESO (related to the 2016-2023 IESO settlement process errors). Guidance from BLG is needed to navigate the regulatory risk of what may be an industry-first situation.

The continuance of IESO settlement errors without process improvements will create risk to the E.L.K. relationship with the OEB and the IESO.

#### **(4) Section 4: Recommendations**

Based on the above review work, the following is recommended:

- a) Direct consultation should occur between BLG Law Firm and the E.L.K. board of directors, so that BLG can guide and assist in navigating the regulatory risk of what may be an industry-first situation. E.L.K. needs to maintain strong and open relationships with the OEB and IESO. E.L.K. should seek the best strategy to recover the \$2.8M under-recovered from the IESO, given the presence of the new and potentially restrictive limitation period legislation. This strategy may include filing for disposition of the DVA accounts to the end of Dec 31, 2023, in the 2025 IRM.
- b) Should E.L.K. elect to proceed with disposition of the DVA accounts to the end of Dec 31, 2023 in the 2025 IRM (see recommendation (a) above), E.L.K. resources with MSA oversight should be immediately prioritized on the other (non-Account 1588 and 1589) Group 1 and Group 2 DVA regulatory accounting investigation and adjustments project described in Attachment B. If the end of Aug/24 reconciliation timeline is met – and no other issues arise – this would facilitate the preparation and filing of the 2025 IRM evidence by its OEB deadline of Oct/24.
- c) Subject to BLG advisement (see recommendation (a) above), the alternatives to enhance the E.L.K. IESO settlement system and process described in Attachment C should be revisited (including new learnings that may arise from recommendation (b) above).
- d) [REDACTED]
- e) Instructions should be provided by Utilis Consulting in the summer of 2024 as to the next steps in the 2025 IRM application. Utilis is on standby to assist in the preparation of the 2025 IRM application, and the completion of recommendation (b) above by the end of Aug/24 would leave Utilis just enough time to complete the IRM application by Oct/24 with expedited efforts.

**Attachment A**  
**2016-2023 Line Loss Investigation**

The E.L.K. Deferral and Variance Account (“DVA”) reconciliations for 2016-2023 show unusually low line loss rates related to electricity purchases for 2017-2019. Electricity line loss rates relate to the measured difference between the energy entering the distribution system at one end and the electricity received by customers. Line losses are caused by heat dissipation and a variety of other factors.

After the detailed review, reconciliation, and adjustment of DVA Accounts 1588 and 1589 for the period 2016-2023, as conducted by E.L.K. and MSA staff, the E.L.K. line losses for 2017-2023 are as follows:

|           | 2016 | 2017 | 2018   | 2019 | 2020 | 2021 | 2022 | 2023 |
|-----------|------|------|--------|------|------|------|------|------|
| Loss Rate | 4.6% | 1.7% | (1.2%) | 3.4% | 5.3% | 6.4% | 4.4% | 4.0% |

While E.L.K. is primarily transmission-connected (IESO), certain system supply points in the E.L.K. distribution system are embedded along Hydro One feeders, which in turn, are connected to the Kingsville TS. Accordingly, the E.L.K. electricity supply mix includes purchases from both the IESO and Hydro One. For the period from 2016-2023, analysis of supply purchases shows that IESO purchases decreased starting in 2017, while Hydro One purchases increased markedly in 2020, i.e. 3 years after the apparent reduction in the IESO purchases. These dynamics can be seen in the chart below.

| Description              | 2016               | 2017               | 2018               | 2019               | 2020               | 2021               | 2022               | 2023               |
|--------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>METERED PURCHASES</b> |                    |                    |                    |                    |                    |                    |                    |                    |
| IESO                     | 244,970,124        | 227,724,326        | 238,506,743        | 246,194,698        | 226,663,878        | 200,984,493        | 190,346,567        | 192,828,357        |
| HONI                     | 989,037            | 929,151            | 884,653            | 852,719            | 21,075,332         | 42,674,850         | 49,064,004         | 41,577,456         |
| GENERATION               | 5,318,613          | 5,847,457          | 5,772,469          | 5,821,099          | 6,257,258          | 6,218,155          | 5,967,904          | 6,330,436          |
| <b>TOTAL</b>             | <b>251,277,774</b> | <b>234,500,934</b> | <b>245,163,865</b> | <b>252,868,516</b> | <b>253,996,468</b> | <b>249,877,498</b> | <b>245,378,475</b> | <b>240,736,249</b> |

In 2024, management interviewed an E.L.K. staff member with knowledge of the distribution system who worked for E.L.K. during the above period, to seek information as to why these dynamics occurred. It was noted in the interview that physical system configuration changes were made at Kingsville TS in 2017, related to the connection of new large renewable generation facilities in the area.

Management noted that this time frame corresponded to the construction phase of the Supply to Essex County Transmission Reinforcement (“SECTR”) project (involving a large expansion of transmission capacity in the Kingsville/Leamington area). From 2014-2019, E.L.K. worked jointly with Entegrus Powerlines and Essex Power (as the “E3 Coalition”) to advocate for shared interests related to the SECTR Project. Ultimately, the outcome of SECTR included Entegrus Powerlines and Essex Power load being moved off the previously overloaded Kingsville TS to the newly constructed Leamington TS. At approximately the same time, the Kingsville TS was refurbished, and additional capacity was added. After SECTR Project completion, E.L.K. load continued to be supplied by the Kingsville TS, which thereafter had more available capacity.



After the 2024 interviews with the E.L.K. operational staff, notes were located in E.L.K. files explaining that physical system configuration changes were to occur in 2016 or 2017 to transfer two large Hydro One wind farms from Malden TS to Kingsville TS. Based on the configuration of the E.L.K. connection to the Kingsville TS, the generated kWh from these wind farms would thereafter flow through the E.L.K. distribution system, resulting in E.L.K. purchasing this electricity generation from Hydro One (and E.L.K. thereby requiring less purchases from the IESO).

Further, management located a KPMG audit memorandum related to the December 31, 2019, year-end audit (dated April 2020), citing loss rates in the 2.2%-2.6% range for in 2018 and 2019. Management notes that such loss rates are unusually low, both in the industry and for E.L.K., which, at the time, had an 8% standard line loss rate built into its rates. These low 2018 and 2019 loss rates approximately correspond to the aggregate of the 2018/2019 loss rates shown in the first chart above.

Based on industry experience, management is aware of previous cases in the industry whereby physical system configuration changes were made but there was a lag in the corresponding billing change. Based on this, management formed a hypothesis that the above-described physical system configuration change at Kingsville TS was made in 2017, but the associated billing change to E.L.K. did not occur until 2020. The result would be E.L.K. not being billed approximately 27,590,527 kWh between 2017-2020 (assuming normalization to an approximate 5% loss rate for the period to align with surrounding years).

[REDACTED]

| YEAR                                                              | JAN       | FEB       | MAR       | APR       | MAY       | JUN       | JUL       | AUG       | SEP       | OCT       | NOV       | DEC       | TOTAL      | AVG       |
|-------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-----------|
| <b>E.L.K. ENERGY PURCHASES IN KWH - Hydro One (Kingsville TS)</b> |           |           |           |           |           |           |           |           |           |           |           |           |            |           |
| 2016                                                              | 45,510    | 61,858    | 63,241    | 85,400    | 108,508   | 126,291   | 120,465   | 105,760   | 94,060    | 81,701    | 65,509    | 30,735    | 989,037    | 82,420    |
| 2017                                                              | 26,318    | 54,741    | 71,710    | 88,104    | 105,935   | 118,552   | 120,038   | 87,346    | 99,964    | 63,010    | 51,691    | 41,743    | 929,151    | 77,429    |
| 2018                                                              | 48,943    | 47,511    | 84,548    | 79,673    | 106,759   | 106,181   | 119,484   | 102,910   | 72,869    | 54,628    | 25,512    | 35,636    | 884,653    | 73,721    |
| 2019                                                              | 45,424    | 42,426    | 71,394    | 80,774    | 80,490    | 77,307    | 122,524   | 113,736   | 79,773    | 65,626    | 36,263    | 36,981    | 852,719    | 71,060    |
| 2020                                                              | 34,097    | 59,252    | 61,190    | 87,837    | 99,989    | 134,627   | 120,069   | 1,519,974 | 2,880,354 | 4,462,885 | 6,410,715 | 5,204,343 | 21,075,332 | 1,756,278 |
| 2021                                                              | 3,824,681 | 4,355,332 | 5,767,754 | 3,463,684 | 3,026,443 | 2,749,442 | 1,666,438 | 1,362,292 | 3,500,192 | 3,308,657 | 4,996,031 | 4,653,903 | 42,674,850 | 3,556,237 |

[REDACTED]



[REDACTED]

In summary, it appears that while the physical system configuration change occurred in 2017, the associated billing change (and thereby the commencement of HONI charges to E.L.K. for the wind farm generation) did not occur until August 2020. The result of the difference between the 2017 physical configuration change and the August 2020 metering change would be that E.L.K. was not charged for the full cost of its electricity purchases from 2017 until August 2020, which amounts to approximately 27,590,527 kWh or \$3M.

Accordingly, it is concluded that while the customers of E.L.K. paid for an approximate 8% standard loss rate on electricity purchases between 2017-2020, they were, in fact, not charged for approximately \$3M of electricity purchases from 2017-2020. This dynamic resulted in loss rates far below the 8% standard loss rate built into rates. This difference is captured by the DVA accounts as a payable from E.L.K. to customers and is included on the balance sheet of E.L.K. in the regulatory assets/liabilities line items. These amounts will be refunded to customers upon DVA disposition.

**Attachment B**  
***Observed Issues, Descriptions & Resolutions Related to:***  
***Group 1 DVA Accounts 1550 (Low Voltage), 1551 (Smart Metering Entity), 1580***  
***(Wholesale Market Services), 1584 (Network Charges) & 1586 (Connection Charges)***  
***For the Years 2021-2023***

- **Objective of Accounts:** These DVA accounts track pass-through variances on each of the specified charge types
- **2025 IRM Application Implication:** The regulatory accounting for these DVA accounts for 2021-2023 is required to be completed by mid-Aug 2024, for these DVAs to be incorporated into the 2025 IRM application for submission to the OEB by mid-Oct 2024 (to seek approval for disposition)

**Observations**

- The MSA team and E.L.K. staff performed a high-level recreation of all IESO and Hydro One purchase invoices from 2021-2023, as well as sales data from the billing system
  - Various errors were observed in the current regulatory accounting process, including incorrect mapping of charge types from the income statement accounts to the DVA Accounts
  - It appears that customers owe E.L.K. an additional true-up versus the \$0.8M (receivable from customers) recorded in the E.L.K. general ledger at Dec 31, 2023. The difference of may go against the income statement (or retained earnings).
- **Next Steps:** The E.L.K. Regulatory Temp Analyst will complete detailed DVA reconciliations (including interest calculations) and create and book journal entries, under the supervision of MSA Staff. The process is anticipated to take 5-6 weeks of dedicated time from the Regulatory Temp Analyst, plus 1-2 weeks of MSA Staff time.

**Account 1595 for the Years 2018-2023**

- **Objective of Account:** This DVA account tracks approved OEB DVA dispositions by year. When the OEB approves DVA dispositions (via rate riders), all of that particular year's DVA activity is rolled up and moved to Account 1595 from the individual DVA accounts. Sub-accounts within Account 1595 track each year's activity, with the objective that the rate rider ultimately results in drawdown of each year's activity to \$Nil.
- **2025 IRM Application Implication:** The regulatory accounting for Account 1595 for 2018-2023 is required to be completed by mid-Aug 2024, in order for these DVAs to be incorporated into the 2025 IRM application for submission to the OEB by mid-Oct 2024 (to seek approval for disposition)

**Observations**

- Since most rate riders occur over 1-year and E.L.K. did not apply for DVA disposition in its 2023 or 2024 rate applications, it was anticipated that Account 1595 would be close to drawn down to \$Nil. However, that is not the case. The residual balance at Dec 31, 2023 is approx. \$476k (liability owing to customers).
- The MSA team and E.L.K. staff reviewed and determined that the \$476k primarily relates to the 2022 Cost of Service approved DVA Account 1589 (Global Adjustment) rate rider run-off. This is due to the 2022 Cost of Service load forecast billing determinants being dramatically higher than the actual billing volumes that occurred in 2022/2023. Various other issues were observed:
  - The Group 2 DVA accounts disposed in the 2022 Cost of Service appear to not have been properly recorded and so the liability to customers in the general ledger may be overstated by \$48k. Further investigation will be required.
  - The 2016 and 2017 Group 1 residual balances may have been similarly excluded from the regulatory accounting set up and have small remaining balances despite their approved balances in the 2022 Cost of Service
  - Drawdowns from the billing system are not consistently mapped to the sub-account where each year's disposition amount was originally recorded. This is not an accounting error per se, but makes analyzing the drawdowns challenging.
- **Next Steps:** The E.L.K. Regulatory Temp Analyst should investigate and reconcile each Account 1595 sub-account, including comparing the OEB rate decision to the E.L.K. regulatory account and verifying the rate rider drawdown of each balance to validate the true residual balance. If the residual balances are above 10% of the original disposition amount, the OEB requires a workform to be completed and explained to consider disposition of the residual, and such explanations will also be gathered. The process is anticipated to take 4 weeks of dedicated time from the Regulatory Temp Analyst, plus 1 week of MSA staff time.

#### **Group 2 DVA Account 1508 at December 31, 2023**

- **Objective of Account:** Group 2 DVA accounts typically capture less frequent, more unique, or larger variances. The OEB occasionally orders the creation of Account 1508 sub-accounts for specific projects or one-time events and costs that do not occur as regularly as those in Group 1.
- **IRM Application Implication:** Group 2 DVAs are typically disposed of every 5 years in a Cost of Service Application, and not in an annual IRM application, like Group 1 DVAs. However, the MSA team extended its onsite review to Group 2 DVA accounts due to the risk of misclassification of Group 1 DVA accounts into the Group 2 DVA accounts.

#### **Observations**

- Various anomalies were observed in the E.L.K. Account 1508 sub-accounts; all sub-accounts need to be examined further. Initial observations include:

- 2022 Foregone Revenue Sub-Account: This sub-account arose because the E.L.K. 2022 Cost of Service was submitted late and the new rates went into effect in July 2022, rather than the intended May 2022. A \$463k asset (receivable from customers) is booked in an Account 1508 sub-account. This matter has previously been discussed with the Board of Directors and the OEB. A tariff sheet error resulted in E.L.K. inadvertently over-refunding GS>50 kW customers, resulting in the asset balance receivable from customers. In 2023, E.L.K. notified the OEB that this over-refund would be captured in the DVAs. Further investigation is required, however, it appears that this amount should be captured in Account 1595 for more immediate proposed disposition, rather than its current placement in Account 1508. The current placement may be a result of confusion with previous OEB industry guidance on the handling of COVID-19 pandemic deferred revenue (which was a separate and distinct item from this)
- Pole Attachment Revenue Sub-Account: This sub-account captures the revenue variances due to the Ontario government's decision to reduce pole attachment revenue per year for third-party attachments (versus what LDCs had in rates). The price differential goes to this sub-account. The balance was a \$142k asset (receivable from customers) in Account 1508 at the end of 2022, but \$Nil at the end of 2023. Since the new pole attachment rate was built into distribution rates in the 2022 Cost of Service, it is reasonable that there would be no 2023 activity in this account. However, the movement of the \$142k pole attachment balance from Account 1508 needs to be further investigated to confirm whether it went to Account 1595.
- Account 1508 will also require a detailed review to ensure that all OEB Group 2 accounting orders (for each transaction type) are being properly included and accounted for
- **Next Steps:** The E.L.K. Regulatory Temp Analyst should investigate and reconcile each Account 1508 sub-account and record any required adjustments under the supervision of MSA staff. The process is anticipated to take 2 weeks of dedicated time from the Regulatory Temp Analyst, plus up to 1 week of MSA Staff supervision and review time.

**Attachment C**  
***Observed Issues, Descriptions & Resolutions Related to Monthly IESO Settlement Process***

| <b>Issue</b>                           | <b>Description</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>Resolution</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tier Price / TOU / ULO                 | <ul style="list-style-type: none"> <li>• Settlement is based on actual billed sales rather than allocations amongst the various electricity charge types based on purchase volumes as required by OEB guidance</li> <li>• True-ups for the previous month volumes are being aggregated in the current month at the current month's price</li> <li>• A weighted aggregate cost of power going back to 2008 is being utilized, commodity cost should be determined based on an average of the specific month of consumption not including historical costs and Global Adjustment should utilize the appropriate IESO posted rates per month.</li> <li>• These are significant issues that make the monthly settlement process inaccurate and challenging to successfully complete and validate</li> </ul> | <ul style="list-style-type: none"> <li>• There are three potential options to address these issues:</li> <li>• (a) Maintain status quo, make no system or process changes. Continue to make accounting adjustments to correct any resulting regulatory accounting issues.</li> <li>• (b) Maintain current systems and processes with modifications including a new settlement spreadsheet (estimates and true-ups will continue to be challenging). Implementation would require 6-12 months of focused implementation and training.</li> <li>• (c) Implement new systems and processes, including an Operational Data Store and Meter Settlement System. This would require a new settlement spreadsheet and generate better estimates and true-ups. Implementation would be a multi-year systems process.</li> </ul> |
| Net System Load Shape (NSLS)           | NSLS is a standard used to allocate electricity load across time intervals when the customer does not have a MIST (interval capable) meter or for settlement with customers signed with Retailers. The E.L.K. NSLS for certain intervals is negative, which is not consistent with the expectations of the E.L.K. distribution system operation                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <ul style="list-style-type: none"> <li>• Make modifications to current system to recalculate NSLS</li> <li>• Based on earlier discussion with the OEB, the NSLS should be recalculated only after A and set up in the E.L.K. billing system</li> <li>• MIST meter hardware installation remains in progress</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Embedded Generation Consumption Timing | Timing of consumption data is on a one-month delay (based on billing month but should be based on consumption month)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <ul style="list-style-type: none"> <li>• Make modifications to current system to either: (i) upgrade existing system reporting feeding the process or, (ii) build in an estimate and true-up process to remove the one-month delay</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

|                                            |                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                              |
|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Class A Consumption Timing                 | Timing of consumption data is on a one-month delay (based on billing month but should be based on consumption month)                                                                                                                                                                                                                 | <ul style="list-style-type: none"> <li>Make modifications to current system to either: (i) upgrade existing system reporting feeding the process or, (ii) build in an estimate and true-up process to remove the one-month delay</li> </ul>  |
| Feed-in-Tariff (FIT)                       | E.L.K. is recovering the full cost of generation [Hourly Ontario Energy Price (HOEP) + contract price] rather than just the difference between HOEP and contract price.                                                                                                                                                              | <ul style="list-style-type: none"> <li>Adjust the current monthly settlement process to capture or estimate the monthly volume of generation consumed within its service territory</li> </ul>                                                |
| Ontario Electricity Rebate (OER)           | OER being credited to customers signed with electricity retailers is being double counted on a monthly basis in the submission and E.L.K. is thus being over-reimbursed. In addition, E.L.K. is not estimating current month sales for true-up the next month. This results in the E.L.K. OER submission being delayed by one month. | <ul style="list-style-type: none"> <li>Adjust the current monthly settlement process to remove double counting of retailer OER, as well as an adjustment to include a current month estimate and true-up process (the next month)</li> </ul> |
| Ontario Electricity Support Program (OESP) | OESP charges are being posted to an Income Statement/DVA account rather than a receivable account                                                                                                                                                                                                                                    | <ul style="list-style-type: none"> <li>Amend the current monthly process to change to the appropriate accounting distribution</li> </ul>                                                                                                     |
| Other Miscellaneous                        | Various other, more minor, issues were noted                                                                                                                                                                                                                                                                                         | <ul style="list-style-type: none"> <li>Amend the currently monthly process</li> </ul>                                                                                                                                                        |

# Tab 1C

Colm Boyle  
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cboyle@blg.com

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Bay Adelaide Centre, East Tower  
22 Adelaide Street West  
Toronto ON M5H 4E3  
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**File No. 017001.000013**

January 24, 2025

**BY RESS**

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

Dear Ms. Marconi

**Re: E.L.K. Energy Inc. ("E.L.K.") Application for Electricity Distribution Rates and Other Charges Effective May 1, 2025 (EB-2024-0015) (the "Application")  
Update to Primary Contact Information**

E.L.K. filed the above noted application on October 24, 2024. Please be advised that the primary contact information for E.L.K. under section 1 of the Application has changed. As of the date of this letter Jim Hogan is no longer the primary contact person for this Application.

It is kindly requested that you update your records for the primary contact on this Application with the following details instead:

Kayla Lucier  
Supervisor, Finance & Regulatory  
519-776-5291 x204  
klucier@elkenenergy.com

Please contact the undersigned with any questions.

Best regards,

**BORDEN LADNER GERVAIS LLP**

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

Colm Boyle



1                   **RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES**

2

3           **INTERROGATORY SEC-1**

4           [p.13] The evidence states that the “MSA is currently extended to December 20, 2024”.

5           Please provide details regarding the current status of the MSA.

6

7

8           **RESPONSE:**

9           The MSA was not further extended, and is no longer active.

# Tab 1D

## **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.

1

2 **Question(s):**

- 3 a) Please explain why the “IRR Adjustment Required in 2025” for  
4 Accounts 1588 and 1589 reported in Ref 2, does not align with  
5 OEB staff’s Table 2.
- 6 b) Please confirm whether the Embedded Distributor invoice error is  
7 captured in Ref 2.
- 8 c) Please update applicable models and supporting schedules, if necessary.
- 9 d) Please confirm the impact on E.L.K. Energy if the OEB does not grant  
10 an Order directing the IESO to accept the out-of-period adjustments  
11 related to the FIT Contract and Class A Volumes.
- 12 i. Please confirm if E.L.K. Energy will submit the RPP True-Up  
13 Adjustment to the IESO, if the OEB does not grant an Order  
14 for the out-of-period adjustments related to the Class A  
15 Volumes and FIT Contracts.
- 16 e) Please confirm whether all adjustments reflected in Ref 2 are also  
17 captured in Ref 3.

18

19

20 **RESPONSE:**

- 21 a) The “IRR Adjustment Required in 2025” section of Reference 1 does not align with OEB  
22 Staff’s Table 2, as this section of the attachment addresses only the formula errors  
23 identified as part of interrogatory responses, and does not include the change in  
24 Embedded Distributor invoicing shown in tables above at the same reference. Please see  
25 the updates provided in response to OEB Staff Supplemental Interrogatory 1, as well as  
26 Attachment 1 to the same.
- 27 b) Confirmed. Please see Attachment 1 to the responses to OEB Staff Supplemental  
28 Interrogatory 1, under heading “HONI Special Metering Adjustment Req’d in 2024”.
- 29 c) Please see the updates provided in response to OEB Staff Supplemental Interrogatory 1, as  
30 well as Attachment 1 to the same.

1 d) E.L.K. Energy's updated response to SEC-2 summarizes the impact on E.L.K. Energy of the  
2 OEB not granting an Order directing the IESO to accept out-of-period adjustments. Please  
3 see below a relevant excerpt from E.L.K. Energy's updated response to SEC-2:  
4

5 As shown in the table below E.L.K.'s reported ROE for 2022 and 2023 was (-1.97%) and (-  
6 22.33%), respectively. As a result of the low ROE in 2022, in Decision and Rate Order EB-  
7 2023- 0013 issued on March 21, 2024 the OEB encouraged "...E.L.K. Energy's management  
8 and Board of Directors to thoroughly examine all strategic options for the utility, including  
9 an early rebasing." ROE significantly worsened in 2023. Ratepayers across Ontario unjustly  
10 benefitted from the under-recovery by E.L.K. from the IESO, particularly when E.L.K. is  
11 encountering significant financial difficulties.  
12

13 When the errors below were initially identified contract and internal resources were  
14 immediately engaged to intensely prioritize analyze the identified errors (see paragraph  
15 26 of the Application and SEC-3). As noted in the attachment to SEC-3, the errors below  
16 had not been conclusively identified until early 2024 after nearly 2,000 labour hours from  
17 MSA Staff to recreate DVA Accounts 1588 and 1589 in their entirety from source  
18 documents and billing system data downloads. Following the completion of this review  
19 E.L.K. brought these errors before the OEB as soon as possible to ensure corrections could  
20 be implemented in a timely, accurate and efficient manner.  
21

22 The requested amount of \$2.8 million from the IESO is approximately 78% of E.L.K.'s 2022  
23 approved base revenue requirement and will be an undue burden upon E.L.K.  
24

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

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<br>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.

# Tab 1E

## 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   |
| Account 1589 | \$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



1 collection of the underbilled cost of power of approximately \$2.8  
2 million from E.L.K. Energy or E.L.K. Energy's ratepayers at any  
3 point (i.e., the host distributor is writing off these amounts).  
4

5 **RESPONSE:**

6 a) E.L.K. Energy's understanding is on the basis of communications between previously-  
7 engaged Management Services Agreement ("MSA") staff and the host distributor. E.L.K.  
8 Energy has correspondence on this matter which confirmed that effective August 2020,  
9 billing was updated from the host distributor to E.L.K. Energy to reflect changes to the  
10 physical configuration of the system. Please see below this correspondence from April of  
11 2024 from the Host Distributor:

12  
13 In summary Hydro One changed the connection point of two embedded Distributed  
14 Generation Facilities ("DGs") to Kingsville TS. As a result of this configuration  
15 change ELK purchases more energy from HONI and less from the IESO. Retail  
16 Totalization Tables were reviewed and updated between E.L.K. and HONI to reflect  
17 this reconfiguration in the system.  
18

19 E.L.K. Energy's internal records indicate completion of the reconfiguration was planned for  
20 2016-2017. MSA staff are no longer engaged in support of E.L.K. Energy, however it is E.L.K.  
21 Energy's understanding from prior discussion with MSA staff that follow-up attempts with  
22 the host distributor were unsuccessful in securing agreement on the timing lag between  
23 physical reconfiguration of the system, and the corresponding billing adjustment.  
24

25 b) Per a) above, E.L.K. Energy does not have written confirmation from the host distributor of  
26 its intention not to bill E.L.K. Energy for unbilled consumption on a retroactive basis. E.L.K.  
27 Energy sent an email to Hydro One on May 2, 2025 attaching this interrogatory and  
28 requesting that Hydro One confirm OEB Staff's interrogatory. E.L.K. Energy will file  
29 correspondence with the OEB once Hydro One's response is received.  
30

## **Tab 2B**



**Attachment C: KPMG 2016-2023 DVA Accounts 1588 and 1589 Audit Report**



**KPMG LLP**

618 Greenwood Centre  
3200 Deziel Drive  
Windsor, ON N8W 5K8  
Canada  
Telephone 519 251 3500  
Fax 519 251 3530

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of E.L.K. Energy Inc.

### ***Opinion***

We have audited the schedule of account balances – 1588, 1589 of E.L.K. Energy Inc. (the "Entity") as at December 31, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023.

In our opinion, the accompanying schedule as at December 31, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023 is prepared, in all material respects in accordance with the financial reporting provisions as set out in the Accounting Procedures Handbook issued by the Ontario Energy Board ("OEB") dated December, 2011 (Hereinafter referred to as the "schedule").

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditor's Responsibilities for the Audit of the Schedule"** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the schedule in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Responsibilities of Management and Those Charged With Governance for the Schedule***

Management is responsible for the preparation of the schedule in accordance with the financial reporting provisions as set out in the Accounting Procedures Handbook issued by the Ontario Energy Board ("OEB") dated December, 2011, and for such internal control as management determines is necessary to enable the preparation of schedule that is free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Schedule***

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the schedule.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation



Page 3

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font and is underlined with a single, slightly wavy horizontal line.

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada

October 8, 2024

## **Tab 2C**



- c. **Account 1508, Sub-Account Revenue Differential Account:** An error was discovered in the implementation of rates between those approved in the settlement proposal in EB-2021-0016 and the final approved Tariff of Rates and Charges. The implementation of incorrect rates resulted in the inadvertent crediting of \$432k (primarily related to the GS>50kW rate class), which E.L.K. seeks to rectify in this proceeding. Inclusive of interest to April 30, 2025, the balance sought for disposition is \$488k. As further described below, E.L.K. consulted with the parties to the settlement proposal on this matter, and those parties have indicated that they will consider the evidence herein;
- d. **Account 1595 from 2020 to 2022:** Residual balances related to the years 2020 and 2021 are requested for disposition, with interest to April 30, 2025, as a credit of \$63k to ratepayers. In addition, an error was discovered wherein the Embedded Distributor class was inadvertently included in the derivation of 1589 rate riders for disposition of the 2015 balance, as approved in the 2022 Cost of Service (EB-2021-0016). Given E.L.K.'s sole Embedded Distributor customer was billed Global Adjustment charges on an actual basis in 2015, this customer did not contribute to the 2015 Account 1589 balance, and should not have been included in the calculation of credit disposition. This error in both the settlement and 2022 Tariff of Rates and Charges resulted in the understatement of credits to other ratepayers. The correction of this error and disposition of other residual balances will result in a credit to Non-RPP ratepayers of \$358k, inclusive of interest to the April 30, 2025. As further described below, E.L.K. has consulted with the parties to the settlement proposal on this matter, and those parties have indicated that they will consider the evidence herein;

26. The following sections of E.L.K.'s application describe how E.L.K. proposes to correct for all known errors after the extensive work completed by E.L.K. and the MSA team for the DVA Audit. 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. E.L.K. provides a section below detailing revisions to its processes regarding the settlement of DVAs.



### 3.3.2 Accounts 1588 & 1589

27. After the completion of the unqualified DVA Audit, E.L.K. is proposing an Account 1588 credit to customers of \$3.7 million, and an Account 1589 credit to customers of \$3.4 million, both of which amounts are inclusive of interest corrected to reflect the reconciliations that follow. Additionally, the outcome of the DVA Audit and application of corrections results in GA Workform variances falling within the OEB's unexplained discrepancy threshold of +/- 1%. The Commodity Workform falls within the Commodity variance threshold for most years, with exceptions described below related to the historical loss factor embedded in rates.
28. 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.
29. Among the most notable discrepancies, an unusually low line loss rate was observed over the 2017 to 2019 period, as shown in Table 3. This warranted further investigation since the approved primary line loss rates embedded in E.L.K.'s rates previous to July 1, 2022 were: 1.0810 (i.e. 8.10%) for Secondary Metered Customers < 5,000 kW and 1.0703 (i.e. 7.03%) for Primary Metered Customers >5,000 kW<sup>8</sup>

**Table 3 Reconstructed Actual Line Loss Rate**

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

30. While E.L.K. is primarily a transmission-connected distributor, certain portions of its service territory are embedded along the Host Distributor's feeders and served by the Kingsville TS, meaning the utility's supply mix includes purchases from both the IESO and the Host Distributor.
31. Investigations into the line losses revealed a significant decrease in power purchases from the IESO beginning in 2017. Conversely, power purchases from the Host Distributor increased significantly beginning in 2020.

---

<sup>8</sup> In EB-2021-0016, the E.L.K. Total Loss Factor for Secondary Metered Customer < 5,000 kW was updated to 1.0417 and the Total Loss Factor for Primary Metered Customer > 5,000 kW was updated to 1.0313.



32. The Review Team examined available internal physical records, interviewed E.L.K. technical staff whose employment extended back to the years in question, and contacted the Host Distributor to investigate the cause and timing of this shift in power purchases from the IESO to the Host Distributor.
33. E.L.K. believes the discrepancies began after changes were made to the physical connection point of two embedded wind generation facilities to Kingsville TS, which subsequently re-assigned E.L.K. electricity purchases (in a specific geographic area) from the IESO to the Host Distributor. With support of the Review Team, 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.
34. 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. This resulted in E.L.K.'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. 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.
35. Though the line loss issue described above is among the most notable, other discrepancies in Accounts 1588 and 1589 over the 2016-2023 period were discovered, reconciled and corrected by the Review Team and E.L.K. in advance of filing this application, including but not limited to:
- a. Purchases from the Host Distributor are now fully recorded to the appropriate DVAs, and are consistency applied year-over-year;
  - b. For Class A customers and customers billed at Global Adjustment actuals, sales are recorded per approved methodologies, and errors in unbillable write-offs were addressed;
  - c. Monthly allocations between Accounts 1588 and 1589 were updated to be consistent and accurate;
  - d. All known general accounting errors have been corrected, including manual posting errors between the billing system and general ledger;
  - e. Errors in the settlement process (which led to errors in entries to Accounts 1588 and 1589), have been corrected, such as:
    - i. Settlement based on actual billed sales rather than allocations amongst various electricity charge types;
    - ii. True-ups for the previous month's volumes were aggregated into current month volumes at the current month's price;

- iii. A weighted average cost of power was being relied upon, as opposed to commodity costs based on month-specific averages and Global Adjustment based on appropriate IESO posted rates;
- iv. Timing of embedded generation consumption was based on the billing month as opposed to the consumption month;
- v. With respect to Feed-In-Tariff contracts, E.L.K. was recovering the full cost of generation, as opposed to the difference between the contract rate and the Hourly Ontario Electricity Price ("HOEP"); and,
- vi. Various other small miscellaneous issues and errors.

#### *3.3.2.1 IESO Settlement Under-Recovery*

36. For the reasons below, E.L.K. requests an Order of the Board enabling the collection of the \$2.8 million in under-recovery by E.L.K. 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.<sup>9</sup>

37. As encouraged by the OEB in EB-2023-0013, E.L.K. is considering all strategic options to remedy its recent financial challenges.<sup>10</sup> The size of the 1588/1589 dispositions and E.L.K.'s financial constraints places heightened importance on E.L.K.'s ability to collect the under-recovered amount from the IESO as a means to partially offset significant cash outflows and maintain a sound financial footing. Ultimately, it is vital that E.L.K., a small utility, recover this \$2.8 million from the IESO to ensure that there is sufficient funding to support both E.L.K.'s operational cash flow and continue to fund modernization investments.

38. The Review Team work and DVA Audit process revealed that E.L.K. has under-recovered approximately \$2.8M from the IESO over the 2016 to 2023 period. The Review Team identified and implemented three corrections:

- a. **Completion of RPP TOU / Tier True Up:** The Review Team recalculated the necessary submissions using the OEB's Accounting Guidance Related to Accounts 1588 RSVA Power and 1589 RSVA Global Adjustment issued in February 2019 that resulted in a credit (i.e. under-recovery) from the IESO in the amount of \$3.8 million.

---

<sup>9</sup> O. Reg. 153/23, s.2(1)(a).

<sup>10</sup> Decision and Order EB-2023-0013, p.21.

## RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

### INTERROGATORY 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**

|           | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> |
|-----------|-------------|-------------|-------------|-------------|
| 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

1 this difference in Accounts 1588 and 1589 as a credit to ratepayers, as reflected in the DVA Audit  
2 results, to be disposed of in this proceeding.

3  
4 Question(s):

5 a) Please explain if E.L.K. Energy has sought a billing adjustment from the host distributor given that  
6 the shift of the system reconfiguration was not reflected in billing changes rendered by the host  
7 distributor. If not, please explain why E.L.K. Energy has not communicated with its host distributor  
8 for a material undercharge of approximately \$3 million.

9 b) Please provide the calculations supporting the actual line loss rates from 2016 to 2019.

10 c) Please confirm that: 1) E.L.K. Energy did not receive invoices from the host distributor for the  
11 cost of power from 2016 to 2019; and 2) E.L.K. Energy's approach of reconstructing the actual line  
12 losses based on the undercharged 28 MWh cost of power represents passing through the loss of  
13 the host distributor to E.L.K. Energy's customers. If confirmed, please explain how this approach is  
14 appropriate from a rates point of view.

15 d) Please confirm if this material undercharged cost of power by the host distributor  
16 has also impacted other Group 1 DVAs (for example, Accounts 1550, 1584, 1586). If so, please  
17 elaborate on the details. If not, please explain why not.

18 e) Please quantify and itemize the impact from the line loss for each year from 2016 to 2019 on  
19 Accounts 1588 and 1589.

20 f) Please provide the actual line loss rates from 2020 to 2023 and explain if this issue has any  
21 impact on the line losses for these years

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

25  
26 **RESPONSE:**

27 a) E.L.K. Energy communicated its findings of apparent cost of power underbilling to its host  
28 distributor in the summer of 2024, and subsequently attempted follow up communication  
29 to receive a billing adjustment, revised invoice, or some other appropriate remedy. It is

E.L.K. Energy's understanding the host distributor does not intend to issue a billing adjustment or revised invoice.

- b) The table below shows E.L.K. Energy's actual energy purchases and customer-billed consumption, from 2016 to 2023. The variance between the two indicates actual line losses.

|                                  | 2016   | 2017   | 2018    | 2019   | 2020   | 2021   | 2022   | 2023   |
|----------------------------------|--------|--------|---------|--------|--------|--------|--------|--------|
| <b>IESO (MWh)</b>                | 245.0  | 227.7  | 238.5   | 246.2  | 226.7  | 201.0  | 190.3  | 192.8  |
| <b>Host Distributor (MWh)</b>    | 1.0    | 0.9    | 0.9     | 0.9    | 21.1   | 42.7   | 49.1   | 41.6   |
| <b>Embedded Generation (MWh)</b> | 5.3    | 5.8    | 5.8     | 5.8    | 6.3    | 6.2    | 6.0    | 6.3    |
| <b>Total Purchases (MWh)</b>     | 251.3  | 234.5  | 245.2   | 252.9  | 254.0  | 249.9  | 245.4  | 240.7  |
| <b>Billed Consumption (MWh)</b>  | 239.0  | 230.4  | 248.2   | 244.2  | 240.5  | 234.9  | 235.6  | 231.9  |
| <b>Variance (MWh)</b>            | 12.3   | 4.1    | -3.0    | 8.7    | 13.5   | 15.0   | 9.7    | 8.8    |
| <b>Implied Line Loss</b>         | 4.895% | 1.732% | -1.239% | 3.427% | 5.326% | 6.012% | 3.967% | 3.662% |

c)

- i. Not confirmed; E.L.K. Energy received invoices from the host distributor for the years in question. E.L.K. Energy's review of actual customer consumption and actual cost of power billed indicates the invoices underbilled E.L.K. Energy for cost of power.
- ii. E.L.K. Energy cannot speak to how the unbilled cost of power amounts are reflected in the host distributor's financial circumstances, and thus cannot comment on whether the underbilled energy amounts represent a "loss" to the host distributor as described. E.L.K. Energy sought an adjustment from the host distributor relating to the underbilled amounts, and was not able to secure any such adjustment. As a result, E.L.K. Energy is effectively in possession of approximately \$3 million in ratepayer passthrough funds which have no corresponding expense. From a rates perspective, it is not appropriate for E.L.K. Energy to retain this amount, and as such E.L.K. Energy is seeking disposition of such funds back to ratepayers.

- 1 d) The undercharge does not have an impact on any other accounts sought for disposition  
2 outside of Accounts 1588 and 1589. The cost of power underbilling issue relates to 2017,  
3 2018 and 2019. None of the other dispositions sought relate to these years, with the  
4 exception of the Account 1550 Low Voltage Charges over the 2016 to 2020 period. The  
5 corrections sought to Account 1550 specifically relate to Low Voltage expenditures which  
6 were erroneously entered into Account 1588. Low Voltage charges from the host  
7 distributor are billed on a demand (kW) basis, as opposed to the consumption (kWh) basis  
8 relied upon for cost of power. E.L.K. Energy has no reason to believe the underbilling issue  
9 extended to demand billing determinants.
- 10 e) Please see below a table quantifying the cost of power expenses E.L.K. Energy estimates  
11 were unbilled. For clarity, as articulated on page 16 of E.L.K. Energy's IRM application the  
12 line loss / underbilling issue pertains to the years 2017, 2018 and 2019.

| Particular          | 2017             | 2018               | 2019             | Total              |
|---------------------|------------------|--------------------|------------------|--------------------|
| <b>Account 1588</b> | \$131,912        | \$396,452          | \$60,388         | \$588,752          |
| <b>Account 1589</b> | \$740,626        | \$1,226,795        | \$333,711        | \$2,301,132        |
| <b>Total</b>        | <b>\$872,538</b> | <b>\$1,623,247</b> | <b>\$394,099</b> | <b>\$2,889,884</b> |

- 14
- 15
- 16 f) Please see b) above for E.L.K. Energy's actual line losses for 2020 to 2023. Based on E.L.K.  
17 Energy's investigation, the underbilling issue did not persist into 2020. Cost of power  
18 purchases from the host distributor increased 25-fold from 2019 to 2020, and 50-fold from  
19 2018 to 2021, at which point purchases stabilized at an average of 44.4MWh per year from  
20 2021 to 2023. Actual line losses for 2020 and 2021 increased to typical levels. While 2022  
21 and 2023 line losses were lower than 2020 and 2021, E.L.K. Energy revised its line loss  
22 factor from 8.10% to 4.17% in its 2022 Cost of Service.
- 23 g) As noted on page 15 of E.L.K. Energy's IRM application, "The Review team completed  
24 extensive reperformance of the DVA accounts for the 2016-2023 period, using original  
25 source data and billing data." In the early phases of E.L.K. Energy's review, it was

1           determined the extent of errors in historical entries was too extensive to allow for discrete  
2           identification of individual errors and adjustment of existing account balances. Further, the  
3           errors discovered effectively compound one another (e.g. the interplay between an  
4           incorrect cost of power and incorrect billing determinants being used for settlement). The  
5           disaggregation of these issues was deemed not practical or feasible by the Review Team,  
6           leading to E.L.K. Energy completing a full reconstruction of the DVA Accounts sought for  
7           disposition.



# Tab 2D

## Immaterial Corrections to 1588/1589 Audited Balances

As described in E.L.K. Energy's evidence, the utility is seeking disposition of 1588 and 1589 balances for the years 2016 through 2023. In order to ascertain the appropriate amounts for disposition, E.L.K. Energy completed a detailed reconstruction of these accounts for the years in question utilizing direct source data, such as customer billing information and historical invoices.

In the process of answering interrogatories received, E.L.K. identified within its reconstruction immaterial formula errors, as shown and described in the table below:

**Table 1: Immaterial Corrections to 1588/1589 Audited Balances**

| Year       | Account 1588 | Account 1589 | Description                                                                                                                                                                                                                                                                                                                                                                |
|------------|--------------|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2020       | 39,150.13    | (39,150.13)  | A formula error inadvertently utilized the Non-RPP proportion of sales to allocate Global Adjustment costs to RPP customers, as opposed to the RPP proportion of sales. Reversal of this error shifts the amount shown from Account 1589 to 1588.                                                                                                                          |
| 2021       | (282.03)     |              | A formula error was discovered which produced incorrect sums in December of 2021 for true-up adjustments required to RPP amounts recorded in Account 1588. Correction of the error results in a slight credit to 1588.                                                                                                                                                     |
| 2022       | (8,804.28)   |              | Commodity costs for E.L.K. Energy's embedded distributor customer for the month of October 2022 were discovered to have been incorrectly calculated, utilizing incorrect costs and billing determinants to calculate commodity cost for the month in question. Correction of this error results in a small credit to Account 1588.                                         |
| 2022       | 4,539.65     |              | Changes noted above to the embedded distributor's commodity cost had the impact of altering the average commodity cost for E.L.K. Energy more broadly. Flowing this change through E.L.K. Energy's reconstruction of 1588 results in a small debit to 1588.                                                                                                                |
| 2022       | 551.91       |              | The same formula error identified above affecting December of 2021, impacted November and December of 2022. Correction of the error results in a slight debit to 1588.                                                                                                                                                                                                     |
| 2023       | 52,715.58    |              | A similar error to the October 2022 embedded distributor error was discovered affecting July 2023. In this instance, billing determinants and commodity cost were correct, however billing determinants were inadvertently entered as a negative rather than positive value. Transition of billing determinants to the correct positive value, results in a debit to 1588. |
| 2023       | (28,239.23)  |              | Changes noted above to the embedded distributor's commodity cost had the impact of altering the average commodity cost for E.L.K. Energy more broadly. Flowing this change through E.L.K. Energy's reconstruction of 1588 results in a credit to 1588.                                                                                                                     |
| NET IMPACT | 59,125.50    | (39,150.13)  |                                                                                                                                                                                                                                                                                                                                                                            |



E.L.K. Energy has conferred with its third-party auditor KPMG regarding the above noted corrections to the audited balances in Accounts 1588 and 1589. KPMG has confirmed to E.L.K. Energy that the amounts shown are below the audit materiality threshold, and has provided a letter to E.L.K. Energy describing its audit materiality thresholds, provided as an attachment to these interrogatory responses as ELK\_2025\_IRM\_IRR\_Att1\_KPMG-RE\_Materiality\_20250127. Though the 1588/1589 Audit submitted in evidence still stands on this basis, E.L.K. Energy has revised its request to incorporate the above-noted corrections into its DVA disposition request.

## **Subsequent Event: Embedded Distributor Billing**

In the process of preparing its reconstruction of DVA balances prior to submission of its 2025 IRM application, E.L.K. Energy discovered it had inadvertently failed to invoice its embedded distributor customer for a particular set of costs over the 2021 to 2023 period. On this discovery, E.L.K. Energy prepared an invoice for the embedded distributor customer for the 2021 to 2023 period, and issued such invoice October 8, 2024 ("ED Invoice 1"). The invoice issued had the result of generating new entries into most of the DVAs sought for disposition in this application, and E.L.K. Energy's October 28, 2024 application to the OEB included these entries within its DVA balances and disposition requests.

Subsequent to the submission of E.L.K. Energy's 2025 IRM application, the utility was contacted by the embedded distributor customer to discuss ED Invoice 1. Working with the embedded distributor customer, E.L.K. Energy has determined it is appropriate to revise ED Invoice 1, and issue a new invoice ("ED Invoice 2") which is reflective of both historical practice for the costs in question, and responsive to the specific asset-based circumstances on the ground.

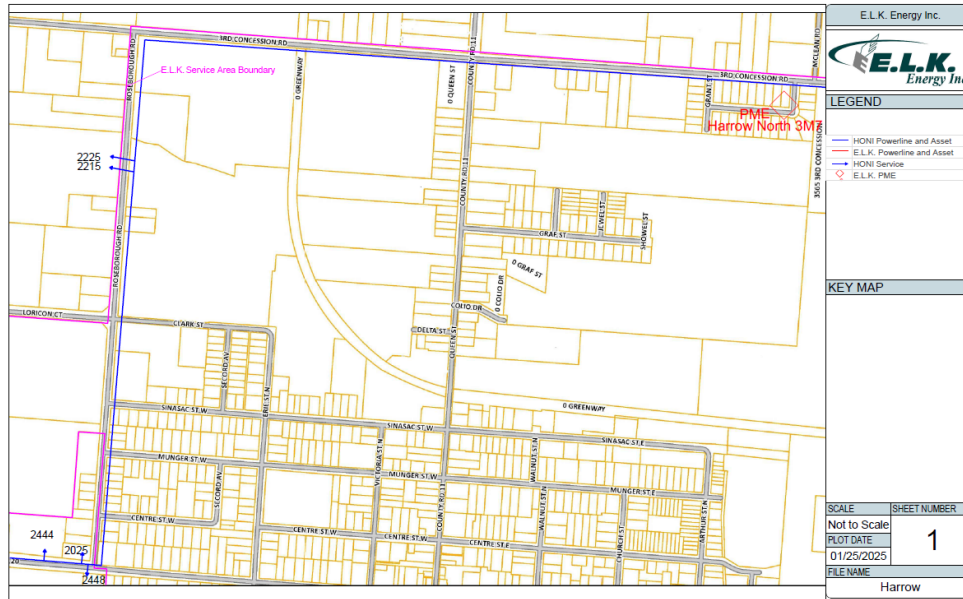
Specifically, the asset configuration in question does not resemble the traditional provision of service to an embedded distributor, and in recognition of this reality E.L.K. Energy has issued invoices in the past (i.e. pre-2021) on the basis of a Cost Netting arrangement. With some variation amongst the 4 locations in question (each of which are further described below), the common circumstance is embedded distributor assets connecting embedded distributor customers, in a location that is downstream of an E.L.K. Energy metering point. Under this arrangement, the embedded distributor assets and its customers are not physically served by the E.L.K. Energy system, however E.L.K. Energy does take on the role of providing electricity commodity and other upstream charges; administering these transactions as part of its distribution business.

In consultation with the embedded distributor customer, E.L.K. Energy has made adjustment to its DVA balances to reflect ED Invoice 2 as prepared on a Cost Netting basis. Under the historical Cost Netting arrangement, the embedded distributor provides customer count, consumption and demand values for the embedded distributor's customers downstream of the E.L.K. Energy meter, and E.L.K. Energy invoices the embedded distributor as though the embedded distributor customers were E.L.K. Energy customers, and subject to E.L.K. Energy rates. For clarity, the embedded distributor invoices its customers on the basis of its own tariff.

Below, E.L.K. Energy describes each of the 4 geographic locations in which this arrangement exists between itself and the embedded distributor.

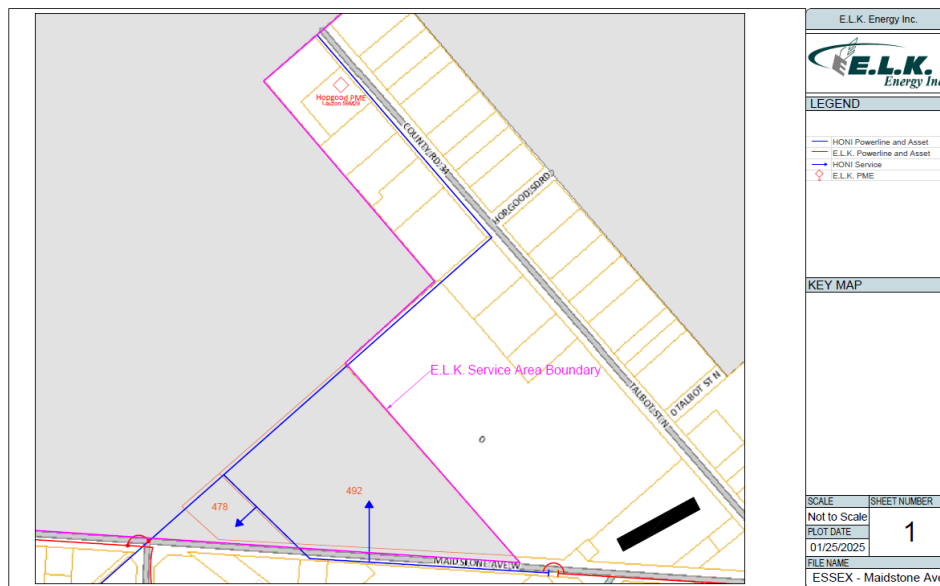
## 1 Harrow Cost Netting

2 The embedded distributor assets run along the boundary of E.L.K. Energy's service territory, serving 5  
3 customer premises. Metering is provided by E.L.K. Energy's Primary Metering Entrance ("PME") Harrow  
4 North 3M7.



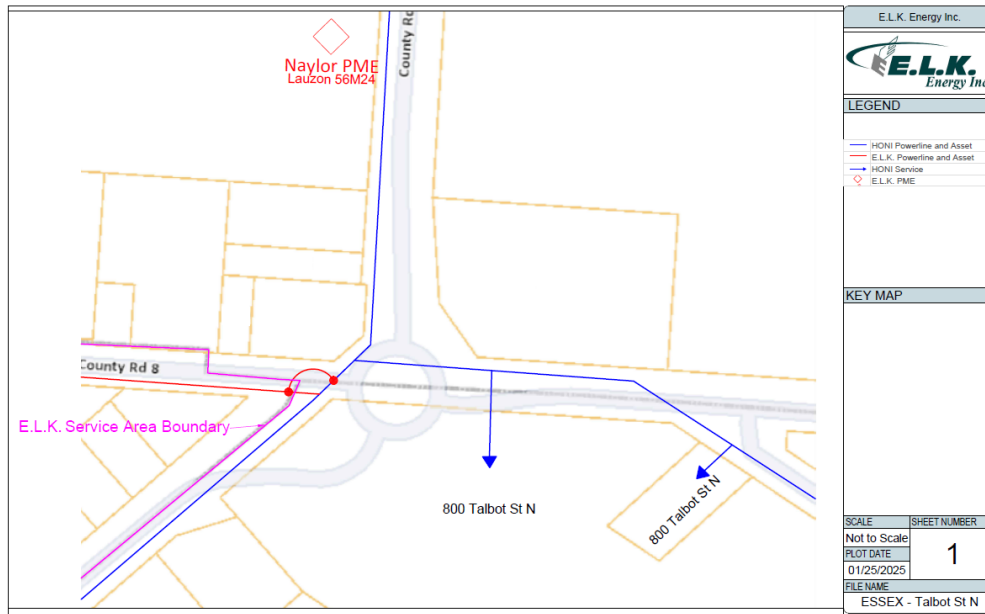
## 6 Maidstone Cost Netting

7 The embedded distributor assets run through E.L.K. Energy's service territory, before returning to the  
8 embedded distributor's service territory and serving 2 customer premises. Metering is provided by E.L.K.  
9 Energy's Hopgood PME.



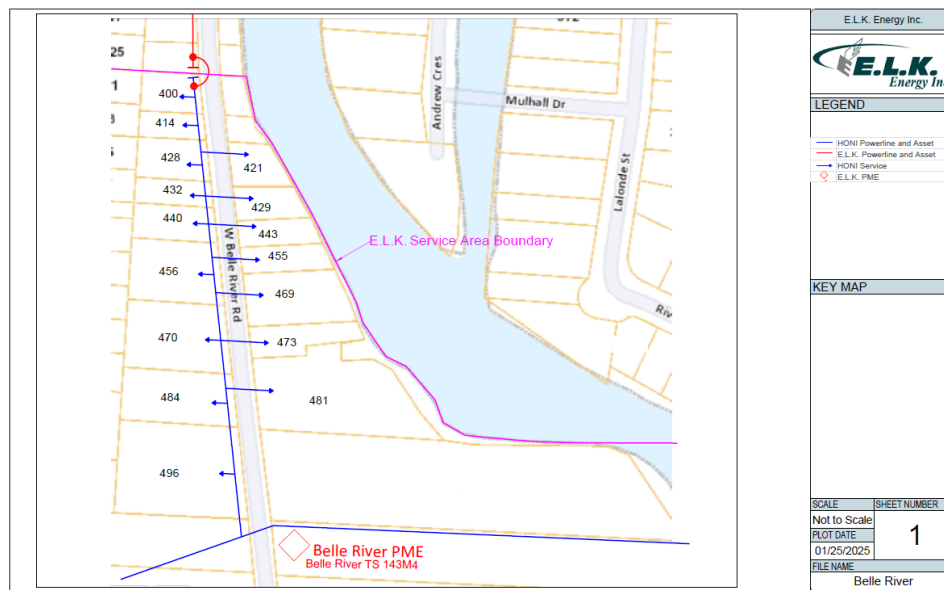
## 1 Talbot St N Cost Netting

2 The embedded distributor assets run outside of E.L.K. Energy's service territory, but provide a connection  
3 point for E.L.K. Energy assets, and serve 2 customer accounts. Metering is provided by E.L.K. Energy's  
4 Naylor PME.



## 6 Belle River Cost Netting

7 The embedded distributor assets are located just outside the borders of E.L.K. Energy's service territory,  
8 and serve 16 customer premises. Metering is provided by E.L.K. Energy's Belle River PME.



As noted above, implementation of the historical Cost Netting approach results in minor revisions to the majority of E.L.K. Energy's DVA balances sought for disposition in this proceeding. While the direct commodity and global adjustment changes between ED Invoice 1 and ED Invoice 2 are minimal, the incorporation of these changes required rebalancing as between 1588 and 1589. In aggregate, the transition to ED Invoice 2 in this revised evidence has the following impacts on Accounts 1588 and 1589:

**Table 2: Embedded Distributor Invoice Impact on 1588/1589**

| Year       | Account 1588 | Account 1589 |
|------------|--------------|--------------|
| 2021       | (6,598.90)   | 7,577.64     |
| 2022       | (1,107.77)   | 7,401.48     |
| 2023       | (27,216.24)  | (198.02)     |
| NET IMPACT | (34,922.91)  | 14,781.10    |

Given ED Invoice 1 was prepared as though the arrangement were a standard embedded distributor relationship, the transition to ED Invoice 2 had impacts on various other DVA balances sought for disposition in this proceeding. Table 3 below depicts the impact of this transition on Accounts 1550, 1551, 1580, 1584 and 1586:

**Table 3: Embedded Distributor Invoice Impact on 1550,1551,1580,1584 & 1586**

|      |             | 2021      | 2022      | 2023      | Total      |
|------|-------------|-----------|-----------|-----------|------------|
| 1550 | LOW VOLTAGE | -451.56   | -1,511.64 | -2,410.16 | -4,373.35  |
| 1551 | SME         | -164.16   | -138.00   | -116.84   | -419.00    |
| 1580 | WMS         | -74.96    | -72.00    | 297.06    | 150.10     |
| 1584 | NETWORK     | -2,995.06 | -5,386.29 | -7,835.36 | -16,216.71 |
| 1586 | CONNECTION  | -2,307.57 | -3,654.48 | -5,439.70 | -11,401.75 |

For clarity, as a subsequent event to the completion of KPMG's work on October 8, 2024, the impacts of implementing ED Invoice 2 has not been incorporated into the 1588/1589 Audit.

## Subsequent Event: Host Distributor Billing Revision

As noted, subsequent to the submission of its 2025 IRM application on October 28, 2024, E.L.K. Energy received revised invoices from its host distributor dating back to October of 2023. Table 4 below shows the impact of these revised invoices on Accounts 1550, 1584 and 1586 in 2023:

**Table 4: Host Distributor Invoice Impact on 1550, 1584 & 1586**

|      |             | 2023       |
|------|-------------|------------|
| 1550 | LOW VOLTAGE | -9,671.13  |
| 1584 | NETWORK     | -14,048.50 |
| 1586 | CONNECTION  | -4,571.36  |

## **Tab 2E**

## 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   |
| Account 1589 | \$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



1 collection of the underbilled cost of power of approximately \$2.8  
2 million from E.L.K. Energy or E.L.K. Energy's ratepayers at any  
3 point (i.e., the host distributor is writing off these amounts).  
4

5 **RESPONSE:**

6 a) E.L.K. Energy's understanding is on the basis of communications between previously-  
7 engaged Management Services Agreement ("MSA") staff and the host distributor. E.L.K.  
8 Energy has correspondence on this matter which confirmed that effective August 2020,  
9 billing was updated from the host distributor to E.L.K. Energy to reflect changes to the  
10 physical configuration of the system. Please see below this correspondence from April of  
11 2024 from the Host Distributor:  
12

13 In summary Hydro One changed the connection point of two embedded Distributed  
14 Generation Facilities ("DGs") to Kingsville TS. As a result of this configuration  
15 change ELK purchases more energy from HONI and less from the IESO. Retail  
16 Totalization Tables were reviewed and updated between E.L.K. and HONI to reflect  
17 this reconfiguration in the system.  
18

19 E.L.K. Energy's internal records indicate completion of the reconfiguration was planned for  
20 2016-2017. MSA staff are no longer engaged in support of E.L.K. Energy, however it is E.L.K.  
21 Energy's understanding from prior discussion with MSA staff that follow-up attempts with  
22 the host distributor were unsuccessful in securing agreement on the timing lag between  
23 physical reconfiguration of the system, and the corresponding billing adjustment.  
24

25 b) Per a) above, E.L.K. Energy does not have written confirmation from the host distributor of  
26 its intention not to bill E.L.K. Energy for unbilled consumption on a retroactive basis. E.L.K.  
27 Energy sent an email to Hydro One on May 2, 2025 attaching this interrogatory and  
28 requesting that Hydro One confirm OEB Staff's interrogatory. E.L.K. Energy will file  
29 correspondence with the OEB once Hydro One's response is received.  
30

## **Tab 2F**

## 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<br>Error<br>Correction<br>(Ref. 5) | ED Invoice<br>Impacts<br>(Ref. 6) | Total<br>Adjustments<br>(\$) | Formula<br>Error<br>Correction<br>(Ref. 5) | ED Invoice<br>Impacts<br>(Ref. 6) | Total<br>Adjustments<br>(\$) |

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

1

2 OEB staff notes discrepancies between the principal balances reported in the  
3 revised Rate Generator Model (RGM) and the KPMG audited balances for Accounts  
4 1588 and 1589, as summarized in Table 2.

5

6 **Table 2: Differences Between the KPMG Audited Principal Balances and RGM**  
7 **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) | <b>78,300</b>  | (3,115,263)               | (3,193,563) | <b>(78,300)</b> |
| 2021  | (3,030,497)               | (2,959,205) | <b>71,292</b>  | (3,569,166)               | (3,640,810) | <b>(71,644)</b> |
| 2022  | (3,204,047)               | (3,146,604) | <b>57,443</b>  | (2,923,103)               | (2,987,956) | <b>(64,853)</b> |
| 2023  | (3,163,925)               | (3,109,378) | <b>54,547</b>  | (2,807,992)               | (2,873,662) | <b>(65,670)</b> |

8

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

12

13 **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                                      | -                                            | <b>78,299</b>                           |
| 2021  | (4,185,219)                  | 3,966,527             | (218,692)         | (4,185,219)                        | 3,966,527             | (218,692)           | (211,684)                 |                          | (211,684)                                    | -                                            | <b>(7,008)</b>                          |
| 2022  | (2,701,510)                  | 2,836,403             | 134,893           | (2,701,510)                        | 2,836,403             | 134,893             | (173,550)                 | 322,292                  | 148,742                                      | -                                            | <b>(13,849)</b>                         |

:

|      |             |           |        |             |           |        |          |  |          |   |               |
|------|-------------|-----------|--------|-------------|-----------|--------|----------|--|----------|---|---------------|
| 2023 | (7,747,121) | 7,784,347 | 37,226 | (7,747,121) | 7,784,347 | 37,226 | (40,122) |  | (40,122) | - | <b>77,348</b> |
|      |             |           |        |             |           |        |          |  |          |   |               |

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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                       | 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)                                    | <b>(57,879)</b>                              | -                                         |
| 2017  | (249,587)                    | (299,027)             | (548,614)         | (548,614)                          | (36,821)              | (585,435)           | (548,614)                 |                          | (548,614)                                    | <b>36,821</b>                                | -                                         |
| 2018  | (343,677)                    | (596,822)             | (940,499)         | (940,499)                          | (850)                 | (941,349)           | (940,499)                 |                          | (940,499)                                    | <b>850</b>                                   | -                                         |
| 2019  | (294,448)                    | (42,666)              | (337,114)         | (337,114)                          | (11,587)              | (348,701)           | (337,114)                 |                          | (337,114)                                    | <b>11,587</b>                                | -                                         |
| 2020  | 2,380,336                    | (2,574,251)           | (193,915)         | (154,765)                          | (62,117)              | (216,882)           | (115,315)                 |                          | (115,315)                                    | <b>22,967</b>                                | <b>(78,600)</b>                           |
| 2021  | 2,210,977                    | (2,658,224)           | (447,247)         | (447,247)                          | 225,529               | (221,718)           | (453,903)                 |                          | (453,903)                                    | <b>(225,529)</b>                             | <b>6,656</b>                              |
| 2022  | 3,788,521                    | (2,385,216)           | 1,403,305         | (97,596)                           | 4,392                 | (93,204)            | 646,063                   | 750,450                  | 1,396,513                                    | <b>1,496,509</b>                             | <b>6,792</b>                              |
| 2023  | 10,384,703                   | (10,270,408)          | 114,295           | 114,294                            | (10,756)              | 103,538             | 115,111                   |                          | 115,111                                      | <b>10,757</b>                                | <b>(816)</b>                              |

4

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

8 Page 5 of Ref 9 states the following:

9 Input the Net Change in Principal Balance in the General Ledger. This should  
10 equal the GA transactions recorded in Account 1589 for the year.

- 11 • Do not include dispositions in this amount.
- 12 • Do not include principal adjustments in this amount as that will
- 13 be shown in the "Principal Adjustments" column in the Deferral
- 14 and Variance Accounts (DVA) Continuity Schedule.
- 15 • This amount should agree to the "Transactions Debit/(Credit)"
- 16 column shown in the DVA Continuity Schedule.

17

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

22

23

24

**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:

- **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**

| YEARS             | 1588                                                     |                                                                         |                        | 1589                                                     |                                                                         |                        |
|-------------------|----------------------------------------------------------|-------------------------------------------------------------------------|------------------------|----------------------------------------------------------|-------------------------------------------------------------------------|------------------------|
|                   | 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)               |
| <b>Net Impact</b> | <b>59,631.73</b>                                         | <b>(11,493.22)</b>                                                      | <b>48,138.51</b>       | <b>(39,150.13)</b>                                       | <b>12,630.55</b>                                                        | <b>(26,519.58)</b>     |

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

| YEARS | 1588                  |                                |                                                          |                                                        |                  | 1589                  |                                |                                                          |                                                        |                  |
|-------|-----------------------|--------------------------------|----------------------------------------------------------|--------------------------------------------------------|------------------|-----------------------|--------------------------------|----------------------------------------------------------|--------------------------------------------------------|------------------|
|       | 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**

| Years | Ref. 2: Continuity Schedule  |                       |                   | Ref. 7 and 8: GA Analysis Workform |                       |                               | Ref. 1: KPMG Audit Report |                          |                                              | Variances (\$)                              |                                            | Single Year Adjustments Made Post KPMG Audit per Table 1 |
|-------|------------------------------|-----------------------|-------------------|------------------------------------|-----------------------|-------------------------------|---------------------------|--------------------------|----------------------------------------------|---------------------------------------------|--------------------------------------------|----------------------------------------------------------|
|       | 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 |                                                          |
| 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                                                   |



**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 (\$)                              |                                                 | Single Year Adjustments Made Post KPMG Audit per Table 1 |
|-------|------------------------------|-----------------------|-------------------|--------------------------------------|----------------------------------|--------------------------------|----------------------------------------------|---------------------|---------------------------|--------------------------|---------------------------------------------|---------------------------------------------|-------------------------------------------------|----------------------------------------------------------|
|       | 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 |                                                          |
| 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)                                                    |

- 1
- 2 b) Please see a) above.
- 3 c) Please find attached an updated IRM Model and GA Analysis Workform, as well as an  
4 update to a previous supporting attachment to Staff-11, filed as ELK\_Staff\_Sup-1\_Att 1 –  
5 1588-1589 Adjustments 20250502.
- 6 d) Please see a) above. The total impacts of adjustments made to each account subsequent  
7 to KPMG's audit are below the applicable materiality thresholds for all years per KPMG's  
8 letter dated January 27, 2025, provided as Attachment 1 to E.L.K. Energy's interrogatory  
9 responses.
- 10 e) The variances shown between the sum of principal transactions and adjustments ("Net  
11 Activities") in the DVA Continuity Schedule and the sum of all adjustments in the GA  
12 Analysis Workform are appropriate and remain in the updated IRM Model and GA Analysis  
13 Workform submitted with these supplemental interrogatory responses. As articulated in  
14 E.L.K. Energy's pre-filed evidence, the adjustments to Accounts 1588 and 1589 were  
15 completed by way of a full reconstruction of entries and balances in these accounts from  
16 2016 through 2023, as the interrelated nature of errors in the original entries were such  
17 that correcting the balances through the sum of individual error corrections was not  
18 practically possible. This process resulted in the precise calculation of variances owed to  
19 ratepayers as debits or credits for each year and each account, as the reconstructed entries  
20 and balances have the full benefit of hindsight and actuals, allowing for the determination  
21 of the differences between actual amounts charged to E.L.K. Energy by Hydro One and the  
22 IESO, and actual amounts paid by customers in rates. The variances between closing  
23 balances historically booked and what closing balances should be were booked as principal  
24 adjustments, and are incorporated into the closing balances shown in both the DVA  
25 Continuity Schedule and the GA Analysis Workform.
- 26
- 27 In order to reconstruct the balances in Accounts 1588 and 1589 E.L.K. Energy required  
28 detailed allocations of consumption across categories not available to E.L.K. Energy within  
29 historical data; namely the effective month in which consumption took place, as opposed

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

11  
12 In addition to the Purchase Price Variance and Sales Price Variance, E.L.K. Energy booked  
13 three additional adjustments which do not require adjustment to the 1589 principal  
14 balance:

- 15 • **2016 Jan billed at Dec Est:** January 2016 billing determinants are  
16 established through an allocation of billing determinants based on  
17 purchases in the month. The January purchases were however skewed  
18 because they relied on the December 2015 Actual GA rate instead of Jan  
19 2016 Est GA rate. The Impact of this is to overstate GA Billed at Actual. To  
20 make the GL comparable to GA Billed at Actual, this adjustment is required.
- 21 • **2020 COVID:** This adjustment relates to rate measures put in place during  
22 2020 as a result of the COVID-19 pandemic. The impact of these measures  
23 is not reflected in the GA rate, so the adjustment is required to make the  
24 GL comparable to GA Billed at Actual. E.L.K. Energy's treatment of this  
25 adjustment in the GA Analysis Workform is comparable to that of other  
26 applications reviewed by E.L.K.
- 27 • **2021 GA Recovery:** In 2021 a GA Recovery Rate was established to record  
28 foregone GA revenues from 2020. As per the above, this is not reflected in  
29 the GA rate, so the adjustment is required to make the GL comparable to

- 1 GA Billed at Actual. E.L.K. Energy's treatment of this adjustment in the GA  
2 Analysis Workform is comparable to that of other applications reviewed by  
3 E.L.K.  
4
- 5 f) E.L.K. Energy is unable to itemize its explanation of the Account 1588 variances from 2019  
6 through 2021. As described in e) above, E.L.K. Energy's billing determinants used for the  
7 purpose of allocation were inferred from purchase data, and are expected to contain minor  
8 variances as a result. In the case of 1588, E.L.K. Energy is not able to make non-principal  
9 adjusting adjustments to 1588 values which would otherwise allow for an appropriate  
10 comparison as is the case for Account 1589 in the "GA" tabs.

# Tab 2G

**Colm Boyle**  
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cboyle@blg.com

**John Vellone**  
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**File No. 17001.13**

May 30, 2025

**BY EMAIL and 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. (“E.L.K. Energy”) Application for 2025 Distribution Rates (EB-2024-0015)**

On May 16, 2025, the Ontario Energy Board (“OEB”) issued Procedural Order No. 4 suspending the procedural schedule in EB-2024-0015 for 2 weeks to provide E.L.K. Energy an opportunity to attempt to obtain more information from Hydro One Networks Inc. (“HONI”) in respect to interrogatory question Staff-9b. The OEB directed E.L.K. Energy to file any information that it received from HONI with respect to the unbilled electricity issue by May 30, 2025.

Attached at Appendix A to this letter is the response received from HONI.

Upon reviewing the response from HONI, it appears now that the billing system updates that occurred in August 2020 to reflect changes to the physical system configuration did not cause the apparent cost of power underbilling to its host distributor. E.L.K. Energy is investigating alternative explanations to reconcile Accounts 1588 and 1589 for the years 2017 through 2019 regarding the unbilled electricity of 28 MWh.

E.L.K. Energy is continuing to investigate this issue and is therefore requesting that the OEB hold the proceeding in abeyance pending the results of this further investigation. It is too early for E.L.K. Energy to commit to a date but will file the results of this investigation once they become available. E.L.K. Energy may request recommencement of this proceeding at that time.

Yours truly,

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

Colm Boyle

---

**From:** CURRIE J. Brent <[J.Brent.Currie@HydroOne.com](mailto:J.Brent.Currie@HydroOne.com)>

**Sent:** Wednesday, May 28, 2025 4:09 PM

**To:** Kayla Lucier <[klucier@elkenenergy.com](mailto:klucier@elkenenergy.com)>

**Cc:** HYDRO ONE TxDx <[TxDx.HydroOne@HydroOne.com](mailto:TxDx.HydroOne@HydroOne.com)>; NIJJAR Jaspreet <[Jaspreet.NIJJAR@HydroOne.com](mailto:Jaspreet.NIJJAR@HydroOne.com)>; ATKINSON Meghan <[meghan.atkinson@HydroOne.com](mailto:meghan.atkinson@HydroOne.com)>; SHETH Nikita <[nikita.sheth@HydroOne.com](mailto:nikita.sheth@HydroOne.com)>; AKSEL RUD Uri <[Uri.Akselrud@HydroOne.com](mailto:Uri.Akselrud@HydroOne.com)>; Farooq Hyder <[fhyder@elkenenergy.com](mailto:fhyder@elkenenergy.com)>

**Subject:** Re: E.L.K. Energy Inc. Request

**EXTERNAL EMAIL**

Good Afternoon Kayla,

Please find Hydro One's response that to EB-2024-0015 E.L.K Staff Supplemental Interrogatories attached, and in response to Procedural Order Number 4.

With reference to Hydro One to E.L.K. Energy billing for the years 2017, 2018, and 2019, Hydro One is not aware of:

1. Inbound communication from E.L.K. Energy to Hydro One, in summer 2024 regarding commodity charges (Hourly Ontario Energy Price and Global Adjustment) underbilling.
2. Outbound communication from Hydro One to E.L.K. Energy, in summer 2024 stating that Hydro One does not intend to perform billing adjustment or revised invoice or any other remedy for the electricity supplied from HONI.

On March 11, 2024, Hydro One received a request from E.L.K. Energy staff to provide a copy of Hydro One invoices from January 2016 to December 2021 and provide explanation for *"kWh purchased from Hydro One from E.L.K. at the embedded Kingsville TS supply point increased substantially in Aug/2020 (see chart below). Could you please advise on the driver of this increase?"*. Hydro One provided the requested invoices on March 25, 2024, and followed up on April 3, 2024 with an explanation regarding the reason for the change in kWh purchased from Hydro One, starting 2020.

No further follow-up or communication was received from E.L.K. Energy on this matter.

Hydro One re-configured the connection points of two embedded distributed generation facilities to Kingsville TS in the summer of 2020, and not in 2017 as noted by ELK, at which point the billing was adjusted accordingly. Therefore, there is no unbilled amount to be recovered by Hydro One from ELK Energy for the 2017-2019 period.

Please feel free to contact us if you need any further support in this matter.

Thanks,

**J. Brent Currie**

**Hydro One Networks Inc.**

Tx. Account Executive

Key Accounts Management

Cell: (226) 280-1030

Email: [J.Brent.Currie@hydroone.com](mailto:J.Brent.Currie@hydroone.com)

---

**From:** CURRIE J. Brent <[J.Brent.Currie@HydroOne.com](mailto:J.Brent.Currie@HydroOne.com)>

**Sent:** Friday, May 16, 2025 1:27 PM

**To:** Kayla Lucier <[klucier@elkenenergy.com](mailto:klucier@elkenenergy.com)>

**Cc:** HYDRO ONE TxDx <[TxDx.HydroOne@HydroOne.com](mailto:TxDx.HydroOne@HydroOne.com)>; NIJJAR Jaspreet <[Jaspreet.NIJJAR@HydroOne.com](mailto:Jaspreet.NIJJAR@HydroOne.com)>; ATKINSON Meghan <[meghan.atkinson@HydroOne.com](mailto:meghan.atkinson@HydroOne.com)>; Farooq Hyder <[fhyder@elkenenergy.com](mailto:fhyder@elkenenergy.com)>

**Subject:** Re: E.L.K. Energy Inc. Request

Good Afternoon Kayla,

I hope this email finds you well. Please find the response below from Hydro One in response to the attached Supplemental Staff notice.

*With reference to Hydro One to E.L.K. Energy billing for the years 2017, 2018, and 2019, Hydro One is not aware of:*

1. *Inbound communication from E.L.K. Energy to Hydro One, in summer 2024 regarding commodity charges (Hourly Ontario Energy Price and Global Adjustment) underbilling.*
2. *Outbound communication from Hydro One to E.L.K. Energy, in summer 2024 stating that Hydro One does not intend to perform billing adjustment or revised invoice or any other remedy for the electricity supplied from HONI.*

*On March 11, 2024, Hydro One received a request from E.L.K. Energy staff to provide a copy of Hydro One invoices from January 2016 to December 2021. Hydro One provided requested invoices on March 25, 2024. No further follow-up or communication was received from E.L.K. Energy on this matter.*

If you are you have any questions or concerns, I can arrange a meeting to discuss when you return from your vacation.

Thanks,



**J. Brent Currie**

**Hydro One Networks Inc.**

Tx. Account Executive

Key Accounts Management

Cell: (226) 280-1030

Email: [J.Brent.Currie@hydroone.com](mailto:J.Brent.Currie@hydroone.com)

---

**From:** Kayla Lucier <[klucier@elkenenergy.com](mailto:klucier@elkenenergy.com)>

**Sent:** Tuesday, May 13, 2025 5:53 PM

**To:** CURRIE J. Brent <[J.Brent.Currie@HydroOne.com](mailto:J.Brent.Currie@HydroOne.com)>

**Cc:** HYDRO ONE TxDx <[TxDx.HydroOne@HydroOne.com](mailto:TxDx.HydroOne@HydroOne.com)>; NIJJAR Jaspreet <[Jaspreet.NIJJAR@HydroOne.com](mailto:Jaspreet.NIJJAR@HydroOne.com)>

**Subject:** RE: E.L.K. Energy Inc. Request

**\*\*\* Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. \*\*\***

Hi Brent,

Here is the response below from the E.L.K. team:

*HONI is the party referred to as the “host distributor”. ELK recognizes that HONI is not a formal host distributor under the HONI-ELK arrangement in question, but in fact operates under an agreed upon net load billing arrangement. While the term “host distributor” is used incorrectly on the record of EB-2024-0015 in reference to HONI, the specifics of the question are not impacted by this designation, as the issue relates to commodity and GA charges and not distribution charges. We ask that HONI provide an answer on the understanding that the “host distributor” referred to is HONI, but welcome HONI providing clarity on the specifics of the HONI-ELK relationship if desired.*

Any further questions, please let me know.

Thanks,

*Kayla Lucier*

Supervisor, Finance & Regulatory

E.L.K. Energy Inc.

519-776-5291 x204

[klucier@elkenenergy.com](mailto:klucier@elkenenergy.com)

---

**From:** CURRIE J. Brent <[J.Brent.Currie@HydroOne.com](mailto:J.Brent.Currie@HydroOne.com)>

**Sent:** Friday, May 9, 2025 2:22 PM

**To:** Kayla Lucier <[klucier@elkenenergy.com](mailto:klucier@elkenenergy.com)>

**Cc:** HYDRO ONE TxDx <[TxDx.HydroOne@HydroOne.com](mailto:TxDx.HydroOne@HydroOne.com)>; NIJJAR Jaspreet <[Jaspreet.NIJJAR@HydroOne.com](mailto:Jaspreet.NIJJAR@HydroOne.com)>

**Subject:** Re: E.L.K. Energy Inc. Request

## EXTERNAL EMAIL

Kayla,

Hydro One ("HONI") has read and reviewed the Supplemental Staff-9 and has some clarifying questions before we can provide a formal response to your inquiry. As per HONI records E.L.K. is an embedded wholesale market participant, that pays kWh energy charges to the IESO for most of your supply points. In contrast HONI bills E.L.K, kWh energy charges, only for electricity supplied from HONI embedded generators at Kingsville TS (see rows 101 to 111 in the attached Retail Totalization Table tab "501610163SP" for details).

Can you please help clarify who is being referred to as a host distributor for the purpose of this Interrogatory?

Thanks,

**J. Brent Currie**

**Hydro One Networks Inc.**

Tx. Account Executive

Key Accounts Management

Cell: (226) 280-1030

Email: [J.Brent.Currie@hydroone.com](mailto:J.Brent.Currie@hydroone.com)

---

**From:** Kayla Lucier <[klucier@elkenenergy.com](mailto:klucier@elkenenergy.com)>  
**Sent:** Friday, May 9, 2025 10:13 AM  
**To:** CURRIE J. Brent <[J.Brent.Currie@HydroOne.com](mailto:J.Brent.Currie@HydroOne.com)>  
**Subject:** RE: E.L.K. Energy Inc. Request

\*\*\* Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. \*\*\*

Hi Brent,

Could you please provide an update on your response to the below enquiry. In our proceeding, OEB Staff have noted they have a Submission deadline of May 16<sup>th</sup>.

Thanks,

*Kayla Lucier*  
Supervisor, Finance & Regulatory  
E.L.K. Energy Inc.  
519-776-5291 x204  
[klucier@elkenenergy.com](mailto:klucier@elkenenergy.com)

---

**From:** Kayla Lucier  
**Sent:** Friday, May 2, 2025 12:09 PM  
**To:** CURRIE J. Brent <[J.Brent.Currie@HydroOne.com](mailto:J.Brent.Currie@HydroOne.com)>  
**Subject:** E.L.K. Energy Inc. Request  
**Importance:** High

Hi Brent,

Please see Supplemental Staff-9(b) attached. Could you advise the date as to when HONI will be able to provide a response to E.L.K.?

Thank you,

*Kayla Lucier*

Supervisor, Finance & Regulatory

E.L.K. Energy Inc.

519-776-5291 x204

[klucier@elkenenergy.com](mailto:klucier@elkenenergy.com)

**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   |
| Account 1589 | \$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 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).

## **Tab 2H**

**Colm Boyle**  
T: 416-367-7273  
cboyle@blg.com

**John Vellone**  
T: 416-367-6730  
jvellone@blg.com

Borden Ladner Gervais LLP  
Bay Adelaide Centre, East Tower  
22 Adelaide Street West  
Toronto ON M5H 4E3  
Canada  
T 416-367-6000  
F 416-367-6749  
blg.com



**File No. 17001.13**

June 16, 2025

**BY EMAIL and 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. ("E.L.K. Energy") Application for 2025 Distribution Rates (EB-2024-0015)**

On June 3, 2025, the Ontario Energy Board ("**OEB**") issued a letter granting E.L.K. Energy's request to hold the proceeding in abeyance until the filing of E.L.K. Energy's results of its investigation into the discrepancies in Accounts 1588 and 1589 for the years 2017 to 2019. E.L.K. Energy has advanced its investigation but as of yet remains unable to reconcile the discrepancies, and is now reaching out to the IESO for their assistance in resolving the issue.

E.L.K. Energy is proposing that the OEB bifurcate this proceeding, to separate out Accounts 1588 and 1589, as a means of allowing the remainder of the application to be adjudicated by the OEB. However, it is unclear how long engagement with the IESO will take and E.L.K. Energy will commit to providing the OEB with an update on or before July 31, 2025.

Yours truly,

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

Colm Boyle

## **Tab 2I**



John Vellone  
416.367.6730  
jvellone@blg.com

Borden Ladner Gervais LLP  
Bay Adelaide Centre, East Tower  
22 Adelaide Street West  
Toronto, ON, Canada M5H 4E3  
T 416.367.6000  
F 416.367.6749  
blg.com



July 31, 2025

**BY EMAIL AND RESS**

Mr. Ritchie Murray  
Acting Registrar  
Ontario Energy Board  
2300 Yonge Street, 27th Floor  
P.O. Box 2319  
Toronto, ON M4P 1E4

**Re: E.L.K. Energy Inc. Application for 2025 Distribution Rates (EB-2024-0015)**

Dear Mr. Murray

We are writing to pursuant to Procedural Order No. 5 in the above noted matter to provide an update on the investigations undertaken by E.L.K. Energy Inc. into the potential cause of the apparent unbilled cost of power reflected in Accounts 1588 and 1589 in the years 2017 through 2019.

The balances in Accounts 1588 and 1589 were investigated by the Review Team and were the subject of a detailed reconciliation prior to the filing of the Application, as noted at paragraph 35 of the Application.

Following that reconciliation, the balances in Accounts 1588 and 1589 were audited by KPMG, which audit is attached as Attachment C to the Application.

E.L.K. Energy further noted a series of corrections to the 1588 and 1589 audited balances as part of its IR responses filed January 27, 2025.

In our correspondence dated May 30, 2025 we included correspondence from HONI dated May 28, 2025. In that response, HONI stated “*Therefore, there is no unbilled amount to be recovered by Hydro One from ELK Energy for the 2017-2019 period.*” In our view, this is directly responsive to the inquiry included in Supplemental Staff-9.

As was also explained in our letter dated May 30, 2025, based on our review of the response from HONI it appears that the billing system update that occurred in August 2020 to reflect changes to the physical system configuration did not cause the apparent cost of power underbilling. As a consequence, E.L.K. Energy sought permission from the OEB to hold the proceeding in abeyance until additional investigations could be completed.

Over the last two months, E.L.K. Energy has completed detailed additional internal investigation and engaged directly HONI, the IESO and with E.L.K. Energy's Metering Service Provider (MSP) all on a without prejudice basis. E.L.K. Energy is appreciative of the support of all involved.

The IESO explained:

*"IESO Settlements confirms that the wholesale metering installations associated with E.L.K. Energy's facility are correctly registered. The meter points location ensures that all energy conveyed in and out is accurately measured and allocated and loss adjusted to the appropriate delivery points for the determination of the settlement amounts."*

The investigations did not uncover any error in the balance requested for disposition in Account 1550. The investigations also did not uncover any error in the balances requested for disposition in Accounts 1588 and 1589.

As a consequence, E.L.K. Energy proposes to end its investigation and to resume the proceeding as it relates to Accounts 1588 and 1589 (and Account 1550 if OEB Staff's submission to defer disposition, which was supported by E.L.K. Energy, was accepted by the Commissioners).

Specifically, E.L.K. Energy requests permission to continue the proceeding as it relates to E.L.K. Energy's requests for:

- a. An Order disposing of Accounts 1588 and Accounts 1589 balances for the 2016-2023 years to the benefit of customers, with a disposition period of not less than four years (which is needed to preserve the ongoing financial viability of E.L.K. Energy);
- b. an Order disposing of Account 1550 to the benefit of E.L.K. Energy Inc. - this amount is directly related to the balances that are proposed to be returned to customers in Accounts 1588 and 1589 over the same period<sup>1</sup>; and
- c. an Order 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 (paragraph 36 of the Application). Yours truly,

**BORDEN LADNER GERVAIS LLP**



John Vellone

JV

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<sup>1</sup> See the Application at Paragraph 46.

## **Tab 2J**

## RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES

### INTERROGATORY SEC-2

[p.14] Please provide the following information, for each of the four errors (paragraphs 25 a through d):

- i. For each account, the amounts sought for recovery/refund by rate class, broken down by principal, interest, and total amount.
- ii. Bill impacts by rate class.

### RESPONSE:

- i. Please see the tables below.

#### Error #1: Related to Accounts 1588 & 1589 from 2016 to 2023

| Group 1 Accounts - Description | Account Number | Closing Principal Balances as of Dec 31, 2022 Adjusted for Disposition during 2024 | Total Interest | Total Claim |
|--------------------------------|----------------|------------------------------------------------------------------------------------|----------------|-------------|
| RSVA - Power                   | 1588           | (3,109,378)                                                                        | (501,801)      | (3,611,179) |
| RSVA - Global Adjustment       | 1589           | (2,873,662)                                                                        | (611,344)      | (3,485,006) |
| Total                          |                | (5,983,040)                                                                        | (1,113,145)    | (7,096,185) |

| Allocation By Class      | 1588        | 1589        |
|--------------------------|-------------|-------------|
| Residential              | (1,501,932) | (81,037)    |
| General Less Than 50 Kw  | (448,883)   | (321,739)   |
| General 50 To 4,999 Kw   | (897,257)   | (3,006,529) |
| Unmetered Scattered Load | (3,875)     | (5,912)     |
| Sentinel Lighting        | (2,129)     | (1,785)     |
| Street Lighting          | (18,493)    | (68,003)    |
| Embedded Distributor     | (738,611)   | 0           |
| Total                    | (3,611,179) | (3,485,005) |

**RESPONSES TO SCHOOL ENERGY COALITION INTERROGATORIES**

**INTERROGATORY SEC-3**

[p.14] With respect to errors a and b, please provide a copy of all memorandums, reports, or similar documents prepared by the Review Team (or other employees of or working for E.L.K. or MSA Staff) that outlined its specific findings and/or conclusions regarding the causes of the errors and recommendations regarding how to ensure similar errors do not occur in the future.

**RESPONSE:**

Please see SEC-3 Att 1 – Special Report to BoD. Minor redactions have been made to this report on the basis of relevance.

DEPARTMENT: MSA Regulatory, Finance & Customer Service Teams

DATE: June 19, 2024

PREPARED BY: MSA Staff

REPORT NUMBER: Special Report

SUBJECT: E.L.K. IESO Settlement Process & Regulatory Accounting

### PURPOSE

To provide the Board of Directors with an update and recommendations on the E.L.K. Independent Electricity System Operator (IESO) settlement processes and associated regulatory accounting.

### **(1) Section 1: Background on The Ontario IESO Monthly Settlement Process**

Since Ontario electricity industry Market Opening in 2002, the electricity distribution business has become increasingly complex, as has the monthly settlement process between LDCs and the Independent Electricity System Operator (IESO). LDCs must settle monthly with the IESO for the purchase and sale of electricity, as well as other electricity programs and rebates. Required submissions include customer consumption and pricing on Regulated Price Plan (Time-of-Use (TOU), Tiered Price, Ultra Low Overnight (ULO), Embedded Generation and Class A, Feed In Tariff (FIT), Ontario Energy Rebate (OER) and the Ontario Electricity Support Program (OESP). Further, other unique short-term programs sometimes arise, such as the special one-time pricing programs created by the Ontario government during the pandemic.

LDCs are required to submit settlement claims with the necessary backup data including all of the inputs around estimated sales, purchases, IESO-designated pricing, customer generation and any true-ups from prior months. The data is submitted through the IESO's electronic portal by the 4<sup>th</sup> business day of each month. Assembling and verifying this information involves the LDC running numerous reports and queries from the LDC's billing system, metering system and other sources. All of this information feeds into manual calculations performed in Excel that determine the end settlement claim being submitted.

The LDC settlement submission feeds into the IESO system which then provides detailed settlement statements to LDCs, breaking down electricity consumed, supply received, market charges, and adjustments. LDCs review these statements, make payments or

receive credits, and typically address any discrepancies through further verification and adjustments.

For an LDC, IESO electricity transactions are pass-through costs and neither a profit nor a loss is to occur (as LDCs earn profit only on distribution). Accordingly, volume and price differences for purchases and sales related to electricity transactions are captured by the LDC in Deferral and Variance Accounts (DVAs), which can be an asset or a liability. After an external audit, these DVAs are then typically submitted annually to the OEB in rate applications for true-up (disposition). During the rate application process, the OEB then conducts its own reasonability assessment on the DVAs by posing detailed clarifying questions to the applicant, on a year-by-year balance basis. If approved by the OEB for disposition, a rate rider is then established to charge (or refund) ratepayers for the DVA balances (typically over a one-year period).

In 2018, the OEB commenced an initiative to standardize LDC DVA regulatory accounting processes. In Feb 2019, the OEB issued Accounting Guidance Related to Commodity Pass-Through Accounts. In June 2024, the OEB issued amendments to this guidance in preparation for the upcoming launch of the IESO Market Renewal Project (MRP) in 2025. The Electricity Distributors Association (EDA) noted the importance of the OEB's revised Accounting Guidance and stressed the importance of the document and the importance of LDCs working with their billing and settlement vendors to prepare for the upcoming 2025 changes.

MRP market trials begin in Jul/24 and end-to-end testing is slated to commence in Jan/25 with a go-live of May/25. MRP will require all LDCs to make process changes.

The OEB Accounting Guidance Related to Pass-Through Accounts is a critical requirement. Nevertheless, no two of the current 57 LDCs in Ontario have the same methodology for settling with the IESO. Variations occur for some of the following reasons:

- Each LDC may bill on different allowable IESO Global Adjustment billing options (e.g. Actual, First Estimate or Second Estimate).
- Some LDCs employ an Operational Data Store (ODS) and electronic meter settlement system (e.g. Utilismart or Kinetiq), and some do not.
- Each LDC may have a different brand of billing system (e.g. Northstar, Daphron or SAP), or even a different version of the same billing system (e.g. LDCs may run different versions of Northstar, including with different configurations)
- Each LDC may have a different metering system (e.g. smart meters such as Honeywell / Elster, iTron or Tantalus and various models of electromechanical meters) and may also employ a metering service provider such as Peterborough Utilities

A small-to-mid-sized LDC may have a handful of industry-experienced internal resources with regulatory accounting and billing mastery over these systems and processes. When recent industry retirement and turnover trends are added to the equation, the conditions

are present for challenges. Accordingly, IESO settlement issues (and associated DVA regulatory accounting issues) continue to occur regularly across different LDCs in the industry. The root of industry DVA accounting issues is often problems within the LDC's IESO settlement process.

An example of such an industry settlement and DVA regulatory accounting issue recently occurred regarding Hydro One's Peterborough rate zone. In an earlier rate application decision, the OEB found that an audit of Peterborough Distribution's 2017 balances in Accounts 1588 and 1589 was necessary. When Hydro One acquired Peterborough Distribution in 2020, it did not acquire the billing system. Hydro One indicated that an audit would not likely result in reconciling the Accounts 1588 and 1589 balances. Accordingly, the OEB ordered a 30% adjustment in the DVAs payable to ratepayers, to insulate them and provide a reasonable buffer against the risk of error. It was noted that this 30% adjustment was consistent with a 2022 OEB decision regarding Group 2 DVA accounts related to the Hydro One acquisitions of Norfolk Power, Haldimand County Hydro and Woodstock Hydro.

Note that since the E.L.K. distribution system is, in part, embedded within the Hydro One distribution system, E.L.K. must also perform DVA regulatory accounting for Hydro One invoices.

## **(2) Section 2: Background on the E.L.K. IESO Settlement Process and DVA Regulatory Accounting**

The E.L.K. IESO settlement and regulatory accounting functions were under-resourced for many years and significant turnover has occurred amongst associated staff. Accordingly, E.L.K. has experienced DVA regulatory accounting issues in OEB regulatory proceedings.

### **Review and Adjustment of DVA Accounts 1588 (Cost of Power) and 1589 (Global Adjustment)**

E.L.K. regulatory accounting issues were first recognized in an OEB proceeding in the aborted 2017 E.L.K. Cost of Service (EB-2016-0066), wherein E.L.K. agreed to undertake a First Special Regulatory Audit to ensure that E.L.K. had the proper accounting procedures and practices. This audit included specific review of DVA Accounts 1588 and 1589 for 2015. E.L.K. filed the First Special KPMG Regulatory Audit Report with the OEB in February 2022 and then successfully disposed of DVA Accounts 1588 and 1589 for only 2015 in the Settlement Proposal ultimately approved by the OEB in the E.L.K. 2022 Cost of Service (EB-2021-0016).

In the approved Settlement Proposal from the E.L.K. 2022 Cost of Service (EB-2021-0016), E.L.K. committed to a second special regulatory audit, covering DVA Accounts 1588 and 1589 for the period 2016-2021. The OEB has granted E.L.K. multiple extensions for the completion of this Second Special KPMG Regulatory Audit.



After the Management Services Agreement (MSA) was signed in 2023, MSA staff undertook discussions with E.L.K. staff to determine the status of the Second Special KPMG Regulatory Audit. These discussions revealed significant turnover in the E.L.K. regulatory accounting function, particularly between 2021 and 2023. A high-level review of E.L.K. DVA Accounts 1588 and 1589 determined that any progress on the DVA accounting project was negligible. Discussion with KPMG confirmed that it had not received the requisite account reconciliations required to start the Second Special KPMG Audit.

It was determined that to prioritize and facilitate the Second Special KPMG Audit, E.L.K. DVA Accounts 1588 and 1589 would need to be recreated in their entirety from source documents and billing system data downloads. Accordingly, in the summer of 2023, E.L.K. added multiple additional contract resources, including the E.L.K. Regulatory Temp Analyst. With assistance from E.L.K. staff, the Temp Analyst commenced gathering all source documentation and billing system information and capturing it in spreadsheet models. The project was guided and assisted by MSA staff, as well as a part-time Temp Controller, who also helped with other projects.

Through this exercise, it became apparent that E.L.K. had not followed the OEB Accounting Guidance Related to Pass-Thru Accounts that was released in 2019. Thereafter, in the late fall of 2023, a senior experienced MSA leader with billing experience with the same billing system, as well as significant past regulatory accounting experience, was seconded to the project to work at the detailed level with the Temp Analyst.

In early 2024, as the year-by-year reconciliations of DVA Accounts 1588 and 1589 were developed, a clearer picture of unusual line loss rate trends emerged. It was determined that numerous billing adjustments had been booked out of period in the billing system during the 2016-2023 period. This required significant data analysis to match the billing adjustments back to the proper period. The investigation determined reasons for certain line loss patterns. See Appendix B for a summary of line loss investigation work undertaken.

During the process of reconciling DVA Accounts 1588 and 1589, the following issues were noted and corrected within the 2016-2023 period:

- The various monthly settlement processes completed by E.L.K. during the 2016-2023 period appeared to contain practices leading to errors in DVA Accounts 1588/1589. A detailed review of these practices occurred in Jun/24, please refer to Attachment C for further details.
- Purchases from Hydro One Distribution, as well as Long Term Load Transfer (LTLT) arrangements with Hydro One Distribution, were not fully recorded to appropriate DVA Accounts, nor was consistency applied in year-over-year accounting distributions. As part of the review, amounts needed to be reclassified to proper accounts for the period of 2016 to 2020.

- For Class A customers and customers billed at the actual Global Adjustment rate, sales were not recorded according to approved methodologies between 2016 and 2023. Due to the length of time between billing and the reconciliation process, the increases to these receivable balances were written off as unbillable.
- General accounting errors were identified and corrected, including manual posting errors between the billing system and the general ledger
- The monthly allocation between Accounts 1588 and 1589, as required under OEB guidance, was not being completed consistently or accurately. Adjustments were made to Account 1588 and 1589 balances between 2016 and 2023.
- Once appropriate principal balances were reconciled and determined for Accounts 1588 and 1589, interest was recalculated per OEB guidance for the entire period resulting in a significant adjustment to appropriately recognize interest

The above adjustments were completed to ensure that all required OEB methodologies and IRM model workform threshold tests were successful. The priority of late 2023 and early 2024 was to ensure that Accounts 1588 and 1589 accounting was accurate and complete. With the DVA regulatory accounting appropriately adjusted for Accounts 1588 and 1589 from 2016 to 2023, enhancements to the IESO settlement process and DVA regulatory accounting practices will need to occur in the future.

Notable, the reconciliations also determined that E.L.K. under-recovered \$2.8M from the IESO between 2016-2023. In Jul/23, the Government of Ontario passed a series of regulations, establishing a two-year limitation period applicable to certain settlement amounts. Under this regulation, market participants can no longer submit adjustment claims for settlement amounts related to the impacted programs, more than 24 months after such amounts were invoiced or should have been invoiced. One of the impacted programs is Global Adjustment, although the application of this new legislation will not be fully clear until a first case occurs. Guidance from BLG is recommended on this matter.

This project was a very large undertaking, requiring nearly 2,000 labour hours. It resulted in significant accounting adjustments. DVA Accounts 1588 and 1589 reconciliations for 2016-2023 were provided to KPMG in early Apr/24. Thereafter, E.L.K. expanded the scope of the Second Special KPMG Regulatory Audit to include the years 2022 and 2023. The Second Special KPMG Regulatory Audit work by KPMG, covering DVA Accounts 1588 and 1589 for the period 2016-2023, is nearing completion as of the date of this memo.

### **Review of Other Group 1 and Group 2 DVA Accounts**

In preparation for the E.L.K. 2025 IRM application (due Oct 2024), a preliminary analysis of DVAs potentially requiring disposition in the 2025 IRM application was conducted by MSA staff. This involved emails with BLG Law Firm (E.L.K.'s longstanding regulatory legal counsel) to obtain additional background, followed by a detailed review of past rate applications and filing models.

The analysis determined that E.L.K. has the following DVAs remaining for disposition with the OEB to the end of 2023:

- Accounts 1588 and 1589 for the Years 2016-2023
- Accounts 1550, 1551, 1580, 1584, 1586 for the Years 2021-2023
- Account 1595 for the Years 2018-2023

A 6-member team of Entegrus MSA staff from Regulatory, Finance and Customer Service conducted an onsite review of the E.L.K. DVA regulatory accounting processes in Jun/24, with assistance from E.L.K. staff. The review focused on the above-noted DVA accounts. See Attachment B for the list of observed issues, descriptions and resolutions related to the E.L.K. regulatory accounting for these accounts. In summary, significant issues were observed and significant remedial reconciliation efforts and account adjustments are required.

For E.L.K. to prepare its 2025 Incentive Rate Mechanism (IRM) application – and dispose of all DVA balances to the end of 2023 – the accounts described in Attachment B would need to be reconciled and adjusted by the end of Aug/24. This would allow just enough time for the 2025 IRM application to be completed and submitted by the OEB’s anticipated mid-Oct 2024 deadline. However, this strategy, including the timing of DVA disposition, should be confirmed with BLG.

The resolution of these DVA accounting issues by the end of Aug/24 will require fully dedicating the E.L.K. Regulatory Temp Analyst to this work until that time, with significant review and supervision by MSA staff. In the event that additional accounting challenges are detected in the process, additional resource deployment may be required.

### **(3) Section 3: Review of the E.L.K. IESO Settlement Process**

The same 6-member team of Entegrus MSA staff conducted an onsite review of the E.L.K. IESO Settlement Process, with assistance from E.L.K. staff, in Jun/24.

See Attachment C for a list of observed issues, descriptions and resolutions related to the E.L.K. monthly IESO settlement process. The E.L.K. process is largely manual (Excel-based), with some supporting billing system reports. E.L.K. does not have an ODS. E.L.K. does have an electronic meter settlement system (Kinetiq), but it is not configured to properly support the settlement process.

In summary, there are significant, pervasive issues with the current E.L.K. IESO settlement process. There are three potential strategies to address this:

- a) **Status Quo:** Maintain the current E.L.K. IESO settlement systems and process. Defer system or process changes until the future strategic direction of E.L.K. is determined (potentially in late 2024). Under this option, the various components of the settlement process will continue to be challenging and risk of settlement error will remain high. E.L.K. can continue to recalculate settlement in

spreadsheets under the approved OEB methodology after-the-fact and make regulatory accounting adjustments to correct for these issues. In 2025, changes to all Ontario LDC settlement processes will be required regardless due to the IESO's 2025 MRP launch (as noted above).

- b) **Enhanced Status Quo:** Maintain the current E.L.K. IESO settlement systems and processes but make certain enhancements, including multiple new settlement spreadsheets. Under this option, the estimation and true-ups process will continue to be challenging (due to the lack of certain systems) and there will continue to be the risk of settlement error due to the challenges that larger estimation errors create. Correction of regulatory accounting after the fact will continue to be needed, but not to the degree as option (a) above. Implementation of this option would require the redesign of workflows and processes, and 6-12 months of focused implementation, including significant consultant / contract resources and E.L.K. staff time. The project would also include a vital training phase and would later include updates for the upcoming IESO 2025 MRP launch.
- c) **New System:** Commence implementation of new systems and processes for settlement, including adding an Operational Data Store and Meter Settlement System. This would also require new settlement spreadsheets and generate better estimates and true-ups. This is the most comprehensive option and would also include IESO 2025 MRP updates. The initiative would be a multi-year project to redesign and implement systems and processes across multiple departments and train staff.

MSA Staff has initiated consultation with BLG on the appropriate next steps to take with the OEB and the IESO. The alternatives available in navigating such discussions may be dependent on the length of future time frame available to E.L.K. to complete the required steps. E.L.K. intends to seek recovery of the \$2.8M from the IESO (related to the 2016-2023 IESO settlement process errors). Guidance from BLG is needed to navigate the regulatory risk of what may be an industry-first situation.

The continuance of IESO settlement errors without process improvements will create risk to the E.L.K. relationship with the OEB and the IESO.

#### **(4) Section 4: Recommendations**

Based on the above review work, the following is recommended:

- a) Direct consultation should occur between BLG Law Firm and the E.L.K. board of directors, so that BLG can guide and assist in navigating the regulatory risk of what may be an industry-first situation. E.L.K. needs to maintain strong and open relationships with the OEB and IESO. E.L.K. should seek the best strategy to recover the \$2.8M under-recovered from the IESO, given the presence of the new and potentially restrictive limitation period legislation. This strategy may include filing for disposition of the DVA accounts to the end of Dec 31, 2023, in the 2025 IRM.
- b) Should E.L.K. elect to proceed with disposition of the DVA accounts to the end of Dec 31, 2023 in the 2025 IRM (see recommendation (a) above), E.L.K. resources with MSA oversight should be immediately prioritized on the other (non-Account 1588 and 1589) Group 1 and Group 2 DVA regulatory accounting investigation and adjustments project described in Attachment B. If the end of Aug/24 reconciliation timeline is met – and no other issues arise – this would facilitate the preparation and filing of the 2025 IRM evidence by its OEB deadline of Oct/24.
- c) Subject to BLG advisement (see recommendation (a) above), the alternatives to enhance the E.L.K. IESO settlement system and process described in Attachment C should be revisited (including new learnings that may arise from recommendation (b) above).
- d) [REDACTED]
- e) Instructions should be provided by Utilis Consulting in the summer of 2024 as to the next steps in the 2025 IRM application. Utilis is on standby to assist in the preparation of the 2025 IRM application, and the completion of recommendation (b) above by the end of Aug/24 would leave Utilis just enough time to complete the IRM application by Oct/24 with expedited efforts.

## Attachment A

### 2016-2023 Line Loss Investigation

The E.L.K. Deferral and Variance Account (“DVA”) reconciliations for 2016-2023 show unusually low line loss rates related to electricity purchases for 2017-2019. Electricity line loss rates relate to the measured difference between the energy entering the distribution system at one end and the electricity received by customers. Line losses are caused by heat dissipation and a variety of other factors.

After the detailed review, reconciliation, and adjustment of DVA Accounts 1588 and 1589 for the period 2016-2023, as conducted by E.L.K. and MSA staff, the E.L.K. line losses for 2017-2023 are as follows:

|           | 2016 | 2017 | 2018   | 2019 | 2020 | 2021 | 2022 | 2023 |
|-----------|------|------|--------|------|------|------|------|------|
| Loss Rate | 4.6% | 1.7% | (1.2%) | 3.4% | 5.3% | 6.4% | 4.4% | 4.0% |

While E.L.K. is primarily transmission-connected (IESO), certain system supply points in the E.L.K. distribution system are embedded along Hydro One feeders, which in turn, are connected to the Kingsville TS. Accordingly, the E.L.K. electricity supply mix includes purchases from both the IESO and Hydro One. For the period from 2016-2023, analysis of supply purchases shows that IESO purchases decreased starting in 2017, while Hydro One purchases increased markedly in 2020, i.e. 3 years after the apparent reduction in the IESO purchases. These dynamics can be seen in the chart below.

| Description              | 2016               | 2017               | 2018               | 2019               | 2020               | 2021               | 2022               | 2023               |
|--------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>METERED PURCHASES</b> |                    |                    |                    |                    |                    |                    |                    |                    |
| IESO                     | 244,970,124        | 227,724,326        | 238,506,743        | 246,194,698        | 226,663,878        | 200,984,493        | 190,346,567        | 192,828,357        |
| HONI                     | 989,037            | 929,151            | 884,653            | 852,719            | 21,075,332         | 42,674,850         | 49,064,004         | 41,577,456         |
| GENERATION               | 5,318,613          | 5,847,457          | 5,772,469          | 5,821,099          | 6,257,258          | 6,218,155          | 5,967,904          | 6,330,436          |
| <b>TOTAL</b>             | <b>251,277,774</b> | <b>234,500,934</b> | <b>245,163,865</b> | <b>252,868,516</b> | <b>253,996,468</b> | <b>249,877,498</b> | <b>245,378,475</b> | <b>240,736,249</b> |

In 2024, management interviewed an E.L.K. staff member with knowledge of the distribution system who worked for E.L.K. during the above period, to seek information as to why these dynamics occurred. It was noted in the interview that physical system configuration changes were made at Kingsville TS in 2017, related to the connection of new large renewable generation facilities in the area.

Management noted that this time frame corresponded to the construction phase of the Supply to Essex County Transmission Reinforcement (“SECTR”) project (involving a large expansion of transmission capacity in the Kingsville/Leamington area). From 2014-2019, E.L.K. worked jointly with Entegrus Powerlines and Essex Power (as the “E3 Coalition”) to advocate for shared interests related to the SECTR Project. Ultimately, the outcome of SECTR included Entegrus Powerlines and Essex Power load being moved off the previously overloaded Kingsville TS to the newly constructed Leamington TS. At approximately the same time, the Kingsville TS was refurbished, and additional capacity was added. After SECTR Project completion, E.L.K. load continued to be supplied by the Kingsville TS, which thereafter had more available capacity.

After the 2024 interviews with the E.L.K. operational staff, notes were located in E.L.K. files explaining that physical system configuration changes were to occur in 2016 or 2017 to transfer two large Hydro One wind farms from Malden TS to Kingsville TS. Based on the configuration of the E.L.K. connection to the Kingsville TS, the generated kWh from these wind farms would thereafter flow through the E.L.K. distribution system, resulting in E.L.K. purchasing this electricity generation from Hydro One (and E.L.K. thereby requiring less purchases from the IESO).

Further, management located a KPMG audit memorandum related to the December 31, 2019, year-end audit (dated April 2020), citing loss rates in the 2.2%-2.6% range for in 2018 and 2019. Management notes that such loss rates are unusually low, both in the industry and for E.L.K., which, at the time, had an 8% standard line loss rate built into its rates. These low 2018 and 2019 loss rates approximately correspond to the aggregate of the 2018/2019 loss rates shown in the first chart above.

Based on industry experience, management is aware of previous cases in the industry whereby physical system configuration changes were made but there was a lag in the corresponding billing change. Based on this, management formed a hypothesis that the above-described physical system configuration change at Kingsville TS was made in 2017, but the associated billing change to E.L.K. did not occur until 2020. The result would be E.L.K. not being billed approximately 27,590,527 kWh between 2017-2020 (assuming normalization to an approximate 5% loss rate for the period to align with surrounding years).

[REDACTED]

| YEAR                                                       | JAN       | FEB       | MAR       | APR       | MAY       | JUN       | JUL       | AUG       | SEP       | OCT       | NOV       | DEC       | TOTAL      | AVG       |
|------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-----------|
| E.L.K. ENERGY PURCHASES IN KWH - Hydro One (Kingsville TS) |           |           |           |           |           |           |           |           |           |           |           |           |            |           |
| 2016                                                       | 45,510    | 61,858    | 63,241    | 85,400    | 108,508   | 126,291   | 120,465   | 105,760   | 94,060    | 81,701    | 65,509    | 30,735    | 989,037    | 82,420    |
| 2017                                                       | 26,318    | 54,741    | 71,710    | 88,104    | 105,935   | 118,552   | 120,038   | 87,346    | 99,964    | 63,010    | 51,691    | 41,743    | 929,151    | 77,429    |
| 2018                                                       | 48,943    | 47,511    | 84,548    | 79,673    | 106,759   | 106,181   | 119,484   | 102,910   | 72,869    | 54,628    | 25,512    | 35,636    | 884,653    | 73,721    |
| 2019                                                       | 45,424    | 42,426    | 71,394    | 80,774    | 80,490    | 77,307    | 122,524   | 113,736   | 79,773    | 65,626    | 36,263    | 36,981    | 852,719    | 71,060    |
| 2020                                                       | 34,097    | 59,252    | 61,190    | 87,837    | 99,989    | 134,627   | 120,069   | 1,519,974 | 2,880,354 | 4,462,885 | 6,410,715 | 5,204,343 | 21,075,332 | 1,756,278 |
| 2021                                                       | 3,824,681 | 4,355,332 | 5,767,754 | 3,463,684 | 3,026,443 | 2,749,442 | 1,666,438 | 1,362,292 | 3,500,192 | 3,308,657 | 4,996,031 | 4,653,903 | 42,674,850 | 3,556,237 |

[REDACTED]

[REDACTED]

In summary, it appears that while the physical system configuration change occurred in 2017, the associated billing change (and thereby the commencement of HONI charges to E.L.K. for the wind farm generation) did not occur until August 2020. The result of the difference between the 2017 physical configuration change and the August 2020 metering change would be that E.L.K. was not charged for the full cost of its electricity purchases from 2017 until August 2020, which amounts to approximately 27,590,527 kWh or \$3M.

Accordingly, it is concluded that while the customers of E.L.K. paid for an approximate 8% standard loss rate on electricity purchases between 2017-2020, they were, in fact, not charged for approximately \$3M of electricity purchases from 2017-2020. This dynamic resulted in loss rates far below the 8% standard loss rate built into rates. This difference is captured by the DVA accounts as a payable from E.L.K. to customers and is included on the balance sheet of E.L.K. in the regulatory assets/liabilities line items. These amounts will be refunded to customers upon DVA disposition.



**Attachment B**  
***Observed Issues, Descriptions & Resolutions Related to:***  
***Group 1 DVA Accounts 1550 (Low Voltage), 1551 (Smart Metering Entity), 1580***  
***(Wholesale Market Services), 1584 (Network Charges) & 1586 (Connection Charges)***  
***For the Years 2021-2023***

- **Objective of Accounts:** These DVA accounts track pass-through variances on each of the specified charge types
- **2025 IRM Application Implication:** The regulatory accounting for these DVA accounts for 2021-2023 is required to be completed by mid-Aug 2024, for these DVAs to be incorporated into the 2025 IRM application for submission to the OEB by mid-Oct 2024 (to seek approval for disposition)

**Observations**

- The MSA team and E.L.K. staff performed a high-level recreation of all IESO and Hydro One purchase invoices from 2021-2023, as well as sales data from the billing system
  - Various errors were observed in the current regulatory accounting process, including incorrect mapping of charge types from the income statement accounts to the DVA Accounts
  - It appears that customers owe E.L.K. an additional true-up versus the \$0.8M (receivable from customers) recorded in the E.L.K. general ledger at Dec 31, 2023. The difference of may go against the income statement (or retained earnings).
- **Next Steps:** The E.L.K. Regulatory Temp Analyst will complete detailed DVA reconciliations (including interest calculations) and create and book journal entries, under the supervision of MSA Staff. The process is anticipated to take 5-6 weeks of dedicated time from the Regulatory Temp Analyst, plus 1-2 weeks of MSA Staff time.

**Account 1595 for the Years 2018-2023**

- **Objective of Account:** This DVA account tracks approved OEB DVA dispositions by year. When the OEB approves DVA dispositions (via rate riders), all of that particular year's DVA activity is rolled up and moved to Account 1595 from the individual DVA accounts. Sub-accounts within Account 1595 track each year's activity, with the objective that the rate rider ultimately results in drawdown of each year's activity to \$Nil.
- **2025 IRM Application Implication:** The regulatory accounting for Account 1595 for 2018-2023 is required to be completed by mid-Aug 2024, in order for these DVAs to be incorporated into the 2025 IRM application for submission to the OEB by mid-Oct 2024 (to seek approval for disposition)

**Observations**

- Since most rate riders occur over 1-year and E.L.K. did not apply for DVA disposition in its 2023 or 2024 rate applications, it was anticipated that Account 1595 would be close to drawn down to \$Nil. However, that is not the case. The residual balance at Dec 31, 2023 is approx. \$476k (liability owing to customers).
- The MSA team and E.L.K. staff reviewed and determined that the \$476k primarily relates to the 2022 Cost of Service approved DVA Account 1589 (Global Adjustment) rate rider run-off. This is due to the 2022 Cost of Service load forecast billing determinants being dramatically higher than the actual billing volumes that occurred in 2022/2023. Various other issues were observed:
  - The Group 2 DVA accounts disposed in the 2022 Cost of Service appear to not have been properly recorded and so the liability to customers in the general ledger may be overstated by \$48k. Further investigation will be required.
  - The 2016 and 2017 Group 1 residual balances may have been similarly excluded from the regulatory accounting set up and have small remaining balances despite their approved balances in the 2022 Cost of Service
  - Drawdowns from the billing system are not consistently mapped to the sub-account where each year's disposition amount was originally recorded. This is not an accounting error per se, but makes analyzing the drawdowns challenging.
- **Next Steps:** The E.L.K. Regulatory Temp Analyst should investigate and reconcile each Account 1595 sub-account, including comparing the OEB rate decision to the E.L.K. regulatory account and verifying the rate rider drawdown of each balance to validate the true residual balance. If the residual balances are above 10% of the original disposition amount, the OEB requires a workform to be completed and explained to consider disposition of the residual, and such explanations will also be gathered. The process is anticipated to take 4 weeks of dedicated time from the Regulatory Temp Analyst, plus 1 week of MSA staff time.

#### **Group 2 DVA Account 1508 at December 31, 2023**

- **Objective of Account:** Group 2 DVA accounts typically capture less frequent, more unique, or larger variances. The OEB occasionally orders the creation of Account 1508 sub-accounts for specific projects or one-time events and costs that do not occur as regularly as those in Group 1.
- **IRM Application Implication:** Group 2 DVAs are typically disposed of every 5 years in a Cost of Service Application, and not in an annual IRM application, like Group 1 DVAs. However, the MSA team extended its onsite review to Group 2 DVA accounts due to the risk of misclassification of Group 1 DVA accounts into the Group 2 DVA accounts.

#### **Observations**

- Various anomalies were observed in the E.L.K. Account 1508 sub-accounts; all sub-accounts need to be examined further. Initial observations include:

- 2022 Foregone Revenue Sub-Account: This sub-account arose because the E.L.K. 2022 Cost of Service was submitted late and the new rates went into effect in July 2022, rather than the intended May 2022. A \$463k asset (receivable from customers) is booked in an Account 1508 sub-account. This matter has previously been discussed with the Board of Directors and the OEB. A tariff sheet error resulted in E.L.K. inadvertently over-refunding GS>50 kW customers, resulting in the asset balance receivable from customers. In 2023, E.L.K. notified the OEB that this over-refund would be captured in the DVAs. Further investigation is required, however, it appears that this amount should be captured in Account 1595 for more immediate proposed disposition, rather than its current placement in Account 1508. The current placement may be a result of confusion with previous OEB industry guidance on the handling of COVID-19 pandemic deferred revenue (which was a separate and distinct item from this)
- Pole Attachment Revenue Sub-Account: This sub-account captures the revenue variances due to the Ontario government's decision to reduce pole attachment revenue per year for third-party attachments (versus what LDCs had in rates). The price differential goes to this sub-account. The balance was a \$142k asset (receivable from customers) in Account 1508 at the end of 2022, but \$Nil at the end of 2023. Since the new pole attachment rate was built into distribution rates in the 2022 Cost of Service, it is reasonable that there would be no 2023 activity in this account. However, the movement of the \$142k pole attachment balance from Account 1508 needs to be further investigated to confirm whether it went to Account 1595.
- Account 1508 will also require a detailed review to ensure that all OEB Group 2 accounting orders (for each transaction type) are being properly included and accounted for
- **Next Steps:** The E.L.K. Regulatory Temp Analyst should investigate and reconcile each Account 1508 sub-account and record any required adjustments under the supervision of MSA staff. The process is anticipated to take 2 weeks of dedicated time from the Regulatory Temp Analyst, plus up to 1 week of MSA Staff supervision and review time.

**Attachment C**  
**Observed Issues, Descriptions & Resolutions Related to Monthly IESO Settlement Process**

| Issue                                  | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Resolution                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tier Price / TOU / ULO                 | <ul style="list-style-type: none"> <li>• Settlement is based on actual billed sales rather than allocations amongst the various electricity charge types based on purchase volumes as required by OEB guidance</li> <li>• True-ups for the previous month volumes are being aggregated in the current month at the current month's price</li> <li>• A weighted aggregate cost of power going back to 2008 is being utilized, commodity cost should be determined based on an average of the specific month of consumption not including historical costs and Global Adjustment should utilize the appropriate IESO posted rates per month.</li> <li>• These are significant issues that make the monthly settlement process inaccurate and challenging to successfully complete and validate</li> </ul> | <ul style="list-style-type: none"> <li>• There are three potential options to address these issues:</li> <li>• (a) Maintain status quo, make no system or process changes. Continue to make accounting adjustments to correct any resulting regulatory accounting issues.</li> <li>• (b) Maintain current systems and processes with modifications including a new settlement spreadsheet (estimates and true-ups will continue to be challenging). Implementation would require 6-12 months of focused implementation and training.</li> <li>• (c) Implement new systems and processes, including an Operational Data Store and Meter Settlement System. This would require a new settlement spreadsheet and generate better estimates and true-ups. Implementation would be a multi-year systems process.</li> </ul> |
| Net System Load Shape (NSLS)           | NSLS is a standard used to allocate electricity load across time intervals when the customer does not have a MIST (interval capable) meter or for settlement with customers signed with Retailers. The E.L.K. NSLS for certain intervals is negative, which is not consistent with the expectations of the E.L.K. distribution system operation                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <ul style="list-style-type: none"> <li>• Make modifications to current system to recalculate NSLS</li> <li>• Based on earlier discussion with the OEB, the NSLS should be recalculated only after A and set up in the E.L.K. billing system</li> <li>• MIST meter hardware installation remains in progress</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Embedded Generation Consumption Timing | Timing of consumption data is on a one-month delay (based on billing month but should be based on consumption month)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <ul style="list-style-type: none"> <li>• Make modifications to current system to either: (i) upgrade existing system reporting feeding the process or, (ii) build in an estimate and true-up process to remove the one-month delay</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

|                                            |                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                              |
|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Class A Consumption Timing                 | Timing of consumption data is on a one-month delay (based on billing month but should be based on consumption month)                                                                                                                                                                                                                 | <ul style="list-style-type: none"> <li>Make modifications to current system to either: (i) upgrade existing system reporting feeding the process or, (ii) build in an estimate and true-up process to remove the one-month delay</li> </ul>  |
| Feed-in-Tariff (FIT)                       | E.L.K. is recovering the full cost of generation [Hourly Ontario Energy Price (HOEP) + contract price] rather than just the difference between HOEP and contract price.                                                                                                                                                              | <ul style="list-style-type: none"> <li>Adjust the current monthly settlement process to capture or estimate the monthly volume of generation consumed within its service territory</li> </ul>                                                |
| Ontario Electricity Rebate (OER)           | OER being credited to customers signed with electricity retailers is being double counted on a monthly basis in the submission and E.L.K. is thus being over-reimbursed. In addition, E.L.K. is not estimating current month sales for true-up the next month. This results in the E.L.K. OER submission being delayed by one month. | <ul style="list-style-type: none"> <li>Adjust the current monthly settlement process to remove double counting of retailer OER, as well as an adjustment to include a current month estimate and true-up process (the next month)</li> </ul> |
| Ontario Electricity Support Program (OESP) | OESP charges are being posted to an Income Statement/DVA account rather than a receivable account                                                                                                                                                                                                                                    | <ul style="list-style-type: none"> <li>Amend the current monthly process to change to the appropriate accounting distribution</li> </ul>                                                                                                     |
| Other Miscellaneous                        | Various other, more minor, issues were noted                                                                                                                                                                                                                                                                                         | <ul style="list-style-type: none"> <li>Amend the currently monthly process</li> </ul>                                                                                                                                                        |

## RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

### INTERROGATORY 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

| Year       | Account 1588 - RSVA Power |                                    |                                 | Account 4705 - Power Purchased | Account 1588 as % of Account 4705 |
|------------|---------------------------|------------------------------------|---------------------------------|--------------------------------|-----------------------------------|
|            | Transactions <sup>1</sup> | Principal Adjustments <sup>1</sup> | Total Activity in Calendar Year |                                |                                   |
| 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.

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- 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.

**RESPONSE:**

- a) Though E.L.K. Energy has not been able to secure revised or data from the host distributor to verify with precision, it is E.L.K. Energy’s view that higher levels of variance observed relate to historical underbilling for cost of power from the host distributor.
- b) Please see a) above.
- c) Please see a) above. The adjusted 1588 transactions and balances were subject to the completed third party audit provided in evidence. E.L.K. Energy submits the variances are reasonable in light of the historical issues noted above, and further notes the impact of improved internal processes in 2022 and beyond yielding variances of +/-1%.

## RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

### INTERROGATORY 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



1 the "Review Team"). The Review team completed extensive reperformance of the DVA  
2 accounts for the 2016-2023 period, using original source data and billing data.  
3  
4

5 Question(s):

6 a) Please provide the scope of the DVA audit with KPMG.

7 b) Please confirm the DVA audit completed by KPMG included the settlement process with the  
8 IESO. If not, please provide reasoning for why not.

9 c) Please clarify the informing of the internal review results by E.L.K. Energy in early 2024 to KPMG.  
10 Has KPMG reviewed and agreed with these adjustments and reconciliations from E.L.K. Energy's  
11 internal review?

12 d) Please provide a timeline including but not limited to the start date and end date of error  
13 occurrence, for E.L.K. Energy's internal review and KPMG's audit as well as the interaction between  
14 the internal review and KPMG's audit.

15 e) Please confirm that all adjustments for the errors identified by the internal review  
16 team have been reflected in the balances of Accounts 1588 and 1589 that are being requested for  
17 disposition in this application.

18 f) Please provide a complete and detailed audit report prepared by KPMG for the DVA audit as the  
19 report only provides the final balances for each account.  
20  
21  
22

23 **RESPONSE:**

24 a) As stated in the independent auditor's report, the scope of the audit was to audit the  
25 schedule of account balances – 1588, 1589 of E.L.K. Energy Inc. as at December 31, 2016,  
26 2017, 2018, 2019, 2020, 2021, 2022 and 2023.

27 b) Confirmed.

28 c) Confirmed. KPMG's independent audit was completed based on the results of E.L.K.  
29 Energy's internal review and reconciliation of Accounts 1588 and 1589, and the results of

1 the audit are entirely consistent with the results of E.L.K. Energy's internal review of these  
2 accounts.

3 d) E.L.K. Energy's internal review started in October of 2023. KPMG was engaged for review  
4 and sign off in June of 2024. Between June 2024 to September 2024, E.L.K. Energy's  
5 Review Team worked collaboratively with KPMG as they conducted their independent  
6 review. Questions were answered through email and/or virtual meetings. KPMG  
7 conducted their own independent checks and balances using ELK Energy's schedules and  
8 subsequently provided their Audit Report October 8, 2024.

9 e) Confirmed, subject to the updates noted in the cover letter of E.L.K. Energy's  
10 interrogatories. KPMG has been made aware of the corrections made, and confirmed for  
11 E.L.K. Energy that they remain below the audit materiality threshold.

12 f) The Independent Auditors Report from KPMG attached to E.L.K. Energy's application is the  
13 outcome received by E.L.K. Energy from KPMG on conclusion of KPMG's work as auditor.  
14 There is no other report to provide. The information relied upon by KPMG to complete its  
15 audit is the same information underpinning this application and outlined in the breadth of  
16 E.L.K. Energy's pre-filed evidence and interrogatory responses.

# Tab 3A

- iii. A weighted average cost of power was being relied upon, as opposed to commodity costs based on month-specific averages and Global Adjustment based on appropriate IESO posted rates;
- iv. Timing of embedded generation consumption was based on the billing month as opposed to the consumption month;
- v. With respect to Feed-In-Tariff contracts, E.L.K. was recovering the full cost of generation, as opposed to the difference between the contract rate and the Hourly Ontario Electricity Price ("HOEP"); and,
- vi. Various other small miscellaneous issues and errors.

### *3.3.2.1 IESO Settlement Under-Recovery*

36. For the reasons below, E.L.K. requests an Order of the Board enabling the collection of the \$2.8 million in under-recovery by E.L.K. 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.<sup>9</sup>

37. As encouraged by the OEB in EB-2023-0013, E.L.K. is considering all strategic options to remedy its recent financial challenges.<sup>10</sup> The size of the 1588/1589 dispositions and E.L.K.'s financial constraints places heightened importance on E.L.K.'s ability to collect the under-recovered amount from the IESO as a means to partially offset significant cash outflows and maintain a sound financial footing. Ultimately, it is vital that E.L.K., a small utility, recover this \$2.8 million from the IESO to ensure that there is sufficient funding to support both E.L.K.'s operational cash flow and continue to fund modernization investments.

38. The Review Team work and DVA Audit process revealed that E.L.K. has under-recovered approximately \$2.8M from the IESO over the 2016 to 2023 period. The Review Team identified and implemented three corrections:

- a. **Completion of RPP TOU / Tier True Up:** The Review Team re-calculated the necessary submissions using the OEB's Accounting Guidance Related to Accounts 1588 RSVA Power and 1589 RSVA Global Adjustment issued in February 2019 that resulted in a credit (i.e. under-recovery) from the IESO in the amount of \$3.8 million.

---

<sup>9</sup> O. Reg. 153/23, s.2(1)(a).

<sup>10</sup> Decision and Order EB-2023-0013, p.21.

- b. **FIT Contracts:** The Review Team corrected an error for FIT renewable contracts where E.L.K. previously did not net the HOEP from the FIT contract price; instead relying on the full, unreduced FIT contract price. The effect of this error is a debit (i.e. over-recovery) to the IESO in the amount of \$1.2 million.
- c. **Timing of Billing Determinants:** The Review Team corrected an error for Class A volumes that were being submitted based on volumes billed in that month, as opposed to volumes consumed in that month. This timing difference of billing determinants results in a credit (i.e. under-recovery) from the IESO of \$0.2 million.

39. In summary, the three component amounts above net to the total E.L.K. under-recovery from the IESO of \$2.8 million.

### 3.3.3 Accounts 1550 – 1586

- 40. 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. The Review Team made the required adjustments to present appropriate and accurate balances and made the corresponding corrections to E.L.K.’s accounting processes.
- 41. With respect to Account 1551, Smart Metering Entity Charge Variance Account, the balance recorded in financial statements and reported via RRR is (\$76,466), inclusive of interest, as a credit to ratepayers. Based on a month-by-month analysis of SME Charges received from customers compared against SME Charges billed to E.L.K. by the IESO, E.L.K. has determined the appropriate balance as at December 31, 2023 should be (\$68,747), requiring an adjustment of \$4,303 to the Account 1551 principal balance. 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, and has also recorded the adjustment in the E.L.K. general ledger in the 2024 fiscal year.
- 42. With respect to Account 1580, Wholesale Market Service (“WMS”), the balance currently recorded in financial statements and reported via RRR is \$583,040, inclusive of interest, as a debit to ratepayers. Based on a month-by-month analysis of WMS billed by the IESO and the Host Distributor

## **Tab 3B**

## RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

### INTERROGATORY 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

- 1           • A credit from the IESO of \$0.2 million related to an error for Class A volumes

2

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

7

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

10

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

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

20

21

22 Question(s):

23 a) Please clarify whether or not the \$2.8 million adjustments corresponding to  
24 the under/over-recovery from the IESO are reflected in the requested disposition balances for  
25 Accounts 1588 and 1589. If not, please explain why not. If not, why is E.L.K. Energy requesting the  
26 final disposition of Accounts 1588 and 1589 in this application.

27 b) If E.L.K. Energy has accrued the adjustments for the \$2.8 million IESO in the respective periods of  
28 Accounts 1588 and 1589, please provide a breakdown of the principal adjustments related to the  
29 corrections for each year recorded in each account and report these principal adjustments

:



1 separately, in accordance with the GA Analysis Workform instructions.

2 c) Please provide a detailed monthly and yearly breakdown, along with the  
3 calculation backup, supporting the principal adjustments booked into the accounts and the \$2.8  
4 million overpayment to the IESO.

5 d) Please confirm that E.L.K. Energy understands that the RPP true-up adjustments are excepted  
6 from the two-year limitation window set in the regulation. In other words, only \$1.2 million debit  
7 for FIT contracts and \$0.2 million credit for Class A customers. If so, please provide a plan to submit  
8 the RPP true-up adjustments with the IESO.

9 e) Please clarify whether E.L.K. Energy has contacted the IESO, requesting any submissions of the  
10 corrections.

11 i. If so, please provide details of the correspondence with timelines.

12 ii. If not, please explain why, specifically given that the RPP true-up are not subject to the  
13 two-year limitation period.

14 f) For the IESO adjustments that E.L.K. Energy is requesting for the OEB's order to settle with the  
15 IESO, please comment on the four factors outlined in the 2019 OEB retroactivity letter for the out-  
16 of-period adjustments in pass-through accounts.

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

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

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

26  
27 **RESPONSE:**

28 a) The effect of the OEB issuing an Order which allows for recovery of the identified \$2.8  
29 million by E.L.K. Energy from the IESO will be to net the \$2.8 million amount against the

total credit disposition to ratepayers sought , however this netting will not impact the amount proposed for disposition to ratepayers. The \$2.8 million sought from the IESO is included within the total credit disposition sought to ratepayers, in that if all approvals are granted E.L.K. Energy will receive \$2.8 million from the IESO, which will be included within the total amount credited to ratepayers. The statement in reference 1 is intended to communicate that no adjustments to Accounts 1588 or 1589 have been booked for the yet-to-be-approved \$2.8 million credit from the IESO to E.L.K. Energy. Rather, the adjustments made to Accounts 1588 and 1589 reflect the adjustments necessary to rectify balances as between E.L.K. Energy and its customers, to the benefit of customers. As a separate matter, E.L.K. Energy is seeking to rectify balances as between itself and the IESO, to the benefit of E.L.K. Energy.

b) Please see Staff-11 Att 1 – Accrued Adjustments 1588 & 1589, which provides a breakdown of the principal adjustments related to the corrections for each year recorded in each account.

c) Please find attached the following,:

i. **Attachment 1 – 1588-1589 Adjustments:** This document summarizes adjustments required to E.L.K. Energy’s general ledger as part of the reconstruction of Accounts 1588 and 1589 from 2016 to 2023. Rows 6-8 show commodity true-ups required with the IESO, rows 18-20 show GA true-ups required with the IESO, and rows 30-32 show the net of the two. Cell L32 sums all three adjustments required, for a total of approximately \$2.8 million. The entires for each year, for each of the three adjustments, tie to values derived in Attachments 2 through 4, before the application of KPMG audit results and the updates described in E.L.K. Energy’s cover letter.

ii. **Attachment 2 – RPP True-Up:** This document provides supporting calculations for the RPP True-Up adjustment noted.

iii. **Attachment 3 – Generation Error:** This document provides supporting calculations reconciling the FIT generation error noted.

- 1           iv.     **Attachment 4 – Class A Volumes:** This document provides supporting calculations  
2                 reconciling the Class A Volumes adjustment identified.
- 3       d) E.L.K. Energy does not dispute the interpretation of O.Reg. 153/23 provided by OEB Staff.  
4           However, E.L.K. Energy’s view is that the three adjustments should be made with the IESO  
5           at the same time. E.L.K. Energy notes that the IESO is a party to this proceeding and E.L.K.  
6           Energy looks forward to hearing the IESO’s views regarding the required adjustments, if  
7           provided, through the course of this proceeding.
- 8       e) E.L.K. Energy has not contacted the IESO requesting the submission of corrections at this  
9           time. E.L.K. Energy understood the two-year limitation window would require an Order of  
10          the OEB to allow for true-up of the historical settlement errors, and decided to request  
11          such an Order prior to engaging the IESO.
- 12      f) E.L.K. Energy provides the following comments on the four factors identified in the OEB’s  
13          2019 letter as they relate to the adjustments underpinning the requested Order to allow  
14          for settlement with the IESO:
- 15          i.     **Whether the Error was in Control of the Distributor:** The adjustments requested  
16                 relate to errors made by E.L.K. Energy in the settlement process with the IESO,  
17                 which have now been identified, audited, and corrected in go-forward settlement  
18                 policies and practices. Of note, OEB direction with respect to Accounts 1588 and  
19                 1589 was clarified in its February 2019 Account Guidance for these accounts. This  
20                 clarity was not available to E.L.K. Energy for the early years of the errors in  
21                 question, which date back to 2016.
- 22          ii.    **The Frequency with which the Distributor has made the Same Error:** E.L.K. Energy  
23                 made the same series of errors respecting settlement with the IESO over multiple  
24                 years without awareness of such errors, however all incorrect entries stemmed  
25                 from the same higher-order issues of staff training and leadership oversight. These  
26                 issues have and are being addressed by E.L.K. Energy, as described in this  
27                 application and EB-2023-0013.
- 28          iii.   **Failure to Follow Guidance Provided by the OEB:** E.L.K. Energy’s settlement with  
29                 the IESO was not consistent with the OEB’s Accounting Guidance Related to

Accounts 1588 RSVA Power and 1589 RSVA Global Adjustment issued in February 2019. Clarity in this area was not available to E.L.K. Energy prior to February 2019, and due to higher-order issues of staff training and leadership oversight this guidance was not noted and implemented in 2019. These management issues have and are being addressed by E.L.K. Energy, as described in this application and EB-2023-0013.

iv. **The Degree to which Other Distributors are Making Similar Errors:** It is E.L.K.

Energy's understanding that numerous distributors experienced issues with respect to IESO settlement and Accounts 1588 and 1589 prior to the issuance of the OEB's 2019 guidance, and based on the number of incremental reviews of 1588 and 1589 taking place in distributor IRM proceedings, E.L.K. Energy observes that errors in this area remain common amongst Ontario distributors.

g) As described in evidence, E.L.K. Energy is requesting to credit ratepayers (\$7.1) million from Accounts 1588 and 1589. To the degree the OEB grants an Order allowing the IESO to waive the two-year limitation window for adjustment of settlements, E.L.K. Energy can recover \$2.8 million from the IESO, leaving the utility in a net-cashflow position with respect to Accounts 1588 and 1589 of approximately (\$4.3) million. Lacking this OEB Order, E.L.K. Energy will be in a cashflow position with respect to these accounts of (\$7.1) million. Of note, E.L.K. Energy's approved base revenue requirement in EB-2021-0016 was only \$3.6 million. As such, failing to receive an OEB Order which allows for settlement adjustment with the IESO poses a risk to E.L.K. Energy's financial viability as a small utility with distribution revenues well below the total credits owed to ratepayers from Accounts 1588 and 1589.

h) Confirmed, in that customers will be credited the appropriate amounts from Accounts 1588 and 1589 regardless of the OEB's Decision with respect to an Order allowing for IESO settlement adjustment. This said, 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 impact the utility's ability to fund the work required in support of E.L.K. Energy's system and customers.

- 1        i) E.L.K. Energy does not have a firm position on its course of action in this event, as this will
- 2        depend on the specifics of the Decision.

# Tab 3C

February 21, 2025

VIA RESS

Independent Electricity System Operator

1600-120 Adelaide Street West

Toronto, ON M5H 1T1

t 416.967.7474

[www.ieso.ca](http://www.ieso.ca)

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

Dear Ms. Marconi:

**Re: Ontario Energy Board File No.: EB-2024-0015**  
**E.L.K Energy Inc.**  
**Independent Electricity System Operator – Letter of Comment**

---

The Independent Electricity System Operator ("IESO") was granted intervenor status in this proceeding on December 9, 2024. With respect to the issues arising under paragraph 36.1.1(7)(b) of the *Electricity Act*, 1998, SO 1998, c 15, Sch A (the "*Act*"), the IESO repeats and relies upon the submissions it made in Algoma Power Inc.'s application for changes to the rates it charges for electricity distribution effective January 1, 2025 (EB-2024-0007). At this time, IESO does not anticipate intervening in future applications under this paragraph of the Act.

Furthermore, the IESO wishes to take this opportunity to advise of its expectation that, in future proceedings—whether under subsection 36.1.1(7) of the *Act* or otherwise—applicants will provide notice to IESO where relief is sought with respect to IESO.

The IESO appreciates the opportunity to provide comments on this proceeding. If you have any questions, please do not hesitate to contact me at 416-969-6090 or via email at [RegulatoryAffairs@ieso.ca](mailto:RegulatoryAffairs@ieso.ca).

Yours truly,



Carrie Aloussis  
Senior Manager, Regulatory Affairs

cc: Deqa Egal, Senior Advisor, Regulatory Affairs IESO - [deqa@egal@ieso.ca](mailto:deqa@egal@ieso.ca)

# Tab 3D



## **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.

1

2 **Question(s):**

- 3 a) Please explain why the “IRR Adjustment Required in 2025” for  
4 Accounts 1588 and 1589 reported in Ref 2, does not align with  
5 OEB staff’s Table 2.
- 6 b) Please confirm whether the Embedded Distributor invoice error is  
7 captured in Ref 2.
- 8 c) Please update applicable models and supporting schedules, if necessary.
- 9 d) Please confirm the impact on E.L.K. Energy if the OEB does not grant  
10 an Order directing the IESO to accept the out-of-period adjustments  
11 related to the FIT Contract and Class A Volumes.
- 12 i. Please confirm if E.L.K. Energy will submit the RPP True-Up  
13 Adjustment to the IESO, if the OEB does not grant an Order  
14 for the out-of-period adjustments related to the Class A  
15 Volumes and FIT Contracts.
- 16 e) Please confirm whether all adjustments reflected in Ref 2 are also  
17 captured in Ref 3.

18

19

20 **RESPONSE:**

- 21 a) The “IRR Adjustment Required in 2025” section of Reference 1 does not align with OEB  
22 Staff’s Table 2, as this section of the attachment addresses only the formula errors  
23 identified as part of interrogatory responses, and does not include the change in  
24 Embedded Distributor invoicing shown in tables above at the same reference. Please see  
25 the updates provided in response to OEB Staff Supplemental Interrogatory 1, as well as  
26 Attachment 1 to the same.
- 27 b) Confirmed. Please see Attachment 1 to the responses to OEB Staff Supplemental  
28 Interrogatory 1, under heading “HONI Special Metering Adjustment Req’d in 2024”.
- 29 c) Please see the updates provided in response to OEB Staff Supplemental Interrogatory 1, as  
30 well as Attachment 1 to the same.

1 d) E.L.K. Energy's updated response to SEC-2 summarizes the impact on E.L.K. Energy of the  
2 OEB not granting an Order directing the IESO to accept out-of-period adjustments. Please  
3 see below a relevant excerpt from E.L.K. Energy's updated response to SEC-2:  
4

5 As shown in the table below E.L.K.'s reported ROE for 2022 and 2023 was (-1.97%) and (-  
6 22.33%), respectively. As a result of the low ROE in 2022, in Decision and Rate Order EB-  
7 2023- 0013 issued on March 21, 2024 the OEB encouraged "...E.L.K. Energy's management  
8 and Board of Directors to thoroughly examine all strategic options for the utility, including  
9 an early rebasing." ROE significantly worsened in 2023. Ratepayers across Ontario unjustly  
10 benefitted from the under-recovery by E.L.K. from the IESO, particularly when E.L.K. is  
11 encountering significant financial difficulties.  
12

13 When the errors below were initially identified contract and internal resources were  
14 immediately engaged to intensely prioritize analyze the identified errors (see paragraph  
15 26 of the Application and SEC-3). As noted in the attachment to SEC-3, the errors below  
16 had not been conclusively identified until early 2024 after nearly 2,000 labour hours from  
17 MSA Staff to recreate DVA Accounts 1588 and 1589 in their entirety from source  
18 documents and billing system data downloads. Following the completion of this review  
19 E.L.K. brought these errors before the OEB as soon as possible to ensure corrections could  
20 be implemented in a timely, accurate and efficient manner.  
21

22 The requested amount of \$2.8 million from the IESO is approximately 78% of E.L.K.'s 2022  
23 approved base revenue requirement and will be an undue burden upon E.L.K.  
24

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

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**

|      | <b>Achieved ROE</b> | <b>Regulated Deemed ROE</b> | <b>Difference<br/>ROE minus Deemed ROE</b> |
|------|---------------------|-----------------------------|--------------------------------------------|
| 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.

# Tab 4A

46. With respect to Account 1550, Low Voltage Charges, the balance currently recorded in financial statements and reported via RRR is \$303,652, inclusive of interest. 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. This was corrected as part of the 2024 DVA Audit process for Account 1588. It is E.L.K.'s understanding that the OEB expects distributors to bring forward and disclose errors found in their submitted accounting records, and promptly correct such errors. Account 1550 was previously disposed for periods up to December 31, 2020. E.L.K.'s inclusion of this amount is responsive to this guidance.
47. 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.
48. Of note, 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 at 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. In this instance, the DVA Audit has revealed a significant error in the balances previously presented and approved for disposition in Account 1550. In retrospect, the approval of disposition of some, but not all Group 1 DVAs has created an imbalance in need of remedy. In order for E.L.K. to implement the recommendations of the third-party audit report, it requires (among other actions) a principal credit be applied to Account 1588 in the amount of \$321,388. The debit entry accompanying this credit should be made against Account 1550, despite the OEB's Order in EB-2021-0016. E.L.K. requests disposition of the resulting debit in Account 1550, which provides only a minor offset to the material credit balances which are proposed for clearance to ratepayers as a result of the DVA Audit.

## **Tab 4B**

## RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES

### INTERROGATORY 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:



1 Including the above-described error, E.L.K. has recalculated the appropriate Account 1550  
2 principal balance as at December 31, 2023 to be \$1,130,428, requiring an adjustment of  
3 \$882,134 to the principal balance, inclusive of the previously noted \$321,388 adjustment  
4 described above. E.L.K. has included this amount in the 2023 Adjustments column BF of the  
5 Continuity Schedule within its attached IRM Model, with a corresponding adjustment to  
6 interest.

7  
8  
9 **Question(s):**

- 10 a) Please provide the details and composition of the proposed adjustments to  
11 Account 1550, broken down by month and year, along with supporting calculations.  
12 b) Principal adjustments should be reported in the respective year of the related  
13 adjustments rather than as a lump sum adjustment to the 2023 ending balances. Please update the  
14 models accordingly, if necessary.  
15 c) Please provide E.L.K. Energy's consideration regarding the rates retroactivity  
16 issues raised in the OEB's October 31, 2019 letter in Ref. 3, given that the 2020 balances were  
17 disposed of on a final basis in the 2022 Cost of Service Decision and Order, including the comments  
18 on the four factors in the letter.  
19 d) Please explain the rate impact on customers under both scenarios: 1) the adjustment in Account  
20 1550 is approved; and 2) the adjustment in Account 1550 is not approved.  
21 e) Please describe E.L.K. Energy's procedures that have been implemented to prevent mistakes like  
22 this.

23  
24  
25  
26 **RESPONSE:**

- 27 a) Please find attached an excel file entitled "1550,1551,1580,1584,1586 Supporting  
28 Calculations".

- 1       b) Please find attached an updated IRM model, ELK\_2025-IRM-Rate-Generator-  
2       Model\_20250127. For clarity, as shown in attachment 1550,1551,1580,1584,1586  
3       Supporting Calculations, the reconstructed principal entries for each of these accounts  
4       were made at the beginning of each month in order to calculate appropriate interest  
5       charges.
- 6       c) E.L.K. Energy provides the following comments on the four factors identified in the OEB's  
7       2019 letter as they relate to the requested adjustments and disposition to Account 1550  
8       for years previously subject to a Final Decision and Order:
- 9           i.   **Whether the Error was in Control of the Distributor:** E.L.K. Energy is seeking the  
10          reconsideration of previously final dispositions due to the fact that Account 1550  
11          (among others) was disposed of on a final basis while Accounts 1588 and 1589  
12          were not. Not having completed the audit of Accounts 1588 and 1589 presented in  
13          this application at the time of Account 1550 disposition, E.L.K. Energy was unaware  
14          and thus unable to rectify the Account 1550 errors identified pre-2021.
- 15          ii.   **The Frequency with which the Distributor has made the Same Error:** E.L.K. Energy  
16          made the same error respecting entry of LV Charges into the incorrect account on  
17          more than one occasion, however all incorrect entries stemmed from the same  
18          higher-order issues of staff training and leadership oversight. These issues have  
19          and are being addressed by E.L.K. Energy, as described in this application and EB-  
20          2023-0013.
- 21          iii.   **Failure to Follow Guidance Provided by the OEB:** E.L.K. Energy's errors with  
22          respect to the entry of LV Charges into accounts other than 1550 are inconsistent  
23          with accounting guidance provided by the OEB. These incorrect entries stemmed  
24          from the higher-order issues of staff training and leadership oversight. These issues  
25          have and are being addressed by E.L.K. Energy, as described in this application and  
26          EB-2023-0013.
- 27          iv.   **The Degree to which Other Distributors are Making Similar Errors:** E.L.K. Energy is  
28          not aware whether other distributors have encountered the same specific error of  
29          entering LV Charges into Accounts 1588 and 1589, however E.L.K. Energy notes

- 1 distributors frequently encounter challenges finalizing and disposing of balances in  
2 Accounts 1588 and 1589. These circumstances often lead to review of 1588/1589  
3 balances by an OEB Panel of Commissioners, as opposed to by delegated authority,  
4 and often lead to the same circumstance as E.L.K. Energy, wherein other Group 1  
5 DVA balances are disposed of on a final basis while Accounts 1588 and 1589 are  
6 not.
- 7 d) Please see below a table showing current proposed bill impacts, inclusive of the 1550  
8 adjustment for errors prior to 2021, and revised bill impacts removing this debit amount to  
9 customers.

|                             | Current Total<br>Bill (\$) | Proposed<br>Total Bill (\$) | Proposed<br>Total Bill<br>Impact (%) | Impact of<br>Removing<br>Pre-2021<br>1550<br>Adjustment | Revised<br>Total Bill (\$) | Revised<br>Total Bill<br>Impact (%) |
|-----------------------------|----------------------------|-----------------------------|--------------------------------------|---------------------------------------------------------|----------------------------|-------------------------------------|
| <b>Residential</b>          | \$123.59                   | \$119.64                    | -3.2%                                | -\$0.22                                                 | \$119.42                   | -3.4%                               |
| <b>GS&lt;50kW</b>           | \$300.09                   | \$289.80                    | -3.4%                                | -\$0.60                                                 | \$289.20                   | -3.6%                               |
| <b>GS&gt;50kW</b>           | \$12,737.16                | \$11,125.69                 | -12.7%                               | -\$22.94                                                | \$11,102.75                | -12.8%                              |
| <b>USL</b>                  | \$96.21                    | \$92.99                     | -3.3%                                | -\$0.26                                                 | \$92.73                    | -3.6%                               |
| <b>Sentinel</b>             | \$131.18                   | \$85.42                     | -34.9%                               | -\$0.32                                                 | \$85.10                    | -35.1%                              |
| <b>Street Lights</b>        | \$3,719.86                 | \$3,330.21                  | -10.5%                               | -\$6.34                                                 | \$3,323.87                 | -10.6%                              |
| <b>Embedded Distributor</b> | \$108,878.37               | \$104,046.76                | -4.4%                                | -\$574.94                                               | \$103,471.81               | -5.0%                               |

- 10
- 11 e) The mapping of charges to individual accounts has been updated in E.L.K. Energy's internal  
12 processes to ensure LV Charges are posted to Account 1550, and no other account.

# Tab 4C

## Immaterial Corrections to 1588/1589 Audited Balances

As described in E.L.K. Energy's evidence, the utility is seeking disposition of 1588 and 1589 balances for the years 2016 through 2023. In order to ascertain the appropriate amounts for disposition, E.L.K. Energy completed a detailed reconstruction of these accounts for the years in question utilizing direct source data, such as customer billing information and historical invoices.

In the process of answering interrogatories received, E.L.K. identified within its reconstruction immaterial formula errors, as shown and described in the table below:

**Table 1: Immaterial Corrections to 1588/1589 Audited Balances**

| Year              | Account 1588     | Account 1589       | Description                                                                                                                                                                                                                                                                                                                                                                |
|-------------------|------------------|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2020              | 39,150.13        | (39,150.13)        | A formula error inadvertently utilized the Non-RPP proportion of sales to allocate Global Adjustment costs to RPP customers, as opposed to the RPP proportion of sales. Reversal of this error shifts the amount shown from Account 1589 to 1588.                                                                                                                          |
| 2021              | (282.03)         |                    | A formula error was discovered which produced incorrect sums in December of 2021 for true-up adjustments required to RPP amounts recorded in Account 1588. Correction of the error results in a slight credit to 1588.                                                                                                                                                     |
| 2022              | (8,804.28)       |                    | Commodity costs for E.L.K. Energy's embedded distributor customer for the month of October 2022 were discovered to have been incorrectly calculated, utilizing incorrect costs and billing determinants to calculate commodity cost for the month in question. Correction of this error results in a small credit to Account 1588.                                         |
| 2022              | 4,539.65         |                    | Changes noted above to the embedded distributor's commodity cost had the impact of altering the average commodity cost for E.L.K. Energy more broadly. Flowing this change through E.L.K. Energy's reconstruction of 1588 results in a small debit to 1588.                                                                                                                |
| 2022              | 551.91           |                    | The same formula error identified above affecting December of 2021, impacted November and December of 2022. Correction of the error results in a slight debit to 1588.                                                                                                                                                                                                     |
| 2023              | 52,715.58        |                    | A similar error to the October 2022 embedded distributor error was discovered affecting July 2023. In this instance, billing determinants and commodity cost were correct, however billing determinants were inadvertently entered as a negative rather than positive value. Transition of billing determinants to the correct positive value, results in a debit to 1588. |
| 2023              | (28,239.23)      |                    | Changes noted above to the embedded distributor's commodity cost had the impact of altering the average commodity cost for E.L.K. Energy more broadly. Flowing this change through E.L.K. Energy's reconstruction of 1588 results in a credit to 1588.                                                                                                                     |
| <b>NET IMPACT</b> | <b>59,125.50</b> | <b>(39,150.13)</b> |                                                                                                                                                                                                                                                                                                                                                                            |



E.L.K. Energy has conferred with its third-party auditor KPMG regarding the above noted corrections to the audited balances in Accounts 1588 and 1589. KPMG has confirmed to E.L.K. Energy that the amounts shown are below the audit materiality threshold, and has provided a letter to E.L.K. Energy describing its audit materiality thresholds, provided as an attachment to these interrogatory responses as ELK\_2025\_IRM\_IRR\_Att1\_KPMG-RE\_Materiality\_20250127. Though the 1588/1589 Audit submitted in evidence still stands on this basis, E.L.K. Energy has revised its request to incorporate the above-noted corrections into its DVA disposition request.

## **Subsequent Event: Embedded Distributor Billing**

In the process of preparing its reconstruction of DVA balances prior to submission of its 2025 IRM application, E.L.K. Energy discovered it had inadvertently failed to invoice its embedded distributor customer for a particular set of costs over the 2021 to 2023 period. On this discovery, E.L.K. Energy prepared an invoice for the embedded distributor customer for the 2021 to 2023 period, and issued such invoice October 8, 2024 ("ED Invoice 1"). The invoice issued had the result of generating new entries into most of the DVAs sought for disposition in this application, and E.L.K. Energy's October 28, 2024 application to the OEB included these entries within its DVA balances and disposition requests.

Subsequent to the submission of E.L.K. Energy's 2025 IRM application, the utility was contacted by the embedded distributor customer to discuss ED Invoice 1. Working with the embedded distributor customer, E.L.K. Energy has determined it is appropriate to revise ED Invoice 1, and issue a new invoice ("ED Invoice 2") which is reflective of both historical practice for the costs in question, and responsive to the specific asset-based circumstances on the ground.

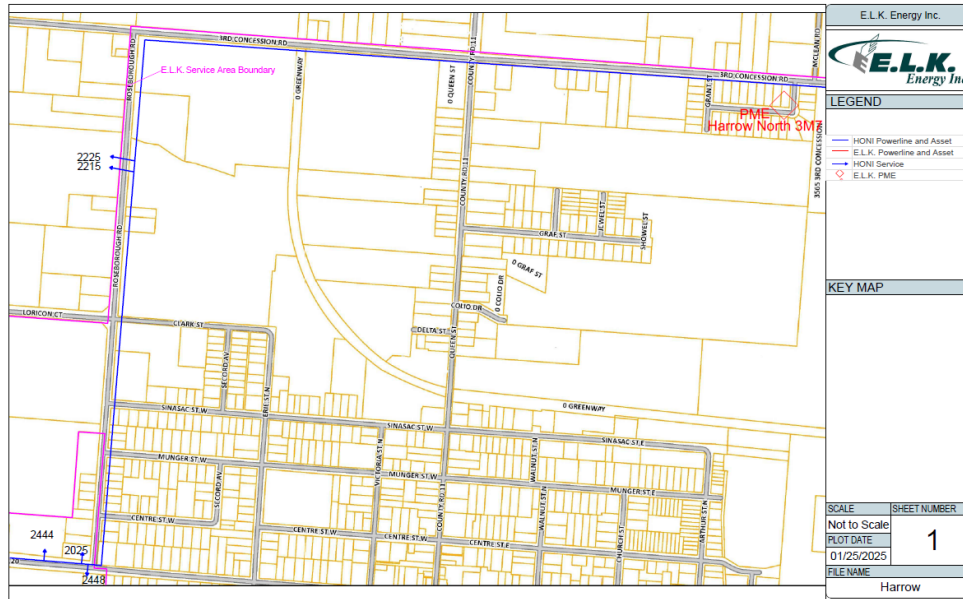
Specifically, the asset configuration in question does not resemble the traditional provision of service to an embedded distributor, and in recognition of this reality E.L.K. Energy has issued invoices in the past (i.e. pre-2021) on the basis of a Cost Netting arrangement. With some variation amongst the 4 locations in question (each of which are further described below), the common circumstance is embedded distributor assets connecting embedded distributor customers, in a location that is downstream of an E.L.K. Energy metering point. Under this arrangement, the embedded distributor assets and its customers are not physically served by the E.L.K. Energy system, however E.L.K. Energy does take on the role of providing electricity commodity and other upstream charges; administering these transactions as part of its distribution business.

In consultation with the embedded distributor customer, E.L.K. Energy has made adjustment to its DVA balances to reflect ED Invoice 2 as prepared on a Cost Netting basis. Under the historical Cost Netting arrangement, the embedded distributor provides customer count, consumption and demand values for the embedded distributor's customers downstream of the E.L.K. Energy meter, and E.L.K. Energy invoices the embedded distributor as though the embedded distributor customers were E.L.K. Energy customers, and subject to E.L.K. Energy rates. For clarity, the embedded distributor invoices its customers on the basis of its own tariff.

Below, E.L.K. Energy describes each of the 4 geographic locations in which this arrangement exists between itself and the embedded distributor.

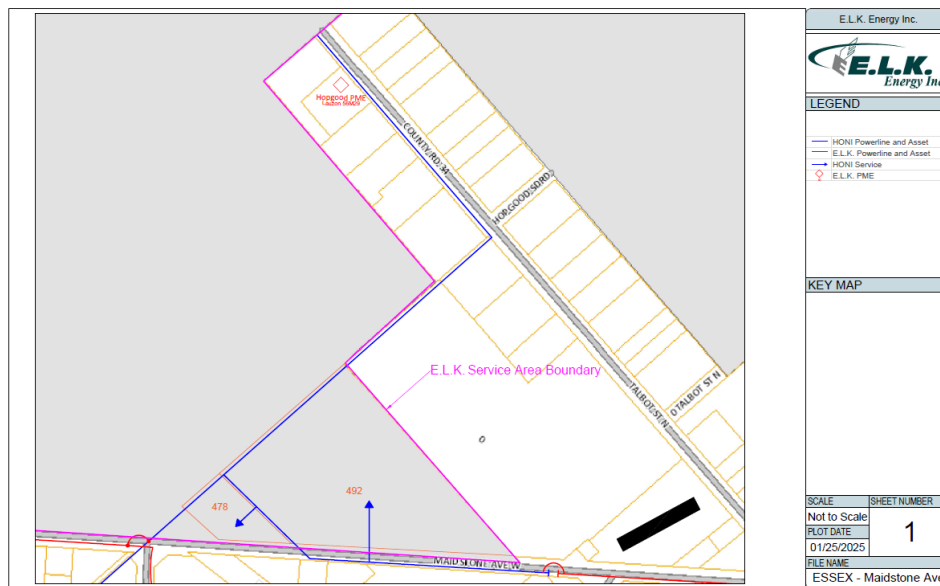
## 1 Harrow Cost Netting

2 The embedded distributor assets run along the boundary of E.L.K. Energy's service territory, serving 5  
3 customer premises. Metering is provided by E.L.K. Energy's Primary Metering Entrance ("PME") Harrow  
4 North 3M7.



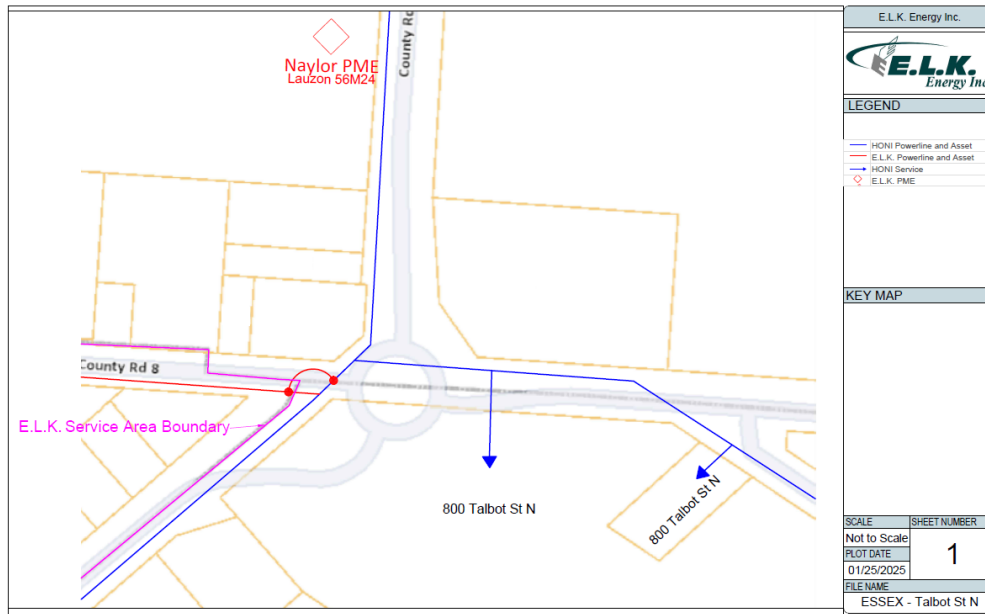
## 6 Maidstone Cost Netting

7 The embedded distributor assets run through E.L.K. Energy's service territory, before returning to the  
8 embedded distributor's service territory and serving 2 customer premises. Metering is provided by E.L.K.  
9 Energy's Hopgood PME.

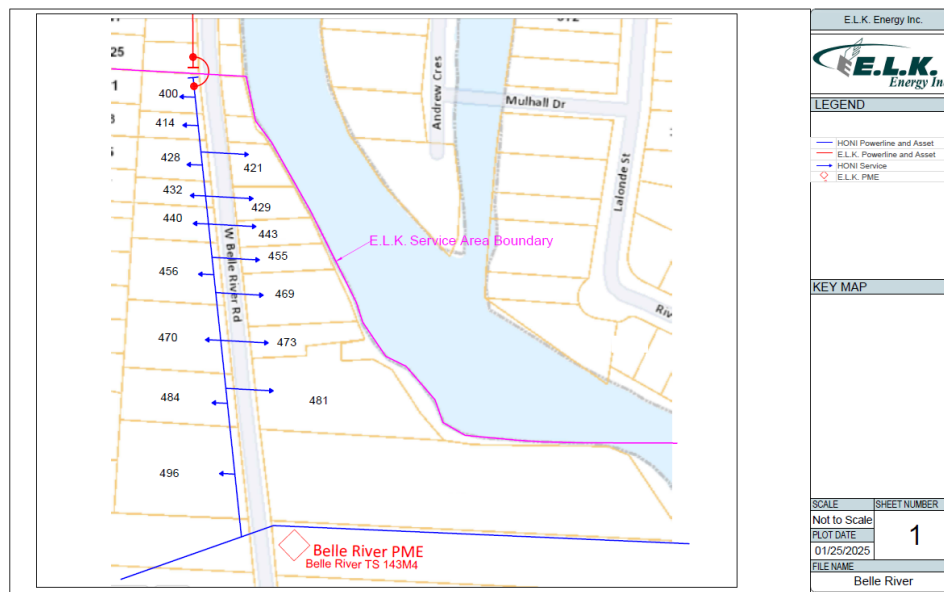


## 1 Talbot St N Cost Netting

- 2 The embedded distributor assets run outside of E.L.K. Energy's service territory, but provide a connection  
3 point for E.L.K. Energy assets, and serve 2 customer accounts. Metering is provided by E.L.K. Energy's  
4 Naylor PME.



- 5
- ## 6 Belle River Cost Netting
- 7 The embedded distributor assets are located just outside the borders of E.L.K. Energy's service territory,  
8 and serve 16 customer premises. Metering is provided by E.L.K. Energy's Belle River PME.







As noted above, implementation of the historical Cost Netting approach results in minor revisions to the majority of E.L.K. Energy's DVA balances sought for disposition in this proceeding. While the direct commodity and global adjustment changes between ED Invoice 1 and ED Invoice 2 are minimal, the incorporation of these changes required rebalancing as between 1588 and 1589. In aggregate, the transition to ED Invoice 2 in this revised evidence has the following impacts on Accounts 1588 and 1589:

**Table 2: Embedded Distributor Invoice Impact on 1588/1589**

| Year       | Account 1588 | Account 1589 |
|------------|--------------|--------------|
| 2021       | (6,598.90)   | 7,577.64     |
| 2022       | (1,107.77)   | 7,401.48     |
| 2023       | (27,216.24)  | (198.02)     |
| NET IMPACT | (34,922.91)  | 14,781.10    |

Given ED Invoice 1 was prepared as though the arrangement were a standard embedded distributor relationship, the transition to ED Invoice 2 had impacts on various other DVA balances sought for disposition in this proceeding. Table 3 below depicts the impact of this transition on Accounts 1550, 1551, 1580, 1584 and 1586:

**Table 3: Embedded Distributor Invoice Impact on 1550,1551,1580,1584 & 1586**

|      |             | 2021      | 2022      | 2023      | Total      |
|------|-------------|-----------|-----------|-----------|------------|
| 1550 | LOW VOLTAGE | -451.56   | -1,511.64 | -2,410.16 | -4,373.35  |
| 1551 | SME         | -164.16   | -138.00   | -116.84   | -419.00    |
| 1580 | WMS         | -74.96    | -72.00    | 297.06    | 150.10     |
| 1584 | NETWORK     | -2,995.06 | -5,386.29 | -7,835.36 | -16,216.71 |
| 1586 | CONNECTION  | -2,307.57 | -3,654.48 | -5,439.70 | -11,401.75 |

For clarity, as a subsequent event to the completion of KPMG's work on October 8, 2024, the impacts of implementing ED Invoice 2 has not been incorporated into the 1588/1589 Audit.

## Subsequent Event: Host Distributor Billing Revision

As noted, subsequent to the submission of its 2025 IRM application on October 28, 2024, E.L.K. Energy received revised invoices from its host distributor dating back to October of 2023. Table 4 below shows the impact of these revised invoices on Accounts 1550, 1584 and 1586 in 2023:

**Table 4: Host Distributor Invoice Impact on 1550, 1584 & 1586**

|      |             | 2023       |
|------|-------------|------------|
| 1550 | LOW VOLTAGE | -9,671.13  |
| 1584 | NETWORK     | -14,048.50 |
| 1586 | CONNECTION  | -4,571.36  |

# Tab 4D

## RESPONSES TO OEB STAFF INTERROGATORIES

### Supplemental Staff-6

#### 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 |
|-----------------------------------------------|-----------|-----------|--------------|--------------------|
| <b>Beginning Balance</b>                      | 928,473   | 1,302,325 | 1,129,873.56 | 3,360,671          |
| <b>A: Current Year (CY) Additions</b>         | 785,082   | 344,792   | -27,481.75   | 1,102,392          |
| <b>OEB Approved Disposals</b>                 | -411,230  | -517,243  | 0.00         | -928,473           |
| <b>Reconstructed Ending Balance</b>           | 1,302,325 | 1,129,874 | 1,102,392    | 3,534,590          |
| <b>B: Previously Reported CY Transactions</b> | 88,415    | -229,424  | -563,143     | -704,152           |
| <b>A-B: Principal Adjustment Required</b>     | 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.

- 1 c) Please find attached ELK\_Staff\_Sup-6\_Att1 – 1550 Reclassification.
- 2 d) Not confirmed. On detailed review of the entries required to reconcile Accounts 1588 and
- 3 1589 back to 2016, E.L.K. Energy concludes its description of the 2016 to 2020 adjustments
- 4 as between Account 1550 and 1588/1589 in pre-filed evidence and interrogatory responses
- 5 was not accurate. Prior descriptions of the entries described LV charges being inadvertently
- 6 entered into Accounts 1588/1589, requiring a credit to these accounts and a debit to
- 7 Account 1550. On review, the opposite is true. Reviewing the historical invoices in question
- 8 and reconstruction of balances, the errors dating back to 2016 relate to commodity and GA
- 9 amounts being incorrectly booked as LV Charges. The result of this historical error, was that
- 10 over the period of 2016 to 2020 \$381,033 was incorrectly recovered from customers via
- 11 Account 1550. In fact, these amounts should have been recovered from customers via a
- 12 debit of \$59,645 to Account 1588, and a debit of \$321,388 to Account 1589. In order to
- 13 correct Accounts 1588 and 1589 for disposition covering the years 2016 to 2023, E.L.K.
- 14 Energy has entered the debits listed above to these accounts. For clarity, these debits were
- 15 included within the scope of KPMG's Audit Report. The credit entry accompanying these
- 16 debits, is a credit of \$381,033 to LV Charges / Account 1550.
- 17 i. See d) above.
- 18 ii. See d) above.
- 19

# Tab 4E

## 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**



| Account/<br>Year | ED Invoice Correction Impact (\$) |                 |                 | Host<br>Distributor<br>Invoice Impact<br>(\$) | 2023 Total (\$) | Total Impact<br>(\$) |
|------------------|-----------------------------------|-----------------|-----------------|-----------------------------------------------|-----------------|----------------------|
|                  | 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)             |
| <b>Total</b>     | <b>(5,993)</b>                    | <b>(10,762)</b> | <b>(15,505)</b> | <b>(28,291)</b>                               | <b>(43,796)</b> | <b>(60,552)</b>      |

1

2 In the Summary tab of Ref 6, E.L.K. Energy provides a table summarizing both the  
3 originally proposed balances and principal adjustments for Accounts 1550, 1551,  
4 1580, 1584, and 1586, as well as the adjusted proposed balances and adjusted  
5 principal adjustments reflecting additional adjustments made during the  
6 interrogatory process.

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

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

| Account | Last Approved<br>Balance<br>EB-2021-0016 | RRR Balance<br>12/31/2021 | A. Proposed<br>Balance<br>12/31/2023 | Principal<br>Adjustments<br>12/31/2023 | B. New Proposed<br>Balance<br>12/31/2023 due to<br>Host Distributor<br>Rebill, Accounting<br>Adjs & New LTLT sales<br>for Host Distributor | Adjusted<br>Principal<br>Adjustments<br>12/31/2023 | A- B:<br>Changes<br>Made to the<br>Originally<br>Proposed<br>Balances |
|---------|------------------------------------------|---------------------------|--------------------------------------|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|-----------------------------------------------------------------------|
| 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                                                           |

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

:

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

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

6

7 **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) |

8

9 **Question(s):**

- 10 a) Please confirm OEB staff's summary of the additional adjustments  
11 made to the Group 1 DVAs in Table 6.
- 12 i. Please explain why the changes made to the  
13 originally proposed balances, as outlined in Table 7,  
14 do not align with the additional adjustments made  
15 to the Group 1 DVAs summarized in Table 6.
- 16 b) Please update the adjusted principal adjustments in the Summary tab  
17 of Ref 2 to exclude the OEB-approved disposals.
- 18 c) Please provide an itemized explanation for the significant fluctuations  
19 in the current year additions observed by OEB staff in Table 7, broken  
20 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 adjustments 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                                 |                                                                                                                                                                                                               |

| 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 |
| <b>(55.14)</b> | <b>TOTAL</b>                          |                                                                                                                                                                                                    |

| 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 |
| <b>132,375.53</b> | <b>TOTAL</b>                          |                                                                                                                                                                                                    |

| 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 adjustments 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 adjustments 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            |
| <b>48,238.97</b> | <b>TOTAL</b>                          |                                                                                                                                                                                                               |

| 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 |
| <b>149,882.12</b> | <b>TOTAL</b>                          |                                                                                                                                                                                                    |

1 To provide clarity and an update to these figures, please see below reproduced versions of  
2 OEB Staff's tables 6, 7 and 8 below.  
3

**Table 6: Additional Adjustments Made to Group 1 DVAs**

| Account/<br>Year      | ED Invoice Correction Impact (\$)<br>(LTLT switch) |             |             | Host<br>Distributor<br>Invoice Impact<br>(\$) | Additional<br>Changes Since<br>IRR<br>Impact<br>(\$) | Total Impact<br>(\$) |
|-----------------------|----------------------------------------------------|-------------|-------------|-----------------------------------------------|------------------------------------------------------|----------------------|
|                       | 2021                                               | 2022        | 2023        | 2023                                          |                                                      |                      |
| <b>1550 (LV)</b>      | (941.71)                                           | (1,732.61)  | (2,410.16)  | (4,571.36)                                    | (18,380.49)                                          | (28,036.32)          |
| <b>1551 (SME)</b>     | -                                                  | -           | -           | -                                             | (55.14)                                              | (55.14)              |
| <b>1580 (WMS)</b>     | (3,607.00)                                         | (3,542.39)  | (3,680.10)  | -                                             | 132,375.53                                           | 121,546.04           |
| <b>1580(WMS-CBDR)</b> | (412.23)                                           | (404.84)    | (337.43)    | -                                             | (35,780.95)                                          | (36,935.45)          |
| <b>1584 (NW)</b>      | (6,127.53)                                         | (6,779.36)  | (7,835.36)  | (14,048.50)                                   | 48,238.97                                            | 13,448.22            |
| <b>1586 (CN)</b>      | (4,647.79)                                         | (4,692.37)  | (5,439.70)  | (9,671.13)                                    | 149,882.12                                           | 125,431.13           |
| <b>Total</b>          | (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<br>Balance<br>EB-2021-0016 | RRR Balance<br>12/31/2021 | A. Proposed<br>Balance<br>12/31/2023 | Principal<br>Adjustments<br>12/31/2023 | B. New Proposed<br>Balance<br>12/31/2023 due to<br>Host Distributor<br>Rebill, Accounting<br>Adjs & New LTLT sales<br>for Host Distributor | Adjusted<br>Principal<br>Adjustments<br>12/31/2023 | C. New<br>Proposed<br>Balance<br>12/31/2023 due<br>to<br>Additional<br>Changes<br>Since IRR | Adjusted<br>Principal<br>Adjustments<br>12/31/2023 | C-A:<br>Changes<br>Made to the<br>Originally<br>Proposed<br>Balances | Total Impact<br>of<br>Adjustments<br>since October<br>2024<br>Proposed<br>Balance (From<br>Table 6) |
|--------------------|------------------------------------------|---------------------------|--------------------------------------|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|---------------------------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| <b>1550</b>        | \$ 528,099                               | \$ 303,652                | \$ 1,130,428                         | \$ 882,134                             | \$ 1,123,528                                                                                                                               | \$ 875,235                                         | \$ 1,102,392                                                                                | \$ 910,171                                         | \$ (28,036)                                                          | \$ (28,036)                                                                                         |
| <b>1551</b>        | \$ (2,534)                               | \$ (76,466)               | \$ (68,747)                          | \$ 4,303                               | \$ (69,222)                                                                                                                                | \$ 3,829                                           | \$ (68,803)                                                                                 | \$ 4,358                                           | \$ (55)                                                              | \$ (55)                                                                                             |
| <b>1580 (WMS)</b>  | \$ (129,788)                             | \$ 583,040                | \$ 416,045                           | \$ (163,041)                           | \$ 453,467                                                                                                                                 | \$ (125,619)                                       | \$ 537,591                                                                                  | \$ (284,587)                                       | \$ 121,546                                                           | \$ 121,546                                                                                          |
| <b>1580 (CBDR)</b> | \$ (29,711)                              | \$ (33,114)               | \$ 41,719                            | \$ 74,169                              | \$ 4,783                                                                                                                                   | \$ 37,234                                          | \$ 4,783                                                                                    | \$ 111,105                                         | \$ (36,936)                                                          | \$ (36,935)                                                                                         |
| <b>1584</b>        | \$ (170,422)                             | \$ (314,632)              | \$ (381,874)                         | \$ (77,468)                            | \$ (388,311)                                                                                                                               | \$ (83,905)                                        | \$ (368,426)                                                                                | \$ (90,916)                                        | \$ 13,448                                                            | \$ 13,448                                                                                           |
| <b>1586</b>        | \$ 366,584                               | \$ (121,982)              | \$ (518,735)                         | \$ (399,601)                           | \$ (499,602)                                                                                                                               | \$ (380,468)                                       | \$ (393,307)                                                                                | \$ (525,033)                                       | \$ 125,428                                                           | \$ 125,431                                                                                          |

**Table 8: Summary of the Current Year Additions**

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



# Tab 5A

- (c) a certificate of status, compliance, good standing or like certificate with respect to Buyer issued by appropriate government officials of its jurisdiction of formation dated within one Business Day of the Closing Date;
- (d) the Buyer Closing Certificate;
- (e) the Contribution Agreement;
- (f) the Local Community Commitment Agreement;
- (g) the Governance Representation Agreement;
- (h) Shareholder Releases;
- (i) the Escrow Agreement; and
- (j) without limitation to the foregoing, all other documents or instruments as Seller has reasonably requested and are reasonably necessary to consummate the Transaction.

## ARTICLE 8 CONDITIONS OF CLOSING; TERMINATION

### 8.1 Conditions for the Benefit of Buyer.

The obligation of Buyer to complete the purchase of the Purchased Shares is subject to the following conditions to be satisfied or performed prior to the Closing, which conditions are for the exclusive benefit of Buyer and may be waived, in whole or in part, by Buyer in its sole discretion:

- (a) **Accuracy of Representations and Warranties; Performance of Covenants.** Each of:
  - (i) the representations and warranties of Seller shall be true and accurate in all respects on the date hereof and on the Closing Date; and
  - (ii) the covenants and obligations contained in this Agreement to be performed by Seller on or before the Closing Date shall have been performed in all material respects.
- (b) **No Material Adverse Effect.** There shall not have occurred a Material Adverse Effect.
- (c) **Seller Closing Certificate.** Seller shall have delivered to Buyer at the Closing a certificate, substantially in the form attached as Exhibit “F”, of an officer or other authorized Representative of Seller dated as of the Closing Date, as to the matters set forth in Section 8.1(a) and Section 8.1(b) (the “**Seller Closing Certificate**”).
- (d) **Closing Deliverables.** Each of the closing deliverables set out in Section 7.2 shall have been executed and delivered to Buyer.
- (e) **Termination of Related Party Transactions.** The Related Party Transactions (other than Contracts solely between two Group Entities) shall have been terminated, and all Liabilities thereunder shall have been satisfied in full, in each case on terms acceptable to Buyer acting reasonably, and Seller shall have provided reasonable evidence thereof to Buyer.

- (f) **Required Consents.** Each of the Consents set forth on Schedule 8.1(f) of the Seller Disclosure Letter, and the consent of Buyer's debenture trustee, shall have been received and shall be in full force and effect on terms acceptable to Buyer, acting reasonably.
- (g) **Required Regulatory Approvals.** The Required Regulatory Approvals shall have been obtained on terms acceptable to Buyer, acting reasonably, and shall be in full force and effect.
- (h) **No Law or Order.** No enforceable Law, Order or claim enjoining, restricting or prohibiting any of the Transaction shall have been rendered, instituted or be pending.
- (i) **No Proceeding.** No Proceeding shall be pending or, to the knowledge of Seller threatened, by any Person to restrain or prohibit:
  - (i) the completion of the Transactions; or
  - (ii) the Group Entities from carrying on the Business as the Business is being carried on in all material respects at the date hereof.
- (j) **Discharge of Liens.** Buyer shall have received evidence reasonably satisfactory to it of the release and valid discharge of:
  - (i) all Liens on, against or in respect of the securities, assets or properties (including the Owned Real Property and the Easement Lands) of each Group Entity, other than Permitted Liens;
  - (ii) all Liens on, against or in respect of the Purchased Shares; and
  - (iii) all Permitted Liens listed on Schedule 1.1(a) of the Seller Disclosure Letter denoted with an asterisk (\*).
- (k) **Termination of Management Contract.** To the extent entered into, the Management Contract shall have been terminated, and all Liabilities thereunder shall have been satisfied in full, in each case on terms acceptable to Buyer acting reasonably, and Seller shall have provided reasonable evidence thereof to Buyer.
- (l) **Completion of Due Diligence.** The Buyer shall have completed its due diligence in respect of the Transaction prior to the expiration of the Due Diligence Period, the results of which are satisfactory to Buyer in its sole discretion.
- (m) **Collective Agreement.** Each Collective Agreement entered into or agreed to be entered into between the date of this Agreement and the Closing by any Group Entity is in form and substance satisfactory to Buyer, acting reasonably and in good faith.
- (n) **Final Decision on Seller's 2025 Rate Application.** Seller shall have received a final decision and order from the Ontario Energy Board in respect of Seller's 2025 incentive rate mechanism rate application in proceeding number EB-2024-0015, the outcome of which is to the satisfaction of Buyer, acting reasonably.