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Ontario Energy Board

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January 16, 2009

Attention: Kirsten Walli (Board Secretary)

Re: COLLUS Power Corp – 2008 Electricity Distribution Rate Application – File No. EB-2008-0226

On January 13th, 2009 Board Staff suggested to COLLUS Power that a short conference call would help facilitate an understanding by all parties involved in regards to responses to clarification questions as per Procedural Order #4. The call was held on January 16th and included a review a short list of requests for additional information. The following provides a summary:

1. Board Staff Clarification Part A

It would be helpful to understand exactly how the new revenue requirement was established in response to the IR triggered changes.

COLLUS Power provides a worksheet "2009 Revenue Deficiency Rec" which provides the values which were in the original submission along with the updated values. Any resulting differences are noted in the adjacent column. The spreadsheet clarifies that the total difference of \$99,439 in Revenue Deficiency is due to a \$46,000 increase in Other Revenue which resulted from the inclusion of Interest Revenue. The remaining difference of \$53,429 is based on a decrease in the amount of PILs requirement for the required 2009 revenue. There are only these two changes from the original submission.

NOTE: It was requested that an updated supplement Exhibit #7 with the reconciliation data be provided when this summary was submitted. It is provided as an attachment.

2. Board Staff Clarification Part B

It would be helpful if COLLUS could "black line" the changes in its updated exhibits to show what has changed.

Exhibit 8 and Exhibit 9 are provided with highlighted areas that identify the changes that were made. The highlight is in neon yellow for easy reference.

Exhibit 8 changes resulted from a correction to the Cost Allocation factors resulting from the need to remove the amount of ALCOA's transformer allowance when the CA model was adjusted to eliminate ALCOA information since they are no longer an active customer.

Exhibit 9 changes are due to a combination of the Revenue Deficiency explained in Exhibit 7's reconciliation and the correction to Cost Allocation factors related to changes outlined in Exhibit 8.

Additionally, in Exhibit #9 the impacts of moving to \$1 for Smart Meter adder from \$0.26 per month per RPP customer are shown. The remaining change is the inclusion of the increase to the Retail Transmission Connection charge of 5.5% to properly allow for a correct view of overall customer impacts.

NOTE: There was no further request on this item.

3. Board Staff Clarification of their Interrogatory Question #2.1

Where the service reliability indices are concerned, COLLUS has provided a revised set of numbers and new explanations. It might be useful for COLLUS to take staff and intervenors through this response so that it is clear to them.

During discussions, it became clear that there was difficulty in providing clarity related to the SQI 2009 and 2010 targets set by COLLUS. In response, COLLUS is filing a revised SQI Schedule "Schedule 3.7(a)-1 revised Jan14".

The revised schedule separates the SQI reporting and related targets between those directly attributable to COLLUS Power distribution facilities and those directly attributable to Hydro One facilities in order to clearly delineate targets. COLLUS Power cannot be reasonably expected to set targets for Hydro One and as such has not incorporated targets in those columns.

NOTE: As indicated above Sch 3.7(a) – 1 revised Jan. 16 is provided as an attachment.

4. Board Staff Clarification of their Interrogatory Question #4.1

Where it is explained how COLLUS developed its weather normal kWh filed in the evidence from the data provided by Hydro One. It might be useful for COLLUS to take staff and intervenors through the reconciliation analysis detail listed in Table 3 and explain the cause of the large loss factors (over 10%) listed under column E.

COLLUS Staff explained that the loss factors noted in column E referenced in Table 3 were customer specific loss factors which were used by Hydro One in their model. The loss factors in column E were backed out by COLLUS when establishing forecasts for 2009 and replaced by the revised "lower" loss factor which is common to all customer classes apart from the Large User category.

NOTE: The explanation provided was viewed to be complete.

5. VECC Clarification of their Interrogatory Question #35

COLLUS is asking for a variance account to deal with the potential loss of their largest customer. To understand the materiality of this, it would be useful to get an indication as to how much of the Dx service revenue is attributable to this one customer.

COLLUS staff confirms that the Base Revenue Requirement amount of \$166,142.07 identified in Table 3 in Updated Exhibit 9 submitted on Jan. 9/09 is the amount we expect to recover on an annual basis from our Large User. This represents 3% of the total Base Revenue Requirement of \$5,709,546.

NOTE: The explanation provided was viewed to be complete.

6. VECC Clarification of their Interrogatory Question #36

Shows vegetation management spending for 2008 and 2009 of over \$100,000 annually based on a 3-year cycle. However, the same table shows spending of less than \$80,000 for each of 2006 and 2007 based on a 2-year cycle. The only difference appears to be the 100% use of contract staff in 2008 and 2009. This begs the question as to the prudence of COLLUS' contracting this work out – unless there is some other explanation.

COLLUS Staff explained that the differences in costs are not simply related to the move to 100% contract staff. The key difference is the move from a 2 year cycle which requires lower clearances and the 3 year cycle for trimming which ultimately provides for greater clearances (to allow for growth over the 3 year period). The increase in 2008 and 2009 is related to the additional work involved to increase the clearances needed to meet an ESA requirement 3 year growth allowance on the line clearing. Moving to a three year cycle means more brush – more disposals, and significantly more customer contact given the greater impact to the appearance of the trees being trimmed.

COLLUS staff also emphasizes that the increase in costs are expected to be reduced once the additional work related to achieving the new clearances are achieved at the end of the first three year term of the project.

NOTE: The explanation provided was viewed to be complete.

7. VECC Clarification Request of their Interrogatory Question #43

The response suggests that not all items included in the RPP price are billed through in the COP and therefore should be part of working capital. However, COLLUS has not been definitive in its response. This may leave parties to make interpretation in argument where a more specific response would negate this.

For further clarity, VECC explained the question was meant to ask if all or only parts of the RPP rates charged by the LDC are treated as Cost of Power. COLLUS Staff confirmed that 100% of the RPP charges to customers are billed through the IESO and treated as Cost of Power.

NOTE: The explanation provided was viewed to be complete.

We trust that the information provided will be sufficient but if there are any further requirements please contact us.

Respectfully Submitted:



Mr. T. E. Fryer CMA
Chief Financial Officer

Exhibit	Tab	Schedule	Appendix	Contents
7 – Calculation of Revenue Deficiency or Surplus				
	1	1		Revenue Deficiency – Overview Table 1 (Calculation of Revenue Deficiency or Surplus)

REVENUE DEFICIENCY - OVERVIEW:

COLLUS Power Corp has provided detailed calculations supporting its 2009 revenue deficiency.

The net revenue deficiency is calculated as \$ 550,482 and when grossed up for PILs

COLLUS Power Corp's revenue deficiency is \$ 877,262 .

Table 1 on the following page provides the revenue deficiency calculations for the 2009

Test Year at Existing 2008 OEB-approved rates and the 2009 Test Year Revenue Requirement.

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Table 1 (Updated Supplementary Jan. 15/09)

COLLUS Power Corp License Number ED - 2002 - 0518, File Number EB - 2008 - 0226					
COLLUS Power Corp Revenue Deficiency Determination					
Description	2009 Test Existing Rates	2009 Test - Required Revenue Updated Submission	Original Submission 2009	Difference of Original and Updated Amounts	Footnote
Revenue					
Revenue Deficiency		877,263	976,701	99,438	Total RR Difference
Distribution Revenue	4,832,283	4,832,283	4,832,283		
Other Operating Revenue (Net)	372,000	372,000	326,000	46,000	Int. Rev. added in
Smart Meter Deferral Account Adjustment					
Total Revenue	5,204,283	6,081,546	6,134,984	53,438	Net Diff. RR - Int Rev.
Costs and Expenses					
Administrative & General, Billing & Collecting	1,878,223	1,878,223	1,878,223		
Operation & Maintenance	1,919,625	1,919,625	1,919,625		
Depreciation & Amortization	983,056	983,056	983,055		
Property Taxes	8,916	8,916	8,916		
Capital Taxes	2,174	2,174	2,174		
Deemed Interest	515,894	515,894	515,894		
Total Costs and Expenses	5,307,888	5,307,888	5,307,887		
Less OCT Included Above					
Total Costs and Expenses Net of OCT	5,307,888	5,307,888	5,307,887		
Utility Income Before Income Taxes	(103,605)	773,658	827,097	53,439	Net Diff. RR - Int Rev.
Income Taxes:					
Corporate Income Taxes	(145,592)	181,189	234,628	53,439	Lower PILs amount
Total Income Taxes	(145,592)	181,189			
Utility Net Income	41,987	592,469	592,469	0	
Capital Tax Expense Calculation:					
Total Rate Base	15,966,037	15,966,037			
Exemption	15,000,000	15,000,000			
Deemed Taxable Capital	966,037	966,037			
Ontario Capital Tax	2,174	2,174			
Income Tax Expense Calculation:					
Accounting Income	(103,605)	773,658			
Tax Adjustments to Accounting Income	(116,104)	(116,104)			
Taxable Income	(219,709)	657,554			
Income Tax Expense	-145,592	181,189			
Federal Tax	19.00%	19.00%			
Provincial Tax					
Tax rate when Taxable Income is above \$1.5 million	14.00%	14.00%			
When Taxable Income is below \$1.5 million					
First \$500,000	5.50%	5.50%			
Remianing	18.25%	18.25%			
Combined					
Tax rate when Taxable Income is above \$1.5 million	33.00%	33.00%			
When Taxable Income is below \$1.5 million					
First \$500,000	24.50%	24.50%			
Remianing	37.25%	37.25%			
Effective Tax Rate	66.27%	27.55%			
Actual Return on Rate Base:					
Rate Base	15,966,037	15,966,037			
Interest Expense(Deemed used for tax purposes)	515,894	515,894			
Net Income	41,987	592,469			
Total Actual Return on Rate Base	557,881	1,108,363			
Actual Return on Rate Base	3.49%	6.94%			
Required Return on Rate Base:					
Rate Base	15,966,037.0	15,966,037.0			
Return Rates:					
Return on Debt (Weighted)	5.70%	5.70%			
Return on Equity	8.57%	8.57%			
Deemed Interest Expense	515,894	515,894			
Return On Equity	592,469	592,469			
Total Return	1,108,363	1,108,363			
Expected Return on Rate Base	6.94%	6.94%			
Revenue Deficiency After Tax	550,482	0			
Revenue Deficiency Before Tax	877,263				
Tax Exhibit					
		2009			
Deemed Utility Income		592,469			
Tax Adjustments to Accounting Income		(116,104)			
Taxable Income prior to adjusting revenue to PILs		476,365			
Tax Rate		27.55%			
Total PILs before gross up		131,262			
Grossed up PILs		181,189			

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3 **FOOTNOTE TO TABLE 1:**
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5 1. The adjustment to include Interest Revenue in the Total Other Revenue resulted from COLLUS
6 Power's response as per Board PO #2 to Board Staff Interrogatory #6.6.
7

8 2. The adjustment to the PILs incorporates the use of current tax rates as per the request in Energy
9 Probe's IR #19 in COLLUS Power's response to Board PO #2. There also is a reference in the
10 response to Board staff IR #5.1 that explains the impact of the adjustment to the current rates.
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14 End of Exhibit 7 (Calculation of Revenue Deficiency)

COLLUS Power

Schedule SQI 3.71(a) - Udated January 16, 2009

Revised to Identify Targets within control of COLLUS Power

SECTION I : Service Reliability Indicators

	COLLUS Only	With Hydro One	COLLUS Only	With Hydro One	COLLUS Only	With Hydro One	Response Item #
	SAIDI		SAIFI		CAIDI		
2002 Actuals	0.785377		0.401966		1.953839		#1
2003 Actuals	1.057000		0.379321		2.786000		
2004 Actuals	1.384579		0.355182		3.898224		
2005 Actuals	1.094507		0.584568		1.872335		
2006 Actuals	1.148726		0.653055		1.759003		
2007 Actuals	1.873992	2.225869	0.824000		2.274262	2.691000	#2
2008 Target	1.103448	See Note	0.568966	See Note	1.939394	See Note	#8
2009 Target	1.084746	at Bottom	0.559322	at Bottom	1.939394	at Bottom	#8
(SRI factors are =) III(B) / III(F) III(C) / III(F) III(B) / III(C)							
(Prior to 2007 the factors used amounts in Section II)							

SECTION II : Customer Interruptions

	Total Cust Hours Of Interruptions - COLLUS System	Total Customer Interruptions - COLLUS System	Total Cust Hours Of Interruptions Hydro One Supply	Total Customer Interruptions Hydro One Supply	Average # Of Customers Served	
2002 Actuals	10,306.5	5,275			13,123	#3
2003 Actuals	14,095.0	5,059			13,337	
2004 Actuals	18,863.5	4,839			13,624	
2005 Actuals	8,897.3	8,129			13,906	
2006 Actuals	16,315.5	9,276			14,204	
2007 Actuals	26,948.0	8,195	5,060.0	3,700	14,380	#4
6 year average	15,904.3	6,796	5,060.0	3,700	13,762	
3 year average	17,386.9	8,533	5,060.0	3,700	14,163	
2008 Target (Est)	16,000.0	8,250	See Note	See Note	14,500	#6
2009 Target (Est)	16,000.0	8,250	at Bottom	at Bottom	14,750	#7

SECTION III : Total Customer Interruptions - COLLUS System + Hydro One Supply

	Total Cust Hours Of Interruptions	Total Customer Interruptions			Average # Of Customers Served	
2007 Actuals	32,008.0	11,895			14,380	#5
2008 Target	See Note	See Note			14,500	#7
2009 Target	at Bottom	at Bottom			14,750	

Note: COLLUS Power cannot reasonably forecast Hydro One's system performance