



November 10, 2016

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street  
27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Walli

Re: Electricity Distribution Service Area Amendment Application – E.L.K. Energy Inc. (O.E.B. Electricity Distributor Licence No. ED-2003-0015)

Please see attached responses to latest round of Interrogatories to E.L.K. Energy Inc. for EB-2016-0155.

If you have any questions please do not hesitate to contact me.

Regards,

Mark Danelon  
Director, Finance & Regulatory Affairs



**OEB Staff Interrogatories – Second Round**

**On Updated Evidence Filed by E.L.K. Energy Inc. (ELK) on October 6, 2016**

**Application for Service Area Amendment**

**E.L.K. Energy Inc.**

**EB-2016-0155**

1(Second Round) . Reference: Section 1 and Offer to Connect dated October 3, 2016

Multiple amendments to the customer’s connection requirements resulted in the issuance of a new Offer to Connect dated October 3, 2016. In this regard, provide the following:

- i. Itemized comparison of the original cost to connect (\$83,795.80) and the latest cost to connect (\$8,702.67) included in the Offer to Connect dated October 3, 2016. Identify items that were removed and explain why they are no longer needed.

**E.L.K. Response:**

Item	Description	E.L.K. Estimated Cost Original OTC	E.L.K. Estimated Cost Latest OTC
1	Supply & Install 750 KVA 600 Volt padmounted transformer, transformer vault, high voltage duct structure, high voltage cable and ancillary equipment	\$ 48,217.68	\$ -
2	Install 2 new 45' poles into existing overhead line at the intersection of Roseborough and Clark to facilitate new connection.	\$ 20,619.35	\$ -
3	Place new distribution assets into service	\$ 14,958.77	\$ -
4	Place new distribution assets into service inclusive of the supply and installation of secondary metering for the customer.	\$ -	\$ 8,702.67
		\$ 83,795.80	\$ 8,702.67



Item 1 above has been removed because the customer's forecasted load increased above the 1 MVA threshold pursuant to which E.L.K. would supply the transformer. Consequently, the customer must now supply their own transformer.

Item 2 – these costs were incorrectly charged to Sellick when in-fact they were incurred at the request of a different customer (the developer). These costs were removed after E.L.K. was alerted to this error by Hydro One, as part of the Oct. 6, 2016 evidence update.

Item 3's cost was reduced in Item 4 to reflect the substantially reduced new assets being placed into service. Because there is no longer the need to install a transformer (see Item 1 above) or the associated underground switching, the distribution assets required have reduced and the costs associated have been reduced accordingly.

- ii. Detailed diagram identifying location of all existing, relocated and new assets that ELK is planning to use to connect the customer. On the diagram identify who is responsible to put the assets in place (i.e. ELK or the customer), and identify the ongoing ownership of the assets.

**E.L.K. Response:**

**Please see attached Appendix 5.**

- iii. Details of the costs of all new assets and relocation costs of the existing assets required to connect the customer.

**E.L.K. Response:**

**Please refer to (i) above and HONI – Interrogatory a.**

**E.L.K. is not in possession of cost estimates for work being done on the customer side of the proposed connection point.**

- iv. Confirmation as to whether or not the ownership of the transformer supplied by the customer will be transferred to ELK. If transferred to ELK, identify the transformer transfer price and associated expenses, OM&A, etc., and include all these costs in the economic evaluation. If not transferred to ELK, confirm that the customer will be solely responsible for ongoing maintenance of these assets.



**E.L.K. Response:**

**The customer supplied transformer will not be transferred to E.L.K. and the customer will be solely responsible for ongoing maintenance of these assets.**

- v. Updated economic evaluation factoring in the total capital costs of the project and all incremental expenses.

**E.L.K. Response:**

**As noted above, E.L.K. is not in possession of cost estimates for work being done on the customer side of the proposed connection point. It should be noted that the customer, Sellick, had as a key consideration its portion of the capital costs as a major factor when deciding on their preference between HONI and E.L.K. (i.e. both HONI and E.L.K. require Sellick to install a new transformer).**

**Please see below the updated economic evaluation that created the Offer to Connect dated October 3, 2016 taking into account the total capital costs that are known to E.L.K.**



	A	B	C	D	E	F	G	H	I	J
1	Table									
2	No.									
3		Project name			Sellick Equipment Limited					
4		Developer name			Sellick Equipment Limited					
5		Customer connection horizon (max 5)		5	YELLOW CELLS ONLY ARE FOR DATA INPUT OF ANNUAL					
6		Customer revenue horizon (max 25)		25	CONSTANTS.					
7	1	Forecasted customer additions (non-cumulative)								
8		Customer Class		Yr 1 (2016)	Yr 2 (2017)	Yr 3 (2018)	Yr 4 (2019)	Yr 5 (2020)		
9		Residential								
10		General Service < 50kW								
11		General Service > 50kW (non-TOU)		1						
12		General Service > 50kW (TOU)								
13		Large User								
14		Other class - non-demand								
15		Other class - non-demand								
16		Other class - demand								
17		Other class - demand								
18	2	Estimate of average energy per added customer (monthly kWh)								
19		Customer Class		Yr 1 (2016)	Yr 2 (2017)	Yr 3 (2018)	Yr 4 (2019)	Yr 5 (2020)		
20		Residential								
21		General Service < 50kW								
22		Other class - non-demand								
23		Other class - non-demand								
24	3	Estimate of average demand per added customer kW								
25		Customer Class		Yr 1 (2016)	Yr 2 (2017)	Yr 3 (2018)	Yr 4 (2019)	Yr 5 (2020)		
26		General Service > 50kW (non-TOU)		1200						
27		General Service > 50kW (TOU)								
28		Large User								
29		Other class - demand								
30		Other class - demand								
31	4	Approved wires only rates per rate schedule - monthly fixed charge								
32		Customer Class		Yr 1 (2016)	Yr 2 (2017)	Yr 3 (2018)	Yr 4 (2019)	Yr 5 (2020)		
33		Residential								
34		General Service < 50kW								
35		General Service > 50kW (non-TOU)		187.07	187.07	187.07	187.07	187.07	187.07	
36		General Service > 50kW (TOU)								
37		Large User								
38		Other class - non-demand								
39		Other class - non-demand								
40		Other class - streetlighting								
41		Other class - demand								
42	5	Approved wires only rates per rate schedule - variable charge (per kWh)								
43		Customer Class		Yr 1 (2016)	Yr 2 (2017)	Yr 3 (2018)	Yr 4 (2019)	Yr 5 (2020)		
44		Residential								
45		General Service < 50kW								
46		Other class - non-demand								
47		Other class - non-demand								
48	6	Approved wires only rates per rate schedule - demand charge (per kW)								
49		Customer Class		Yr 1 (2016)	Yr 2 (2017)	Yr 3 (2018)	Yr 4 (2019)	Yr 5 (2020)		
50		General Service > 50kW (non-TOU)		1.5827	1.5827	1.5827	1.5827	1.5827	1.5827	
51		General Service > 50kW (TOU)								
52		Large User								
53		Other class - streetlighting								
54		Other class - demand								
55										
56										



	A	B	C	D	E	F	G	H	I	J
57	7	<b>New facilities and/or reinforcement investments</b>								
58		<i>Capital elements</i>			Yr 1 (2016)	Yr 2 (2017)	Yr 3 (2018)	Yr 4 (2019)	Yr 5 (2020)	
59		Distribution stations			8,703					
60		Distribution lines								
61		Distribution transformers								
62		Secondary busses								
63		Services								
64		Other								
65		Total			8,703					
66		Assessed value of land								
67	8	<b>Customer specific capital</b>								
68		<i>Customer Class</i>			Yr 1 (2016)	Yr 2 (2017)	Yr 3 (2018)	Yr 4 (2019)	Yr 5 (2020)	
69		Residential			0	0	0	0	0	0
70		General Service < 50kW			0	0	0	0	0	0
71		General Service > 50kW (non-TOU)			0	0	0	0	0	0
72		General Service > 50kW (TOU)			0	0	0	0	0	0
73		Large User			0	0	0	0	0	0
74		Other class - non-demand			0	0	0	0	0	0
75		Other class - non-demand			0	0	0	0	0	0
76		Other class - demand			0	0	0	0	0	0
77		Other class - demand			0	0	0	0	0	0
78		Total			0	0	0	0	0	0
79	9	<b>Incremental overheads (capital) at project level applicable to distribution system expansion</b>								
80		<i>Customer Class</i>			Yr 1 (2016)	Yr 2 (2017)	Yr 3 (2018)	Yr 4 (2019)	Yr 5 (2020)	Years 6-25
81		Residential			0	0	0	0	0	0
82		General Service < 50kW			0	0	0	0	0	0
83		General Service > 50kW (non-TOU)			0	0	0	0	0	0
84		General Service > 50kW (TOU)			0	0	0	0	0	0
85		Large User			0	0	0	0	0	0
86		Other class - non-demand			0	0	0	0	0	0
87		Other class - non-demand			0	0	0	0	0	0
88		Other class - demand			0	0	0	0	0	0
89		Other class - demand			0	0	0	0	0	0
90	10	<b>Attributable incremental annual operating, maintenance and administration expenditures (per customer addition)</b>								
91		<i>Customer Class</i>			Yr 1 (2016)	Yr 2 (2017)	Yr 3 (2018)	Yr 4 (2019)	Yr 5 (2020)	Years 6-25
92		Residential								
93		General Service < 50kW								
94		General Service > 50kW (non-TOU)			2,478.56	2,841.72	2,841.72	2,841.72	2,841.72	2,841.72
95		General Service > 50kW (TOU)								
96		Large User								
97		Other class - non-demand								
98		Other class - non-demand								
99		Other class - demand								
100		Other class - demand								



	A	B	C	D	E	F	G	H	I	J
101	11			<b>Discount rate data</b>						
102				<i>Incremental after-tax cost of capital</i>	Yr 1 (2016)	Yr 2 (2017)	Yr 3 (2018)	Yr 4 (2019)	Yr 5 (2020)	Years 6-25
103				Borrowing rate	2.67%	2.67%	2.67%	2.67%	2.67%	2.67%
104				Rate of return on common equity	9.12%	9.12%	9.12%	9.12%	9.12%	9.12%
105				Total debt outstanding (%)	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%
106				Total common equity (%)	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%
107				Marginal income tax rate	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%
108				<b>Incremental after-tax weighted average cost of capital</b>	4.8255%	4.8255%	4.8255%	4.8255%	4.8255%	4.8255%
109										
110	12			<b>Tax rate data</b>						
111				<i>Type of tax</i>	Yr 1 (2016)	Yr 2 (2017)	Yr 3 (2018)	Yr 4 (2019)	Yr 5 (2020)	Years 6-25
112				Municipal tax rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
113				Marginal income tax rate	26.50%	26.50%	26.50%	26.50%	26.50%	26.50%
114				Federal capital tax rate	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
115				Provincial capital tax rate	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
116				Capital cost allowance rate	4.000%	4.000%	4.000%	4.000%	4.000%	4.000%
117				Taxable capital employed in Canada	13,767,889	13,767,889	13,767,889	13,767,889	13,767,889	13,767,889
118				Capital Deduction (Federal purposes)	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
119				Base for Federal capital tax	-36,232,111	-36,232,111	-36,232,111	-36,232,111	-36,232,111	-36,232,111



	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	YEAR 11	YEAR 12	YEAR 13	YEAR 14
<b>Discount rate</b>	0.04825	0.04825	0.04825	0.04825	0.04825	0.04825	0.04825	0.04825	0.04825	0.04825	0.04825	0.04825	0.04825	0.04825
<b>Present value factor - end of year</b>	0.95397	0.91005	0.86816	0.82820	0.79007	0.75370	0.71901	0.68591	0.65433	0.62421	0.59548	0.56807	0.54192	0.51697
<b>Present value factor - mid-year</b>	0.97871	0.93175	0.88886	0.84794	0.80891	0.77167	0.73615	0.70226	0.66993	0.63909	0.60968	0.58161	0.55484	0.52930
<b>Total</b>														
<b>OPERATIONS</b>														
Customer revenue - fixed charge rate														
Residential	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General Service < 50kW	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General Service > 50kW (non-TOU)	54,999	1,122	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245
General Service > 50kW (TOU)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Large User	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other class - non-demand	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other class - non-demand	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other class - demand	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other class - demand	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total fixed charge revenue</b>	<b>54,999</b>	<b>1,122</b>	<b>2,245</b>	<b>2,245</b>	<b>2,245</b>	<b>2,245</b>	<b>2,245</b>	<b>2,245</b>	<b>2,245</b>	<b>2,245</b>	<b>2,245</b>	<b>2,245</b>	<b>2,245</b>	<b>2,245</b>
Customer revenue - variable charge rate														
Residential	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General Service < 50kW	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General Service > 50kW (non-TOU)	558,377	11,395	22,791	22,791	22,791	22,791	22,791	22,791	22,791	22,791	22,791	22,791	22,791	22,791
General Service > 50kW (TOU)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Large User	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other class - non-demand	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other class - non-demand	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other class - demand	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other class - demand	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total variable charge revenue</b>	<b>558,377</b>	<b>11,395</b>	<b>22,791</b>	<b>22,791</b>	<b>22,791</b>	<b>22,791</b>	<b>22,791</b>	<b>22,791</b>	<b>22,791</b>	<b>22,791</b>	<b>22,791</b>	<b>22,791</b>	<b>22,791</b>	<b>22,791</b>
<b>Customer revenue - total</b>	<b>613,375</b>	<b>12,518</b>	<b>25,036</b>	<b>25,036</b>	<b>25,036</b>	<b>25,036</b>	<b>25,036</b>	<b>25,036</b>	<b>25,036</b>	<b>25,036</b>	<b>25,036</b>	<b>25,036</b>	<b>25,036</b>	<b>25,036</b>

Revenue received for each of the years 6 - 25 are the same as year 5

**Incremental O&M&A**

Residential	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General Service < 50kW	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General Service > 50kW (non-TOU)	69,441	1,239	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842
General Service > 50kW (TOU)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Large User	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other class - non-demand	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other class - non-demand	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other class - demand	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other class - demand	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Incremental O&amp;M&amp;A</b>	<b>69,441</b>	<b>1,239</b>	<b>2,842</b>	<b>2,842</b>	<b>2,842</b>	<b>2,842</b>	<b>2,842</b>	<b>2,842</b>	<b>2,842</b>	<b>2,842</b>	<b>2,842</b>	<b>2,842</b>	<b>2,842</b>	<b>2,842</b>
<b>Current year customer additions</b>	<b>40,168</b>	<b>1210,4172</b>	<b>2647.77</b>	<b>2525.891</b>	<b>2409.608</b>	<b>2298.696</b>	<b>2192.87</b>	<b>1995.626</b>	<b>1903.753</b>	<b>1816.115</b>	<b>1732.54</b>	<b>1652.773</b>	<b>1576.7</b>	<b>1504.122</b>

Current year customer additions are divided by two in order to recognize level activities throughout the year.





	Total	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>CAPITAL COSTS</b>															
New facilities and/or reinforcement investments	8,703	8,703	0	0	0	0	0	0	0	0	0	0	0	0	0
Customer specific capital															
Residential															
General Service < 50kW	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General Service > 50kW (non-TOU)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General Service > 50kW (TOU)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Large User	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other class - non-demand	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other class - non-demand	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other class - demand	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other class - demand	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total customer specific capital (exclude land)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Incremental Overheads at project level															
Residential															
General Service < 50kW	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General Service > 50kW (non-TOU)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General Service > 50kW (TOU)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Large User	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other class - non-demand	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other class - non-demand	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other class - demand	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other class - demand	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total incremental overheads	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Land and land rights	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Total Capital Costs	8,703	8,703	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Capital Costs excluding land	8,703	8,703	0	0	0	0	0	0	0	0	0	0	0	0	0
There is assumption made here that there are no up front capital costs in the first year, that costs in the first year are incurred evenly during the year.															
Present Value Of Annual Capital Costs	8,500	8,500	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Present Value Of CCA Tax Shield</b>															
Opening undepreciated capital cost	8,703	254,302	244,130	244,130	234,365	224,990	215,991	207,351	199,057	191,095	183,451	176,113	169,068	162,306	155,813
Less: Contributed Capital	250,789														
Less: Capital cost allowance	164,024	5,190	10,172	9,765	9,375	9,000	8,640	8,284	7,962	7,644	7,338	7,045	6,763	6,492	6,233
Closing undepreciated capital cost	254,302	244,130	234,365	224,990	215,991	207,351	199,057	191,095	183,451	176,113	169,068	162,306	155,813	149,581	143,579
CCA Annual Income Tax Savings	1,375	2,658	2,588	2,484	2,385	2,290	2,198	2,110	2,028	1,945	1,867	1,792	1,720	1,652	1,587
Present Value Of CCA Tax Shield	1,343	2,512	2,300	2,107	1,929	1,767	1,618	1,482	1,357	1,243	1,138	1,042	955	874	800

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>Present Value of Operating Cash Flow</b>														
Customer revenue - total	12,518	25,036	25,036	25,036	25,036	25,036	25,036	25,036	25,036	25,036	25,036	25,036	25,036	25,036
Less: Total Incremental O&M&A	-1,239	-2,842	-2,842	-2,842	-2,842	-2,842	-2,842	-2,842	-2,842	-2,842	-2,842	-2,842	-2,842	-2,842
Net (W/less) Operating Cash before Income Tax	11,279	22,194	22,194	22,194	22,194	22,194	22,194	22,194	22,194	22,194	22,194	22,194	22,194	22,194
<b>Present value of Net Operating Cash</b>	11,016	20,679	19,727	18,819	17,953	17,126	16,338	15,586	14,868	14,164	13,531	12,908	12,314	11,747
<b>Present Value of Taxes</b>														
Income Taxes	2,989	5,881	5,881	5,881	5,881	5,881	5,881	5,881	5,881	5,881	5,881	5,881	5,881	5,881
Provincial Capital Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Federal Capital Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Municipal Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Taxes</b>	2,989	5,881	5,881	5,881	5,881	5,881	5,881	5,881	5,881	5,881	5,881	5,881	5,881	5,881
<b>PV of Taxes</b>	2,919	5,460	5,228	4,987	4,758	4,539	4,330	4,130	3,940	3,759	3,566	3,421	3,263	3,113
<b>PV of Municipal Taxes/Taxes</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0

### Net Present Value Summary

	With taxes	Without Federal and Provincial taxes
1. PV of Operating Cash Flow	315,276	315,276
a) PV of Net Operating Cash Flow	-83,548	0
b) PV of Taxes	231,728	315,276
PV of Operating Cash Flow	-8,500	-8,500
2. PV of Capital	27,551	27,551
3. PV of CCA Tax Shield	\$260,789	\$306,776
<b>NET PRESENT VALUE</b>		



	15	16	17	18	19	20	21	22	23	24	25
<b>Discount rate</b>	0.04825	0.04825	0.04825	0.04825	0.04825	0.04825	0.04825	0.04825	0.04825	0.04825	0.04825
<b>Present value factor - end of year</b>	0.49317	0.47047	0.44881	0.42815	0.40844	0.38984	0.37170	0.35459	0.33827	0.32270	0.30784
<b>Present value factor - mid-year</b>	0.50493	0.48169	0.45951	0.43826	0.41818	0.39893	0.38057	0.36305	0.34634	0.33039	0.31518
<b>YEAR 15</b>	<b>YEAR 16</b>	<b>YEAR 17</b>	<b>YEAR 18</b>	<b>YEAR 19</b>	<b>YEAR 20</b>	<b>YEAR 21</b>	<b>YEAR 22</b>	<b>YEAR 23</b>	<b>YEAR 24</b>	<b>YEAR 25</b>	

**OPERATIONS**

Customer revenue - fixed charge rate	15	16	17	18	19	20	21	22	23	24	25
Residential	0	0	0	0	0	0	0	0	0	0	0
General Service < 50kW	0	0	0	0	0	0	0	0	0	0	0
General Service > 50kW (non-TOU)	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245	2,245
General Service > 50kW (TOU)	0	0	0	0	0	0	0	0	0	0	0
Large User	0	0	0	0	0	0	0	0	0	0	0
Other class - non-demand	0	0	0	0	0	0	0	0	0	0	0
Other class - non-demand	0	0	0	0	0	0	0	0	0	0	0
Other class - demand	0	0	0	0	0	0	0	0	0	0	0
Other class - demand	0	0	0	0	0	0	0	0	0	0	0
<b>Total fixed charge revenue</b>	<b>2,245</b>	<b>2,245</b>	<b>2,245</b>	<b>2,245</b>	<b>2,245</b>	<b>2,245</b>	<b>2,245</b>	<b>2,245</b>	<b>2,245</b>	<b>2,245</b>	<b>2,245</b>

**Customer revenue - variable charge rate**

Residential	0	0	0	0	0	0	0	0	0	0	0
General Service < 50kW	0	0	0	0	0	0	0	0	0	0	0
General Service > 50kW (non-TOU)	22,791	22,791	22,791	22,791	22,791	22,791	22,791	22,791	22,791	22,791	22,791
General Service > 50kW (TOU)	0	0	0	0	0	0	0	0	0	0	0
Large User	0	0	0	0	0	0	0	0	0	0	0
Other class - non-demand	0	0	0	0	0	0	0	0	0	0	0
Other class - non-demand	0	0	0	0	0	0	0	0	0	0	0
Other class - demand	0	0	0	0	0	0	0	0	0	0	0
Other class - demand	0	0	0	0	0	0	0	0	0	0	0
<b>Total variable charge revenue</b>	<b>22,791</b>	<b>22,791</b>	<b>22,791</b>	<b>22,791</b>	<b>22,791</b>	<b>22,791</b>	<b>22,791</b>	<b>22,791</b>	<b>22,791</b>	<b>22,791</b>	<b>22,791</b>

**Customer revenue - total**

	22,791	22,791	22,791	22,791	22,791	22,791	22,791	22,791	22,791	22,791	22,791
	25,036	25,036	25,036	25,036	25,036	25,036	25,036	25,036	25,036	25,036	25,036

Revenue received for each of the years 6 - 25 :

Incremental OMS&A	15	16	17	18	19	20	21	22	23	24	25
Residential	0	0	0	0	0	0	0	0	0	0	0
General Service < 50kW	0	0	0	0	0	0	0	0	0	0	0
General Service > 50kW (non-TOU)	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842
General Service > 50kW (TOU)	0	0	0	0	0	0	0	0	0	0	0
Large User	0	0	0	0	0	0	0	0	0	0	0
Other class - non-demand	0	0	0	0	0	0	0	0	0	0	0
Other class - non-demand	0	0	0	0	0	0	0	0	0	0	0
Other class - demand	0	0	0	0	0	0	0	0	0	0	0
Other class - demand	0	0	0	0	0	0	0	0	0	0	0
<b>Total Incremental OMS&amp;A</b>	<b>2,842</b>	<b>2,842</b>	<b>2,842</b>	<b>2,842</b>	<b>2,842</b>	<b>2,842</b>	<b>2,842</b>	<b>2,842</b>	<b>2,842</b>	<b>2,842</b>	<b>2,842</b>

	1434.87	1368.828	1305.799	1245.696	1188.35	1133.647	1081.473	1031.686	984.2013	938.8759	895.6533
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Current year customer additions are divided by

	16	16	17	18	19	20	21	22	23	24	25	
<b>CAPITAL COSTS</b>												
New facilities and/or reinforcement investments												
Customer specific capital												
Residential												
General Service < 50KW												
General Service > 50KW (non-TOU)												
General Service > 50KW (TOU)												
Large User												
Other class - non-demand												
Other class - non-demand												
Other class - demand												
Other class - demand												
Total customer specific capital (exclude land)												
Incremental Overheads at project level												
Residential												
General Service < 50KW												
General Service > 50KW (non-TOU)												
General Service > 50KW (TOU)												
Large User												
Other class - non-demand												
Other class - non-demand												
Other class - demand												
Other class - demand												
Total incremental overheads												
Land and land rights												
Annual Total Capital Costs	0	0	0	0	0	0	0	0	0	0	0	0
Annual Capital Costs excluding land	0	0	0	0	0	0	0	0	0	0	0	0
There is assumption made here that there are n												
Present Value Of Annual Capital Costs	0	0	0	0	0	0	0	0	0	0	0	0
<b>Present Value Of CCA Tax Shield</b>												
Opening undepreciated capital cost	149,581	143,998	137,854	132,340	127,046	121,964	117,086	112,402	107,906	103,590	99,446	
Less: Contributed Capital												
Less: Capital cost allowance	5,983	5,744	5,514	5,294	5,082	4,879	4,683	4,496	4,316	4,144	3,978	
Closing undepreciated capital cost	143,598	137,954	132,340	127,046	121,964	117,086	112,402	107,906	103,590	99,446	95,468	
CCA Annual Income Tax Savings	1,586	1,522	1,461	1,403	1,347	1,293	1,241	1,191	1,144	1,098	1,054	
Present Value of CCA Tax Shield	801	733	671	615	563	516	472	433	396	363	332	



	15	16	17	18	19	20	21	22	23	24	25
<b>Present Value of Operating Cash Flow</b>											
Present Value of Net Operating Cash											
Customer revenue - total	25,036	25,036	25,036	25,036	25,036	25,036	25,036	25,036	25,036	25,036	25,036
Less Total Incremental O&M&A	-2,842	-2,842	-2,842	-2,842	-2,842	-2,842	-2,842	-2,842	-2,842	-2,842	-2,842
Net (Wires) Operating Cash before Income Tax	22,194	22,194	22,194	22,194	22,194	22,194	22,194	22,194	22,194	22,194	22,194
Present value of Net Operating Cash	11,206	10,891	10,198	9,729	9,281	8,854	8,446	8,058	7,687	7,333	6,995
<b>Present Value of Taxes</b>											
Income Taxes	5,881	5,881	5,881	5,881	5,881	5,881	5,881	5,881	5,881	5,881	5,881
Provincial Capital Taxes	0	0	0	0	0	0	0	0	0	0	0
Federal Capital Taxes	0	0	0	0	0	0	0	0	0	0	0
Annual Municipal Taxes	0	0	0	0	0	0	0	0	0	0	0
Total Taxes	5,881	5,881	5,881	5,881	5,881	5,881	5,881	5,881	5,881	5,881	5,881
PV of Taxes	2,970	2,833	2,703	2,578	2,459	2,346	2,238	2,135	2,037	1,943	1,854
PV of Municipal Taxes	0	0	0	0	0	0	0	0	0	0	0

**Net Present Value Summa**

1. PV of Operating Cash Flow
    - a) PV of Net Operating Cash Flow
    - b) PV of Taxes
  2. PV of Operating Cash Flow
  3. PV of Capital
  3. PV of CCA Tax Shield
- NET PRESENT VALUE**



	0.97671	0.93175	0.88886	0.84794	0.80681	0.77167	0.73615	0.70226	0.66693	0.63909
Present value factor - mid-year										
<b>Incremental OM&amp;A</b>										
Residential	0	0	0	0	0	0	0	0	0	0
General Service - 50kW	0	0	0	0	0	0	0	0	0	0
General Service - 50kW (non-TOU)	69,441	1,239	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842
General Service - 50kW (TOU)	0	0	0	0	0	0	0	0	0	0
Large User	0	0	0	0	0	0	0	0	0	0
Other class - non-demand	0	0	0	0	0	0	0	0	0	0
Other class - non-demand	0	0	0	0	0	0	0	0	0	0
Other class - demand	0	0	0	0	0	0	0	0	0	0
Other class - demand	0	0	0	0	0	0	0	0	0	0
<b>Total Incremental OM&amp;A</b>	<b>69,441</b>	<b>1,239</b>	<b>2,842</b>	<b>2,842</b>	<b>2,842</b>	<b>2,842</b>	<b>2,842</b>	<b>2,842</b>	<b>2,842</b>	<b>2,842</b>
<b>Annual Total Capital Costs</b>	<b>8,703</b>	<b>8,703</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>\$ 9,941.95</b>	<b>\$ 2,841.72</b>	<b>\$ 2,841.72</b>	<b>\$ 2,841.72</b>	<b>\$ 2,841.72</b>	<b>\$ 2,841.72</b>	<b>\$ 2,841.72</b>	<b>\$ 2,841.72</b>	<b>\$ 2,841.72</b>	<b>\$ 2,841.72</b>
	<b>\$ 48,667.88</b>	<b>\$ 9,710.40</b>	<b>\$ 2,525.89</b>	<b>\$ 2,409.61</b>	<b>\$ 2,298.70</b>	<b>\$ 2,192.87</b>	<b>\$ 2,091.93</b>	<b>\$ 1,995.63</b>	<b>\$ 1,903.75</b>	<b>\$ 1,816.11</b>



0.60968	0.59161	0.55484	0.52330	0.50493	0.48169	0.45951	0.43636	0.41819	0.39893	0.38057	0.36305	0.34634	0.33039	0.31518
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842	2,842
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$ 2,841.72	\$ 2,841.72	\$ 2,841.72	\$ 2,841.72	\$ 2,841.72	\$ 2,841.72	\$ 2,841.72	\$ 2,841.72	\$ 2,841.72	\$ 2,841.72	\$ 2,841.72	\$ 2,841.72	\$ 2,841.72	\$ 2,841.72	\$ 2,841.72
\$ 1,732.54	\$ 1,652.77	\$ 1,576.70	\$ 1,504.12	\$ 1,434.87	\$ 1,368.83	\$ 1,305.80	\$ 1,245.70	\$ 1,186.35	\$ 1,133.65	\$ 1,081.47	\$ 1,031.69	\$ 984.20	\$ 938.88	\$ 895.65



2 (Second Round). Reference: Section 3

a) In section 3, ELK states that “if ELK ***had not moved the pole as requested by the developer*** and instead utilized the existing pole to service Sellick, ELK’s connection cost for Sellick would remain at \$8,702.67”. [emphasis added]

Considering that the developer in fact had requested the pole relocation, whether ELK chooses to charge the customer for the relocation cost or not, the pole relocation cost must be included in the total connection cost for the purposes of assessing economic efficiency of the competing proposals. Considering that the cost comparison table filed in response to OEB staff IR #9 is no longer accurate,

- i. Provide a detailed comparison (side by side) of **all** itemized costs, non-contestable and contestable, to connect the customer by each distributor. Identify any additional (e.g. pole relocation) and civic work and include it in the cost comparison.





**E.L.K. Response:**

There are 2 customers. The 1st being the developer, and the 2<sup>nd</sup> being Sellick. The developer does not have any itemized costs because they have not requested an Offer to Connect. The developer will incur a cost of \$8,432.49 for the pole re-locate and should not be included as part of Sellick’s cost. This cost would be incurred whether it is Hydro One or E.L.K. that services Sellick.

The costs with respect to Sellick are depicted in the chart below:

	HONI		E.L.K. Energy	
	Explanation	HONI Cost	Explanation	E.L.K
Non-Contestable Costs (other than line expansion wires)	Supply and install 55' class 2 Bell tangent pole. Supply and install 22m of O/H primary and neutral conductor, anchor, guys, switches, terminations, meters, PTs and CTs. Supply and install 45' class 3 road crossing wood pole and dead-end wires.	\$16,103.17	With respect to the E.L.K. work to place new distribution assets into service, this involves the supply and installation of meters, PTs, CTs and termination of customer supplied primary cables on the existing E.L.K. pole.	\$8,702.67
Contestable Costs (other than line expansion)	No Contestable Secondary Costs	NA	No Contestable Secondary Costs	NA
Contestable Costs (other than line expansion)	No Contestable Primary Costs	NA	No Contestable Primary Costs	NA
Civil Work	Customer is Accountable	NA	Customer is Accountable	NA
<b>TOTAL COSTS=&gt; (Excludes HST)</b>		<b>\$16,103.17</b>	Excludes HST	<b>\$8,702.67</b>

b) ELK states that it took into account all of the incremental Hydro One ST charges and provided the details of its analysis in Exhibit 3. Hydro One estimate additional ST charges for ELK as Hydro One’s ST customer to range from \$2,595 to \$10,380 per month based on the percentage of additional peak load from Sellick during ELK’s peak, but in ELK’s analysis, only a small fraction of these incremental costs are accounted for.

- i. Explain in detail how the remaining incremental cost ranging from approximately \$2,588 to \$10,350 per month will be recovered by ELK.



**E.L.K. Response:**

**Please see response to HONI 1 (c) (Second Round).**

**Hydro One Networks Inc. Interrogatory Questions for E.L.K**

**Topic:** Economic Efficiency - Recovery of ST Charges at Kingsville TS

**HONI – 1 (Second Round)**

**Reference:**

1. Exhibit 6 of ELK Response to Board Staff Interrogatories, September 8, 2016
2. The sensitivity analysis provided by Hydro One estimates that ELK's costs as an ST customer will range anywhere between \$31,000 and approximately \$125,000 annually. – Hydro One Intervenor Evidence, Att. 1-4: Scenario Analysis of Annual Incremental ELK ST Charges at Kingsville TS
3. "To assist the Board, E.L.K. has updated its bill comparison after incorporating the incremental sub transmission charges that were provided in the Hydro One evidence. E.L.K. utilized its cost allocation and rate design models from its last Cost of Service to give an accurate reflection of the impact of Hydro One's incremental charges. E.L.K. specifically took into account all of the incremental ST charges. Exhibit 3 provides the details of this analysis for each of the 4 loading scenarios provided by Hydro One. Notably, the monthly savings to be received by Sellick[s] continues to range between \$873.66 and \$849.43 (depending on the loading scenario assumed)". - ELK Revised Evidence, Paragraph 3, Issued October 6, 2016
4. Exhibit 3 of ELK Revised Evidence, Issued October 6, 2016

**Interrogatory:**

- a) In contrast to ELK's original submission provided in Exhibit 6 of ELK's response to Board staff interrogatories (Reference 1), please confirm that, after taking into account Hydro One's expected charges to E.L.K. at Kingsville TS (Reference 2), E.L.K's revised evidence (Reference 3) anticipates recovering approximately an additional \$120 to \$420 annually from Sellick.

**E.L.K. Response:**

**E.L.K. is unable to replicate the exact \$120 to \$420 but E.L.K's analysis indicates these numbers are close to the numbers determined by E.L.K.**

**As a result, E.L.K. confirms that, after taking into account Hydro One's expected charges to E.L.K. at Kingsville TS (Reference 2), E.L.K's revised evidence (Reference 3) anticipates recovering approximately an additional \$120 to \$420 annually from Sellick**

- b) Please explain how ELK expects to pay the \$31,000-\$125,000 incremental charge if ELK expects to collect only a maximum of \$420 annually from the Customer. Will all other ELK ratepayers pay the difference? Please explain.



## **E.L.K. Response:**

### **Part 1**

This question relates to certain incremental upstream charges that E.L.K. would incur due to the incremental load caused by Sellick assuming Sellick becomes a customer of E.L.K.

In order to evaluate the impact on Sellick as a customer of E.L.K., the additional Hydro One upstream costs such as ST and transmission cost to E.L.K. need to be included in the Board Approved cost allocation and rate design models for low voltage and retail transmission service to determine the rate impact on Sellick from the additional costs. The additional costs and volumes associated with Sellick are included in ELK's cost allocation and rate design models for all E.L.K. customers and the cost are distributed across all rate classes in accordance with Board policy. The resulting rates for the E.L.K. rate class for which Sellick is assigned are used to determine the impact on Sellick. As a result, Sellick will experience a maximum additional cost of around \$400 from the incremental charge of \$31,000-\$125,000.

To provide additional insight, this response will now refer to the Base Case and the 100% Case outlined in response to c) below. The Base Case reflects the cost allocation and rate design supporting the current approved Low Voltage Service Rate for the General Service 50 to 4,999 kW class of \$0.4332 / kW. The 100% Case is the scenario in which Hydro One estimates that E.L.K.'s additional costs as an ST customer will be approximately \$125,000 annually. The \$125,000 includes about \$22,000 of low voltage charges, \$89,000 in retail transmission charges and \$14,000 in HST charges. As shown in response to c) below when the additional \$22,000 of low voltage charges are included in the OEB approved LV cost allocation and rate design model along with the additional volume for Sellick the resulting Low Voltage Service Rate for the General Service 50 to 4,999 kW class is \$0.4555 / kW. The difference in LV service rate between \$0.4555/kW and \$0.4332/kW is \$.0223 /kW. When this difference is applied to the Sellick demand of 1,284 kW per month the result is \$28.65 per month or \$343.90 per year. This means of the \$22,000 of additional LV charges Sellick will pay \$343.90 per year of this amount and other E.L.K ratepayers will pay the difference.

E.L.K. has been informed by Sellick that when the new plant at the new location opens, the existing plant owned by Sellick within the E.L.K. service territory will decrease consumption by 325 KW (i.e. the business and process will move over to the new building). This fact does not appear to be reflected in Hydro One's scenarios or estimates regarding incremental load.

With regards to Hydro One retail transmission charges of \$89,000, E.L.K.s total transmission charges are \$2.5 million. As a result, it is E.L.K.'s view that once the additional Hydro One transmission charges, which are less than 4% of E.L.K's total transmission cost, are included in the OEB's approved retail transmission service rate model along with the additional volume for Sellick there will be minimal or no impact on E.L.K's retail transmission rates. The \$89,000 will be distributed to each rate class and the amount assigned to Sellick will be the amount already included in the Base Case

With regards to additional HST charges this will be collected from each E.L.K customer as the low voltage and retail transmission charges are collected.



**Part 2.**

To be comparable, the Board also needs to take into consideration the incremental upstream charges that Hydro One would incur from E.L.K. as an Embedded Distributor of E.L.K. due to the incremental load cause by Sellick assuming Sellick becomes a customer of Hydro One. The following table outlines these incremental upstream charges from E.L.K to Hydro One assuming Sellick becomes a customer of Hydro One. These charges will not occur if Sellick is a E.L.K. customer. The scenarios included in the table are consistent with the scenarios used by Hydro One to develop the range of incremental ST charges of between \$31,000 and \$125,000 annually that Hydro One will charge E.L.K. Since Hydro One is an Embedded Distributor of E.L.K., the load associated Sellick will impact E,L.K. whether Sellick is a E.L.K. customer or a Hydro One customer. As a result, the incremental ST charges will occur in both cases.

		Scenarios			
		25%	50%	75%	100%
Monthly Volume	kW	321	642	963	1,284
Distribution Volumetric Rate	\$/kW	\$0.2751	\$0.2751	\$0.2751	\$0.2751
Rate Rider for Disposition of Deferral/Variance Accounts (2016) - effective until April 30, 2017	\$/kW	(\$2.1739)	(\$2.1739)	(\$2.1739)	(\$2.1739)
Low Voltage Service Rate (*)	\$/kW	0.4388	0.4445	0.4500	0.4555
Retail Transmission Rate - Network Service Rate	\$/kW	\$2.2195	\$2.2195	\$2.2195	\$2.2195
Retail Transmission Rate - Line and Transformation Connection Service Rate	\$/kW	\$1.5110	\$1.5110	\$1.5110	\$1.5110
(*) Incremental Hydro One costs to E.L.K. with occur whether Sellick is a E.L.K. or Hydro One customer					
E.L.K. cost to Hydro One as Embedded Distributor					
Distribution Volumetric		\$88.31	\$176.61	\$264.92	\$353.23
Disposition of Deferral/Variance Accounts (2016)		(\$697.82)	(\$1,395.64)	(\$2,093.47)	(\$2,791.29)
Low Voltage Service		\$140.85	\$285.37	\$433.35	\$584.86
Retail Transmission Rate - Network Service		\$712.46	\$1,424.92	\$2,137.38	\$2,849.84
Retail Transmission Rate - Line and Transformation Connection Service		\$485.03	\$970.06	\$1,455.09	\$1,940.12
Total Monthly		\$1,052.10	\$2,105.60	\$3,162.56	\$4,223.05
Total Annual		\$12,625.21	\$25,267.16	\$37,950.71	\$50,676.62

**The Board also needs to determine how these incremental charges would flow through the Hydro One rate models to assess the impact on Sellick.**



c) With respect to Reference 3, please provide the results of the cost allocation and rate design run for all of E.L.K.'s rate classes?

To conduct a fair and rationale comparison, the Board would also need to consider the impact of the incremental charges E.L.K. would charge to Hydro One (assuming Sellick becomes a customer of Hydro One) on the cost allocation and rate design run for all of Hydro One's rate classes.

The requested cost allocation and rate design of LV charges is provided below for the Base Case and 100% Case referenced in b).

Calculation of Low Voltage Rates by Rate Class - Base Case						
Customer Class	LV Adj. Allocated	Calculated kWh	Calculated kW	Volumetric Rate Type	LV/ Adj. Rates/kWh	LV Adj. Rates/ kW
Residential	115,182	95,979,438	0	kWh	0.0012	
General Service < 50 kW	35,639	32,594,962	0	kWh	0.0011	
General Service 50 to 4,999 kW	92,727	66,668,106	214,067	kW		0.4332
Street Lighting	2,038	2,225,084	6,083	kW		0.3351
Sentinel Lighting	5	5,564	15	kW		0.3421
Unmetered Scattered Load	207	188,991	0	kWh	0.0011	
Embedded Distributor - Hydro One	41,605	42,996,782	96,049	kW		0.4332
<b>TOTALS</b>	<b>287,404</b>	<b>240,658,928</b>	<b>316,213</b>			

Low Voltage Costs Allocated by Customer Class - 100% Case					
Customer Class	Retail Transmission Connection Rate		Basis for Allocation (\$)	Allocation Percentages	Allocated \$
	per kWh	per kW			
Residential	0.0046		440,902	39.19%	121,117
General Service < 50 kW	0.0042		136,423	12.13%	37,475
General Service 50 to 4,999 kW		1.6581	379,882	33.76%	104,354
Street Lighting		1.2827	7,802	0.69%	2,143
Sentinel Lighting		1.3096	20	0.00%	5
Unmetered Scattered Load	0.0042		791	0.07%	217
Embedded Distributor - Hydro One		1.6581	159,261	14.16%	43,749
<b>TOTALS</b>			<b>1,125,081</b>	<b>100%</b>	<b>309,061</b>



Calculation of Low Voltage Rates by Rate Class -100% Case						
Customer Class	LV Adj. Allocated	Calculated kWh	Calculated kW	Volumetric Rate Type	LV/ Adj. Rates/kWh	LV Adj. Rates/ kW
Residential	121,117	95,979,438	0	kWh	0.0013	
General Service < 50 kW	37,475	32,594,962	0	kWh	0.0011	
General Service 50 to 4,999 kW	104,354	66,668,106	229,103	kW		0.4555
Street Lighting	2,143	2,225,084	6,083	kW		0.3524
Sentinel Lighting	5	5,564	15	kW		0.3598
Unmetered Scattered Load	217	188,991	0	kWh	0.0011	
Embedded Distributor - Hydro One	43,749	42,996,782	96,049	kW		0.4555
<b>TOTALS</b>	<b>309,061</b>	<b>240,658,928</b>	<b>331,249</b>			



**Topic:** Economic Efficiency -Pole Relocation Costs

**HONI – 2 (Second Round)**

**Reference:**

1. "The pole re-locate was not done in response to or in direct connection with the Sellick connection request. On October 4, 2016, E.L.K. issued a revised offer to connect to Sellick to reflect this correction". – ELK Revised Evidence, Paragraph 1, Issued October 6, 2016
2. "The demarcation point also moved from the secondary at the pad mount transformer for the 0.65 MW peak demand to the high voltage connection on E.L.K.'s existing dead end pole currently sitting within the area subject of the SAA application". – ELK Revised Evidence, Paragraph 1, Issued October 6, 2016
3. The demarcation point would transition from the secondary at the pad mount transformer for the 0.65 MW peak demand to the high voltage connection on E.L.K.'s existing dead end pole currently sitting within the new road allowance of the area subject of the SAA application – ELK Response to HONI Interrogatory 2e, Issued September 8, 2016.

**Interrogatory:**

- a) Does ELK agree that the pole relocation, and the costs associated with it, indirectly impacts ELK's proposed connection of the Customer? If not, please explain.

**E.L.K. Response:**

**No, E.L.K. does not agree.**

**E.L.K.'s approach is to allocate the costs associated with the pole relocation directly to the developer that requested the relocation, consistent with the requirements of the Distribution System Code.**

**E.L.K.'s approach is informed by the facts already stipulated in response to the responses to OEB staff first round interrogatories 5 and 9, and Hydro One first round interrogatories 4, 5, and 6.**

**In summary:**

- **There are two different customers:**
  - o **Sellick equipment, which is in need of immediate connection and has requested and received cost estimates from both Hydro One and E.L.K.; and**
  - o **A developer that is in the process of developing property in the SAA area, but has not yet formally requested connection from either E.L.K. or Hydro One.**
- **The costs associated with the pole relocation are not attributable to, and should not be charged to Sellick.**



- As part of its development efforts, the developer requested that E.L.K. relocate a pre-existing asset so as to facilitate the extension of Clark Street into the development area. The Clark Street extension into the development area could not have commenced with the existing E.L.K. pole in the way. The developer's requested relocation of the pole would have had to occur regardless of whether or not E.L.K. or Hydro One ultimately provides electricity distribution service in the SAA area.
- Consequently, it would be unreasonable to suggest that the pole relocation costs should be included as a consideration in this SAA application.

b) Does ELK agree that indirect costs need to be included in the Board's determination of the economic efficiency test associated with service area amendments? If not, please explain.

**E.L.K. Response:**

Hydro One has not provided a definition of indirect costs. In answering this question, E.L.K. has assumed that Hydro One is referring to the specific costs Hydro One has mentioned in part (a) of this question. Assuming this is true; E.L.K. does not agree with Hydro One that these costs should be included in the Board's considerations associated with the SAA. The reasons for this are detailed in response to part (a).

c) Please confirm the dead-end pole discussed in reference 2 and 3 was relocated after filing this Application.

**E.L.K. Response:**

That is correct the pole in reference 2 and 3 was relocated after filing this application.

The reason the pole was relocated when it was is because the new road was completely constructed, the curb was in, and the site was ready for asphalt. If the pole wasn't relocated - the civil crew would have to leave the job site.

d) Please provide a schematic diagram outlining the current proposed connection and how the connection would have been completed absent the pole relocation further into Hydro One's service territory.

**E.L.K. Response:**

Please see attached Appendix 3 for the current proposed connection and Appendix 4 how the connection would have been completed absent the pole relocation.





- e) If the pole relocation further into Hydro One's service territory had not been completed, how would this have impacted the Customer connection (costs, equipment required, etc.) proposed by ELK ?

**E.L.K. Response:**

**If the pole relocation had not been completed there would have been no impact on the Customer connection in costs or equipment required charged or incurred by E.L.K.**

**The customer owned primary underground service would be approximately 15 m longer there by increasing their service cost slightly. These costs would not be incurred by E.L.K.**

- f) If the pole relocation further into Hydro One's service territory had not been completed, how would this have impacted the Developer?

**E.L.K. Response:**

**As can be seen in Appendix 1 had the pole not been relocated the Developer would not have been able to complete its planned new road extension. As noted above, the new road was completely constructed, the curb was in, and the site was ready for asphalt. If the pole wasn't relocated - the civil crew would have had to leave the job site.**

**HONI – 3 (Second round)**

**Reference:**

1. ELK Revised Evidence, Paragraph 2, Issued October 6, 2016
2. As E.L.K.'s assets were existing in Hydro One's service territory E.L.K did not ask permission of Hydro One to relocate the asset out of the newly constructed road of way – ELK Response to HONI Interrogatory 4h, September 8, 2016
3. E.L.K met with the municipality to discuss the relocation of E.L.K's existing pole from the newly constructed road to behind the curb and outside of the turn radius. It was agreed upon that the pole would be relocated to the first street light location and would be used to support the street light fixture. - ELK Response to HONI Interrogatory 4g, September 8, 2016
4. The location of any structures, equipment or facilities constructed or installed under subsection (1) shall be agreed on by the transmitter or distributor and the owner of the street or highway, and in case of disagreement shall be determined by the Board. – Section 41(9) of the Electricity Act, 1998



**Interrogatory:**

- a) Please provide the date the pole relocation work commenced and the date of completion.

**E.L.K. Response:**

**The work commenced on July 18, 2016 and was completed on July 29, 2016.**

- b) Please provide the date of all meetings with the City related to this undertaking.

**E.L.K. Response:**

**April 1, 2016 and May 31, 2016. (Also June 20<sup>th</sup> but not sure if they are requesting meeting specific to the pole relocation or the entire project.)**

- c) Please confirm whether a traffic study was completed for this road extension, specifically, with respect to the suggested large-truck traffic.

**E.L.K. Response:**

**The Municipality had completed a traffic study previously.**

- d) Please confirm whether there was any widening of the road as a part of the Clark Street extension.

**E.L.K. Response:**

**There was no widening of the road with the exception of the daylight corners as can be seen in Appendix 2 attached.**

- e) In light of the road extension, please confirm whether ELK explored any alternative electrical configurations instead of relying on the configurations that existed prior to the road extension.



**E.L.K. Response:**

**E.L.K. did explore alternatives to electrical configurations but found the existing best suited for system reliability and cost effectiveness. Hydro One acknowledged this – see email from John Boldt at Hydro One (attached as Exhibit 2 to the E.L.K. Oct. 6' 2016 update):**

**“E.L.K.’s existing pole needs to stay on the west side of the road as it is currently supplying power on Clark St and the electrical configuration at this corner was designed the way it currently is due to large truck traffic at that corner.”**

- f) Please supply a detailed plan of the subdivision, showing complete electrical loads and a detailed plan showing municipal road lighting requirements.

**E.L.K. Response:**

**Please see attached plans for the Collavino Industrial Park inclusive of the street lights per Appendix 6.**

- g) Given that the area in question is inside Hydro One’s service territory and Hydro One never agreed to any application by ELK to serve this portion of Hydro One’s service territory, why did ELK proceed with relocating and installing new assets before receiving permission from the OEB to do so?

**E.L.K. Response:**

**E.L.K. will not serve any customers inside of Hydro One’s service territory without OEB approval. This is the very reason E.L.K. has brought this Service Area Amendment application.**

**OEB approval is not required to move an existing E.L.K. distribution pole that is used to service E.L.K.’s existing customers located within E.L.K.’s existing service area. If Hydro One is suggesting that a Service Area Amendment is required in these circumstances, please provide specific reference to where in the legislative regime this is stipulated.**

**Because the pole relocation does not impact E.L.K.’s costs associated with providing electricity service to Sellick equipment, and the pole relocation would have been required regardless of whether E.L.K. or Hydro One ultimately provides electrical distribution service in the SAA area, E.L.K. acted in a way that is both sensitive and responsive to a customer’s stated needs and preferences.**

**Finally, E.L.K. consulted directly with Hydro One prior to re-locating the existing pole, and as noted in the May 27, 2016 email from John Boldt at Hydro One (attached as Exhibit 2 to the E.L.K. Oct. 6' 2016 update):**

**“E.L.K.’s existing pole needs to stay on the west side of the road as it is currently supplying power on Clark St and the electrical configuration at this corner was designed the way it currently is due to large truck traffic at that corner.”**



- h) Given that Hydro One is the existing licensed distributor in this service area and was not consulted on the location of the pole (Reference 2), please explain how the pole location agreement between E.L.K. and the municipality is compliant with section 41(9) of the *Electricity Act, 1998*.

**E.L.K. Response:**

Hydro One's question appears to mischaracterize the evidence.

To support the proposition that Hydro One was "not consulted on the location of the pole" Hydro One cites ELK Response to HONI Interrogatory 4h dated September 8, 2016.

That interrogatory response provides:

"As E.L.K.'s assets were existing in Hydro One's service territory E.L.K. did not ask permission of Hydro One to relocate the asset out of the newly constructed road."

The interrogatory response indicates that E.L.K. did not ask for Hydro One's permission. This is technically true – in reviewing its records and recollection E.L.K. found no evidence of expressly asking for permission.

However, for evidence of E.L.K.'s consultations with Hydro One, the Board should make reference to the email correspondence dated between May 27, 2016 and June 15, 2016 between Hydro One and E.L.K. This correspondence trail is attached as Exhibit 2 of the E.L.K. evidence update filed October 6, 2016. This correspondence evidences discussions between E.L.K. and Hydro One about the pole relocation, including:

- A May 27, 2016 email from John Boldt at Hydro One (attached as Exhibit 2 to the E.L.K. Oct. 6' 2016 update) stating: "E.L.K.'s existing pole needs to stay on the west side of the road as it is currently supplying power on Clark St and the electrical configuration at this corner was designed the way it currently is due to large truck traffic at that corner."
- A meeting occurred on May 31 at 10:30 am on-site with Hydro One (John Siebert) and E.L.K. (Norm MacAulay) to verify clearances.

Despite being fully aware of the intended pole relocation, at no time did Hydro One object to E.L.K.'s plan to complete the work until now, when Hydro One hopes to gain a potential advantage by further complicating this SAA hearing.

- i) Please confirm that Exhibit 2 of the revised evidence was provided as a Meeting Minute Log/ Action Items List of the various items discussed by either Hydro One and/or ELK, to which both organizations may or may not necessarily agree.

**E.L.K. Response:**

Exhibit 2 is actual and factual communications between Hydro One and E.L.K. If Hydro One did not agree with any of the items outlined in this communications it was open to Hydro One to raise its objections. Hydro One has not raised any such objections to-date.



- j) Please provide any documents that were provided to Hydro One prior to, or at, the May 31, 2016, roadside meeting, that provided an accurate representation of where poles would be relocated

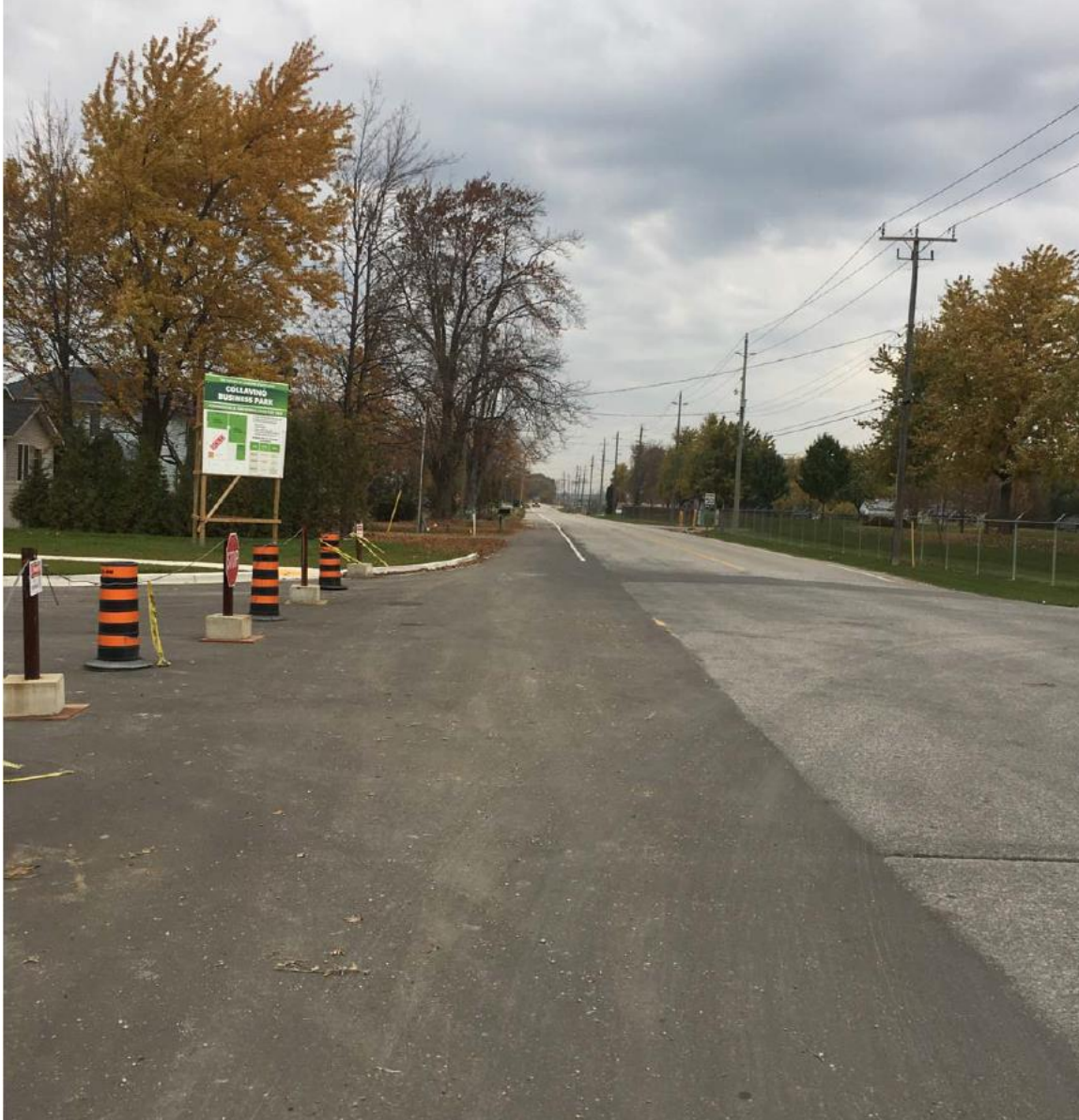
**E.L.K. Response:**

**Attachment 1.4 of the April 12<sup>th</sup> SAA application and evidence as well as the consultant for the Developer, at the request of E.L.K., forwarded the attached plans for the Collavino Industrial Park inclusive of the street lights to Hydro One on May 31, 2016.**

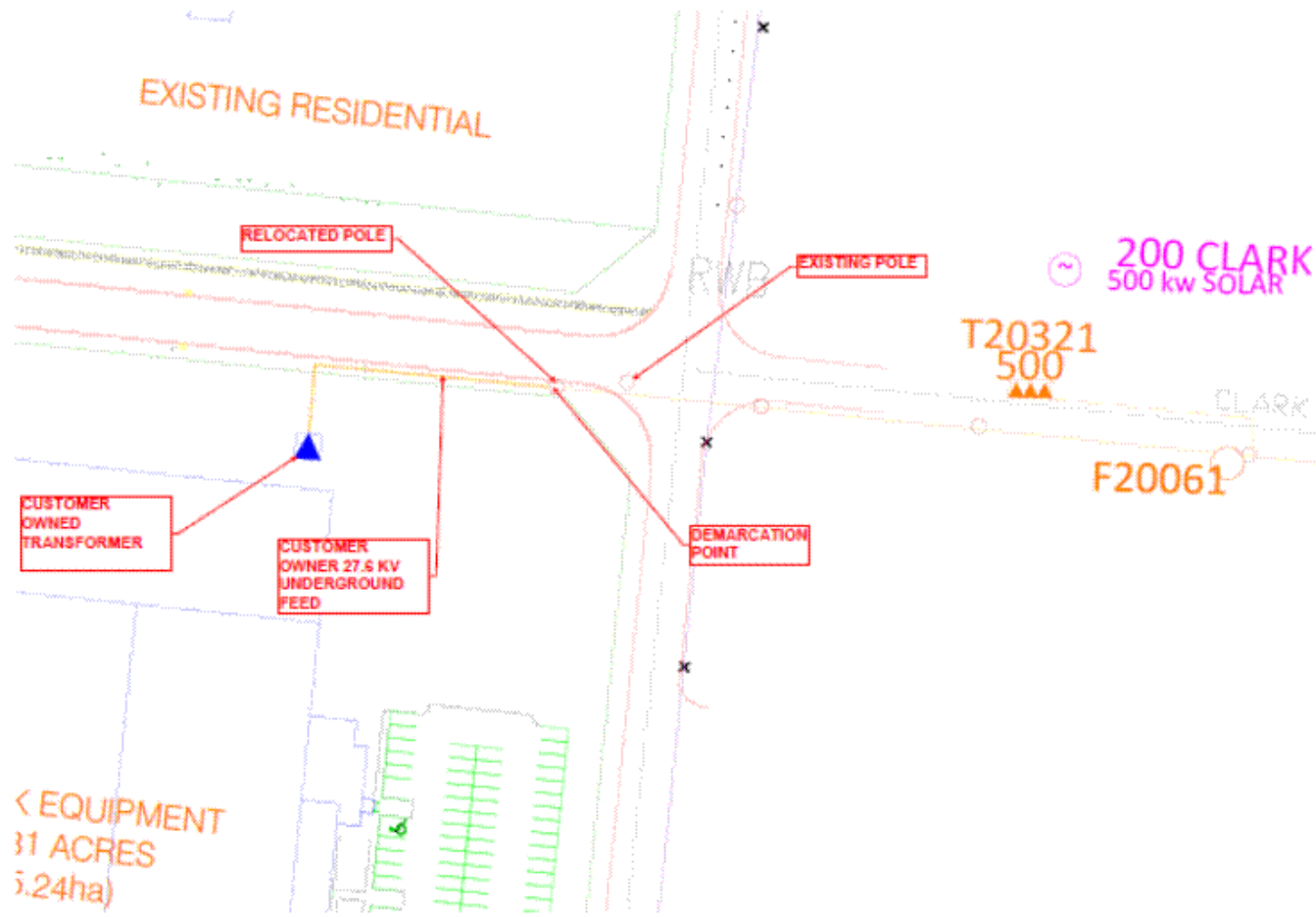
Appendix 1



**Appendix 2**

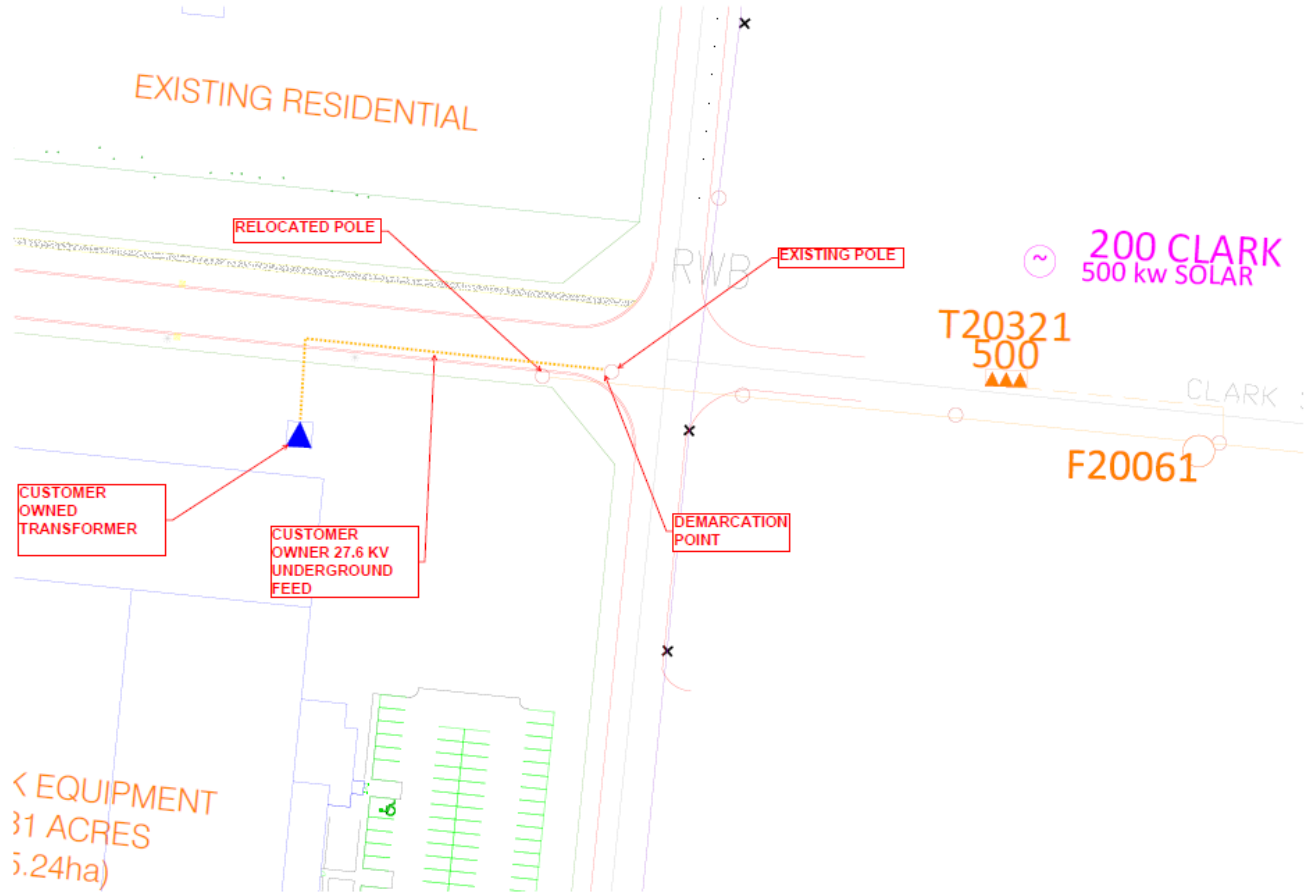


Appendix 3





Appendix 4



Appendix 5

