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March 30, 2012

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
PO Box 2319 26th Floor
2300 Yonge Street, Suite 2700
Toronto ON M4P 1E4

Dear Ms. Walli:

RE: COLLUS Power Corp: 2011-2 Smart Meter Review – Response to Board Staff Interrogatories EB – 2012 - 0017

In compliance with the requirement of the Board, for COLLUS Power to provided response to staff interrogatories received on March 13, 2012 by March 30, 2012, please find enclosed the following:

1. Response document
2. An updated OEB Smart Meter Model V2.17 adjusted for items covered in the response document.

An electronic copy of this Application has been filed on the OEB's RESS Filing System and two (2) hard copies are enclosed.

If there are any questions please do not hesitate to contact the writer.

Thank you,

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

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.

COLLUS Power Response:

a. There were not any letters of comment received and therefore parts (b) and (c) of this question are not applicable.

_____(end of response)

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.

COLLUS Power Response:

a. In response to this question and others that follow the model is updated with the final December 31, 2011. A copy of the updated model and the impact of the changes are noted in the body of the responses that follow. Although during interim audit procedures the external audit firm of Gaviller and Company had reviewed up to October 31, 2011 balances, the final yearend audit is just being completed and the December 31, 2011 balances are now confirmed. The final audit should be completed and confirmed by the end of March 2012 and any unexpected differences that result will be noted to the Board immediately.

b. The expected audited final 2011 balances are currently showing as follows in TABLE A in comparison to the original amounts submitted in the Application:

TABLE A

Rate Filing	*Actual2011*	*Original 2011*	*Difference*
Capital	*$2,606,507*	*$2,574,422*	*$32,085*
OM&A (2.1.2)	*$108,201*	*$80,000*	*$28,201*
OM&A (2.5.2)	*$0*	*$30,000*	*($30,000)*

As indicated in Table A Capital Cost increased by $32,085 for metering equipment purchased in November. The model has been updated to include this amount in the recovery calculation.

Additionally the actual OM&A expense(A/C 2.1.2) has incurred $28,201 more in expense than forecast. A portion of this expense ($9,821) is for the non-forecasted cost of 2011 work for the security audit process.

As indicated for OM&A expense (A/C 2.5.2) the expected expense was not incurred before the end of 2011. The model has been updated for the $30,000 to move from 2011 to 2012.

_____(end of response)

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.

COLLUS Power Response:

a. Yes the selection of Sensus communications and meters as well were part of the full RFP process that was undertaken in conjunction with the London RFP process identified in the Application. There are propagation studies undertaken as well with Sensus to determine the optimum locations of the TGB sites. Currently it has been established that a minimum of 2 TBG sites are required to ensure the appropriate level of communication performance is going to be maintained. Communication level performance will be studied on an on-going basis and adjustment made if required. Clearly though the minimum level will not decrease.

_____(end of response)

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?

COLLUS Power Response:

b. COLLUS Power began invoicing customers with TOU rates on February 21, 2012. The customers invoiced using TOU were receiving their first invoice with 2012 consumption, which was the basis for initiating TOU.

c. The fees identified as incremental TOU related services by Util-Assist are not invoiced on the basis of customers billed.

d. Since the fees are not based on the customers billed this is not applicable.

e. An RFP process was not specifically used in regards to the TOU services listed. Rather through the cooperative billing entity Utility Collaborative Services (UCS) an efficient and effective decisions was made to develop a co-op service, thereby minimizing the cost for each partner for these services.

_____(end of response)

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	20,000

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.

COLLUS Power Response:

f. Item #1 refers to the 2 communication towers (TGB – Tower Gateway Base station) that are required for proper communication between the customer's smart meter and ultimately the MDMR, so that each customer can be appropriately invoiced for their applicable charges.

Item #2 refers to the Operational Data Storage (ODS) system that receives, checks, adjusts and verifies to the MDMR information to ensure maximum accuracy in the customer invoicing. After completing due diligence through an RFP process Kinetiq and Savage Data Systems were selected as the service provider, for these services.

Item #3 refers to the Data Sync Coordination (DSC) operation services that are required on a day to day 24/7 basis to ensure maximum accuracy between the communication of the customer's smart meter and COLLUS Power's Customer Information System, that ultimately processes the appropriate charges to each customer. The services that are provided by the DSC operator are over and above any work performed by COLLUS Power's internal staff. Therefore the costs identified in the table are incremental and should be part of the recovery process.

Regarding Item #4 the company that COLLUS Power uses to house the Information Technology systems that are required to complete the processing of data for the Customer Information System is ITM. The incremental cost for the work required to meet the smart meter requirements is noted in the table.

Item #5 refers to the services that are required to be provided to COLLUS Power to assist internal personnel on completing the required tasks in the complete smart meter process. The Util-Assist expertise that is provided could not be done by internal staff and therefore it is an incremental cost.

It is noted here that as indicated in the earlier response to Board Question #2 there has been in 2011 and will also be expense in 2012. Therefore the estimated cost of $12,000 for the annual fee, for Security Audit & Verification has now been included into the model to calculate the recovery rider. There is an amount of $1,000 per month added to the $20,000 total indicated earlier which has been included into the Model calculations.

g. As explained in the responses found above in part (f), only incremental costs are identified for recovery in this table. Internal staff costs do not make up any part of this.

_____(end of response)

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

COLLUS Power Response:

a. As noted above in the Application COLLUS Power indicates that the mass deployment process began in the latter part of 2008. Preparation work though had been ongoing for some time before that as evidenced by some costs being incurred and recorded into the 1555 account. COLLUS Power believes that the careful planning and steps undertaken to initiate and fully complete the mass installation led to a very smooth transition for the customers.

As also noted in the Application it was imperative that the customers had minimal disruption and were kept fully informed during the implementation of TOU during all phases of the project. Any negative experience was expected to lead to a reduction in acceptance and then also active participation by the customers in using the Smart Meter and TOU data it provides to be active in achieving conservation goals.

The mass installation planning ramped up to being full fledged immediately after the Fairness Commissioner approval was received on Aug. 27, 2008.

b. As noted the costs by year leading up to the mass installation date are as shown in the following table:

TABLE B

YEAR	1.1.1 Smart Meter	1.1.2 Installation	1.5.3 Professional	TOTAL
2007	$0	$65,295	$16,300	$81,595
2008	$103,114	$91,328	$15,971	$210,413

Regarding the Nature of the Capital Costs outlined in the above table:

1.1.1 Smart Meters

As outlined in the Application COLLUS Power staff performed most installations for applicable small commercial customers to ensure that minimal disruption during business hours were maintained. Also in many cases the meter change-out work involved sensitive meter multiplier information that impacted the customers billing account and COLLUS Power wanted their trained personnel handling that work. In order to minimize disruption for certain customers the work was done outside of normal business hours.

The Smart Meter capital purchases prior to the mass installation phase provided meters for this work as well as any normal meter change-out requirements. Also COLLUS Power wanted to ensure that there was stock on hand in advance of the mass deployment date in case there were any supplier problems. There was the expectation that delivery delays could occur due to the massive smart meter requirements that Sensus and Elster were going to be handling for the Ontario electricity market.

1.1.2 Installation Costs

As noted above there were some installation costs incurred in 2007 and then in 2008 prior to the mass deployment date. There were requirements for some meter bases to be adapted for proper installation of the smart meter and this work was taken care of in lead up to the mass install. In 2007 this work resulted in labour costs of $31,395 and equipment costs of $33,900. In 2008 $18,997 in labour and $72,330 equipment was expended. The labour costs were only the incremental costs for work performed outside normal working hours.

1.5.3 Professional Fees

As COLLUS Power prepared both staff and customers in regards to the implementation of Smart Meters it incurred costs for education and training. Various seminars were provided by the Ministry and the OEB and there were costs to staff to attend. Additionally services of knowledgeable consultants were required to perform the training. Well trained personnel helped ensure a successful completion of the project.

_____(end of response)

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?

COLLUS Power Response:

a. COLLUS Power followed Generally Accepted Accounting Principles in regards to the recording of capital expenditures and OM&A expenses. Costs were considered to be capital expenditures up to the point when the system was ready to be used and could complete the process. After that any costs that were incurred could be either capital or OM&A. In 2011 the system became fully operational and therefore there were no OM&A costs until 2011.
b. Please refer to the response to part (a).
c. Yes these recorded expenses are consistent with the operating expenses in Account 1556.

_____(end of response)

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.

COLLUS Power Response:

a. In response to this part of the question and the parts (b), (c) and (d) the smart meter model has been updated to include all of the appropriate rates referred to in the question. COLLUS Power's actual rates are now inserted into the appropriate areas. The resulting updated calculation by the model of the SMIRR and SMDR is used to complete the further updated calculations in the other responses provided.

It is noted that although the Board question identifies the 2009 COS ruling regarding debt rates, there was a further ruling after an appeal against the debt rates. The Board ruled a rate of 6.62% in the appeal decision. Therefore the model has been updated for this rate. Also the short-term debt rates have been inserted into all applicable years in the updated Model.

_____(end of response)

e. Please provide the basis for the proposed debt rate for 2012 of 6.5%.

COLLUS Power Response:

e. The 6.5% rate is replaced with the 6.62% rate as is explained in the earlier response to part (d) of this question.

_____(end of response)

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.

COLLUS Power Response:

f. Yes this is the depreciation rate that is used in the 2009 Cost of Service application.

_____(end of response)

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%
Actual Tax Rate	34.41%	33.32%	27.05%	22.04%	19.08%	20.00%	18.00%

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.

COLLUS Power Response:

The table has now been updated to show the actual tax rates that were incurred in the years of 2006-10. Based on the yearend December 31, 2011 amounts the estimated tax rate is as shown. Based on the expected 2011 outcome an estimated rate for 2012 is as indicated. The smart meter model has been updated to include the tax rates shown in the Actual Tax Rate line of the table.

_____(end of response)

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?

COLLUS Power Response:

a. There were not any costs included that are above minimum functionality. Therefore parts (b) thru (e) of this question are not applicable.

_____(end of response)

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.

COLLUS Power Response:

a. COLLUS Power did not incur any material expense for customer owned equipment upgrades or repairs.

b. As noted earlier meter bases were not installed but in some instances the new smart meters required an adapter to be added to the customer meter base for proper installation. This was an expected cost of installation when budget was prepared.

c. As noted earlier OM&A Account 1556 was not used until after the completion of installation and communication for the metering infrastructure. But the costs are identified in separate accounts within the 1555 series of accounts.

_____(end of response)

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.

COLLUS Power Response:

The updated Model has been changed to only include interest for the period up to April 30, 2012. The resulting variance due to this change is incorporated in all of the calculations redone in these responses.

Adjustment has also been made to include the actual SMFA monthly revenue amount for the months thru to the end of February 2012. The months of March and April are estimated to be $30,000 for each month.

_____(end of response)

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.

COLLUS Power Response:

Correction has been made indicate option 8A has been selected. The update is provided in the updated model included with these responses.

_____(end of response)

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.

COLLUS Power Response:

As noted the updates required have been made and the updated model is provided.

_____(end of response)

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.

COLLUS Power Response:

The following Tables and related information provides the recalculation and additional explanation as to the adjusted SDMR & SMIRR that are now being proposed.

As indicated in Tables C & D the various updates result in changes to the SDMR & SMIRR original filed in the Application. As required then the following amendments are made to the first two items on Page 4 of the Application.

COLLUS Power Corp is specifically requesting the following:

1. *Smart Meter Disposition Rate Rider (SMDR per metered customer per month) of -$0.33 for Residential and -$0.92 for General Service < 50 kW for one year (May 1, 2012 to April 30, 2013); This Rate Rider reflects the Net Deferred Revenue Requirement of a credit of $75,729 being the difference between the Deferred Incremental Revenue Requirement from 2006 to December 31, 2011 and the SMFA Revenues collected from 2006 to May of 2012;*

2. *Smart Meter Incremental Revenue Requirement Rate Rider (SMIRR per metered customer per month) of $2.97 for Residential and $6.00 for General Service < 50 kW. This Rate Rider reflects the Incremental Revenue Requirement for the period May 1, 2012 to April 30, 2013.*

COLLUS Power submits that there are not any material impacts in the amended riders requested compared to the original information in the Application. Therefore the estimated customer bill impacts are as outlined in the Application.

Table C

Smart Meter Actual Cost Recovery Rate Rider - SMDR Calculated by Rate Class			
	Total	Residential	GS < 50
Allocators for Unit Cost Per Class calc(color cell inputs)			
Collingwood Average Smart Meter Unit Cost		$ 75.48	$ 232.05
Smart Meter Unit Base Purchase Cost	$ 1,460,535	$ 1,051,663	$ 408,872
Allocation of Smart Meter UBP Costs	100.00%	72.01%	27.99%
Number of meters installed and active to cust. base	15,695	13,933	1,762
Allocation of Number of meters installed & active	100.00%	88.77%	11.23%
Total Return (deemed interest plus ROE) use UBP %	$ 395,253	$ 284,603	$ 110,650
Amortization (use UBP allocation %)	$ 453,570	$ 326,595	$ 126,975
OM&A (use Installed Meter allocation %)	$ 108,201	$ 96,054	$ 12,147
Revenue Requirement before PILs (total of above $)	$ 957,024	$ 707,252	$ 249,772
PILs (based on RR and tax rates)	$ 22,038	$ 16,286	$ 5,752
Total Revenue Requirement for 2006 to 2011 to recover	$ 979,062	$ 723,538	$ 255,524
	100.00%	73.90%	26.10%
Smart Meter Rate Adder Revenues	($1,029,617)		
Carrying Charge SMFA	($25,174)		
Carrying Charge Deferred Expenses	$0		
Smart Meter True-up	-$ 75,729	-$ 55,965	-$ 19,764
Active Metered Customers (estimated for 2012)	16,000	14,204	1,796
Rate Rider to Recover Smart Meter Costs	-$ 0.39	-$ 0.33	-$ 0.92

Table D

Smart Meter Actual Cost Recovery Rate Rider - SMIRR Calculated by Rate Class			
	Total	Residential	GS < 50
Allocators for Unit Cost Per Class calc			
Collingwood Average Smart Meter Unit Cost		$ 75.48	$ 232.05
Smart Meter Unit Base Purchase Cost	$ 1,460,535	$ 1,051,663	$ 408,872
Allocation of Smart Meter UBP Costs	100.00%	72.01%	27.99%
Number of meters installed and active to cust. base	15,695	13,933	1,762
Allocation of Number of meters installed & active	100.00%	88.77%	11.23%
Total Return (deemed interest plus ROE) use UBP %	$ 141,131	$ 101,622	$ 39,509
Amortization (use UBP allocation %)	$ 195,899	$ 141,058	$ 54,841
OM&A (use Installed Meter allocation %)	$ 282,000	$ 250,341	$ 31,659
Revenue Requirement before PILs (total of above $)	$ 619,030	$ 493,021	$ 126,009
PILs (based on RR and tax rates)	$ 16,829	$ 13,403	$ 3,426
Total Revenue Requirement for 2006 to 2011 to recover	$ 635,859	$ 506,424	$ 129,435
Active Metered Customers (estimated for 2012)	16,000	14,204	1,796
Rate Rider to Recover Smart Meter Costs (TRR/Mt Cust)	$ 3.31	$ 2.97	$ 6.00

_____(end of response)

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.

COLLUS Power Response:

As of December 31, 2011 the Net Book Value of stranded meter costs is $559,264. In respect to unit costs COLLUS Power does not have any information as to the number of units that were stranded.

_____(FINAL Response)_____

COLLUS Power Corp
P.O. Box 189, 43 Stewart Road
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March 30, 2012

Public Interest Advocacy Centre
1 Nicholas Street (Suite 1204)
Ottawa ON K1N 7B7

Attention: Mr. M. Buonaguro
Counsel for VECC

Dear Mr. Buonaguro:

RE: COLLUS Power Corp – Smart Meter Prudence Review
Board File No: EB-2012-0017
Interrogatory Responses to VECC questions

COLLUS Power Corp ("COLLUS") is providing with this letter our responses to interrogatories from the Vulnerable Electricity Customer Coalition received on March 15/12. We also are providing our responses to Board Staff interrogatories issued today. These items have been filed electronically at the Board as a part of our Smart Meter Prudency Review Application.

If you require anything further please contact us.

Thank you,

T. Fryer

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

cc Ontario Energy Board

COLLUS Power Corp is providing this document in response to the Vulnerable Electricity Customer Coalition's interrogatories received on March 15, 2012. The mandated date for submission of questions pertaining to the Smart Meter Rate Recovery Application was March 13, 2012.

VECC Question # 1

Reference: Manager's Summary, 1. Introduction, Page 3

Preamble: COLLUS indicates it is requesting the difference between the Deferred Incremental Revenue Requirement from 2007 to December 31, 2011 and the Smart Meter Funding Adder (SMFA) Revenues collected from 2006 to April of 2012. The Board indicated the SMFA would cease by April 30, 2012. VECC notes on Sheet 8 of the Smart Meter Model, the interest on the SMFA revenues is calculated to December 2012.

a) Please explain the interest calculation beyond April 2012.

COLLUS Power Response:

Please refer to the response to Board Staff IR #10 for explanation on this question.

_____***(end of response)***

VECC Question # 2

Reference: Manager's Summary, 2. Status of Implementation of Smart Meters, Page 7

Preamble: COLLUS has installed a total of 15,619 smart meters as of October 31, 2011, which represents 100% of the total meters at that point in time.

a) Please provide the average cost per meter by year and by rate class on a total cost basis (capex + opex) and capex only.

b) Please indicate if COLLUS has provided the Board with estimated smart meter costs in prior rate applications. If yes, please provide a schedule that compares the smart meter forecasts in the previous applications to the current application.

COLLUS Power Response:

(a) COLLUS Power has not tracked the installation of the smart meters by rate class and can't provide an average cost of the installations to various rate classes.

(b) COLLUS Power provided information to the Board regarding Smart Meter costs in EB-2009-0220 when the Application for 2010 rates was filed on September 30, 2009. In the Application it was identified on Page 6 Part 9 that spending to the end of 2008 was indicating an actual amount of $494,327 and that it was estimated that there would be a Net Total Amount of $2,000,000 by the end of 2009. These costs were provided to offer up justification and it received Board approval to increase the Smart Meter Funding Adder from $1 per customer per month to $2.

In the EB-2010-076 filed on September 30, 2010 as an Application seeking new rates for 2011 implementation COLLUS Power did not submit any further updated amounts. It was indicated in the Application that the $2 amount should be continued and that final disposition of the Smart Meter 1555 and 1556 accounts would be dealt with at a later date. The Board approved the continuance of the $2 amount.

_____***(end of response)***

VECC Question # 3

Reference: Manager's Summary, 8. System Changes, Page 10

Preamble: The evidence indicates that it was determined that the system manufacturer Harris Computer Systems (HCS) would not be able to cost effectively make the required modifications. Therefore, the decision was made to and the required changes were also made to implement the Northstar CIS system of HCS so that the TOU functionality was in place when required for TOU billing.

a) Please explain why HCS would not be able to cost effectively make the required modifications.

b) Please discuss how these circumstances impacted meter deployment.

COLLUS Power Response:

Regarding part (a) it is difficult for COLLUS Power to specifically comment regarding HCS business decisions due to having both the Northstar and Infinity CIS systems in place at various Ontario clients prior to Ontario's decision to move to TOU. HCS decided it would not be cost effective and informed its' Infinity clients that the system would no longer be maintained and enhancements for TOU would not be made. Therefore COLLUS Power had no choice but to seek out an alternative solution. The final choice in that regard was the Northstar CIS which is a HCS product.

In response to this question specifically part (b) the circumstances that resulted from the implementation of the HCS Northstar system did not produce any material delays in the deployment of the smart meters. COLLUS Power did incur delays due to unexpected and beyond control key internal staff changes and had to shift the original projected TOU date from July 2011 to the end of 2011.

_____***(end of response)***

VECC Question # 4

Reference: Manager's Summary, 9. Integration with MDM/R, Page 11

Preamble: COLLUS indicates the project plan called for Unit Testing to be executed in November 2010 but due to some delays, was completed in February 2011.

a) Please explain the nature of these delays.

COLLUS Power Response:

As noted in response to VECC Q #3 earlier the major reason for these delays was due to internal staff changes. Specifically the senior billing supervisor suffered an aneurysm and her services were lost. Unexpected training of other internal staff had to be undertaken and resulted in some delay.

_____***(end of response)***

VECC Question # 5

Reference: Manager's Summary, 10. Transition to Time of Use Pricing, Page 11

Preamble: The application indicates the plans are in the final stages to ensure that as of January 2012 all COLLUS customers, that TOU is applicable to, will be charged for their electricity based on TOU rates on a go forward basis. This schedule was set primarily on the premise of coming into production shortly after the latest MDM/R upgrade was completed to implement the new Version 7.2 software. Unfortunately this upgrade has been delayed but COLLUS continues along with the current plan.

a) Please provide an update on TOU billing.

b) Please explain the upgrade delays.

c) Please confirm the current plan.

COLLUS Power Response:

Please refer to the response to Board Staff IR #3(b) regarding implementation date of TOU billing. In spite of the IESO decision to delay the implementation of V 7.2 software COLLUS Power moved ahead with the full implementation plan. COLLUS Power is not privy to the specific details of the IESO decision to delay the upgrade.

_____***(end of response)***

VECC Question # 6

Reference: Manager's Summary, Meter Deployment, Page 9

a) Please summarize the types of meters installed for each rate class.

b) Please complete the following table to show the average installed cost based on meter type.

Class	Type of Meter	Quantity	Installed Cost	Average Cost
Residential				
GS<50 kW				

COLLUS Power Response:

(a) The types of meters installed in each customer class are the ICON A for the Residential and some small Commercial installations. Appendix A in the Application contained a listing of 3 different types of GS<50 kW customer meters; A3RL, A3D and A3TL. These are the only type of GS meters that were used.

(b) COLLUS Power did not track installation costs on a customer class basis. Therefore it cannot provide Installed Cost in the above table to determine average cost. Appendix A in the Application does indicate the purchase cost per meter.

_____***(end of response)***

VECC Question # 7

Reference: Manager's Summary, 13. Annual Security Audit, Page 13

Preamble: COLLUS indicates with the mass deployment of AMI systems, security of the AMI network is critical.

a) Please provide the status of the selection of the audit partner and the in-depth security review at one participating utility that has the Sensus solution, the commencement date of the annual security audit for COLLUS and the annual budget for the audit.

COLLUS Power Response:

As a partner in the process COLLUS Power understands that the audit partner is selected and it is Bell/Wurld Tech and that the security review at Powerstream is progressing. COLLUS Power expects to commence the annual security audit in 2012 and the annual budget is $12,000.

_____***(end of response)***

VECC Question # 8

Reference: Manager's Summary, Meter Deployment, Page 5

a) Please discuss the incremental internal labour costs incurred by COLLUS to deploy smart meters.

b) Please discuss if the automated meter reading process has resulted in reduced meter reading costs and how that this is reflected in the proposed rate adders.

COLLUS Power Response:

(a) During the implementation of smart meters COLLUS Power internal staff installed applicable TOU General Service <50 kW meters to ensure minimal disruption to the commercial and industrial customers involved. In some cases, in order to achieve minimal disruption, installation or trouble shooting had to be done outside of normal working hours. Only the overtime costs incurred outside the normal working hours were included as incremental labour costs during deployment.

(b) While automated meter reading may have resulted in some reduced meter reading costs there are other related meter operation costs such as Customer Service labour costs that have increased. COLLUS Power has taken this into account in determining the projected increased expense provided in the Application to determine the proposed riders.

_____***(end of response)***

VECC Question # 9

Reference: Manager's Summary, 16. Smart Meter Rate Rider, Page 15

Preamble: COLLUS indicates that allocation of the total revenue requirement is based on allocation of the return and amortization based on the allocation of Account 1860 in the cost allocation model.

a) Please confirm the date of the cost allocation model used.

COLLUS Power Response:

It appears that this question is not applicable to the COLLUS Power Application since the allocation of the total revenue requirement was not based on the allocation of the return and amortization for Account 1860 as per the cost allocation model. If this is applicable then adjustment will be made for any resulting requirement.

_____***(end of response)***

VECC Question # 10

Reference 1: Smart Meter Model (V2_17)

Preamble: COLLUS completed the Smart Meter Model provided by the OEB and used the data to arrive at the proposed Smart Meter Incremental Rate Rider and the proposed Smart Meter Disposition Rate Rider.

Reference 2: Board Guideline G-2011-0001, Smart Meter Funding and Cost Recovery – Final Disposition, dated December 15, 2011, Page 19

Preamble: The Guideline states, "The Board views that, where practical and where data is available, class specific SMDRs should be calculated on full cost causality."

a) Please complete a separate smart meter revenue requirement model by rate class.

b) Please recast Tables 3 and 4 by customer class based on customer class cost causality as per part (a). Re-calculate the SMDR & SMIRR rate riders based on cost causality by rate class.

c) Please provide a table that summarizes the total Smart Meter Rate Adder Revenue collected by customer class.

COLLUS Power Response:

(a) The installation process was not tracked on a rate class basis that would allow a calculation of the Model on this basis.

(b) Tables 3 and 4 have been updated and provided in response to the Board staff interrogatories. COLLUS Power does not have the required data to make the cost causality determination.

(c) The following summarizes the smart meter rate adder revenue that has been received over the years from each of the customer classes.

Residential	*$932,000*
General Service <50 kW	*$115,000*
General Service > 50 kW	*$ 8,000*

Total Revenue Received $1,055,000(rounded from Model total)

_____***(end of response)***

VECC Question # 11

Reference: Board Guideline G-2011-0001, Smart Meter Funding and Cost Recovery – Final Disposition, dated December 15, 2011, Page 19

Preamble: The Guidelines state, "The Board also expects that a distributor will provide evidence on any operational efficiencies and cost savings that result from smart meter implementation."

a) Please summarize COLLUS's operational efficiencies and cost savings.

COLLUS Power Response:

It is COLLUS Power's view that the implementation of smart meters and the resulting TOU invoicing of the applicable residential and small commercial customers produces few operational efficiencies and/or cost savings. This is not unexpected as Ontario's central goal is to educate provincial electricity users and enhance the "culture of conservation". To achieve this goal new initiatives are required and one such is TOU recording of electricity use and the charging of customers. But it falls upon the local LDCs to ensure that customers have the tools and can easily adapt themselves to the changes. This produces certain costs that offset reductions in some costs such as conventional meter reading that are already within distribution rates.

There is a marked increased in the level of customer interaction with Customer Service personnel and this costs time and money that quickly offset any direct savings. Also the customers themselves have to enhance their own abilities from an understanding and Information Technology standpoint. To be successful the customer will rely heavily on the local LDC to ensure easy access to the information they require. They also expect that the local LDC will ensure that appropriate security of data requirements are in place to protect their personal information.

Therefore at this point in time there are not any operational cost savings that have been incurred that are not offset but other increased costs. In the Application and the calculations made in response to the Interrogatories COLLUS Power is only showing the known incremental costs increases and is requesting that those be recovered.

COLLUS Power will continue to work closely with the customer base to ensure that there is every opportunity for the customer to realize the benefits of Smart Meter technology and Time-of-Use methodology in charging for the service.

_____***(FINAL response)***_____