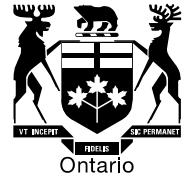


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BY EMAIL

March 13, 2012

Board Secretary
Ontario Energy Board
2300 Yonge Street
Suite 2700, P. O. Box 2319
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Board Staff Interrogatories for COLLUS Power Corp.
Smart Meter Cost Recovery Application
EB-2012-0017**

Further to the Board's Notice of Application and Hearing for an Electricity Distribution Rate Change of COLLUS Power Corp. dated February 7, 2012, please find attached Board staff's interrogatories on the smart meter cost recovery application filed by COLLUS Power Corp. on January 16, 2012.

Please forward the attached to COLLUS Power Corp. and the intervenor in this proceeding.

Yours truly,

Original Signed By

Christie Clark
Case Manager

Enclosure

COLLUS Power Corp.
2012 Smart Meter Cost Recovery
EB-2012-0017

Board Staff Interrogatories

In the Board's Notice of Application and Hearing for an Electricity Distribution Rate Change of COLLUS Power Corp. ("COLLUS"), Tuesday March 13, 2012 was set as the deadline for interrogatories to COLLUS. The following are Board staff's interrogatories.

1. Letters of Comment

Following publication of the Notice of Application, the Board has received no letters of comment to date.

- a. Please confirm whether COLLUS has received any letters of comment, and if so, please file a copy of the letters of comment.
- b. Please confirm whether a reply was sent from COLLUS for each. If confirmed, please file the reply with the Board. Please ensure that the author's contact information except for the name is **redacted**.
- c. If not confirmed, please explain why a response was not sent and confirm if COLLUS intends to respond.

2. Audited Balances

COLLUS has provided historical accounting details in the Smart Meter Model Version 2.17 (the "Model") indicating that the balances were audited for all years up to and including 2011. On page 2 of the Application COLLUS states that it was the October 31, 2011 balances that were audited. COLLUS filed its application on January 16, 2012 and may not have had final 2011 numbers at that time.

- a. Please state whether the 2011 balances in the Model are the final December 31, 2011 balances or not.
- b. Please provide the actual December 31, 2011 balances if they were not filed.

3. Smart Meter Operating Costs

On page 18 of its Application, COLLUS lists smart meter operating costs for 2011 and 2012. Within the list for 2011 costs, COLLUS has a summary of the components that comprise the \$20,000 per month for Operational Costs.

- a. Did COLLUS use an RFP process for selecting the provider for the service(s) provided by Sensus communications TGBs? If not, why not.

The last item in the list is Util-Assist TOU base services. On page 11 COLLUS states that it had plans to ensure that all of COLLUS' customers to which TOU is applicable would be charged as of January, 2012.

- b. When did COLLUS start billing TOU rates?
- c. Is the fee levied by Util-Assist variable on the basis of the number of customers billed?
- d. If the answer to c. is yes, what were the actual billings from Util-Assist for the last 4 months of 2011?
- e. Did COLLUS use an RFP process for selecting the provider for this service?

Also on page 18 COLLUS has broken out the estimated incremental OM&A costs of \$20,000 per month as follows:

Estimated OM&A Expenses		(\$)
1	Sensus communication TGBs (2 Units)	10,000
2	Kinetiq (ODS) monthly operation fee	2,300
3	DSC operator services	3,000
4	ITM monthly hosting services	200
5	Util-Assist TOU base services	4,500
6	Total	<u>20,000</u>

- f. Please define the acronyms and describe the nature of the incurred costs.
- g. Please state which services and the related costs provided internally by COLLUS and which services and the related costs are externally sourced.

4. Smart Meter Model – Smart Meter Capital Costs

COLLUS has provided its capital related expenditures by year in Tab 2 Smart Meter Costs of the Model. On page 9 of its Application, COLLUS stated that it commenced deploying smart meters near the end of 2008.

- a. Please state the month in which COLLUS commenced installing smart meters.
- b. Please state the nature of capital costs and the reasons for incurrence of the costs by year prior to the month in which COLLUS commenced installing smart meters for the following items on Tab 2 Smart Meter Costs of the Model:
- i. 1.1.1 Smart Meters
 - ii. 1.1.2 Installation Costs
 - iii. 1.5.3 Professional Fees

5. Smart Meter Model – Smart Meter OM&A Costs

COLLUS has provided its OM&A expenditures by year in Tab 2 Smart Meter Costs of the Model. No expenses have been recorded until 2011, where it appears that the four months of expenses at \$20,000 per month in Interrogatory 2 above and \$30,000 for communications has been recorded.

- a. Were there any OM&A expenses prior to 2011?
- b. If there were no expenses prior to 2011, please explain starting installations in 2008 and not recording any OM&A expenses until 2011.
- c. Are these recorded expenses in Tab 2 of the Model consistent with the recording of operating expenses in Account 1556?

6. Smart Meter Model – Cost of Service Parameters

COLLUS has provided the basic cost of service parameters for historical years and forecast 2012 in Tab 3 Cost of Service Parameters in the Model. Board staff would like some clarification of some entries.

- a. For 2006, the Board approved a Target Return on Equity of 9.0% for COLLUS. This return carries forward into 2007. Please either apply the approved return on equity or explain why COLLUS has not used 9.0%.
- b. Similarly, the Board approved a blended cost of debt for 2006 of 5.88%. This cost also carries forward into 2007. Please either apply the approved debt rate or explain why COLLUS has not used 5.88%.
- c. For 2008 COLLUS has used the default debt rate of 5.64%. However, in its 2008 EDR application EB-2007-0856, in the K-Factor Derivation, it appears that COLLUS had a debt rate of 6.3%. Please explain the use of the 5.64%. In the alternative, please update the debt rate.
- d. For 2009, COLLUS was directed in its EB-2008-0266 Decision and Order to employ the following for its cost of capital parameters:

	Decision Table 4	
Equity	43.30%	8.01%
LTD	52.70%	7.62%
STD	4.00%	1.33%

Please explain why COLLUS has not included any short term debt. Please also explain using a long term debt rate of 5.61%. In the alternative, please update the capital structure and debt rates.

- e. Please provide the basis for the proposed debt rate for 2012 of 6.5%.
- f. Please confirm that the 6.67% depreciation COLLUS has submitted for Tools & Equipment and Other Equipment is the rate COLLUS used for these assets in determining the depreciation that underpins its 2009 Cost of Service application. If it is not, please update the model or explain using a different rate.

7. Smart Meter Model – Taxes/PILs Rates

COLLUS has used the maximum taxes/PILs rates input on Tab 3 Cost of Service Parameters, for the years 2006, 2007, 2008, 2009, 2010, 2011 and 2012 and beyond. These are summarized in the following table:

Year	2006	2007	2008	2009	2010	2011	2012 and beyond
Aggregate Federal and provincial income tax rate	36.12%	36.12%	33.50%	33.00%	31.00%	28.25%	26.25%

Please confirm that these are the tax rates corresponding to the taxes or PILs actually paid by COLLUS in each of the historical years, and the forecasted taxes/PILs for 2012. In the alternative, please explain the tax rates used and their derivation. If there are any corrections required, please provide them.

8. Costs Beyond Minimum Functionality

On page 15 of its Application, COLLUS has stated that it has not incurred costs beyond minimum functionality. However elsewhere it has stated that it has incurred costs related to costs such as MDM/R and TOU rates. The Board states the Guidelines at page 17:

“Costs for CIS systems, TOU rate implementation, etc. are beyond minimum functionality...”

and

“Costs for other matters such as CIS changes or TOU bill presentment may be recoverable, but the distributor will have to support these costs and will have to demonstrate how they are required for the smart meter deployment program and that they are incremental to the distributor’s normal operating costs.”

- a. Please state the level of, and describe the costs incurred, beyond minimum functionality making specific reference to MDM/R, web presentment, CIS changes, TOU rates, business process changes, training and customer education costs.
- b. Please state how these costs are required for COLLUS' smart meter programme, and how they are incremental to COLLUS' normal course of business.
- c. Please restate Table 2, found on page 17 of the Application, separating any costs beyond minimum functionality in the manner established by COLLUS, and that is by using the Board's numbering. If the costs found in Table 2 of the Application are not final 2011 costs, please provide an update, and state whether the update is final or not.
- d. State the total costs for beyond minimum functionality, and then state the costs again as an average unit costs per smart meter.
- e. What is the annual impact on OM&A for beyond minimum functionality?

9. Customer Repairs

The Board in the Guidelines stated:

"The actual costs for materials and parts to repair or replace any customer-owned equipment should be expensed and also tracked separately in a different sub-account of the Smart Meter OM&A Variance Account 1556 until disposition is ordered by the Board following a review for prudence of the smart meter costs. As the meter base remains the property of the customer, the Board determined that it would not be appropriate to have it form part of the distributor's rate base."

- a. Please state the total costs of any repairs or replacements of customer-owned equipment.
- b. Are there any meter bases included in these costs? If so, please state the total amount.
- c. Please confirm that these costs were recorded in a different sub-account of the Smart Meter OM&A Variance Account 1556.

10. Smart Meter Model – Funding Adder Revenues

COLLUS has provided the interest rates for the deferral and variance accounts on Tab 8 Funding Adder Revenues of the Model. COLLUS has included interest for a full year for 2012.

The effect is that interest on the SMFA and the OM&A expenses are calculated beyond April 30, 2012. Please explain why COLLUS is forecasting interest past the May 1, 2012 effective dates for the SMDR and the SMIRR.

11. Smart Meter Model – SMFA SMDR SMIRR

On Tab 9 SMFA SMDR SMIRR of the Model there is an elective to choose between using sheet 8A which is populated with monthly interest, and sheet 8B which is quarterly interest, in the lack of availability of monthly interest. COLLUS has provided monthly interest, but has selected option 8B. Please explain this selection, or correct the selection.

12. Smart Meter Model – General

Board staff has addressed a number of concerns in the above set of interrogatories which may require revising the Model. If any of these questions results in changes to the inputs to the Model please update and re-file its Model in working Microsoft Excel format.

13. Tables 3 and 4 – Cost Allocation

Similarly, If COLLUS has made revisions to its Smart Meter Model as a result of the above question 12 please update its proposed class-specific SMDRs, and class-specific SMIRRs.

14. Stranded Meters

On page 18 COLLUS states that the stranded meters have a net book value of \$620,346 as of December 31, 2010, and that the utility continues to amortize these assets. Please provide COLLUS' estimate of the NBV of stranded meters as of December 31, 2011 and the respective unit costs.