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February 25, 2009

Ontario Energy Board
26th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Attention: Kirsten Walli
Board Secretary

RE: COLLUS Power Corp – 2009 Cost of Service Rate Application
Board File No. EB-2008-0226

Dear Kirsten Walli:

COLLUS Power is in receipt of the Board Procedural Order #5, dated January 21, 2009, which outlines the requirements for the written hearing related to this Cost of Service Rate Application. The order stipulates that by February 25, 2009 COLLUS Power is to provide written response after the intervening parties have provided their submissions by February 13, 2009.

Please find enclosed the information that COLLUS Power has compiled to meet the requirements as per Procedural Order #5. It is contained in a single document titled Final Submission.

We trust you will find everything in order with the submitted materials.

Respectfully Submitted,

Mr. T. E. Fryer CMA
Chief Financial Officer
COLLUS Power Corp

COLLUS Power Corp (“COLLUS”)

2009 Electricity Distribution Rates

EB-2008-0226

Final Submission

INTRODUCTION:

1 COLLUS is the Local Distribution Company (LDC) that was formed by the Town of
2 Collingwood on April 13, 2000 as per the conditions of incorporation within the *Electricity*
3 *Act 1998*. COLLUS replaced the former municipal electricity distribution service provider,
4 the Collingwood Public Utilities Commission – Hydro Department. Shortly after
5 incorporation COLLUS purchased the distribution assets of two adjacent municipalities, in
6 the former Towns of Thornbury, Stayner and Creemore.

7 Currently COLLUS services approximately 14,500 customers within approximately 58
8 square kilometres of service territory. COLLUS has 322 km of overhead and 109 km of
9 underground lines in operation for provision of service to the customer base. COLLUS is a
10 registered Market Participant and purchases all energy from the IESO Market. COLLUS
11 receives this supply wholly by HONI Networks Inc (HONI) at the service level of 44,000
12 volts.

13 On August 15, 2008 COLLUS submitted a 2009 Distribution Rate Application following the
14 required filing guidelines. The Application as based on a forward test year cost of service
15 methodology. COLLUS submitted the required interrogatory responses to Board staff and
16 Intervenor within the deadlines outlined in various Procedural Orders issued by the
17 Ontario Energy Board (“Board”)

18 COLLUS provided evidence supporting a Service Revenue Requirement request of
19 **\$6,081,546** which identified that current Distribution Service Rates (DSR) would result in a
20 Revenue Deficiency of \$877,262. Table 1 below further outlines the breakdown of the
21 components of the Service Revenue Requirement and the resulting Base Revenue
22 Requirement of \$5,709,546 used to determine proposed rates within our application.

Table 1
Calculation of Base Revenue Requirement

OM&A Expenses	\$3,806,764
Amortization Expenses	<u>\$983,056</u>
Total Distribution Expenses	\$4,789,820
Regulated Return On Capital	\$1,108,363
PIs (with gross-up)	<u>\$183,363</u>
Service Revenue Requirement	\$6,081,546
Less: Revenue Offsets	<u>(\$372,000)</u>
Base Revenue Requirement	\$5,709,546

23 Almost 30% of the Revenue Deficiency of \$877,262 results from the largest
24 distribution customer Alcoa Wheel Products ceasing operations just shortly after the
25 2006 Electricity Distribution Rate process was completed,. This resulted in a loss of
26 over 6% (approximately \$250,000 per annum) in forecasted Distribution Service
27 Revenue. Although this was a material impact COLLUS chose not to undertake a
28 costly non-Incremental Revenue Mechanism (IRM) rate application process but
29 rather waited until the next opportunity to complete a redistribution of the lost DSR.

Other factors that contributed to the Revenue Deficiency amount were:

- Projected increases in OM&A costs including depreciation expense for the 2009 Test Year from the 2006 EDR application relating to issues such as inflation, contracted line crew services and staffing. Further detail is outlined in Exhibit 4, Tab 1, Schedule 1 and Tab 2, Schedule 2 of the Application; and
- Projected increases in investments in gross assets due to infrastructure replacement. This results in an increase in the 2009 rate base on which the rate of return is based as discussed further in the Application at Exhibit 2, Tab 1 (Rate Base) and Tab 2 (Gross Assets – Property, Plant and Equipment). It is of note that the requirement to install a new Distribution Sub-station results in an increase in investment of \$2,230,000 for 2009.
- Projected increases in investments in gross assets and, as a result, rate base on which rate of return is based is discussed further in Exhibit 2 of the Application. Some of the key reasons for the increases in the investment of gross assets and rate base for the 2009 test year are customer demand resulting from community growth projects, improving reliability performance, installation of additional capacity and addressing aging infrastructure.

The following submission will outline the various sections of COLLUS's application in support of the approvals requested and in response to Final Submissions (FS) from Board staff and the Board approved intervening parties. In the COLLUS 2009 DSR Rate Application ("Application") process the Board approved 5 intervenor parties are:

- EP ("EP")
- Vulnerable Electricity Customer Coalition ("VECC")
- School Electricity Coalition ("SEC")
- Association of Major Power Companies ("AMPCO")
- ROGERS Cable System ("ROGERS")

56 COLLUS received submissions on the Application from EP, SEC and VECC. In this
57 submission, when reference is made to the Board staff or an Intervenor submission,
58 immediately following the participant's name will be a bracketed (Page # - Section or
59 Paragraph #) for ease of reference.

60 The submission is apportioned into section headings, the content of which are presented in
61 the same order and format as the original Application. The Board staff and Intervenor
62 issues that are presented in their submissions are dealt with in the most appropriate
63 section. The following list is a summary of the Sections:

64	SECTION	APPLICATION EXHIBIT NAME
65	1	- RATE BASE
66	2	- OPERATING REVENUE
67	3	- OPERATING COSTS
68	4	- DEFERRAL & VARIANCE ACCOUNTS
69	5	- COST OF CAPITAL & RATE of RETURN
70	6	- CALCULATION of REVENUE DEFICIENCY
71	7	- COST ALLOCATION
72	8	- RATE DESIGN

73 Finally at the end of this document there will be a Summary of the Specific Approvals
74 Requested including any applicable impacts resulting from any changes requested in this
75 Final Submission.

SECTION 1: RATE BASE

CAPITAL EXPENDITURES:

The Board staff (5 - 3) identifies that the proposed Test Year (2009) Capital Budget is higher than 2007 Actual and 2008 Budget. It is explained that the level is due to the requirement to construct a new substation in 2009. It also is explained that COLLUS has confidence in the estimated cost of construction based on historical comparisons. Just recently COLLUS has received response to the Request for Proposal for complete construction of the sub-station. The information received indicates that the \$1,900,000 budgeted amount is very accurate.

Since the related expenditure amount of \$330,000 will be for construction work that our labour force will complete, this estimate should also be accurate. The evidence that has been provided by COLLUS on this matter in the initial application and interrogatory responses, supports the view that the project can not be delayed. Any delay in this capital project would inevitably impact further substation work which is pending through 2012 as COLLUS has already incorporated a phased approach to accommodate budgets, and rate impacts while maintaining our sustainability/reliability requirements.

Firstly, in regards to the 2009 Test Year Capital Budget COLLUS provided, EP(4 - 4), SEC(4 – 3.1.3) and VECC(2 – 2.3) agreed with our submitted information. Second they also agreed that the need for the new substation construction had been supported, and that they view it to be immediately necessary. Finally they agree on all of the capital additions to Rate Base.

EP(4 – 4) requests of the Board that a variance account be provided that COLLUS would utilize in the event that the decision was made not to construct in 2009. COLLUS has full confidence that the project will be constructed, and given the support by all parties, that this project is required, COLLUS does not feel such a variance account is required.

Allowance for Working Capital:

Price of Power

EP(3 – 2) and VECC(3 – 2.5) submitted that the rate used for the cost of power should be updated to reflect the most recent forecast available and questioned how COLLUS applied the updated rate to all customers. COLLUS has used an updated rate of \$0.0603 per kWh from the OEB's Regulated Price Plan Report (page iii) as this was held forward as the most recent average forecast of the cost of power consistent with the OEB 2008 Rate Decisions. COLLUS's understanding is the price is an average and is applied to the total estimated load. COLLUS submits that the methodology used for calculating the cost of power remains appropriate as applied to the current rate application and pending any future direction from the Board on the methodology.

VECC (Section 2.5) and SEC (Section 3.2.4) suggest that there should be a different value used for RPP customer cost of power vs. cost of power for other classes of customers. COLLUS submits that the OEB follows detailed methodology utilizing expert consulting advice to set the RPP rates with the main goal of ensuring that the RPP rate closely reflects the true cost of power over their forecast period. As such, COLLUS submits that using the same rate for all customer classes is appropriate.

120 *Methodology*

121 EP(3 – 3), SEC(3.2.5) and VECC(3 – 2.5) provided comments for the Board regarding
122 the approach that should be taken by distributors in general to the working capital
123 calculation and the possibility of over statement. COLLUS submits that the
124 methodology used for calculating working capital remains appropriate as applied to
125 the current rate application and pending any future direction from the Board on the
126 methodology. In addition with regards to using a 15% working capital allowance, this
127 value is referenced in the Filing Requirements for Transmission and Distribution
128 Applications, November 14, 2006, page 15. In COLLUS's view using the 15%
129 allowance is the preferred approach as the filing requirements imply justification is not
130 required when this value is used but to use another value would require justification.

131 While VECC, SEC and EP urge the Board to require a lead-lag study with COLLUS's
132 application for rebasing, COLLUS submits lead-lag studies can be expensive. If lead-
133 lag studies are to become a requirement, in COLLUS's opinion it should be conducted
134 in a generic sense across the province through a consultation process led by the
135 OEB.

136 *Loss Factor for Working Capital Purposes.*

137 COLLUS notes that the corrected loss factor will be used when calculating working
138 capital. COLLUS notes there were no concerns expressed by any submissions on
139 this topic.

SECTION 2: OPERATING REVENUE

THROUGHPUT REVENUE:

COLLUS uses this sub-section area to provide a review of “**Load Forecasting**” methodology that was utilized to determine an accurate estimate of customer usage data for 2009. It also serves to respond to submissions provided.

In order to prepare the load forecast COLLUS decided to use a method already approved by the Board to leverage on work completed for the cost allocation study and reduce the time needed to explain the forecast methodology. The load forecasting method determined the 2004 retail normalized average use per customer (“retail NAC”) by customer class (Residential, GS<50kW, and GS>50kW) for its weather sensitive load. The 2004 based retail NAC was established using weather-normalized data prepared by HONI for COLLUS in order to complete the cost allocation study. The forecasted kWh loads for 2008 and 2009 were determined by multiplying the 2004-based retail NAC by the number of forecasted customers in 2008 and 2009. In Exhibit 3/Tab 1/Schedule 1/Page 1 of the Application, COLLUS states that the 2004-based retail NAC provided by the HONI model had taken into account thirty years of weather data and that including three additional years of data from 2005 through 2007 data would not have a major impact on the average weather conditions for the purpose of weather normalization.

While one can make the case that there is a difference between forecasting demand and forecasting energy, even the IESO in their latest 18 month forecast, which is developed using their extensive resources and updated on a regular basis using the

most recent weather data available, still provide a variance of over 8% between peak demand estimated using normalized weather and peak demand during extreme weather. In COLLUS's view this illustrates that even sophisticated weather normalization processes have a fairly high degree of uncertainty. Although forecasting weather is a science, it is far from exact. As such COLLUS submits it is reasonable to use best practices and adjust the results based on some additional local knowledge to arrive at a forecast value.

The load forecasting methodology used by COLLUS was also used in many 2008 rate applications and was accepted by the Board. In particular in the Brantford Power Inc. Decision (EB-2007-0698) the Board Findings with regards to load forecasting stated:

"The Board accepts the Company's customer forecast. The Board also accepts the Company's use of 2004 weather normalized data. The Board has noted Board staff's concerns, but the process to obtain this data was an intensive effort for all parties involved and the proposal is leveraging the value of this work. The Company has not expressed concern that its load may be overestimated."

COLLUS understands the load forecast does not take into consideration the broader economic effects that are impacting the Province as a whole and energy consumption changes as a result of CDM. It is also COLLUS's understanding that the method to account for CDM was debated in the Toronto Hydro 2008, 2009 and 2010 rate applications (EB-2007-0680) and continues to be debated in other 2009 rate applications. COLLUS has taken the estimated impacts of these influences into consideration before finally deciding to accept the outcomes of the forecast.

COLLUS submits the proposed load forecasting methodology of using the 2004 normalized average consumption values for purposes of forecasting 2009 is appropriate for the purposes of its 2009 rate application. EP(13 – 3), SEC (3 – 2.1.2) and VECC(4 – 3.3) all agree with this position.

VECC has requested that the Board direct COLLUS to work with other distributors to develop a more comprehensive and integrated approach to load forecasting. VECC (6-3.4) COLLUS Submits that the art of load forecasting is by its very nature exactly that – an art. The results of any load forecast can be questioned by simply adding or subtracting one variable. As such, requesting Distributors to establish a process would continue to leave any forecast open for costly interrogatories in all future rate applications. COLLUS submits that an alternative option would be for the Board to establish an industry task force with the sole purpose of developing a basic forecasting model which could be used by all distributors without further challenge in future applications.

Customer Forecast

EP(13 – 3), SEC (3 – 2.1.3) and VECC (4 – 3.5) have made submissions that suggest customer numbers for the Residential and USL classes should be adjusted. With respect to USL: it is submitted that there should be no decrease in the number of USL connections in 2009 as compared to 2008 which means the 2009 USL connections forecast should increase by 8 connections. COLLUS disagrees with this adjustment as the decrease of 8 connections in the 2009 forecast reflects a historical ongoing practise of COLLUS. COLLUS has historically converted unmetered Scattered Loads to metered Scattered Loads where and when it was reasonable to do so. In a number of instances, certain conversions lend themselves well to metering given the location, availability of a safe metering site, and the type of Scattered Load connected. For example when Traffic Signals are upgraded these unmetered loads are converted to metered loads given that heating strips and fans are used to control the environment for the control computers. Variable consumption is difficult to estimate and metering ensures proper cost allocation for these installations. COLLUS intends to continue with past industry accepted practices for selecting appropriate sites for metering

214 Scattered Loads. COLLUS is not planning on converting anymore unmetered
215 Scattered Loads to metered loads in 2009 than would occur in a typical year. As a
216 result, COLLUS submits the 2009 forecast for unmetered scattered load connections
217 should not be adjusted.

218 With regards to Residential Class, EP is suggesting the additional customers for 2008
219 should be 374, based on EP estimate of new dwelling units created by the end of
220 2008. COLLUS tested this estimating process and found it to be overestimating as the
221 actual new dwelling units for 2008 is 336. EP is also suggesting that for 2009 the net
222 residential additions forecast should be 280.

223 As outlined and justified in the Application, COLLUS is proposing that the additional
224 customer for 2008 and 2009 should be 236 and 240 for a total of 476 additional
225 customers from 2007 to 2009. On a full time equivalent ("FTE") basis COLLUS agrees
226 with the EP submission using the actual new dwelling units for 2008 of 336. In the EP
227 submission it appears they have not converted the customer numbers to a FTE basis
228 as has been done by COLLUS. In simple terms on a FTE basis, the customer
229 additions from 2007 to 2009 would be the actual new dwelling units in 2008 plus one
230 half the additions in 2009 or 336 plus $\frac{1}{2}$ of 280 or $336 + 140$ or 476 which is exactly
231 the same number of additional customers proposed by COLLUS from 2007 to 2009.

232 In this regard and supported in VECC's submission, COLLUS is not recommending
233 any changes to the proposed customer number and the load forecast for the
234 Residential class.

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OTHER DISTRIBUTION REVENUE:

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During the application and intervention process COLLUS provided sufficient information that Board staff, EP, SEC and VECC have not indicated any disagreement to the 2009 Test Year projections. The projected Total Revenue Offset amount is \$372,000 as per the submitted data. EP(17 – 3) notes in c) Other Distribution Revenue that the original Application indicated a Total ODR of \$394,856. This was decreased by a reduction of \$22,856 in forecasted annual Interest on Cash on Hand in the 2009 Test Year. EP(18 – 1) notes agreement of this adjustment.

SECTION 3: OPERATING COSTS

OPERATION, MAINTENANCE & ADMIN. COSTS:

OM&A Costs (Labour Expense):

There is a general summary of this section in the Board staff Final Submission(10 – 1). Table 5 identifies that the year to year variance of Total OM&A is as follows:

2006 Actual compared to 2006 Board Approved is -0.11%

2007 Actual compared to 2006 Board Actual is 1.16%

2008 Estimate compared to 2007 Actual is 7.44%

2009 Test Year compared to 2008 Estimate is 7.58%

The Board staff submission provides in its Background paragraph on Page 10 the summary statement that correctly identifies a 16.9% increase between 2006 and 2009. This is an average of just over 5.6% for the 3 years which COLLUS submits very clearly demonstrates that expenses have not grown exorbitantly. For 2006 and 2007 COLLUS worked to limit increased spending as it tried to absorb the upward cost pressure of the ever expanding regulated electricity market. Another cost pressure at that time was continuing to have to shoulder the burden of Ontario providing a retail market. The retail industry continues to enjoy minimal operational cost because LDCs are legislated to provide billing and collection services for the retailers with minimal compensation. In 2008 and then expected for 2009 these pressures lead to increased cost and therefore the required change.

It is noted in the Board Staff FS Table 6 on Page 11 that the total variance in \$'s is \$549,775 (\$3,797,848 in 2009 less \$3,248,073 in 2006) and \$473,126 of this is labour expense adjustments. Labour expense change represents 86% of the total change. This means Non-labour related expense has grown by only \$76,649 over the three year period. COLLUS submits that this is a very reasonable change for that period of time. In some cases the increased non-labour expense is related to an area over which COLLUS has little control, such as the cost of the 2009 rate application process. A component of the net amount of \$76,649 in non-labour related expense, is \$40,000 relating to the 2009 DSR application expenses.

A major factor and the largest portion of the labour change, as indicated on Page 12 under the heading of Labour Expense, is due to the addition of 3 staff, 1 hired in late 2006 and 2 in mid-2007. The Board staff provide the statement "that costs related to labour charges have significantly increased". Board staff then discuss the personnel additions and the other reasons that have been provided as the explanation for the increases. COLLUS submits that as the Board has indicated the additional staff requirement, **which was delayed as long as possible**, is the major contributor.

Unfortunately EP(6 – 4), SEC(6 – 4.1.5) and VECC(7 – 4.5) in their submissions all suggest that COLLUS has overstated the labour expense in the 2009 Test Year. As a general statement about their reasons, it is clear that none of these parties have been directly involved in operating an LDC within the Ontario market. COLLUS believes that it has provided information in the Application and further submission documents to fully explain the requirement for the labour expense of the 2009 Test Year. However, due to the positions of Board staff, EP, SEC and VECC it is clearly very important that further clarification be provided in this submission.

287 VECC notes in 4.5 of their submission that “the staffing increase is mainly attributable
288 to the hiring of 2 new journey linepersons that are part of COLLUS succession
289 planning”. Firstly they incorrectly refer to only 2 additions and secondly succession
290 planning is certainly a contributing factor for the hiring but not the sole driver. For
291 instance our Application evidence has indicated that there has been a dramatic
292 increase in operational safety regulation exerted upon our company by the Electrical
293 Safety Authority. In order to conform to the regulation and meet the increased
294 reporting requirements, staff must spend additional time performing the required
295 duties. Additionally the average age of the distribution system is increasing and it also
296 has expanded in overall size, which requires additional man-hours of maintenance
297 work. Weather related repair work has been on the rise in a time when system
298 reliability is the prime concern of all electricity customers. COLLUS must ensure
299 excellent system reliability levels continue to meet the customer’s expectations and
300 this increases workload. All of these factors and others as explained in the evidence
301 all have contributed to the requirement to hire additional personnel.

302 Our application evidence also provides detailed information that specifically outlines
303 the components that make up the increased labour expense between 2006 and 2009.
304 Both EP and VECC delve into only certain parts of the information to determine
305 amounts that the Board should disallow. COLLUS submits that it is not clear in their
306 submissions as to how they have determined their final calculations. EP states on
307 Page 7 that “average wage increases are well above inflation forecasts and are out of
308 date and out of tune with the current economic situation”. We find this kind of
309 rhetorical statement troubling, as it suggests COLLUS is incapable of properly
310 negotiating union and non-union contracts, the key components of wage change.

311 In fact as indicated in the evidence the average base salary of the Operations
312 Department staff did increase 6.1% in the 2009 Test Year compared to 2008. This
313 after only a 0.7% change for 2008 average compared to 2007 which when coupled
314 together results in a two year increase of 6.8% or only an average of 3.4%. A major
315 contributor to this change is the impact of an existing union agreement that
316 incorporates an overall average 3.0% increase. Another key factor which impacts the
317 resulting averages is that the newly hired staff come into a higher pay category.

318 Mistakenly SEC(7 – 4.1.8) states that the additional staff are at the lower end of the
319 pay scale, but the journeyman lineperson category is at the upper end. They then use
320 this incorrect assessment to take the presented average wage change of 16.7% over
321 a 3 year period and submit the very shallow position that it is “probably something
322 closer to 19%”. COLLUS submits that the 16.7% change is an accurate amount.

323 Also in regards to average salary increases VECC (7 – 4.6) suggests only inflationary
324 change should be used. One of the economic realities of the LDC business that
325 COLLUS must carefully consider and make decisions about is that a competitive
326 salary must be paid to the skilled labour force it has or risk losing staff to higher
327 paying positions with a company like HONI. It is evident in the electricity distribution
328 service sector that line personnel are a premium commodity and this will only get
329 worse. HONI pays a premium wage to their line personnel and this places pressure on
330 all LDC's to stay in tune or lose their experienced staff.

331 VECC(7 - 4.6) also challenges the labour costs that COLLUS has submitted for non-
332 union staff. VECC suggests that increases of only 2% and 1% for 2008 and 2009
333 respectfully be allowed as opposed to the contractual average change of 3% that has
334 been negotiated and actually implemented for 2008 and 2009. Again VECC's position

335 does not take into account that knowledgeable Billing, Management, Regulatory
336 Affairs, Information Technology and Finance personnel are at a premium. These key
337 areas of operation are under tremendous pressure as the impacts of regulations and
338 government mandates continue to add demands on staff, and customer service
339 requirements continue to expand because of major, ongoing complaints from
340 customers related to such things as increased electricity charges and Retailers and
341 their contracts.

342 SEC(7 – 4.1.10) also makes a related statement regarding limited transparency
343 between affiliate and LDC. The example used by SEC to justify their statement refers
344 to an additional 1/10 of one FTE in the executive and management levels projected
345 for the 2009 Test Year. COLLUS has submitted explanation that increased
346 requirements have led to more work and thus an increase in FTE personnel. More
347 hours of work, in order to complete their requirements are being forecasted for the
348 personnel in this category in 2009. As further explanation in addition to what has
349 already been provided in the Application, COLLUS submits that workload is increasing
350 because of administration work in areas such as Economic Evaluation and
351 Conservation initiatives. COLLUS completely supports the “Conservation Culture” that
352 Ontario is promoting and given LDCs are expected to take on lead roles in the
353 promotion, this takes time and effort. COLLUS only sees this continuing to grow with
354 recent announcements regarding the Green Energy Act and Smart Grid. COLLUS
355 plans to utilize current personnel and expects this to result in changes like the 1/10
356 addition. COLLUS will continue to track hours of work by affiliate personnel for the
357 LDC to ensure that that the appropriate charges for time are applied. This tracking will
358 also be used to determine the actual FTE on an annual basis as well to continue to
359 report to the Board through the regular RRR filings.

The same can be said for any of the additional FTE increases in the Non-unionized employee categories. There has been increased in workload due to customer growth, customer care requirements, retailer involvement, regulatory requirements (not only directly by the Board but also at the Provincial and Federal government levels) and in other related areas. Again conservation initiatives take up more personnel hours because customers want to know about things like smart meters and distributed generation. Unfortunately COLLUS also anticipates a heightened requirement in the area of customer collections due to the economic downturn that is occurring. Even with these increased responsibilities, the Non-Unionized FTEs only forecasted to move from 9.4 to 10.6 from 2006 to 2009, basically the equivalent of 1 staff person.

COLLUS believes that their evidence presented supports that labour costs for this area of operation have not grown excessively. The average non-union wage has moved to \$72,100 for 2009 from \$66,648 in 2006, only 8.1%. This is an average change of only 2.7% for each of the 3 years. The reason that COLLUS cites an average contractual change of 3.0% in some areas of this document is because the union change is close to 3.5%. COLLUS continues to submit that these changes are reasonable and not excessive for this industry.

Within this section there is a need to address that SEC(6 – 4.1.6) challenges COLLUS's statement about being a topmost LDC regarding customers per employee. Although the specific comparator information was not provided, the statement was made to the Board, the agency that has received statistical information from all LDC's on # of customers and # of equivalents. As such, COLLUS was referring to data already in the possession of the Board when making the statement. The Board can verify the statement by examining the statistical data that has been submitted annually

if it so deems necessary. This historical top placement and other key comparators, like one of the lowest DSR revenue per customer ratios, indicate that COLLUS is one of the very efficient LDCs coming into this Performance Based Regulation regime. The favourable ((i.e. one of the lowest) distribution revenue per customer data which SEC mentions in the same paragraph certainly supports that COLLUS has been a low cost operation. This data was provided because it supports that COLLUS controls cost of operation and therefore requires less from the customer to operate.

Again, COLLUS submits that it has presented more than adequate evidence and that the intervenor participant's arguments have no substance in regards to labour costs as they have been forecasted in the 2009 Test Year. The costs that have been presented are required to provide the services that are necessary at the levels expected by the customers for the municipal distribution service territory serviced by COLLUS.

OM&A COSTS (Benefits):

Although Board staff, EP, SEC and VECC do not directly indicate any comment into this area of compensation, COLLUS submits that it is an integral part of the cost of operation. It is a major driver of the labour expense adjustments and should be addressed and explained further in this submission.

SEC(7 – 4.1.9) does correctly indicate that the total labour expense requirement increases by \$371,765 with 2.5 additional unionized FTEs. But they incorrectly indicate that the cost 2.5 FTE's would be \$180,000 all in. Using this value, they calculate a three year increase in compensation of more than 25%. In fact the cost would be approximately \$225,000 (based on \$90,000 of total cost per employee per

year). This correction would change their calculation of an average increased cost per the original 8.5 FTEs to an average of approximately \$16,000 or 18%. When you consider that benefits were 17% of total compensation in 2006 and are close to 20% by 2009 then the 18% change includes approximately a 3.6% increase related to cost of benefits. This then brings the overall average change in compensation of wages down to around 14.4% or 4.8% per year (3.5% unionized employee agreement change plus around 1.3% due to employee progressions). COLLUS continues to submit that this is a reasonable amount of change for an LDC operating in the current electricity distribution marketplace.

It also appears that they assume any additional staff are hired at the lower end of the pay scale. This is not the case as COLLUS has been fortunate in attracting fully qualified individuals to fill vacancies and as such starting salaries are equal to existing journeyperson rates. SEC notes about changes in capitalized labour, but then deals with Total expense. Since the Total expense includes the capital component COLLUS explanation noted above also covers this.

Basically all of the benefit related expenses are included in the negotiated union agreements. But there have been other influences such as the GAAP requirement to record Employee Future Benefit costs and these have also had an impact. COLLUS controls benefit costs in as many ways as possible, such as providing a healthy and safe working environment for its employees, utilizing the insurance reciprocal MEARIE (which has greatly helped minimize health insurance related expenses compared to other industry's increased cost experiences) and focusing on employee satisfaction to maintain a high level of productivity.

The reality is that benefit costs are rising at a high rate of change and COLLUS does everything it can to control this. As indicated in Schedule OEB IR #1.2(c) – 2, average yearly benefit cost increased by approximately 26% over the 3 years. COLLUS submits that a less than 9% annual increase in this expense category is well below average in the public sector. COLLUS therefore submits that benefit expense included in the labour expense forecasted are reasonable and appropriate for 2009.

OM&A COSTS (Contract Services):

COLLUS submitted evidence regarding actual contracted services and costs for 2006 and 2007, estimates for 2008 and forecasts for the 2009 Test Year. It is identified that in 2009 that the Total Contracted Services to 3rd party providers is forecasted to be \$381,028 or 10% of Total OM&A. This is an increase from 2008's expected \$364,196 but a decrease from the 10.3% of Total OM&A. COLLUS submits that these expenses for the 2009 Test Year are reasonable in regards to the services that are required.

SEC(4.1.11) makes a statement regarding \$125,000 in increased cost for external contractor services over the 3 years. COLLUS has submitted information on this throughout the Application process and adds more in the next subsection below regarding Tree-Trimming, a major component of the increased cost. Similar to the additional Tree-Trimming requirement, the referenced spending on ITM services of \$24,000 for 2009 is an additional cost that COLLUS could not avoid. The cost to move to the new CIS is required to provide continued support to the Ontario retail market. As explained in the Application, our CIS software provider decided the Ontario market was too costly to support because of the retail market, so they notified COLLUS that the legacy system would no longer be maintained. If there was no retail

453 component in the Ontario market this billing system changeover would not have been
454 required. The legacy software company had provided operating software since market
455 opening in 2002 but now felt the market was just too volatile and costly to maintain.
456 As identified in the Application evidence once COLLUS knew that it was going to have
457 to purchase and operate a new CIS, the most cost effective choice was made. It is
458 noted here that none of the intervenor parties have indicated any disagreement to the
459 need for the system or choice made.

460 COLLUS disagrees with SEC's comment "This is not intuitive" because the increased
461 cost over the 3 years will involve items like the \$24,000 for ITM to provide hardware
462 and software services for the new CIS. SEC unsuccessfully tries to use the reference
463 to the overall change in external contractor expense to support its contention about
464 FTE requirements. They falsely presume that hiring third party services eliminates the
465 need for FTE's, or conversely hiring FTE's replaces the need for third party contracts.
466 COLLUS has explained the need for additional workloads, and submits that costs are
467 spread between work that is most economically done by internal staff and that which
468 is best delivered by a 3rd party provider.

469 The submissions of Board staff, EP, SEC & VECC do not identify any specific
470 concerns to COLLUS with the contracted service evidence, other than Tree Trimming,
471 which is specifically dealt with below. COLLUS submits that the contracted service
472 detail provided should be accepted as presented.

OM&A Costs (Tree-Trimming):

Board staff(12 – 1) provide detail regarding this subject. After considering and accepting the COLLUS evidence on this matter Board staff only invite comment. VECC(6 – 4.2) suggests however that the proposed \$100,000 level of 2009 spending be reduced. COLLUS provides further explanation to support our position.

VECC(6 – 4.3) made a statement that it would be “.....reasonable to expect tree trimming costs in 2010 and 2011 to be less than those in 2006 and 2007. They arbitrarily present a figure of \$60,000 with no apparent means of determining if that is achievable or reasonable. It appears from the footnote statement #27 on the same page that the figure is derived from the belief that contracting out a service is cheaper than doing it in-house. This position ignores the statements that have been made in the COLLUS evidence that due to requirements mandated by the ESA a greater amount of clearing must be done on a more regular basis. The increased clearing of vegetation should be done by knowledgeable arborists in order to keep adverse public reaction to a minimum while keeping the ecological interests of the vegetation in mind.

COLLUS submits that the spending in 2006 and 2007 of approximately \$65,000 for contracted tree-trimming services was only one portion of the total yearly costs related to this activity. Internal staff was also performing line clearing work and after combining both internal and external costs in those years the actual total spent on line clearing would likely exceed \$100,000. The reference in the details that refers to a 2 year program that has now become a 3 year program is due to the fact that COLLUS wanted to reduce the impact of the estimated \$300,000 tree-trimming project by spreading it out over three years instead of two and gain the required clearances using professional services. COLLUS had originally planned for a more aggressive

498 timeline of 2 years but revised the plans to limit annual rate impacts on our
499 customers.

500 Therefore COLLUS submits that the forecasted expense of the \$100,000 in the 2009
501 Test Year be maintained during the 3rd GIRM phase.

502 **OM&A Costs (Benchmarking):**

503 Before moving on from the Operating Expense – OM&A Costs area of this section,
504 COLLUS will address at this stage the position of SEC(6 - 4.1.1) on Benchmarking.
505 SEC makes statements based on the cohort comparative data but then indicates its
506 agreement “that benchmarking information is not probative in and of itself”. They
507 readily acknowledge the LDCs account for activities differently. They incorrectly state
508 though “that it is the best data available” and suggest that it should be solely used for
509 the purposes of their argument. COLLUS would suggest that the Distribution Service
510 Revenue per customer that it has provided is just as valuable to evaluate how a utility
511 is performing for its customers. COLLUS has stated in the Application that the PEG
512 report placement can not be solely used to measure a LDCs performance. Capital
513 spending should be included and O&M should be separated from Administration to
514 provide a more precise picture of LDC performance. As a final statement SEC(6 –
515 4.1.4) somewhat arbitrarily suggests that 6% “appears to be a more reasonable level”
516 than the proposed 7.33% impact. COLLUS would submit otherwise, as it is doing
517 everything possible to deliver services at the most cost efficient and effective means

possible. In order to complete the projects required, and maintain a high standard of service to our customers the 7.33% increase that has been submitted is reasonable.

SHARED SERVICES

COLLUS submits that it has provided substantial information in the Application and in response to interrogatories that details the cost of shared services. As a result of the process COLLUS has an even better understanding of the Filing Requirements information that the Board needs to receive to examine the use of shared services and determine these to be the most cost efficient method. COLLUS will be able to use this extensively moving forward. COLLUS will be diligently tracking the details of the shared services over the years of the 3rd GIRM to ensure that the level of information it provides is in fully sufficient detail for the next re-basing application process. COLLUS will continue to examine all shared services closely to ensure that the transfer cost of the service is the most cost effective choice for the work required.

SEC(8 – 4.1.16) is the only party that expresses a concern regarding shared services. Unfortunately COLLUS believes some of the concern is borne by an error that was provided in the 2006 summary analysis page from Schedule OEB IR #1.9 – 1. SEC uses that sheet when it identifies that for 2006 COLLUS only had a 50.9% share of the total expenses. This comment put up a red flag to COLLUS staff and in reviewing the data it was determined that an incorrect amount of \$996,204 had been noted for the total cost of service for General & Administration Salaries and Expenses. This was a typo and it should have been \$666,204. The related percentage share (59%) on the same page and COLLUS apportionment amount of \$392,938 were both correct, which would substantiate the corrected amount shown. If this correction is made then the average percentage share for total expenses would be approximately

542 58% in 2006, the same as it is for 2009. If SEC had had the correct amount to work
543 with then there probably wouldn't have been an issue raised.

544 COLLUS does submit though that a 58% share of cost is appropriate for the work that
545 is provided. Considering that there are 14,500 electric customers as compared to
546 approximately 8,500 water customers, this suggests a 60% share. When you
547 additionally consider that the regulated electricity sector requires more work, due to
548 factors such as having Retailers and higher costs, an average cost share of 58% is
549 very reasonable and strongly indicates that prudence has been utilized.

550 SEC(8 – 4.1.19) also reviews some information that has been filed in response to one
551 of their interrogatories that relates to this area. In paragraph 4.1.19 part (a) and (b)
552 though the comparisons they make between amounts is not an apples to apples
553 comparison. The 2007 amount of \$1,045,937 noted in the Financial Statements is
554 only the direct expenses of COLLUS Solutions that it charges to COLLUS. Since
555 there are expenses that both COLLUS and the Collingwood Public Utilities (CPU)
556 incur on a shared basis, for instance utility charges for the Operations Center, these
557 are paid by COLLUS Solution and appropriately apportioned to the each of the other
558 two companies. This is considered a direct expense of COLLUS therefore it is not
559 included in the amount that ends up as a financial note. But those amounts
560 (\$1,437,785 in 2007) are included in the total expenses listed on Sch SEC IR # 1(b) –
561 1. So there was \$391,848 of direct expense for COLLUS in 2007.

562 In regards to (c) and (d) the explanation provided above is also applicable. As
563 indicated on the Financial Statements the Operating Expenses is mostly the direct
564 expenses of COLLUS Solutions for wages and benefits. For example the 2007 figure
565 of \$1,816,605 is \$1,793,554 for wages and benefits. The Breakdown Schedules

566 amount of \$2,463,498 is for total expense that would include a portion for wages and
567 benefit cost within it.

568 In summary on this item COLLUS disagrees with SEC(9 – 4.1.20) that the evidence
569 that has been filed does not give the Board a clear view of shared costs. Yes we
570 would always like to be able to provide more and more detail to the Board to assist
571 them in their regulatory scrutiny. At this point COLLUS believes that a more than
572 reasonable effort has been made, and submits that it will continue to improve upon
573 the tracking processes and refine the data for future rate submissions.

INCOME TAX

Tax Calculations

Income Tax Rates

COLLUS utilized in completing the income tax calculations the current income tax rates as it deemed applicable to the situation. Recently the Federal Government introduced a federal budget that did indicate some adjustments to be made to the 2009 Income Tax Rates. At the time COLLUS does not believe any of the changes that have been introduced impact the calculations that have been made. COLLUS will fully review this when completing the final rate order calculations based on the Decision of the Board, and make any appropriate adjustment at that time.

Income Tax – Board’s established methodology

The Board staff FS states COLLUS’s method diverges from the Board’s established methodology. It states that parties may wish to comment on COLLUS’s methodology.

COLLUS would respectfully like to submit that:

- i. COLLUS’s methodology has been verified by an Independent Auditor
- ii. As shown in the following table COLLUS’s method would appear to be correct using a top-down approach to calculate PILs assuming taxable income before tax, net adjustments and PILs as provided in its application.

Top Down Approach to Calculate PILs		2009	
Return on Equity		\$592,469	(A)
Tax Adjustments for 2009 PILs		(116,104)	(B)
Gross Up PILs		\$181,189	(C) = (G)
Taxable Income before Tax for Ministry of Finance Purposes		\$657,554	(D) = (A) + (B) + (C)
	Tax Rates		
First \$500k before tax	24.50%	\$122,500	(E) = \$500k * 24.5%
\$500 to \$1,500k	37.25%	\$58,689	(F) = ((D) - \$500k) * 37.25%
Gross Up PILs		\$181,189	(G) = (D) + (E)
Effective Tax Rate	27.555%		(H) = (G) / (D)

iii. COLLUS methodology would appear not to diverge from the Board's established methodology assuming the effect of the small business income threshold and claw back of creating more than one tax bracket or rate is factored into this methodology. The Board's methodology could be termed as the "Regulatory Gross-up" method. This is a bottom-up approach to calculate PILs assuming taxable income after tax or ROE plus or minus tax adjustment to ROE such as the difference between depreciation and CCA. To the best of COLLUS's understanding, the purpose of the grossed-up PILs is to determine the PILs that would be calculated when the total revenue requirement is known. This means that the PILs calculated from a gross-up method must equal PILs from a top down method once the PILs are known and included in the total revenue requirement. The bottom-up calculation is shown below:

Regulatory Gross Up Method - Bottom Up Approach		2009	
Return on Equity		\$592,469	(A) from above
Tax Adjustments for 2009 PILs		(116,104)	(B) from above
Taxable Income before tax for regulatory purposes (*)		\$476,365	(I) = (A) + (B)
PILs before Gross Up	Tax Rates		
First \$377.5k (**) after tax	24.50%	\$92,488	(J) = 377.5k * 24.5%
\$377.5k to \$1,005k (***) after tax	37.25%	\$36,827	(K) = ((I) - 377.5k) * 37.25%
Total PILs before Gross Up		\$129,315	(L) = (J) + (K)
Gross Up PILs		\$181,189	(M) = (L) / (1-(H)) * (H)
Proof			
First \$377.5k (*) gross-up	24.50%	\$122,500	(N) = (J) / (1-24.5%)
\$377.5k to \$1,005k (**) gross-up	37.25%	\$58,689	(O) = (K) / (1- 37.25%)
Gross Up PILs		\$181,189	(P) = (N) + (O)
(*) Taxable Income before tax for regulatory purposes = Taxable Income before tax for Ministry of Finance purposes less Gross Up PILs			
(**) \$377.5k is the after tax amount of \$500,000 when a tax rate of 24.5% is applied			
(***) \$1,005k is the after tax amount of \$1,500,000 when a tax rate of 37.25% is applied			

604 The OEB staff has estimated that COLLUS is requesting approximately \$25,000 more
605 in PILs than using the Board's methodology. COLLUS is assuming the OEB staff
606 estimate was based on a gross-up calculation as follows:

607 Taxable Income before PILs for Regulatory Purposes
608 = \$476,365
609 Tax rate = 24.5%
610 Tax before gross-up = 24.5%% x \$476,365 = \$116,709
611 Tax after gross-up = (\$116,709%) / (100% - 24.5%)
612 = \$154,581

613 COLLUS PILs calculation is \$181,189 and when \$154,581 is subtracted from this
614 amount the result is \$26,608, which approximately is the \$25,000 noted above.

615 Using the OEB staff inferred tax after gross-up figure of \$154,581, then applying a top-
616 down approach:

617 Taxable income including PILs for Ministry of Finance Purposes
618 $= \$592,469 - \$116,104 + \$154,581 = \$630,946$
619 Tax on this income $= \$500,000 \times 24.5\% + (\$630,946 - \$500,000) \times 37.25\%$
620 $= \$171,277$

621 Since the top-down approach does not result in the same value as the gross-up
622 method, there must be a flaw in the assumption. It is COLLUS view the flaw is in the
623 assumed tax rate used for gross-up purposes. The tax rate to be used should be
624 27.555%. As shown below when this rate is used both approaches produce the same
625 result.

626 Taxable Income before PILs for Regulatory Purposes $= \$476,365$
627 Tax rate $= 27.555\%$
628 Tax before gross-up $= 27.555\% \times \$476,365 = \$131,262$
629 Tax after gross-up $= (\$131,262) / (100\% - 27.555\%)$
630 $= \$181,189$

631 Taxable income including PILs for Ministry of Finance Purposes
632 $= \$592,469 - \$116,104 + \$181,189 = \$657,554$
633 Tax on this income $= \$500,000 \times 24.5\% + (\$657,554 - \$500,000) \times 37.25\%$
634 $= \$181,189$

635 COLLUS submits the method used to determine PILs is consistent with the Board's
636 methodology.

2009 DSR Rate Submission Cost:

COLLUS has submitted that the estimated cost of the 2009 process will be \$160,000 and requested \$40,000 as an annual amount of recovery in each of the 3rd GIRM years. In the submissions EP(5 – 2), SEC(8 – 4.1.15) and VECC(6 – 4.4) all submit that the actual cost will be only \$80,000. COLLUS submits that based on the work during the past few months and the expected further requirements of the Application process the estimate is still accurate. The expectation is that intervenor expenses will exceed the original estimate. Likewise the incremental cost for COLLUS to complete the process is also expected to exceed the original estimate. This offsets any potential cost avoidance such as having no technical conference component.

COLLUS reaffirms its request for a recover amount of \$40,000 per year, but is willing to accept a Decision by the Board to recover the exact amount of the process once it has been completed and can be determined.

International Financial Reporting System Cost:

This topic will also be addressed in the later section that deals with variance accounts.

COLLUS provided notice in the Application that the 2009 Test Year did not include any cost for conforming to IFRS. COLLUS requested fair recovery of these costs to ensure equitable treatment amongst the LDC community. In the event that the Board accepts other 2009 DSR Rate applicant's requests to include an amount in OM&A expense, a similar amount should be provided within the COLLUS decision.

658 EP(18 – 5), SEC(13 – 7.2.3) & VECC(9 – 7.2) have stated that the Board should be
659 making a decision on this “outside” the 2009 DSR rate setting process. COLLUS
660 would appreciate direction from the Board in the Decision on this Application on how
661 to address the IFRS issue.

662 **2009 Test Year Depreciation Cost:**

663 EP(8 – 6) & SEC(9 – 4.2.1) have submitted that COLLUS should be applying the ½
664 year rule on all depreciation calculations. COLLUS currently applies the ½ year only
665 on transportation equipment. This depreciation policy has consistently been applied
666 and has been accepted by our external auditors. Therefore COLLUS maintains that
667 the depreciation calculations submitted continue to be used.

668 COLLUS also notes that there are other impacts that could be taken into account,
669 such as applying a 3 year life for computer software and hardware depreciation rather
670 than the current 5 year. Again COLLUS recognizes that 5 year life is the historical rate
671 for depreciation of this class of asset and been accepted by our external auditors.
672 COLLUS maintains that the depreciation rates submitted continue to be used.

SECTION 4: DEFERRAL & VARIANCE ACCOUNTS

TREATMENT OF DEFERRAL & VARIANCE:

COLLUS provides in the Application and supporting responses that it is not requesting any specific disposition of any deferral or variance accounts. But as noted in the Board staff submission we are requesting approval of new variance accounts.

DVA - LARGE USE CUSTOMER VARIANCE ACCOUNT:

COLLUS identified in the original application that there had been a material loss incurred during the term of conforming to the approved rates established in the 2006 EDR process. This was the result of the largest DSR customer ALCOA ceasing operations. After reviewing the situation with Board staff and the intervening parties COLLUS decided not to pursue the original intent to request the disposition of account #2405 to provide a form of Z-factor settlement to the lost DSR revenue opportunity.

Upon further reflection COLLUS will also withdraw the current request that the Board approve a variance account to be used in the event that this occurs during the 3rd Generation IRM period. Based on the data that has been submitted the current single large use customer is only forecasted to contribute approximately 2.8% of the total DSR. Although this is still a material amount it is not as significant as the approved 2006 EDR DSR, which was approximately 10%. COLLUS also recognizes that the Board has indicated their intention to recognize supported Z-factor adjustment during the 3rd GIRM period. Therefore COLLUS accepts that the Board deems adequate protection from risk is provided and deem this sufficient.

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DVA – IFRS ACCOUNT:

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The potential impact to COLLUS of conforming to the IFRS requirements is discussed in detail earlier in this submission in the Operating Cost Section. COLLUS does believe that with a major accounting process change required and many of the key decisions regarding this yet to be made, a variance account should be provided. Also COLLUS expects that the cost impacts to implement the appropriate steps to conform will be significant and incurred over at least a 2 to 3 year period of time.

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EP(18 – 5), SEC((13 – 7.2.3) and VECC(9 – 7.2) indicated that a Z-factor adjustment request would be a more appropriate method to use in cost settlement for this impact. As submitted earlier, COLLUS requests equitable treatment on this issue should the Board decide to award estimated cost per individual application, but will accept a variance account as a recording method to track actual costs. The variance account method would be easier and presumably less costly than going through a Z-factor adjustment process.

SECTION 5: COST OF CAPITAL / RATE OF RETURN

Long-term Debt:

As noted by Board staff in their FS (9 – 1) COLLUS agrees that the Application's 6.25% rate for this instrument be replaced by the current 6.1%. It is noted that there is an expectation that a new long-term debt rate will be determined in early 2009 that will replace the 6.1% approved by the Board on March 7, 2008. The applicable rate will be utilized with the \$1,700,000 Town of Collingwood debt to calculate a final Weighted Debt Cost Rate as part of the Cost of Capital calculation. EP(22 – 1), SEC(10 – 5.1.4) and VECC(8 – 6.2) submitted their agreement with the use of 6.1% or an updated Board rate if issued before the final Board decision on this application.

Further on the promissory note SEC(10 – 5.1.6) submits an opinion suggesting COLLUS may not be acting prudently. SEC does not need to provide comments on the prudence of COLLUS business decisions. When considering current debt levels COLLUS bears in mind that the commercial lending sector does not include in its consideration shareholder debt. The shareholder is not interested in increasing commercial debt exposure which would limit options for managing their holdings in a prudent manner. Also currently the shareholder wants to keep funds generated by COLLUS within the municipal electricity sector. COLLUS submits that it is prepared to accept the Board's direction in its Decision on approved Rate of Return on rate base.

729 Board staff FS(9 – 2) correctly notes that COLLUS identified the intent to use the
730 most recent 25 year rate available from Infrastructure Ontario for the Demand Loan of
731 \$1,100,000 once the OEB Final Decision is issued. Since the intention is to pay down
732 the loan over a 5 year period COLLUS agrees that the 5 year rate would be more
733 appropriate. Currently COLLUS has not reissued the borrowing after it was
734 temporarily settled on the termination date of Jan. 7/09. The intention is to re-
735 establish the loan in the near future.

736 COLLUS will utilize the current Infrastructure Ontario 5 year serial term rate that is in
737 place when the Board's Decision is made and the FS is made for 2009 DSR rates.
738 EP(22 – 2), SEC(10 – 5.1.2) and VECC(8 – 6.3) submitted agreement on this.

739 **Return on Equity:**

740 COLLUS has utilized the 8.57% Board approval ROE but will update to the applicable
741 rate upon completion of the FS of 2009 DSR rates. EP, SEC and VECC did not note
742 any form of disagreement with the process COLLUS had used to calculate ROE.

SECTION 7: COST ALLOCATION

S7 – CA – (A) Revenue to Cost Ratios:

VECC noted a discrepancy in revenue to cost ratios within their Submission in paragraph 9.3 VECC(11 – 9.3) In reviewing the data , COLLUS notes that distribution revenue was reduced by \$187,730 but should only have been reduced by \$115,662 in the original response to VECC #33 c). The incorrect value was also used in response to VECC #47 f). As this information is critical to the VECC Submission, the following outlines the revenue to cost ratios from the updated cost allocation model referenced in response to VECC #47, the original ratios from VECC #33 c) and the updated ratios for the VECC #33 c). The Large User is the only class affected or impacted by this correction. If the Board was to adopt the VECC approach the starting point would be the rightmost column titled "Revenue to Cost Ratio Updated VECC #33 c)"

Rate Classification	Updated Cost Allocation in Response to VECC 47	Revenue to Cost Ratio Original VECC 33 c)	Revenue to Cost Ratio Updated VECC 33 c)
Residential	113.79%	116.84%	116.84%
GS <50 kW	96.30%	98.85%	98.85%
GS>50 kW	42.21%	34.15%	34.15%
Large User	120.76%	57.41%	94.70%
Street Lighting	15.84%	16.47%	16.47%
USL	82.37%	83.67%	83.67%
Total	95.42%	93.90%	95.32%

VECC suggests it is not appropriate to have total revenue to cost ratio that is less than 100%. As a result VECC submits that the above table should be converted to the following

Rate Classification Revenue to Cost Ratios adjusted to a Total of 100%	Updated Cost Allocation in Response to VECC 47	Revenue to Cost Ratio Original VECC 33 c)	Revenue to Cost Ratio Updated VECC 33 c)
Residential	119.2%	124.4%	122.6%
GS <50 kW	100.9%	105.3%	103.7%
GS>50 kW	44.2%	36.4%	35.8%
Large User	126.6%	61.1%	99.3%
Street Lighting	16.6%	17.5%	17.3%
USL	86.3%	89.3%	87.8%
Total	100.0%	100.0%	100.0%

Based on the update to VECC #33 c), it is COLLUS understanding from VECC's submission that the starting point for the revenue to cost ratios are the following values and SEC(15 – 8.1.1) agrees with this position.

Rate Classification Revenue to Cost Ratios adjusted to a Total of 100%	Revenue to Cost Ratio Updated VECC 33 c)
Residential	122.6%
GS <50 kW	103.7%
GS>50 kW	35.8%
Large User	99.3%
Street Lighting	17.3%
USL	87.8%
Total	100.0%

After thorough consideration, COLLUS agrees that the revenue to cost ratios starting points are the values presented above. However, it is important to note that these ratios must be applied to distribution revenues which include miscellaneous revenues but are also reduced by the transformation allowance. In other words, any adjustments for revenue to cost ratios must be applied to net distribution revenues which include miscellaneous revenues after which adjustments to collect the "cost" of the transformation allowance will be done intra-class to determine gross revenues.

Since GS < 50 kW, Large User and USL are within the Board's Guidelines, COLLUS submits that no change to the revenue to cost ratio should be applied to these classes. Taking into consideration the current economic conditions, COLLUS proposes to move the ratios for GS>50 kW and Street Lighting to the lower end of the Board target range over a three year period. The increased revenue from the GS>50 kW and Street Lighting will be used to reduce the revenue to cost ratio of the Residential Class.

COLLUS also agrees that a preferred approach for adjusting revenue to cost ratios is to assume as starting points, the revenues at current rates with transformer allowance applied, are consistent with the revenue to cost ratios determined by the cost allocation study. However, revenue at current rates by rate class must include an allocation of miscellaneous charges. Under this approach COLLUS proposes the following process to make the adjustment to the revenue to cost ratios.

Step 1: Determine revenue at existing rates by applying 2008 rates to 2009 customer numbers and volumes and exclude transformer allowance (A).

Step 2: Estimate allocation of miscellaneous revenue to rate class based on proportions used in cost allocation study (B).

Step 3: (C) = (A) + (B) by rate class

Step 4: Determine rate class proportions of (C) and apply to approved distribution revenue requirement (D)

Step 5: Divide (D) by the revenue/cost ratio shown above as Revenue to Cost Ratio in Update to VECC #33 c) and adjusted to a Total of 100% to determine the estimated revenue requirement or cost by rate class (E)

Step 6: Determine proposed revenue/cost ratios

792 Step 7: Adjust revenues by rate class (D) to (F) in order to achieve proposed
793 revenue/cost ratios. The proposed revenue/cost ratios will be $(F)/(E)$

SECTION 8: RATE DESIGN

Low Voltage Cost Allocation:

Board staff FS (18 – 1) noted that the rates utilized to calculate the \$550,000 estimated annual low voltage costs were outdated. COLLUS agrees that on February 6, 2009 notification was received from HONI of the January 28, 2009 OEB approved rates. COLLUS submits that it will use the updated rates to calculate the estimated annual low voltage costs when adjustment is made for the OEB's Decision.

COLLUS provides Tables A&B at the end of this submission that projects the estimated annual Low Voltage Charges based on the expected loads for the 2009 Test Year. As indicated the total is approximately \$300,000. COLLUS submits that consideration must be given to the substantial rate rider credit that HONI will be incorporating in their billing. These riders will only be in place for a 2 year period and as indicated upon removal the LC charge is expected to increase to \$460,000. Since the 3rd GIRM process is expected to be for a 4 year period of time COLLUS submits that the appropriate annual LV charge amount used for rate approval should be \$380,000.

Retail Transmission Service Rates:

COLLUS has filed evidence that the current Board approved Transmission Connection and Network rate changes are utilized within this application. SEC(18 – 8.4) and VECC(20 – 11.1) indicate their agreement that COLLUS should receive approval to adjust the Transmission Connection rates by the Board approved 5.5% factor.

Transformer Ownership Allowance:

COLLUS reviewed Board staff's concern outlined on page 17 in their discussion of Transformer Ownership Allowance, specifically regarding the inputs on Sheet I8 of the Cost Allocation model. COLLUS agrees with the Board staff position of retaining the \$0.60 per kW.

Smart Meter Rate Adder

COLLUS has filed with the Board as part of this application, the required documentation supporting a request that the current \$0.26 per customer per month rate adder be increased to the current Board approved interim \$1.00 rate. VECC(20 – 12.1) indicates their agreement with this request.

Loss Adjustment Factor

COLLUS notes that EP, SEC and VECC did not indicate any disagreement with the revised loss adjustment factor that has been submitted in the application.

Rate Mitigation

COLLUS notes that based on the evidence filed there are no rate mitigation requirements resulting from this application. Board Staff supported this position in their Final Submission.

Fixed Variable Splits

COLLUS notes that there was no disagreement from Board Staff or Intervenors regarding the proposal to maintain the current Fixed / Variable splits.

837 This is the end of the discussion points that COLLUS wanted to address in the Final
838 Submission. In the following a Summary that lists the previously referred to Specific
839 Proposed Requests and any alterations based on the aforementioned detail
840 discussion will be noted. Where applicable a change that may have a financial impact
841 will be noted and an estimate will be provided.

SUMMARY

The following are the updated list of requested approvals updated for the discussion outlined in this submission. The original list included a summary of the determination of the Revenue Deficiency. This is not included in this list again as it has not changed. Some of the updates listed below could have an impact on the calculation of Revenue Deficiency but the impact can not be determined until the Board issues their Decision. COLLUS continues to submit for approval a Revenue Deficiency amount of \$877,262.

➤ COLLUS requests approval that in the event that the Board is unable to provide a Decision and Order in this Application for implementation as of May 1, 2009, an interim Order be issued approving the proposed distribution rates and other charges, effective May 1, 2009, which may be subject to adjustment based on the Board's Final Decision and Order;

COLLUS continues to request this be provided if there is delay.

➤ Consistent with Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors dated December 20, 2006, COLLUS is requesting a change in capital structure, decreasing the Applicant's deemed common equity component from 46.7% to 43.3% and increasing the deemed debt component from 53.33% to 52.7% for Long-Term and 4% for Short-Term,;

COLLUS will use the Board deemed appropriate % and rates of return when preparing Final Rate Order.

862 ➤ COLLUS requests approval to adjust the Low Voltage Rate Rider as reviewed and
863 described within the Application.

864 ***COLLUS will adjust as per the annual amount based on the Board's Decision.***

865 ➤ COLLUS requests approval to increase the Smart Meter Rate Adder to \$1.00 per
866 customer per month.

867 ***COLLUS will make this adjustment if Board's Decision is in agreement.***

868 ➤ COLLUS requests approval of the proposed loss factor, as provided in the
869 Application;

870 ***COLLUS will make this adjustment if Board's Decision is in agreement.***

871 ➤ COLLUS requests approval to adjust the existing Transformer Allowance rate as
872 provided in the Application;

873 ***COLLUS requests to continue to use legacy rate of \$0.60/kW.***

874 ➤ COLLUS requests approval to continue the Specific Service Charges approved in
875 the Board's Decision and Order in the matter of COLLUS Corp's 2006 distribution
876 rates [RP-2005-0020/EB-2005-0353]

877 ***COLLUS continues to request this.***

878 ➤ COLLUS requests approval for a Deferral and Variance account for tracking the
879 associated cost of implementing required changes for conforming to International
880 Financial Recording Standards.

881 ***COLLUS will make required adjustment based on the Decision of the Board.***

882 ➤ COLLUS requests approval of a variance account to track lost revenue if the
883 remaining Large Use customer ceases operation.

884 ***COLLUS withdraws this request.***

885 ➤ COLLUS requests approval of COLLUS proposed changes to Retail Transmission
886 Service Rates as provided in the Application.

887 ***COLLUS continues to request this.***

888 ➤ COLLUS requests that the fixed/variable splits be maintained.

889 ***COLLUS continues to request this.***

890 All of which is respectfully submitted.

TABLE A

Rates	Tx Connection Thornbury	Tx Connection Stayner	Tx Network	Shared LV (Line)	Shared LV (DS)	DP Fixed (Monthly)
	\$1.88	\$1.38	\$2.01	\$0.345	\$0.77	\$116.01

Loads	Tx Connection Thornbury	Tx Connection Stayner	Tx Network	Shared LV (Line)	Shared LV (DS)	# of Delivery Points
January	4,606.26	52,525.59	57,131.85	58,682.57	3,298.86	8
February	4,318.03	53,968.60	58,286.62	60,088.94	3,213.47	8
March	4,384.09	54,981.88	59,365.97	57,868.54	3,235.43	8
April	3,524.02	43,469.46	46,993.48	70,514.34	2,987.59	8
May	2,730.94	39,370.67	42,101.61	76,127.34	2,058.54	8
June	2,904.28	44,771.03	47,675.31	47,986.32	2,078.76	8
July	3,420.28	54,756.97	58,177.24	66,791.98	2,258.91	8
August	3,599.78	48,603.19	52,202.97	56,529.70	2,344.52	8
September	3,464.02	48,679.21	52,143.23	80,758.54	2,174.62	8
October	3,034.07	40,550.87	43,584.94	61,679.54	2,126.94	8
November	3,697.73	50,846.29	54,544.02	68,651.50	2,615.64	8
December	4,307.72	54,257.37	58,565.09	59,221.85	3,290.99	8

Charges	Tx Connection Thornbury	Tx Connection Stayner	Tx Network Charge	Shared LV (Line)	Shared LV (DS)	DP Fixed Charges	Sum - Tx	Sum LV
January	\$8,659.77	\$72,485.31	\$114,835.02	\$20,245.49	\$2,540.12	\$928.08	\$195,980.10	\$23,713.69
February	\$8,117.89	\$74,476.66	\$117,156.11	\$20,730.68	\$2,474.37	\$928.08	\$199,750.66	\$24,133.14
March	\$8,242.08	\$75,875.00	\$119,325.60	\$19,964.65	\$2,491.28	\$928.08	\$203,442.69	\$23,384.01
April	\$6,625.15	\$59,987.86	\$94,456.90	\$24,327.45	\$2,300.44	\$928.08	\$161,069.91	\$27,555.97
May	\$5,134.16	\$54,331.52	\$84,624.23	\$26,263.93	\$1,585.08	\$928.08	\$144,089.91	\$28,777.09
June	\$5,460.04	\$61,784.02	\$95,827.37	\$16,555.28	\$1,600.65	\$928.08	\$163,071.44	\$19,084.01
July	\$6,430.12	\$75,564.62	\$116,936.26	\$23,043.23	\$1,739.36	\$928.08	\$198,931.00	\$25,710.67
August	\$6,767.58	\$67,072.40	\$104,927.97	\$19,502.75	\$1,805.28	\$928.08	\$178,767.95	\$22,236.11
September	\$6,512.37	\$67,177.31	\$104,807.90	\$27,861.70	\$1,674.46	\$928.08	\$178,497.58	\$30,464.23
October	\$5,704.04	\$55,960.21	\$87,605.73	\$21,279.44	\$1,637.74	\$928.08	\$149,269.98	\$23,845.27
November	\$6,951.73	\$70,167.88	\$109,633.47	\$23,684.77	\$2,014.04	\$928.08	\$186,753.08	\$26,626.89
December	\$8,098.51	\$74,875.17	\$117,715.83	\$20,431.54	\$2,534.06	\$928.08	\$200,689.51	\$23,893.68
Totals	\$82,703.45	\$809,757.97	\$1,267,852.39	\$263,890.90	\$24,396.89	\$11,136.96	\$2,160,313.81	\$299,424.75

ST monthly rates for Embedded LDCs	Existing	New Rate	Rider 4	Rates on detail statement	Billing Determinant
Fixed charge \$/DP/month	N/A	181.79	-65.78	116.01	Delivery Point
Meter Charge \$/Meter/Month	N/A	531.97	-192.48	339.49	Delivery Point
Shared LV Lines	\$0.633	\$0.54	-0.195	0.345	per kW
HVDS-high	\$1.68	\$1.37	-0.5	0.87	per kW
HVDS-low	\$3.80	\$2.56	-0.93	1.63	per kW
Shared LVDS	\$2.12	\$1.20	-0.43	0.77	per kW
Specific LV line	\$526	\$673.74	-243.77	429.97	per km
Specific Distribution line	\$358	\$522.17	-188.93	333.24	per km

RTSR (implemented May 2008)

	Existing	Proposed	Billing Determinant
Network Service	\$2.52	\$2.01	per kW
Connection Service - Line Only	\$0.74	\$0.50	per kW
Connection Service - Transformation Only	\$1.35	\$1.38	per kW
Connection Service - both Transformation and Line	\$2.09	\$1.88	per kW

These Rates Currently Used for Stayner TS and Thornbury Delivery Points

COLLUS Power Corp.
EB-2008-0226
COLLUS Power Corp Final Submission
Response to Procedural Order #5
Submitted on February 25, 2009
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Note: Load comprised of 6 Months 2008 and 6 Months Historical data from 2007 while feeder switching was more prevalent for Stayner TS commissioning and winter outages.

The historical data reflects load shifting from feeder to feeder for LV charges.

Some of the Historical load shifting effects have been reduced from actual to help prevent over estimating, however load shifting has been kept due to expected feeder switching required to complete commissioning of Stayner TS.

Charges used for calculations are all using the new (lower) rates for 2009

TABLE B

COLLUS Power Corp.
EB-2008-0226
COLLUS Power Corp Final Submission
Response to Procedural Order #5
Submitted on February 25, 2009
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Rates	Tx Connection Thornbury	Tx Connection Stayner	Tx Network	Shared LV (Line)	Shared LV (DS)	DP Fixed (Monthly)
	\$1.88	\$1.38	\$2.01	\$0.540	\$1.20	\$116.01

Loads	Tx Connection Thornbury	Tx Connection Stayner	Tx Network	Shared LV (Line)	Shared LV (DS)	# of Delivery Points
January	4,606.26	52,525.59	57,131.85	58,682.57	3,298.86	8
February	4,318.03	53,968.60	58,286.62	60,088.94	3,213.47	8
March	4,384.09	54,981.88	59,365.97	57,868.54	3,235.43	8
April	3,524.02	43,469.46	46,993.48	70,514.34	2,987.59	8
May	2,730.94	39,370.67	42,101.61	76,127.34	2,058.54	8
June	2,904.28	44,771.03	47,675.31	47,986.32	2,078.76	8
July	3,420.28	54,756.97	58,177.24	66,791.98	2,258.91	8
August	3,599.78	48,603.19	52,202.97	56,529.70	2,344.52	8
September	3,464.02	48,679.21	52,143.23	80,758.54	2,174.62	8
October	3,034.07	40,550.87	43,584.94	61,679.54	2,126.94	8
November	3,697.73	50,846.29	54,544.02	68,651.50	2,615.64	8
December	4,307.72	54,257.37	58,565.09	59,221.85	3,290.99	8

Charges	Tx Connection Thornbury	Tx Connection Stayner	Tx Network Charge	Shared LV (Line)	Shared LV (DS)	DP Fixed Charges	Sum - Tx	Sum LV
January	\$8,659.77	\$72,485.31	\$114,835.02	\$31,688.59	\$3,958.63	\$928.08	\$195,980.10	\$36,575.30
February	\$8,117.89	\$74,476.66	\$117,156.11	\$32,448.03	\$3,856.16	\$928.08	\$199,750.66	\$37,232.27
March	\$8,242.08	\$75,875.00	\$119,325.60	\$31,249.01	\$3,882.52	\$928.08	\$203,442.69	\$36,059.61
April	\$6,625.15	\$59,987.86	\$94,456.90	\$38,077.74	\$3,585.11	\$928.08	\$161,069.91	\$42,590.93
May	\$5,134.16	\$54,331.52	\$84,624.23	\$41,108.76	\$2,470.25	\$928.08	\$144,089.91	\$44,507.09
June	\$5,460.04	\$61,784.02	\$95,827.37	\$25,912.61	\$2,494.51	\$928.08	\$163,071.44	\$29,335.20
July	\$6,430.12	\$75,564.62	\$116,936.26	\$36,067.67	\$2,710.69	\$928.08	\$198,931.00	\$39,706.44
August	\$6,767.58	\$67,072.40	\$104,927.97	\$30,526.04	\$2,813.42	\$928.08	\$178,767.95	\$34,267.54
September	\$6,512.37	\$67,177.31	\$104,807.90	\$43,609.61	\$2,609.54	\$928.08	\$178,497.58	\$47,147.24
October	\$5,704.04	\$55,960.21	\$87,605.73	\$33,306.95	\$2,552.33	\$928.08	\$149,269.98	\$36,787.36
November	\$6,951.73	\$70,167.88	\$109,633.47	\$37,071.81	\$3,138.77	\$928.08	\$186,753.08	\$41,138.66
December	\$8,098.51	\$74,875.17	\$117,715.83	\$31,979.80	\$3,949.19	\$928.08	\$200,689.51	\$36,857.07
Totals	\$82,703.45	\$809,757.97	\$1,267,852.39	\$413,046.63	\$38,021.12	\$11,136.96	\$2,160,313.81	\$462,204.71

ST monthly rates for Embedded LDCs	Existing	New Rate	Rider 4	Rates on detail statement	Billing Determinant
Fixed charge \$/DP/month	N/A	181.79	0	181.79	Delivery Point
Meter Charge \$/Meter/Month	N/A	531.97	0	531.97	Delivery Point
Shared LV Lines	\$0.633	\$0.54	0	0.54	per kW
HVDS-high	\$1.68	\$1.37	0	1.37	per kW
HVDS-low	\$3.80	\$2.56	0	2.56	per kW
Shared LVDS	\$2.12	\$1.20	0	1.2	per kW
Specific LV line	\$526	\$673.74	0	673.74	per km
Specific Distribution line	\$358	\$522.17	0	522.17	per km

RTSR (implemented May 2008)

	Existing	Proposed	Billing Determinant
Network Service	\$2.52	\$2.01	per kW
Connection Service - Line Only	\$0.74	\$0.50	per kW
Connection Service - Transformation Only	\$1.35	\$1.38	per kW
Connection Service - both Transformation and Line	\$2.09	\$1.88	per kW

These Rates Currently Used for Stayner TS and Thornbury Delivery Points

Note: Load comprised of 6 Months 2008 and 6 Months Historical data from 2007 while feeder switching was more prevalent for Stayner TS commissioning and winter outages.

The historical data reflects load shifting from feeder to feeder for LV charges.

Some of the Historical load shifting effects have been reduced from actual to help prevent over estimating, however load shifting has been kept due to expected feeder switching required to complete commissioning of Stayner TS.

Charges used for calculations are all using the new (lower) rates for 2009 without Rate Rider 4