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**BY EMAIL**

January 17, 2011

Ontario Energy Board  
P.O. Box 2319  
27th Floor  
2300 Yonge Street  
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: COLLUS Power Corp.  
2011 IRM3 Distribution Rate Application  
Board Staff Submission  
Board File No. EB-2010-0076**

In accordance with the Notice of Application and Written Hearing, please find attached the Board Staff Submission in the above proceeding. Please forward the following to COLLUS Power Corp. and to all other registered parties to this proceeding.

In addition please remind Collus Power Corp. that its Reply Submission is due by February 7, 2011.

Yours truly,

*Original Signed By*

Lawrie Gluck  
Analyst, Applications & Regulatory Audit

Encl.



# **ONTARIO ENERGY BOARD**

## **BOARD STAFF SUBMISSION**

2011 ELECTRICITY DISTRIBUTION RATES

COLLUS POWER CORP.

EB-2010-0076

**January 17, 2011**

**Board Staff Submission  
COLLUS Power Corp.  
2011 IRM3 Rate Application  
EB-2010-0076  
January 17, 2011**

**Introduction**

COLLUS Power Corp. ("COLLUS") filed an application (the "Application") with the Ontario Energy Board (the "Board"), received on September 28, 2010, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that Guelph Hydro charges for electricity distribution, to be effective May 1, 2011. The Application is based on the 2011 3<sup>rd</sup> Generation Incentive Regulation Mechanism.

The purpose of this document is to provide the Board with the submissions of Board staff based on its review of the evidence submitted by COLLUS.

In the interrogatory phase, Board Staff identified certain discrepancies in the data entered in the application model by COLLUS. In response to Board staff interrogatories which requested either a confirmation that these discrepancies were errors or, an explanation supporting the validity of the original data filed with the application, COLLUS confirmed that they were errors and provided the corrected data. Board Staff will make the necessary corrections to COLLUS' model at the time of the Board's decision on the application.

Board staff makes submissions on the following matters:

- Harmonized Sales Tax;
- Shared Tax Savings;
- Deferral and Variance Account Disposition;
- Lost Revenue Adjustment Mechanism ("LRAM"); and
- Adjustments to the Revenue-to-Cost Ratios.

**Harmonized Sales Tax**

**Background**

In COLLUS' 2010 3GIRM Rate Application (EB-2009-0220), the Board stated the following on Page 6 of its Decision and Order;

“The Board therefore directs that, beginning July 1, 2010, COLLUS shall record in deferral account 1592 (PILs and Tax Variances, Sub-account HST/OVAT Input Tax Credits (ITCs)), the incremental ITC it receives on distribution revenue requirement items that were previously subject to PST and become subject to HST. Tracking of these amounts will continue in the deferral account until the effective date of COLLUS’ next cost of service rate order. 50% of the confirmed balances in the account shall be returnable to the ratepayers.

The Board may issue more detailed accounting guidance in the future. In that event the Applicant should make the appropriate accounting entries, if and as applicable.”

COLLUS noted that it has proven to be incrementally onerous to track the ITC amounts due to factors such as the need to follow tax guidelines in regards to Recaptured ITCs. As well, accounting software packages are not structured to easily apply a set of rules that could be applied to appropriately track the incremental ITC. COLLUS noted that it has found it necessary to use valuable staff hours to complete the work. COLLUS expects that incremental staff resource use will be incurred during the three-year tracking period until the next Cost of Service application has been approved.

COLLUS requested that the Board allow the incremental costs that are incurred to track the HST be placed within deferral account 1592 to eventually result in an incremental HST less cost amount, which would be shared on a 50% basis with the ratepayers. Alternatively, COLLUS has requested that the Board remove the tracking requirement entirely.

COLLUS further submitted that Board staff be directed to issue more detailed accounting guidance in this matter.

## **Submission**

Board staff notes that in December 2010, the Board provided Frequently Asked Questions (“FAQs”) on the Accounting Procedures Handbook for electricity distributors. Specifically, accounting guidance was provided to electricity distributors on “Sub-account HST / OVAT Input Tax Credits” of Account 1592 to record the ITC savings arising from the implementation of the HST on July 1, 2010. The accounting guidance provided a simplified approach designed to provide administrative cost-saving opportunities. On that basis, Board staff submits that any costs incurred to track the HST should not be recorded in Account 1592.

## **Shared Tax Savings**

### **Background**

COLLUS stated that the completion of the 2011 IRM3 Shared Tax Savings Workform indicates that the 2011 tax sharing amount is a refund of \$25,877.

### **Submission**

Board staff has been unable to reconcile the taxable capital and the regulatory taxable income that COLLUS has entered on Sheet F1.1 of the Shared Tax Savings Workform with COLLUS' Revenue Requirement Workform from its last Cost of Service proceeding (EB-2008-0226). In Board staff's view, COLLUS' response to Board Staff Interrogatory No. 4 did not fully address this issue. Board staff invites COLLUS to validate the correctness of and explain the data entered on Sheet F1.1 of the Shared Tax Savings Workform in its Reply Submission.

## **Deferral and Variance Account Disposition**

### **Background**

The Report of the Board on Electricity Distributors' Deferral and Variance Account Review Report (the "EDDVAR Report") provides that during the IRM plan term, the distributor's Group 1 audited account balances will be reviewed and disposed if the preset disposition threshold of \$0.001 per kWh (debit or credit) is exceeded.

COLLUS has completed the 2011 IRM3 Deferral and Variance Account Workform and has determined that the threshold has not been exceeded. The 2009 actual year end amount for Group 1 accounts with interest projected to April 30, 2011 is a credit of \$150,297. As a result, COLLUS is not seeking disposition of this amount in the proposed 2011 rates.

### **Submission**

Board staff has reviewed COLLUS' 2011 IRM3 Deferral and Variance Account Workform and has no issue with COLLUS' request to not dispose of its 2009 Deferral and Variance Account balances at this time.

## **Adjustments to the Revenue-to-Cost Ratios**

### **Background**

The Board's Decision (EB-2008-0226) for COLLUS' 2009 Cost of Service rate application prescribed a phase-in period to adjust revenue-to-cost ratios over a three-year period.

### **Submission**

Board staff submits that the proposed revenue-to-cost ratio adjustments are in accordance with the Board's findings in its EB-2008-0226 Decision.

## **Lost Revenue Adjustment Mechanism**

### **Background**

The Board's *Guidelines for Electricity Distributor Conservation and Demand Management* (the "CDM Guidelines") issued on March 28, 2008 outlined the information that is required when filing an application for LRAM or SSM recovery.

COLLUS has requested the recovery of \$201,112 in lost revenue related to its CDM activities.

### **Submission**

Board staff submits that COLLUS has complied with the Board's CDM Guidelines in preparing the LRAM portion of its Application. Board staff submits that it has no issues with the LRAM claim as filed.

All of which is respectfully submitted.