

**COLLUS Power Corp.
Terms of Reference
VECC Appeal Deferral/Variance Accounts**

Background

- A. On July 6, 2009 the Board heard submissions and made its decision (the “Decision”) in respect of two notices of motion filed by the Vulnerable Energy Consumers Coalition (“VECC”) to review and vary two Board Decisions and Orders dated April 6, 2009 and April 17, 2009 (the “Original Decisions”, and each an “Original Decision”) with respect to applications by Innisfil Hydro Distribution Systems Limited (“Innisfil”) and COLLUS Power Corp. (“COLLUS”), respectively, for just and reasonable rates for distribution services effective May 1, 2009. The Board assigned EB 2009-0130 to the motions.
- B. The following are the terms of reference for two separate but related deferral/variance accounts created by COLLUS pursuant to the Decision. Interest carrying charges will apply to the monthly opening balances in both of these accounts at the Board's prescribed interest rate.

Account 2425 – Other Deferred Credits – Interest Rate Differential – VECC Appeal

1. This variance account shall track the difference in distribution rates between those rates provided in Appendix A (being the COLLUS rates effective May 1, 2009 pursuant to the Original Decision) and Appendix B (being the COLLUS rates effective May 1, 2009 revised to reflect the Board's July 6, 2009 Decision) times the actual monthly billing determinants for distribution charges from May 1, 2009 to April 30, 2010. The difference in revenue requirement is \$5,759,880 minus \$5,674,220, totalling \$85,660 and reflecting the 5.08% on a forecast of \$1.1 million of unissued third party debt.
2. This account shall be treated as a one-time variance account created as a result of the Decision to be settled as part of COLLUS' 2010 3rd GIRM rate filing. The rates provided in Appendix B will be used as the input rates into the 2010 3rd GIRM rate filing.
3. Fixed and Variable rate tables have been attached to show how revised rates are calculated.

Account 2425 – Other Deferred Credits – Hearing Preparation and Support Costs – VECC Appeal

4. In the Decision the Board approved the establishment of a deferral account to track for future recovery, subject to the Board's standard prudence review, any and all incremental cost arising solely as a result of the VECC motion to review the Original Decisions (including, as applicable, any board staff costs or intervenor costs and prudently incurred incremental costs related to COLLUS' participation in the review motion). This account shall be treated as a one-time deferral account created as a result of the Decision to be settled as part of COLLUS' 2010 3rd GIRM rate filing.

**COLLUS Power Corp. ("COLLUS")
Response to Energy Probe ("EP") Comments
Terms of Reference
VECC Appeal Deferral/Variance Accounts**

August 4, 2009

Question #1

Question:

Both utilities should include a schedule showing the calculation of the resulting reduction in the revenue requirement to verify the figures provided.

Response:

The following table provides the calculation of the resulting reduction in the revenue requirement for COLLUS.

COLLUS

		Original Decision	Revised Decision	Difference
Forecasted 2009 Long Term Debt	Amount	Rate of Return		
Promissary Note payable with the Town of Collingwood	\$1,700,000	7.62%	7.62%	0.00%
Bank Loan with Infrastructure Ont	\$1,100,000	7.62%	5.08%	(2.54%)
Total	\$2,800,000	7.62%	6.62%	(1.00%)
Approved Rate Base	\$16,289,243			
Deemed Long Term Debt Component at 52.7%	\$8,584,431	Return on Deemed Long Term Debt Component of Rate Base		
		\$653,977	\$568,317	(\$85,660)

Question #2

Reference: Paragraph 4 in the Terms of Reference

Question:

I would suggest changing the wording "any and all cost arising as a result of the VECC motion" to "any and all incremental cost arising solely as a result of the VECC motion".

Response:

COLLUS finds this wording change acceptable, provided the incremental costs prudently incurred by COLLUS to participate in the motion continues to be eligible for recovery. The Terms of Reference accompanying this response have been revised to reflect this change.

Question #3

Question:

For COLLUS, which made changes to both the fixed and variable charges (which is appropriate), verification from COLLUS that it used the same percentages for cost allocation purposes in determining the new rates in Appendix B as were used to determine the original rates in Appendix A.

Response:

COLLUS confirms it used the same percentages for cost allocation purposes in determining the new rates in Appendix B as were used to determine the original rates in Appendix A.

Question #4

Question:

For Innisfil, which only made changes to the variable charges (which is not appropriate), should follow the methodology used by COLLUS (i.e. changes to both the fixed and variable charges) and that verification should be provided that it used the same percentages for cost allocation purposes in determining the new rates in Appendix B as were used to determine the original rates in Appendix A.

Response:

COLLUS declines to comment on this matter as it relates strictly to Innisfil.

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**COLLUS Power Corp. (“COLLUS”)
Response to Vulnerable Energy Consumers Coalition (“VECC”) Comments
Terms of Reference
VECC Appeal Deferral/Variance Accounts**

August 4, 2009

Question #1

Question:

The company should include the details of the calculation of the reduction in revenue requirement.

Response:

Please review our response to Question #1 of Energy Probe’s Comments.

Question #2

Question:

It is not clear how the allocation to customers was done, in part because there was no information filed with draft rate order showing the allocation to customer classes consistent with the currently approved 2009 rates. It would be useful if COLLUS confirmed how the allocation was done – similar to what Innisfil has done.

Response:

The allocation to customers was done consistent with the methodology used in the original rate order. The file titled "COLLUS Fixed and Variable Rates - July 9, 2009.pdf" was included in the package of information accompanying the draft terms of reference to provide information on the allocation to customers.

Question #3

Question:

In its original decision the Board accepted COLLUS' proposal to maintain the existing fixed/variable split %s. Could Collus please confirm that they have maintained the same split %s.

Response:

Please review our response to Question #3 of Energy Probe's Comments.

Question #4

Question:

The wording for Account 2425 – Hearing Preparation and Support Costs should be revised to clarify that it's only incremental costs incurred that qualify. Suggest revising the first sentence to read as follows:

In the Decision the Board approved the establishment of a deferral account to track for future recovery, subject to the Board's standard prudence review, any and all incremental costs arising solely as a result of the VECC motion to review the Original Decisions (including, as applicable, any board staff costs or intervenor costs).

Response:

COLLUS finds this wording change acceptable, provided the incremental costs prudently incurred by COLLUS to participate in the motion continues to be eligible for recovery. Specifically, we have adopted the following revision:

In the Decision the Board approved the establishment of a deferral account to track for future recovery, subject to the Board's standard prudence review, any and all incremental cost arising solely as a result of the VECC motion to review the Original Decisions (including, as applicable, any board staff costs or intervenor costs and prudently incurred incremental costs related to COLLUS' participation in the review motion).

The Terms of Reference accompanying this response have been revised as applicable.

**COLLUS Power Corp. (“COLLUS”)
Response to Board Staff (“Staff”) Comments
Terms of Reference
VECC Appeal Deferral/Variance Accounts**

August 4, 2009

Question #1

Question:

Staff is in general agreement with the comments of intervenors on the draft terms of reference for both the COLLUS and Innisfil matters. In particular, staff agrees that the details of the calculations should be shown and that the charge determination methodologies used should be consistent with those of the Decisions. Board staff also agrees with the proposed changes in wording related to the descriptions of the accounts.

Response:

Please review our responses to the Energy Probe and VECC Comments.

Question #2

Question:

In addition, it is staff's view that that the Interest Rate Differential account should be characterized as a variance account rather than a deferral account, since it is tracking a Board approved variance in recoverable debt costs. It is staff's view that a deferral account would be used to track a cost or revenue until a future date for possible recovery from ratepayers, as is the case with the hearing preparation and support costs. Staff would also be of the view that interest carrying charges would apply at the Board prescribed interest rate on the monthly opening balances in both these accounts. The wording in the terms of reference should reflect these factors.

Response:

COLLUS finds this change acceptable. The Terms of Reference accompanying this response have been revised as applicable.

Question #3

Question:

Finally, it is staff's view that once the draft terms of reference are formally submitted to the Board, it will be necessary that an order of the Board be issued containing the approved May 1, 2010 rate schedules for use in the respective distributors' 3GIRM applications, as well as the approved wording for the establishment of the relevant deferral and variance accounts.

Response:

COLLUS agrees with this approach.

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