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Ontario

DECISION AND RATE ORDER

EB-2023-0013

E.L.K. ENERGY INC.

Application for rates and other charges to be effective May 1, 2024

BEFORE: **Anthony Zlahtic**
Presiding Commissioner

Pankaj Sardana
Commissioner

March 21, 2024

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1. OVERVIEW

The Ontario Energy Board is approving changes to the rates that E.L.K. Energy Inc. (E.L.K. Energy) charges to distribute electricity to its customers, effective May 1, 2024. The changes include the following:

(i) A price cap adjustment to rates;
(ii) Changes to the Retail Transmission Service Rates;
(iii) Deferred disposition of E.L.K. Energy's Group 1 Deferral and Variance Accounts (for 2021);
(iv) Partial recovery of the Z-factor claims, with a 30% reduction in the amount claimed for the total capital cost of the ice storm and a 16.7% reduction in the amount claimed for the total capital costs of the thunderstorm.
(v) Incremental Capital Module (ICM) funding for the purchase of two fleet vehicles, and six recloser switches; and
(vi) Implementation of a Capital Cost Allowance (CCA) smoothing mechanism to address PILs impact on ICM funding.

As a result of this Decision, there will be a monthly total bill increase of $4.53 for a residential customer consuming 750 kWh. This change does not factor in applicable taxes or the Ontario Electricity Rebate.

2. CONTEXT AND PROCESS

E.L.K. Energy filed its application on October 11, 2023 under section 78 of the *Ontario Energy Board Act, 1998* and in accordance with Chapter 3 of the OEB's *Filing Requirements for Incentive Rate-Setting Applications* (Filing Requirements). The application was based on the Price Cap Incentive Rate-setting (Price Cap IR) option, with a five-year term.

The Price Cap IR option is one of three incentive rate-setting mechanisms (IRM) approved by the OEB.[1] It involves the setting of rates through a cost of service application in the first year and mechanistic price cap adjustments which may be approved through IRM applications in each of the ensuing adjustment years.

The OEB follows a standardized and streamlined process for processing IRM applications filed under Price Cap IR. In each adjustment year of a Price Cap IR term, the OEB prepares a Rate Generator Model that includes, as a placeholder, information from the distributor's past proceedings and annual reporting requirements. A distributor will then review, complete, and include the model with its application, and may update the model during the proceeding to make any necessary corrections or to incorporate new rate-setting parameters as they become available.

E.L.K. Energy serves approximately 12,000 mostly residential and commercial electricity customers in the Towns of Essex, Lakeshore and Kingsville.

Notice of the application was issued on October 30, 2023. Vulnerable Energy Consumers Coalition (VECC) requested intervenor status and cost eligibility. The OEB approved intervenor status and cost eligibility for VECC.

The application was supported by pre-filed written evidence and a completed Rate Generator Model and, as required during the proceeding, E.L.K. Energy updated and clarified the evidence.

E.L.K. Energy responded to interrogatories from OEB staff and VECC. Final submissions on the application were filed by OEB staff, VECC and E.L.K. Energy.

On February 29, 2024, the OEB ordered E.L.K. Energy to file answers to further questions related to the application requests. On March 7, 2024, E.L.K. Energy filed responses to the OEB's questions.

[1] Each of these options is explained in the OEB's *Handbook for Utility Rate Applications*.

3. DECISION OUTLINE

Each of the following issues is addressed in this Decision, together with the OEB's findings.

- Annual Adjustment Mechanism
- Retail Transmission Service Rates
- Group 1 Deferral and Variance Accounts
- Z-factor
- Incremental Capital Module
- PILs Treatment in Incremental Capital Module

Instructions for implementing E.L.K. Energy's new rates and charges are set out in the final section of this Decision.

This Decision does not address rates and charges approved by the OEB in prior proceedings, such as specific service charges[2] and loss factors, which are out of the scope of an IRM proceeding and for which no further approvals are required to continue to include them on the distributor's Tariff of Rates and Charges.

[2] Certain service charges are subject to annual inflationary adjustments to be determined by the OEB through a generic order. For example, the OEB's Decision and Order in EB-2023-0193, September 26, 2023, established the adjustment for energy retailer service charges, effective January 1, 2024; and the OEB's Decision and Order in EB-2023-0194, issued September 26, 2023, established the 2024 Wireline Pole Attachment Charge, effective January 1, 2024.

4. ANNUAL ADJUSTMENT MECHANISM

E.L.K. Energy has applied to change its rates, effective May 1, 2024, based on a mechanistic rate adjustment using the OEB-approved **inflation minus X-factor** formula applicable to IRM applications. The adjustment applies to distribution rates (fixed and variable) uniformly across all customer classes.[3]

The formula applicable to E.L.K. Energy are set out in the table below. Inserting these components into the formula results in a 4.80% increase to E.L.K. Energy's rates: **4.80% = 4.80% - (0.00% + 0.00%)**.

Table 4.1: Price Cap IR Adjustment Formula

Components		Amount
Inflation factor[4]		4.80%
Less: X-factor	Productivity factor[5]	0.00%
	Stretch factor (0.00% to 0.60%)[6]	0.00%

An inflation factor of 4.80% applies to all IRM applications for the 2024 rate year.

The X-factor is the sum of the productivity factor and the stretch factor. It is a productivity offset that varies among different groupings of distributors. Subtracting the X-factor from inflation ensures that rates decline in real, constant-dollar terms, providing distributors with a tangible incentive to improve efficiency or else experience declining net income. The productivity component of the X-factor is based on industry conditions over a historical study period and applies to all IRM applications for the 2024 rate year. The stretch factor component of the X-factor is one of five stretch factor groupings established by the OEB, ranging from 0.00% to 0.60%. The stretch factor assigned to any distributor is based on the distributor's total cost performance as benchmarked against other distributors in Ontario.

[3] The adjustment does not apply to the following components of delivery rates: rate riders, rate adders, low voltage service charges, retail transmission service rates, wholesale market service rate, smart metering entity charge, rural or remote electricity rate protection charge, standard supply service – administrative charge, transformation and primary metering allowances, loss factors, specific service charges (other than the Wireline Pole Attachment charge), and microFIT charge.
[4] OEB Letter, 2024 Inflation Parameters, issued June 29, 2023
[5] Report of the Ontario Energy Board – "Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors" EB-2010-0379, December 4, 2013
[6] Report to the Ontario Energy Board – "Empirical Research in Support of Incentive Rate-Setting: 2022 Benchmarking Update", prepared by Pacific Economics Group LLC., July 2023

Findings

The OEB finds that E.L.K. Energy's request for a 4.80% rate adjustment is in accordance with the annually updated parameters set by the OEB. The adjustment is approved, and E.L.K. Energy's new rates shall be effective May 1, 2024.

5. RETAIL TRANSMISSION SERVICE RATES

E.L.K. Energy is fully embedded within Hydro One Networks Inc.'s distribution system.

To recover its cost of transmission services, E.L.K. Energy requests approval to adjust the retail transmission service rates (RTSRs) that it charges its customers in accordance with the host distributor RTSRs currently in effect.

Findings

E.L.K. Energy's proposed adjustment to its RTSRs is approved.

The RTSRs have been adjusted based on the current OEB-approved host-RTSRs.[7]

Host-RTSRs are typically approved annually by the OEB. In the event that the OEB updates the approved host-RTSRs during E.L.K. Energy's 2024 rate year, any resulting differences (from the prior-approved host-RTSRs) will be captured in Retail Settlement Variance Accounts 1584 (Retail Transmission Network Charge) and 1586 (Retail Transmission Connection Charge).

[7] EB-2023-0222, Decision and Order, January 18, 2024

6. GROUP 1 DEFERRAL AND VARIANCE ACCOUNTS

In each year of an IRM term, the OEB will review a distributor's Group 1 deferral and variance accounts (DVA) to determine whether those balances should be disposed of. OEB policy states that Group 1 account balances should be disposed of if they exceed, on a net basis (as a debit or credit), a pre-set disposition threshold of $0.001 per kWh, unless a distributor can justify why balances should not be disposed.[8] If the net balance does not exceed the threshold, a distributor may still request disposition.[9]

E.L.K. Energy has requested to defer disposition of all Group 1 DVA balances pending completion of an external audit of accounts. The balances in accounts 1588/1589 were last disposed in 2015, while the remaining accounts were last disposed in 2020.

In the OEB's Decision and Order on E.L.K. Energy's 2022 cost of service application[10], E.L.K. Energy agreed to engage an external auditor to review balances in accounts 1588 and 1589 for the 2016-2021 period and would make best efforts to dispose of balances in both accounts by the 2023 or 2024 IRM application.

In its 2023 IRM proceeding, E.L.K. Energy submitted that it was not able to dispose of the balances in accounts 1588 and 1589 as a result of staffing constraints. Over the course of the 2023 IRM proceeding, OEB staff posed questions related to the balance of accounts other than 1588 and 1589. In its response, E.L.K. Energy requested additional time to investigate the discrepancies highlighted by OEB staff. In its decision, the OEB accepted E.L.K. Energy's request to defer disposition of accounts 1588 and 1589 to the 2024 IRM application and also deferred the disposition of all other Group 1 DVA accounts.

In an interrogatory response filed in this proceeding, E.L.K. Energy noted that the audit of all Group 1 DVA accounts was anticipated to be completed by April 2024, and E.L.K. Energy would make every effort to dispose of all accounts in its next rate application.[11] E.L.K. Energy also noted that it had entered into a Management Services Agreement with Entegrus Powerlines Inc. and had retained experienced accounting staff to address staffing and resource constraints.[12]

[8] Report of the OEB – "Electricity Distributors' Deferral and Variance Account Review Initiative" (EDDVAR), EB-2008-0046, July 31, 2009
[9] OEB letter, "Update to the Electricity Distributors' Deferral and Variance Account Review ("EDDVAR Report"), released July 2009 (EB-2008-0046)", issued July 25, 2014
[10] EB-2021-0016, Decision and Order, June 30, 2022.
[11] Response to OEB Staff IR -1
[12] Ibid.

OEB staff agreed that E.L.K. Energy is not in a position to dispose of all Group 1 DVA accounts at this time due to the ongoing external audit. VECC did not provide comment on this issue.

Findings

The OEB approves E.L.K. Energy's request not to dispose of its Group 1 deferral and variance account balances in this proceeding.

The OEB accepts that E.L.K. Energy has not yet completed the audit. The OEB also accepts that E.L.K. Energy has taken the necessary steps to ensure experienced internal resources have been retained to address accounting staff constraints.

E.L.K. Energy is required to dispose of all Group 1 deferral and variance account balances in its next rate application. The OEB orders E.L.K. Energy to bring forward the results of the audit for all accounts; additionally, E.L.K. Energy should ensure that any necessary adjustments resulting from the audit will be implemented by its next rate application.

7. Z-FACTOR

On February 22, 2023 and July 26, 2023, E.L.K. Energy experienced severe storms resulting in considerable infrastructure damage to their distribution system and significant storm restoration expenses. E.L.K. Energy indicated that both events resulted in widespread outages with approximately 24% of customers affected in the February ice storm, and 41% of customers experienced interruptions during the July thunderstorm event.[13]

In the pre-filed evidence, E.L.K. Energy requested recovery of $417,611 in costs associated with both storms. This amount will be allocated across all rate classes via fixed rate riders effective May 1, 2024, until April 30, 2026. The total cost consists of $404,401 operations, maintenance and administration costs and $13,210 revenue requirement on capital spending. The combined requested relief from the two storms is shown below:

Table 7.1: Combined Storm Recovery

Category	February Storm Event	July Storm Event	Total
Operating Costs	$226,863	$177,538	$404,401
Capital Revenue Requirement	$8,400	$4,809	$13,210
Total	$235,263	$182,348	$417,611

For Z-factor treatment, the OEB's filing requirements[14] state that a distributor must submit evidence to substantiate that the costs incurred meet the following eligibility criteria of causation, materiality, and prudence:

i. Causation – Amounts should be directly related to the Z-factor event. The amount must be clearly outside of the base upon which rates were derived.
ii. Materiality – The amounts must exceed the OEB defined materiality threshold and have a significant influence on the operation of the distributor; otherwise, they should be expensed in the normal course and addressed through organizational productivity improvements.

[13] EB-2023-0013, Application Evidence, Appendix A.
[14] Chapter 3 Filing Requirements for Electricity Distribution Rate Applications- 2022 Edition for 2023 Rate Applications – Chapter 3 Incentive Rate-Setting Applications May 24, 2022, p. 22, section 3.2.8.1

iii. Prudence – The amounts must have been prudently incurred. This means that the distributor's decision to incur the amounts must represent the most cost-effective option (not necessarily least initial cost) for ratepayers.

The filing requirements further indicate that the OEB may review and prospectively adjust the amounts for which Z-factor treatment is claimed.[15] Moreover, a distributor must provide a clear demonstration that the management of the distributor could not have been able to plan and budget for the event and that the harm caused by extraordinary events is genuinely incremental to their experience or reasonable expectations."[16]

Causation

E.L.K. Energy provided the following breakdown of the capital and OM&A costs from each storm as shown in Tables 7.2 and 7.3 below.

Table 7.2: February 2023 Storm Event Cost Breakdown

Category	OM&A ($)	Capital ($)	Total ($)
E.L.K. Energy Staff	$66,582		$66,582
Work Order for Reconnect	$10,461		$10,461
Electrical Contractor	$112,503		$112,503
Distributor A	$34,664		$34,664
Distributor B	$2,653		$2,653
Electrical Contractor		$49,063	$49,063
Material		$11,326	$11,326
Total	**$226,863**	**$60,389**	**$287,252**

[15] Chapter 3 Filing Requirements for Electricity Distribution Rate Applications- 2022 Edition for 2023 Rate Applications – Chapter 3 Incentive Rate-Setting Applications May 24, 2022, p. 22, section 3.2.8.1
[16] Ibid.

Table 7.3: July 2023 Storm Event Cost Breakdown

Category	OM&A ($)	Capital $	Total $
E.L.K. Energy Staff	$38,487		$38,487
Work Order for Reconnect	$8,007		$8,007
Electrical Contractor	$67,520		$67,520
Distributor A OM&A	$4,772		$4,772
Distributor B OM&A	$23,486		$23,486
Vegetation Management Contractor	$12,968		$12,968
Excavation Contractor	$5,100		$5,100
Distributor C OM&A	$17,199		$17,199
Hydro Vac Capital		$4,182	$4,182
Distributor B Capital		$10,907	$10,907
Distributor C Capital		$6,231	$6,231
Material		$13,253	$13,253
Total	**$177,538**	**$34,574**	**$212,112**

Incremental Capital Cost

In response to OEB staff interrogatories, E.L.K. Energy specified that $60,389 and $34,574 capitalized from the February and July storm events, respectively, were allocated specifically for pole replacement.[17] Additionally, in response to OEB staff interrogatories, E.L.K. Energy indicated its intention to write off damaged assets from its books as part of its year-end financial closing process. As such, the associated depreciation expenses will no longer be recognized throughout the assets' useful life.[18] In response to an OEB staff interrogatory, E.L.K. Energy outlined its policy for the capitalization of labour charges, stating that it includes contracted services, materials, transportation costs, direct labour, overhead costs, borrowing costs, and any other costs directly related to bringing the asset to a working condition.

[17] OEB Staff IR -2
[18] OEB Staff IR - 3

In its response to an OEB staff interrogatory,[19] E.L.K. Energy stated that it did not budget for storm related capital costs, so the costs that were incurred were incremental with the exception of the utility's staff's regular time which had not been included in this Z-factor claim.

As part of the February storm response, E.L.K. Energy replaced 3 poles that were scheduled for replacement as part of the pole inspection capital plan.[20] These poles were damaged by the storm and replaced. Table 7.4 below shows a breakdown of the total capitalized cost of $60,389 for the February storm event.

Table 7.4: February 2023 Storm Event Capitalized Costs

Asset / Equipment	Quantity	Repaired/ Replaced	Estimated Net Asset Value (CA$)[15]
Poles	10	Replaced	Avg. $1180[16]
Fuses	20	Replaced	Avg. $266
Insulator	30	Replaced	Avg. $120

As part of the July storm response, E.L.K. Energy replaced 1 pole that was scheduled for replacement as part of the pole inspection capital plan.[17] Table 7.5 below shows a breakdown of the total capitalized cost of $34,574 for the July storm event.

Table 7.5: July 2023 Storm Event Capitalized Costs

Asset / Equipment	Quantity	Repaired/ Replaced	Estimated Net Asset Value (CA$)
Poles	6	Replaced	Avg. $1180
Cross Arm	1	Replaced	$598
Fuses	15	Replaced	$266
Insulators	18	Replaced	$120

Both OEB staff and VECC agreed that E.L.K. Energy should not be allowed to recover the costs of those poles which were already scheduled for replacement. OEB staff submitted that, if it were allowed, it would result in (i) a 30% reduction in the costs

[19] OEB Staff IR -6
[20] VECC IR - 4

associated with the 10 poles replaced as part of the February storm; and (ii) a 16.7% reduction in the cost associated with the 6 poles replaced as part of the July storm. In OEB staff's view, E.L.K. Energy should not be placed in a position better than it would have been had these storms not occurred. VECC estimated the cost to replace the 3 poles from the February storm event at $18,117, and the 1 pole from the July storm event at $5,929. VECC noted these amounts should be removed from the Z-factor capital costs.

In its reply submission, E.L.K. Energy accepted this recommendation by both VECC and OEB staff to remove the costs for poles replaced during the storm which were otherwise planned for replacement as part of E.L.K. Energy's standard pole replacement program. E.L.K. Energy agreed with the specific reductions to Z-factor funding proposed by OEB staff.[21]

Operating Costs

E.L.K. Energy claimed total OM&A costs of $226,863 related to the first storm event, and $177,538 in operating costs related to the second storm event. In response to an OEB staff interrogatory,[22] E.L.K. Energy provided a breakdown that showed the cost components underpinning the total OM&A costs of the Z-factor claim, which included labour (overtime), local distribution company mutual aid costs, contracted service (line services and excavation) and other OM&A costs.

Additionally, E.L.K. Energy submitted that there were electrical contractor costs that did not directly lead to the placement of assets in-service and were therefore expensed.[23] The work that these electrical contractor costs related to included re-stringing overhead wire, replacing fuses, clearing trees and branches, attaching secondary services, guying poles, and temporary pole guying.

OEB staff and VECC submitted that the costs incurred because of the storm event qualified for the Z-factor treatment in accordance with OEB's policy and practice.

Findings

The OEB approves E.L.K. Energy's Z-factor claims that includes: (i) a 30% reduction in the costs associated with the 10 poles replaced as part of the February ice storm; and (ii) a 16.7% reduction in the cost associated with the 6 poles replaced as part of the July thunderstorm as proposed by OEB staff and agreed by E.L.K. Energy in its submission.

[21] E.L.K. Energy response to OEB Staff/VECC Submissions, February 8, 2024.
[22] OEB Staff IR- 3
[23] OEB Staff IR -2

The OEB agrees with OEB staff and VECC's submission that poles already scheduled for replacement in existing capital plans should not qualify for Z-factor treatment.

Materiality

The OEB has previously indicated that the materiality threshold for a Z-factor applicable to a distributor with a distribution revenue requirement less than or equal to $10 million is $50,000.[21] The materiality threshold applicable to E.L.K. Energy is $50,000.

OEB staff and VECC submitted that the combined amount requested as a result of the two storm events is $417,611 and individually, the costs of each storm event also satisfy the $50,000 materiality threshold. OEB staff indicated that this will remain the case even if OEB were to accept the capital cost reductions for the pole replacements.

Findings

The OEB finds that E.L.K. Energy's cost claim is material and exceeds the calculated materiality threshold of $50,000.

Prudence

In its application, E.L.K. Energy stated that it acted in the interests of its customers to restore service as quickly as possible following the two storm events by choosing the most cost-effective option for ratepayers. The damage caused extensive harm to E.L.K. Energy's distribution system and E.L.K. Energy states that capital additions primarily utilized existing inventory, though certain items were procured due to significant grid damage.[24]

E.L.K. Energy noted that both events resulted in widespread outages, approximately 24% of customers were affected by the ice storm, and 41% of customers experienced interruptions during the thunderstorm event.

E.L.K. Energy further noted that it deployed internal labour and external contractors, adhering to pre-approved agreements. Despite not being part of a mutual assistance agreement during the first storm event, E.L.K. Energy sought aid from neighboring utilities, and subsequently joined the Ontario Mutual Assistance Program (OnMAG) to assist in deploying available crews to repair damage and restore power. Key members of the E.L.K. Energy restoration team promptly responded to the impending weather event and power outages, with regular on-call staff and additional crews on standby.

[24] E.L.K. 2024 IRM Application, Appendix A, p. 13

Both OEB staff and VECC submitted that E.L.K. Energy had met the criteria for prudence by deploying available resources responsibly to restore power in a safe and cost-effective manner.

Findings

The OEB agrees that the criterion of prudence is met as E.L.K. Energy's restoration efforts deployed all available internal and external resources in a safe and cost-effective manner.

The OEB is satisfied that E.L.K. Energy's Z-factor claims meet the three eligibility criteria of causation, materiality, and prudence.

Cost Allocation and Rate Design

E.L.K. Energy proposed to recover its total Z-factor claim through fixed rate riders over a 24 - month period from May 1, 2024 to April 30, 2026.[25] The rate rider will collect the operating costs associated with both storm events, as well as two years worth of revenue requirement associated with capital placed in service.[26] In its pre-filed evidence, E.L.K. Energy noted that it has allocated the Z-factor event costs to all rate classes based on its last OEB approved distribution revenue requirement. E.L.K. Energy stated that the use of fixed rate riders and allocation of Z-factor costs based on most recent approved Cost of Service cost allocation has been approved by the OEB in several recent Z-factor applications.[27]

Findings

The OEB approves E.L.K. Energy's recovery through fixed rate riders over a 24-month period from May 1, 2024 to April 30, 2026 allocated across all rate classes and on the basis of its OEB-approved distribution revenue requirement. The OEB finds this approach to be reasonable.

Payment in Lieu of Taxes (PILs) Treatment in the Z-factor Costs Recovery

E.L.K. Energy questioned the appropriateness of the negative PILs adjustment to the incremental revenue requirement resulting from the Z-factor capital expenditures.[28] E.L.K. Energy stated that the premise of negative PILs adjustments is that these amounts will be netted out from actual PILs paid, leaving the utility in a net-neutral position. However, the utility has no actual PILs amount to offset the impact, "thus would

[25] E.L.K. Energy 2024 IRM Application, Appendix A, pg. 17.
[26] Ibid. pg.16
[27] Ibid.pg. 17
[28] E.L.K. Energy 2024 IRM Application, Page 116

simply lose recovery of a significant proportion of the incremental revenue requirement otherwise resulting from Z-factor capital expenditures".[29] E.L.K. Energy has requested a 0% tax rate for calculating the Z-factor revenue requirement.

OEB staff submitted that the proposal should be rejected, citing non-compliance with the filing requirements.[30] OEB staff stated that the adjustments were immaterial, and E.L.K. Energy should use its current effective tax rate of 26.5% and recalculate revenue requirements on capital expenditures in order to adhere to filing standard.

In its reply submission, E.L.K. Energy proposed a Capital Cost Allowance (CCA) smoothing mechanism that would be applied to its Z-factor capital claims as well as the ICM component of the application.

Findings

The issue of PILs treatment is addressed below in section 8 of this Decision.

[29] E.L.K. Energy Submission, p. 7.
[30] OEB Staff Submission, January 25, 2024.

8. INCREMENTAL CAPITAL MODULE

The OEB's ICM policy[31] was established to address the treatment of a distributor's capital investment needs that arise during a Price Cap IR rate-setting plan and which are incremental to a calculated materiality threshold. To qualify for ICM funding, a distributor must satisfy the OEB's well-established eligibility criteria of materiality, need and prudence.[32]

The ICM addresses the question of materiality in two steps. The first is by applying the ICM "materiality threshold formula"[33], which serves to define the level of capital expenditures that a distributor should be able to manage within current rates. This test provides that any incremental capital amounts approved for recovery must fit within the total eligible incremental capital amount and must clearly have a significant influence on the operation of the distributor.[34] A second project-specific materiality test provides that minor expenditures, in comparison to the overall capital budget, should be considered ineligible for ICM treatment. Moreover, a certain degree of project expenditure over and above the OEB-defined threshold calculation is expected to be absorbed within the total capital budget.[35]

Regarding need, a distributor must satisfy the OEB that any incremental capital amount being requested is (i) based on one or more discrete projects, (ii) directly related to the claimed driver, and (iii) clearly outside of the base upon which the distributor's rates were derived.[36] Additionally, a distributor must also pass the "means test." Under the means test, if a distributor's most recently available regulated return on equity (ROE) exceeds 300 basis points above the deemed ROE embedded in the distributor's rates, then funding for any incremental capital project would not be allowed.

Finally, a distributor must establish that the incremental capital amount it proposes to incur is prudent. To satisfy the prudence test, a distributor must demonstrate that its

[31] The OEB's policy for the funding of incremental capital is set out in the *Report of the Board New Policy Options for the Funding of Capital Investments: The Advanced Capital Module*, September 18, 2014 (Funding of Capital Report) and the subsequent *Report of the OEB New Policy Options for the Funding of Capital Investments: Supplemental Report* (Supplemental Report) (collectively referred to as the ICM policy).
[32] Funding of Capital Report, p. 16.
[33] The ICM materiality threshold formula refers to the updated multi-year materiality threshold formula as defined on p. 19 of the Supplemental Report.
[34] Funding of Capital Report, p. 17
[35] Ibid[36] Ibid[37] Supplemental Report pp. 7-11. When the half-year rule is applied, only half of the annual depreciation and CCA is allowed for depreciation and tax/PILs purposes. This ensures that the distributor recovers only a half-year of return on depreciation and capital as per the intent of the half-year rule.
[36] Ibid[37] Supplemental Report pp. 7-11. When the half-year rule is applied, only half of the annual depreciation and CCA is allowed for depreciation and tax/PILs purposes. This ensures that the distributor recovers only a half-year of return on depreciation and capital as per the intent of the half-year rule.

decision to incur the incremental capital represents the most cost-effective option for its customers.

The Half-Year Rule

For ICM-related capital additions, the OEB policy allows for a full-year's depreciation, capital cost allowance, and return on capital, for all years of a Price Cap IR plan, other than the final year prior to rebasing.[37] However, in the final year prior to rebasing, the standard half-year rule is used for calculation of the depreciation and return on capital, and associated taxes or PILs are treated as if it was the first year that an asset enters service.[38]

E.L.K. Energy is seeking ICM funding for the following projects:

Fleet Vehicle Replacement

E.L.K. Energy has applied for approval for ICM funding for the following two fleet vehicles that it claims have reached end of useful life:

1. #40615: Underground Truck - 2015 Vintage
2. #10216: Pickup Truck - 2016 Vintage

This request was initially put forth in E.L.K. Energy's 2022 rebasing application but was withdrawn over the course of the proceeding due to COVID-19 related supply chain issues. E.L.K. Energy submits that the annual maintenance costs of the vehicles are increasing to a point where replacement is the most cost-effective option. E.L.K. Energy notes that the fleet replacement considers the following factors:

- Age of the vehicle,
- Odometer reading,
- Maintenance costs,
- Annual vehicle test results, including stress/electrical testing,
- Practicality of existing vehicle including new technology available,
- Changing emissions, weight, and road safety regulations obsoleting some, existing units, and
- Crew or other department needs.

The cost to replace the two fleet vehicles is as follows:

[37] Supplemental Report pp. 7-11. When the half-year rule is applied, only half of the annual depreciation and CCA is allowed for depreciation and tax/PILs purposes. This ensures that the distributor recovers only a half-year of return on depreciation and capital as per the intent of the half-year rule.
[38] Funding of Capital Report, p. 23

Table 8.1: Cost of Fleet Vehicle Replacement

2024 ICM Fleet Vehicles	Total ($)
200-42 Bucket Truck	$406,191
400-46 Bucket Truck	$478,716
Total Incremental Capital	$884,907

Through OEB staff interrogatories, E.L.K. Energy had confirmed that it had paid to-date $129,639 for the Model 400-46 truck, and $257,085 for the Model 200-42 truck.[39]

Recloser Switches

E.L.K. Energy has applied for approval for ICM funding for the purchase and installation of six recloser switches, at a total estimated cost of $485,024. The purchase of the switches is a part of E.L.K. Energy's Smart Grid Plan to meet customer needs related to reliability. E.L.K. Energy submitted that the recloser switches will facilitate a reduction in customer outages due to loss of supply, which is the most significant cause of adverse reliability issues, according to E.L.K. Energy. The installation of six recloser switches were not specifically noted in E.L.K. Energy's 2022 Distribution System Plan (DSP). However, in the last Settlement Agreement, E.L.K. Energy agreed to establish a new deferral account called the Reliability Commitment Account[40] to measure the performance of SAIDI and SAIFI targets. E.L.K. Energy suggested that the six recloser switches will help in achieving those targets.[41]

Materiality

The OEB's ICM policy[42] states that distributors must meet an OEB defined materiality threshold and project specific materiality threshold. The following is the current definition of materiality as it applies to ICMs:

> Any incremental capital amounts must fit within the total eligible incremental capital amounts (as defined in this ACM Report) and must clearly have a

[39] IR- VECC-8
[40] EB-2021-0016, Decision and Order, June 30, 2022.
[41] IR- VECC-10
[42] EB-2014-0219, New Policy Options for the Funding of Capital Investments: Supplemental Report, January 22, 2016

> significant influence on the operation of the distributor; otherwise they should be dealt with at rebasing.[43]

E.L.K. Energy calculated its materiality threshold to be $1,136,438. The maximum eligible incremental capital amount available to E.L.K. Energy for 2024 is $1,872,084 as calculated in its completed ICM model. E.L.K. Energy's states its ICM request of $1,369,931 is within the maximum eligible incremental capital amount.

OEB staff and VECC submitted that E.L.K. Energy has met the materiality threshold as defined in the OEB's ICM policy.

Findings

The ICM funding requested is within the maximum eligible incremental capital amount available to E.L.K. Energy in accordance with the OEB's ICM policy.

Project-specific materiality

With regard to the project-specific materiality threshold, projects that are minor expenditures in comparison to the overall capital budget of the distributor are not eligible for ICM treatment. The incremental capital E.L.K. Energy has requested for the switches represent 16% of its total 2024 budget; and the amount it has requested for fleet vehicles represents an additional 29% of its total 2024 budget.[44]

Findings

The OEB finds that the two projects that are subject of this ICM request, are material relative to E.L.K. Energy's 2024 budget.

Need

Under the means test, if a distributor's regulated ROE exceeds 300 basis points above the deemed ROE embedded in the distributor's rates, then the funding for any incremental capital project will not be allowed. E.L.K. Energy's 2022 achieved ROE was -1.97% which 10.63% (1063 basis points) lower than deemed ROE of 8.66%.[45] E.L.K. Energy submitted that its ROE for the year 2022 did not exceed 300 basis points above the deemed ROE and therefore it has satisfied the means test.

The need criterion for ICM funding also stipulates that the amounts requested for ICM must be outside of base rates. E.L.K Energy first sought approval to purchase fleet

[43] Ibid.
[44] ACM/ICM Model, Tab 9b
[45] EB-2023-0013, Manager's Summary, Appendix B, p. 29.

vehicles in the 2022 cost of service application; however, this request was withdrawn due to supply chain issues as previously noted. In the application evidence[46], E.L.K. Energy also submits that the recloser switches were not part of any existing capital program but were introduced as part of E.L.K. Energy's Smart Grid Plan in 2023, aiming to enhance system reliability.

OEB staff and VECC submitted that E.L.K. Energy had not exceeded the deemed ROE; and the amounts requested for the projects were outside of base rates, therefore the projects met the need criterion for ICM funding.

Findings

The OEB is satisfied that the criterion for need has been met. Additionally, the means test has also been met. Further the ICM funding requested is outside the base upon which rates are derived.

The OEB appreciates E.L.K. Energy's detailed explanation of its recent financial performance and management changes, and its plan to remedy its challenges. However, the OEB remains concerned about the potential for E.L.K. Energy's financial and operational challenges to persist despite management's best efforts to mitigate them, which could continue to adversely impact the utility's financial performance. The OEB encourages E.L.K. Energy's management and Board of Directors to thoroughly examine all strategic options for the utility, including an early rebasing.

Prudence

The ACM/ICM Report describes prudence as follows:

> The amounts to be incurred must be prudent. This means that the distributor's decision to incur the amounts must represent the most cost-effective option (not necessarily least initial cost) for ratepayers.[47]

E.L.K. Energy submits that both projects represent prudent investments that deliver the most cost-effective option for customers based on a few considerations. For the fleet vehicles, the cost proposed for ICM recovery aligns with the historical costs of similar fleet vehicles, as indicated in E.L.K. Energy's 2022 cost of service proceeding.[48] In that proceeding, E.L.K. Energy had indicated that the age of the 2007 vintage vehicle

[46] Ibid.
[47] ACM Report, p. 17
[48] EB-2022-0016 – Application Evidence, Exhibit 2

(bucket truck ID 20207) would reach 15 years in 2022.[49] In addition, the same vehicle incurred over $30k in reactive repair costs to keep the truck in service.[50]

In their submissions, OEB staff and VECC stated their support of E.L.K. Energy's ICM funding requests for both projects. OEB staff acknowledged the importance of addressing supply interruption issues which remain the biggest challenge for E.L.K. Energy's reliability as well as the need for replacing end-of-life assets. VECC supported replacing the bucket trucks past their useful life and submitted that E.L.K. Energy had demonstrated the annual maintenance costs are increasing to where replacement is the most cost-effective option.[51] VECC also supported the purchase of the six recloser switches. In the submission, VECC stated that the switches meets the tests for need, materiality and prudence and E.L.K. Energy had demonstrated that it directly relates to the claimed drivers, with the requested amount not funded through base rates.[52]

Findings

The OEB agrees with OEB staff and VECC's assessment that it is prudent to replace the end-of-life vehicles and that it is the best alternative relative to maintaining vehicles beyond their useful life.

The OEB finds that prioritizing the installation of the recloser switches in two of the communities served in order to modernize and improve the reliability of its distribution system is prudent.

PILs Treatment of Z-factor Claims and ICM Projects

E.L.K. Energy questioned the appropriateness of the negative PILs amount used in the ICM model, noting that it had the PILs embedded in the 2022 rebasing application set as Nil due to the forecast tax loss and it had entered a period of revitalization in which capital expenditures are forecast to be above historical trends. As a result, E.L.K. Energy states that it had set the current tax rate in the ICM model to 0% to exclude the impact of PILs (i.e., the negative PILs amount) on the ICM funding.[53]

E.L.K. Energy noted three main reasons in support of its PILs proposal. Firstly, it highlighted the inconsistency in tax loss treatment between the ICM and PILs models in cost of service applications, noting that the current approach in the ICM model which allows negative taxable income, did not accurately reflect utility costs. Secondly, E.L.K.

[49] EB-2021-0016, Exhibit 2, Tab 4, Attachment 1, pg 522
[50] Ibid.
[51] VECC Submission, p.g 9., January 25, 2024.
[52] Ibid. p.11
[53] E.L.K. Energy 2024 IRM Application, Appendix B- ICM Application, Page 31

Energy expressed concerns about financial viability, particularly emphasizing the potential negative impact of incorporating a corporate tax rate into the ICM model, which could significantly reduce revenue requirements and undermine the company's financial stability. Lastly, E.L.K. Energy anticipated a continued trend of CCA deductions outpacing net income before taxes, signaling ongoing challenges in leveraging significant tax loss as the company undergoes revitalization efforts with planned capital expenditures exceeding historical norms.[54]

As part of its response to a staff interrogatory, E.L.K. Energy updated the ICM model using its current effective tax rate of 26.5%. The recalculated incremental revenue requirement was reduced by $67,397 (from $138,591 to $71,193) solely attributed to the gross-up negative PILs amount of $67,397.

VECC did not provide submissions on the tax issues.

OEB staff submitted that the tax loss calculated in the ICM model was attributable to the difference between the CCA and the accounting amortization expenses, mainly associated with two bucket trucks proposed by E.L.K. Energy.[55] In this application, E.L.K. Energy requested two bucket trucks for $884,907 and switches for $485,024. OEB staff submitted that the annual tax depreciation for trucks is 30% on a declining balance which is significantly higher than the annual accounting deprecation rate of 6.67% on a straight-line balance (with a useful life of 15 years).[56] OEB staff further noted there was no substantial difference between the accounting amortization and CCA for switches.[57]

OEB staff acknowledged E.L.K. Energy’s concerns regarding the PILs treatment in the ICM model and cost of service applications and noted that a negative PILs amount derived from the ICM model could offset overall PILs costs or increase accumulated tax loss carry-forwards, benefiting the utility and ratepayers by reducing PILs costs in subsequent years.[58] OEB staff submitted that E.L.K. Energy’s situation is not unique and highlighted a similar case with Halton Hills Hydro Inc., in OEB proceeding EB-2018-0328. OEB staff argued that omitting taxes entirely would be unfair to ratepayers, although accepting E.L.K. Energy's proposal may not fully cover all ICM funding needs. OEB staff emphasized the importance of considering the impact on tax losses and

[54] Ibid.
[55] OEB Staff Submission, pg. 16. January 25, 2024.
[56] Ibid.
[57] Ibid.
[58] Ibid.

noted potential issues with the ICM true-up in E.L.K. Energy's next rebasing application, urging fairness to ratepayers in any decision.[59]

OEB staff stated its overall position was that E.L.K. Energy should adhere to the guidelines set out in the OEB's ICM policy to apply its current effective tax rate of 26.5% for calculating the revenue requirement associated with incremental funding. In its submission, OEB staff recommended that E.L.K include a smoothing mechanism to spread out the impact of the negative PILs between 2024-2026 and an explanation of how it would smooth out the impact of the negative PILs as part of its reply submission.[60]

In its reply submission, E.L.K. Energy disagreed with OEB staff's use of Halton Hills Hydro Inc.'s 2019 ICM application as a basis for denying their request, citing three main reasons. Firstly, E.L.K. Energy stated the difference in financial viability between the two companies, emphasizing E.L.K. Energy's negative ROE compared to Halton Hills' positive ROE. Secondly, E.L.K. Energy argued that the negative PILs adjustments in Halton Hills' case were much smaller relative to their funding request, making comparisons irrelevant. Lastly, E.L.K. Energy stated that an exception was warranted based on their unique circumstances, urging the OEB to consider their case independently rather than relying on unrelated precedents. [61]

While maintaining that E.L.K. Energy's situation was unique and the initial PILs proposal would yield the best outcome, E.L.K. Energy accepted the CCA smoothing mechanism as a balanced solution to address the core issue. E.L.K. Energy proposed a CCA smoothing mechanism which entailed deducting the precise amount of CCA related to ICM projects required to yield zero taxable income, ensuring PILs associated with the projects were also zero. As part of its proposal, E.L.K. Energy states that if the CCA deducted is lower than the maximum eligible amount, the difference will be kept in the entity's Undepreciated Capital Cost (UCC) balance for future tax deductions. E.L.K. Energy argued that the proposed smoothing mechanism would ensure cost recovery and positive cash flow for E.L.K. Energy while preserving future benefits for ratepayers. E.L.K. Energy also requested the OEB issue an order for implementing this mechanism and proposed applying the same treatment to the Z-factor capital claims for consistency. E.L.K. Energy revised the application evidence in line with this proposal.[62]

[59] Ibid.
[60] Ibid., pg.20- 22.
[61] E.L.K. Energy Reply Submission, pg. 10-11
[62] Ibid., pg. 14

Findings

The OEB approves the PILs CCA smoothing methodology proposed by E.L.K. Energy. This approval includes the updated rate generator model and the rate riders calculated in the ICM model filed as part of E.L.K. Energy's reply submission.

The OEB also approves this same PILs CCA smoothing methodology for the approved Z-factor capital cost claims.

E.L.K. Energy must include CCA deductions related to the combined ICM projects and approved Z-factor claims in its tax returns, equivalent to accounting depreciation plus return on equity, until the effective date of its next rebasing. The OEB also requires E.L.K. Energy to include the historical recorded CCA and UCC associated with the combined ICM projects and approved Z-factor claims in its next rebasing application.

9. IMPLEMENTATION

This Decision is accompanied by a Rate Generator Model, applicable supporting models, and a Tariff of Rates and Charges (Schedule A). The Rate Generator Model also incorporates the rates set out in Table 9.1.

Table 9.1: Regulatory Charges

Rate	per kWh
Rural or Remote Electricity Rate Protection (RRRP)	$0.0014
Wholesale Market Service (WMS) billed to Class A and B Customers	$0.0041
Capacity Based Recovery (CBR) billed to Class B Customers	$0.0004

Each of these rates is a component of the "Regulatory Charge" on a customer's bill, established annually by the OEB through a separate, generic order. The RRRP and WMS rates were set by the OEB on December 7, 2023.[63]

The Smart Metering Entity Charge is a component of the "Distribution Charge" on a customer's bill, established by the OEB through a separate order. The Smart Metering Entity Charge was set by the OEB at $0.42 on September 8, 2022.[64]

In the *Report of the Board: Review of Electricity Distribution Cost Allocation Policy*,[65] the OEB indicated that it will review the default province-wide microFIT charge annually to ensure it continues to reflect actual costs in accordance with the established methodology. On November 29, 2023, the OEB issued a letter advising electricity distributors that the microFIT charge shall remain at $4.55 for the duration of the 2024 rate year (May1, 2024 to April 30, 2025).[66]

[63] EB-2023-00268, Decision and Order, December 7, 2023
[64] EB-2022-0137, Decision and Order, September 8, 2022
[65] EB-2010-0219, Report of the Board "Review of Electricity Distribution Cost Allocation Policy", March 31, 2011
[66] OEB Letter, "Review of Fixed Monthly Charge for microFIT Generator Service Classification", issued November 29, 2023

10. ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. E.L.K. Energy Inc.'s new final distribution rates shall be effective May 1, 2024, in accordance with this Decision and Rate Order.

2. The Tariff of Rates and Charges set out at Schedule A of this Decision and Rate Order is deemed draft until the following procedural steps have been complied with:

   i. E.L.K. Energy Inc. shall review the Tariff of Rates and Charges and shall file with the OEB, as applicable, a written confirmation of its completeness and accuracy, or provide a detailed explanation of any inaccuracies or missing information, by **March 27, 2024**.

   ii. The Tariff of Rates and Charges will be considered final if E.L.K. Energy Inc. does not provide a submission to the OEB that inaccuracies were found or information was missing pursuant to item 2.i

   iii. If the OEB receives a submission from E.L.K. Energy Inc. to the effect that inaccuracies were found or information was missing pursuant to item 2.i, the OEB will consider the submission and issue a final Rate Order.

3. E.L.K. Energy Inc. shall notify its customers of the rate changes no later than the delivery of the first bill reflecting the new rates.

COST AWARDS

The OEB will issue a separate decision on cost awards once the following steps are completed:

1. VECC shall submit to the OEB and copy E.L.K. Energy Inc. its cost claims no later than **March 28, 2024**.

2. E.L.K. Energy Inc. may file with the OEB and forward to VECC any objections to the claimed costs by **April 8, 2024**.

3. VECC may file with the OEB and forward to E.L.K. Energy Inc. any responses to any objections for cost claims by **April 18, 2024**.

4. E.L.K. Energy shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

Parties are responsible for ensuring that any documents they file with the OEB, such as applicant and intervenor evidence, interrogatories and responses to interrogatories or any other type of document, **do not include personal information** (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's Rules of Practice and Procedure.

Please quote file number, **EB-2023-0013** for all materials filed and submit them in searchable/unrestricted PDF format with a digital signature through the OEB's online filing portal.

- Filings should clearly state the sender's name, postal address, telephone number and e-mail address.
- Please use the document naming conventions and document submission standards outlined in the Regulatory Electronic Submission System (RESS) Document Guidelines found at the File documents online page on the OEB's website.
- Parties are encouraged to use RESS. Those who have not yet set up an account, or require assistance using the online filing portal can contact registrar@oeb.ca for assistance.
- Cost claims are filed through the OEB's online filing portal. Please visit the File documents online page of the OEB's website for more information. All participants shall download a copy of their submitted cost claim and serve it on all required parties as per the Practice Direction on Cost Awards.

All communications should be directed to the attention of the Registrar and be received by end of business, 4:45 p.m., on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Abla Nur at Abla.nur@oeb.ca, and OEB Counsel, Lawren Murray at Lawren.murray@oeb.ca.

Email: registrar@oeb.ca
Tel: 1-877-632-2727 (Toll free)

DATED at Toronto, March 21, 2024

ONTARIO ENERGY BOARD

Nancy Marconi

Digitally signed by Nancy Marconi
Date: 2024.03.21 11:43:54 -04'00'

Nancy Marconi
Registrar

SCHEDULE A

DECISION AND RATE ORDER

E.L.K. ENERGY INC.

TARIFF OF RATES AND CHARGES

EB-2023-0013

MARCH 21, 2024

E.L.K. Energy Inc.

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2024

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2023-0013

RESIDENTIAL SERVICE CLASSIFICATION

This classification refers to a service which is less than 50 kW supplied to a single family dwelling unit that is for domestic or household purposes, including seasonal occupancy. At E.L.K.'s discretion, residential rates may be applied to apartment buildings with 6 or less units by simple application of the residential rate or by blocking the residential rate by the number of units. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	$	19.73
Rate Rider for Recovery of Wind Storm Damage Costs (2024) - effective until April 30, 2026	$	1.05
Rate Rider for Recovery of Incremental Capital (2024) - effective until April 30, 2027 or the next rebasing	$	0.70
Smart Metering Entity Charge - effective until December 31, 2027	$	0.42
Low Voltage Service Rate	$/kWh	0.0035
Retail Transmission Rate - Network Service Rate	$/kWh	0.0121
Retail Transmission Rate - Line and Transformation Connection Service Rate	$/kWh	0.0095

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	$/kWh	0.0041
Capacity Based Recovery (CBR) - Applicable for Class B Customers	$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	$/kWh	0.0014
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

E.L.K. Energy Inc.

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2024

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2023-0013

GENERAL SERVICE LESS THAN 50 KW SERVICE CLASSIFICATION

This classification refers to premises other than those designated as residential and do not exceed 50 kW in any month of the year. This includes multi-unit residential establishments such as apartment buildings supplied through one service (bulk-metered). Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	$	19.31
Rate Rider for Recovery of Wind Storm Damage Costs (2024) - effective until April 30, 2026	$	1.71
Rate Rider for Recovery of Incremental Capital (2024) - effective until April 30, 2027 or the next rebasing.	$	0.68
Smart Metering Entity Charge - effective until December 31, 2027	$	0.42
Distribution Volumetric Rate	$/kWh	0.0066
Low Voltage Service Rate	$/kWh	0.0031
Rate Rider for Recovery of Incremental Capital (2024) - effective until April 30, 2027 or the next rebasing.	$/kWh	0.0002
Retail Transmission Rate - Network Service Rate	$/kWh	0.0106
Retail Transmission Rate - Line and Transformation Connection Service Rate	$/kWh	0.0083

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	$/kWh	0.0041
Capacity Based Recovery (CBR) - Applicable for Class B Customers	$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	$/kWh	0.0014
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

E.L.K. Energy Inc.

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2024

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2023-0013

GENERAL SERVICE 50 TO 4,999 KW SERVICE CLASSIFICATION

This classification applies to a non residential account whose average monthly maximum demand used for billing purposes is equal to or greater than, or is forecast to be equal to or greater than, 50 kW but less than 5,000 kW. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

If included in the following listing of monthly rates and charges, the rate rider for the disposition of WMS - Sub-account CBR Class B is not applicable to wholesale market participants (WMP), customers that transitioned between Class A and Class B during the variance account accumulation period, or to customers that were in Class A for the entire period. Customers who transitioned are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied for the entire period to the sunset date of the rate rider. In addition, this rate rider is applicable to all new Class B customers.

If included in the following listing of monthly rates and charges, the rate rider for the disposition of Global Adjustment is only applicable to non-RPP Class B customers. It is not applicable to wholesale market participants (WMP), customers that transitioned between Class A and Class B during the variance account accumulation period, or to customers that were in Class A for the entire period. Customers who transitioned are to be charged or refunded their share of the variance disposed through customer specific billing adjustments. This rate rider is to be consistently applied for the entire period to the sunset date of the rate rider. In addition, this rate rider is applicable to all new non-RPP Class B customers.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	$	195.42
Rate Rider for Recovery of Wind Storm Damage Costs (2024) - effective until April 30, 2026	$	26.35
Rate Rider for Recovery of Incremental Capital (2024) - effective until April 30, 2027 or the next rebasing.	$	6.90
Distribution Volumetric Rate	$/kW	1.7492
Low Voltage Service Rate	$/kW	1.1966
Rate Rider for Recovery of Incremental Capital (2024) - effective until April 30, 2027 or the next rebasing.	$/kW	0.0617
Retail Transmission Rate - Network Service Rate	$/kW	4.4570
Retail Transmission Rate - Line and Transformation Connection Service Rate	$/kW	3.3736

E.L.K. Energy Inc.

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2024

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2023-0013

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	$/kWh	0.0041
Capacity Based Recovery (CBR) - Applicable for Class B Customers	$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	$/kWh	0.0014
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

E.L.K. Energy Inc.

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2024

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2023-0013

UNMETERED SCATTERED LOAD SERVICE CLASSIFICATION

This classification applies to an account whose average monthly maximum demand is less than, or is forecast to be less than, 50kW and the consumption is unmetered. Such connections include cable TV power packs, bus shelters, telephone booths, traffic lights, railway crossings, etc. The level of the consumption will be agreed to by the distributor and the customer, based on detailed manufacturer information/documentation with regard to electrical consumption of the unmetered load or periodic monitoring of actual consumption. E.L.K. is not in the practice of connecting new unmetered scattered load services. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge (per connection)	$	7.85
Rate Rider for Recovery of Wind Storm Damage Costs (2024) - effective until April 30, 2026	$	0.50
Rate Rider for Recovery of Incremental Capital (2024) - effective until April 30, 2027 or the next rebasing.	$	0.28
Distribution Volumetric Rate	$/kWh	0.0022
Low Voltage Service Rate	$/kWh	0.0031
Rate Rider for Recovery of Incremental Capital (2024) - effective until April 30, 2027 or the next rebasing.	$/kWh	0.0001
Retail Transmission Rate - Network Service Rate	$/kWh	0.0106
Retail Transmission Rate - Line and Transformation Connection Service Rate	$/kWh	0.0083

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	$/kWh	0.0041
Capacity Based Recovery (CBR) - Applicable for Class B Customers	$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	$/kWh	0.0014
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

E.L.K. Energy Inc.

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2024

This schedule supersedes and replaces all previously approved schedules of Rates, Charges and Loss Factors

EB-2023-0013

SENTINEL LIGHTING SERVICE CLASSIFICATION

This classification refers to accounts that are an unmetered lighting load supplied to a sentinel light. E.L.K. is not in the practice of connecting new unmetered scattered load services. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge (per connection)	$	3.69
Rate Rider for Recovery of Wind Storm Damage Costs (2024) - effective until April 30, 2026	$	0.85
Rate Rider for Recovery of Incremental Capital (2024) - effective until April 30, 2027 or the next rebasing.	$	0.13
Distribution Volumetric Rate	$/kW	6.9316
Low Voltage Service Rate	$/kW	0.9451
Rate Rider for Recovery of Incremental Capital (2024) - effective until April 30, 2027 or the next rebasing.	$/kW	0.2447
Retail Transmission Rate - Network Service Rate	$/kW	3.3781
Retail Transmission Rate - Line and Transformation Connection Service Rate	$/kW	2.6647

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	$/kWh	0.0041
Capacity Based Recovery (CBR) - Applicable for Class B Customers	$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	$/kWh	0.0014
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

E.L.K. Energy Inc.

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2024

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EB-2023-0013

STREET LIGHTING SERVICE CLASSIFICATION

APPLICATION

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

No rates and charges for the distribution of electricity and charges to meet the costs of any work or service done or furnished for the purpose of the distribution of electricity shall be made except as permitted by this schedule, unless required by the Distributor's Licence or a Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, or as specified herein.

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It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge (per connection)	$	1.27
Rate Rider for Recovery of Wind Storm Damage Costs (2024) - effective until April 30, 2026	$	0.13
Rate Rider for Recovery of Incremental Capital (2024) - effective until April 30, 2027 or the next rebasing.	$	0.04
Distribution Volumetric Rate	$/kW	12.3462
Low Voltage Service Rate	$/kW	0.9256
Rate Rider for Recovery of Incremental Capital (2024) - effective until April 30, 2027 or the next rebasing.	$/kW	0.4358
Retail Transmission Rate - Network Service Rate	$/kW	3.3618
Retail Transmission Rate - Line and Transformation Connection Service Rate	$/kW	2.6096

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	$/kWh	0.0041
Capacity Based Recovery (CBR) - Applicable for Class B Customers	$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	$/kWh	0.0014
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

E.L.K. Energy Inc.

TARIFF OF RATES AND CHARGES

Effective and Implementation Date May 1, 2024

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EB-2023-0013

EMBEDDED DISTRIBUTOR SERVICE CLASSIFICATION

This classification applies to an electricity distributor licensed by the Ontario Energy Board, and provided electricity by means of E.L.K. Energy Inc.'s distribution facilities. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

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Unless specifically noted, this schedule does not contain any charges for the electricity commodity, be it under the Regulated Price Plan, a contract with a retailer or the wholesale market price, as applicable. In addition, the charges in the MONTHLY RATES AND CHARGES - Regulatory Component of this schedule do not apply to a customer that is an embedded wholesale market participant.

It should be noted that this schedule does not list any charges, assessments, or credits that are required by law to be invoiced by a distributor and that are not subject to Ontario Energy Board approval, such as the Global Adjustment and the HST.

MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	$	1,545.57
Rate Rider for Recovery of Wind Storm Damage Costs (2024) - effective until April 30, 2026	$	82.47
Rate Rider for Recovery of Incremental Capital (2024) - effective until April 30, 2027 or the next rebasing.	$	54.55

MONTHLY RATES AND CHARGES - Regulatory Component

Wholesale Market Service Rate (WMS) - not including CBR	$/kWh	0.0041
Capacity Based Recovery (CBR) - Applicable for Class B Customers	$/kWh	0.0004
Rural or Remote Electricity Rate Protection Charge (RRRP)	$/kWh	0.0014
Standard Supply Service - Administrative Charge (if applicable)	$	0.25

E.L.K. Energy Inc.

TARIFF OF RATES AND CHARGES

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EB-2023-0013

microFIT SERVICE CLASSIFICATION

This classification applies to an electricity generation facility contracted under the Independent Electricity System Operator's microFIT program and connected to the distributor's distribution system. Further servicing details are available in the distributor's Conditions of Service.

APPLICATION

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MONTHLY RATES AND CHARGES - Delivery Component

Service Charge	$	4.55

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ALLOWANCES

Transformer Allowance for Ownership - per kW of billing demand/month	$/kW	(0.60)
Primary Metering Allowance for transformer losses - applied to measured demand and energy	%	(1.00)

SPECIFIC SERVICE CHARGES

The application of these rates and charges shall be in accordance with the Licence of the Distributor and any Code or Order of the Ontario Energy Board, and amendments thereto as approved by the Ontario Energy Board, which may be applicable to the administration of this schedule.

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Customer Administration

Arrears certificate	$	15.00
Statement of account	$	15.00
Pulling post dated cheques	$	15.00
Duplicate invoices for previous billing	$	15.00
Request for other billing information	$	15.00
Easement letter	$	15.00
Income tax letter	$	15.00
Notification charge	$	15.00
Account history	$	15.00
Credit reference/credit check (plus credit agency costs)	$	15.00
Returned cheque (plus bank charges)	$	15.00
Charge to certify cheque	$	15.00
Legal letter charge	$	15.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	$	30.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	$	30.00

Non-Payment of Account

Late payment – per month (effective annual rate 19.56% per annum or 0.04896% compounded daily rate)	%	1.50
Reconnection at meter - during regular hours	$	65.00
Reconnection at meter - after regular hours	$	185.00
Reconnection at pole - during regular hours	$	185.00
Reconnection at pole - after regular hours	$	415.00

Other

Special meter reads	$	30.00
Service call - customer-owned equipment	$	30.00
Service call - after regular hours	$	165.00
Temporary service - install & remove - overhead - no transformer	$	500.00
Temporary service - install & remove - underground - no transformer	$	300.00
Temporary service - install & remove - overhead - with transformer	$	1,000.00
Specific charge for access to the power poles - $/pole/year (with the exception of wireless attachments)	$	37.78

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TARIFF OF RATES AND CHARGES

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RETAIL SERVICE CHARGES (if applicable)

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Retail Service Charges refer to services provided by a distributor to retailers or customers related to the supply of competitive electricity.

One-time charge, per retailer, to establish the service agreement between the distributor and the retailer	$	117.02
Monthly fixed charge, per retailer	$	46.81
Monthly variable charge, per customer, per retailer	$/cust.	1.16
Distributor-consolidated billing monthly charge, per customer, per retailer	$/cust.	0.69
Retailer-consolidated billing monthly credit, per customer, per retailer	$/cust.	(0.69)
Service Transaction Requests (STR)		
Request fee, per request, applied to the requesting party	$	0.59
Processing fee, per request, applied to the requesting party	$	1.16
Request for customer information as outlined in Section 10.6.3 and Chapter 11 of the Retail Settlement Code directly to retailers and customers, if not delivered electronically through the Electronic Business Transaction (EBT) system, applied to the requesting party		
Up to twice a year	$	no charge
More than twice a year, per request (plus incremental delivery costs)	$	4.68
Notice of switch letter charge, per letter (unless the distributor has opted out of applying the charge as per the Ontario Energy Board's Decision and Order EB-2015-0304, issued on February 14, 2019)	$	2.34

LOSS FACTORS

If the distributor is not capable of prorating changed loss factors jointly with distribution rates, the revised loss factors will be implemented upon the first subsequent billing for each billing cycle.

Total Loss Factor - Secondary Metered Customer < 5,000 kW	1.0417
Total Loss Factor - Primary Metered Customer < 5,000 kW	1.0313