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April 24, 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 Prudence Review Application
Final Submission in response to Board Staff & VECC submissions
EB-2012-0017**

In accordance with instructions released by the Ontario Energy Board in this matter, COLLUS Power Corp is providing the Final Submission prior to the deadline date of April 30, 2012. This submission includes:

1. Final Submission document in PDF format
2. Updated OEB Smart Meter Model V2.17 (for adjustment to Long-term debt rate)

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

The Application is respectfully submitted for the Board's consideration for rates effective May 1, 2012. 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
Prudence Review**

EB-2012-0017

FINAL SUBMISSION

APRIL 24, 2012

The following is being provided by COLLUS Power Corp as the Final Submission in regards to the Application. For ease of reference the content of the Board Staff's Final Submission dated April 18, 2012 is included along with a response to each section. Board Staff's portion is shaded to distinguish between it and our responses. In addition there are references and explanation provided to certain items outlined in the Final Submission of VECC submitted on April 20, 2012.

Introduction

COLLUS Power Corp. ("COLLUS") is the electricity distributor licensed by the Ontario Energy Board (the "Board") that serves the towns of Collingwood, Thornbury, Stayner and Creemore. On January 16, 2012, COLLUS filed a stand alone Smart Meter Cost Recovery application (the "Application") requesting a Smart Meter Disposition Rider ("SMDR") and a Smart Meter Incremental Revenue Requirement Rider ("SMIRR"). The proposed effective date for both riders is May 1, 2012 and COLLUS is requesting that they remain in effect until April 30, 2013. The Application is based on the Board's policy and practice with respect to the recovery of smart meter costs.¹

The Board issued its Letter of Direction and Notice of Application and Hearing on February 7, 2012. The Vulnerable Energy Consumers' Coalition ("VECC") requested and was granted intervenor status and cost award eligibility. No letters of comment were received.² The Notice of Application and Hearing established that the Board would consider the Application by way of a written hearing and established timelines for interrogatories and submissions.

Board staff and VECC submitted interrogatories to COLLUS on March 13, 2012. COLLUS filed its responses to the interrogatories on March 29, 2012.

The following submission reflects observations and concerns arising from Board staff's review of the record of the proceeding, which includes the original Application and updates as provided in response to interrogatories.

¹ *Guideline G-2008-0002: Smart Meter Funding and Cost Recovery*, issued October 22, 2008. On December 15, 2011, the Board issued *Guideline -2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition*. COLLUS used Smart Meter Model, Version 2.17, and prepared its application considering recent Board decisions on smart meter cost disposition and recovery.

² Response to Board staff IR #1.

COLLUS Power Response:

We agree with the information provided in this section.

The Application

1. Approvals Sought

COLLUS requested the following in its Application:

- An SMDR (per metered customer per month) of -\$0.32 for Residential and -\$0.90 for General Service < 50 kW for one year (May 1, 2012 to April 30, 2013); These rate riders reflect the Net Deferred Revenue Requirement of a credit of \$74,020 being the difference between the Deferred Incremental Revenue Requirement from 2006 to December 31, 2011 and the Smart Meter Funding Adder ("SMFA") Revenues collected from 2006 to May of 2012;
- An SMIRR (per metered customer per month) of \$2.79 for Residential and \$5.87 for General Service < 50 kW for one year (May 1, 2012 to April 30, 2013). These rate riders reflect the Incremental Revenue Requirement for that one year period; and
- In the event that the Board is unable to issue its' Decision and Order for rates effective May 1, 2012 with respect to this smart meter prudence review of costs, COLLUS Power Corp is requesting a rate adder in the sum of \$2.50 for all customers per month per customer. The rate adder amount being requested is based on the net of the SMDR and SMIRR based on the lower of the proposed riders (\$2.79 - \$0.32 rounded).

In its EB-2011-0161 IRM application for 2012 rates, COLLUS did not request the continuation of the Smart Meter Funding Adder.

COLLUS has stated that the Net Book Value for its stranded meters remains in rate base, and that the net book value as of December 31, 2011 was \$559,264.

COLLUS Power Response:

We agree with the information outlined in this section.

2. Updated Evidence

Through the interrogatory process the original Application, including the Smart Meter Model, Version 2.17 (the "Model") and the proposed rate riders were updated for the following changes:

- An increase in CAPEX for metering equipment of \$32,085;
- An increase in OM&A for Advanced Metering Communications Device ("AMCD") of \$28,201 in 2011 and \$12,000 in 2012;
- A return on equity of 9% for 2006 and 2007 in the Model;
- A blended cost of debt for 2006 and 2007 of 5.88% in the Model;
- A debt rate of 6.3% for 2008 used in the Model to reflect its K-factor debt rate in its 2008 IRM;
- An equity return of 8.01%, a short term debt rate of 1.33% and a long term debt rate of 6.20% for 2009 in the Model;
- A long term debt rate of 6.20% for 2012 in the Model;
- Updating the PILs used in the Model to reflect actual PILs for the respective years,;
- Updating of the Smart Meter Funding Adder Revenues to reflect actual revenues since September 2012;
- Removing interest from the deferral accounts after April 30, 2012 in the Model; and
- Calculating the deferral account interest expense based on monthly balances.

COLLUS filed a revised smart meter model and class-specific SMDRs and SMIRRs to reflect the above updated evidence and in response to an Interrogatory from VECC.

Board staff submits that, with the exceptions stated below, the above changes are appropriate.

COLLUS Power Response:

We agree with the information provided in this section. In regards to the exceptions noted COLLUS Power submits these are fully addressed in the following responses.

Table 1
Smart Meter Expenses Prior to Authorization

	Smart Meter	Installation	Professional	Total
2007	\$0	\$65,295	\$16,300	\$81,595
2008	\$103,114	\$91,328	\$15,971	\$210,413
Total	\$103,114	\$156,623	\$32,271	\$292,008

3. Prudence of Smart Meter Costs

Smart Meter Installation Costs

COLLUS stated on page 9 of its Application that deployment of smart meters started in late 2008. However, COLLUS reports the expenditures in Table 1 prior to authorization from the Fairness Commissioner:³

Board staff notes that COLLUS has not reported any installations for 2007 and 2008 on Tab 2 Smart Meter Costs of the Model.⁴

COLLUS stated that the Smart Meter capital purchases prior to the mass installation phase were for installations for small commercial customers that required the work to be performed outside normal business hours so as not to interrupt business. Also, COLLUS stated that these purchases were to ensure that there was stock on hand in advance of the mass deployment date in case there were any supplier problems.⁵

Board staff submits that the record is unclear as to the number of meters that COLLUS purchased and installed prior to being authorized by the Fairness Commissioner. It is reasonable that some meters would be purchased prior to authorization for the utility to gain familiarity with respect to installation and operation to aid with project planning. However COLLUS states that they actually started installing small commercial and industrial smart meters before authorization.

³ Response to Board staff Interrogatory 4 a.

⁴ Response to Board staff Interrogatory 12

⁵ Response to Board staff Interrogatory 4 b.

Board staff submits that COLLUS should inform the Board of the quantity of meters purchased and the quantity of meters installed prior to authorization. COLLUS should present any information in its Reply Submission ("Reply") of any direction given by any authority allowing COLLUS to purchase and install meters, without authorization, for anything other than purchases and installations for standard engineering diligence required for becoming familiar with the tasks involved and for planning purposes based on such diligence. Board staff submits that in order for the Board to determine if COLLUS acted in a prudent manner and therefore should be permitted to recover its costs, COLLUS should provide further information with respect to these purchases before the authorization by the Fairness Commissioner.

COLLUS Power Response:

COLLUS Power agrees that Table 1 was provided as shown above. As requested further detail is provided to fully explain the incurred costs of this time period.

SMART METER:

A further breakdown of the \$103,114 CapEx for the smart meter amount is first that 400 meters were obtained (at a cost of \$34,314) from Sensus in March 2008. Some of these meters were used as indicated in the Board staff's submission, to familiarize utility staff, in advance of the upcoming mass installation, with the new meter technology including actual installation in some cases to also engage customer contact about the process and introduction of this new technology.

Due to the initiation of this new technology into our electric meter department it made the most sense to also place the new smart meters into new customer premises that were coming on line. This provided a larger sample group for our full utilization and study over the few months leading up to the Fairness Advisory Services July report, issued on Aug. 1, 2008. Reviewing customer data base records and matching up to when the report was issued approximately 300 of the meters were installed in that time. The Board staff correctly note that the model should reflect 2008 installations and it has been estimated for this with no resulting change in rider calculations because capital cost does not change. It also is noted that for the new customer premise installations if "dated" electro-mechanical meters were purchased & installed then they would later have be removed and the associated cost recorded as part of the stranded meter cost.

The remaining \$68,800 CapEx purchase amount was completed in June 2008 for 800 2 Wire FlexNet meters, 8 Bi-Directional and 12 2 Post meters. This purchase was made as noted just a few weeks prior, to ensure that there would be sufficient stock in place reducing the chance of delay, to when the FAS report was finally released. COLLUS Power recognizes it was in advance of the actual ruling but again just short of the July report. We would submit that this was a prudent decision because if KTI/Sensus was not selected as our preferred option then the meters would have been returned for credit. COLLUS Power and KTI/Sensus have a very good business relationship as Sensus water meters have been in place in Collingwood for close to 20 years and returning any and all of the product would not have been an issue.

During our review of this item it was also found that a \$10 credit per meter for the 1,200 meters purchased was issued later in 2008 to correct the unit price from \$86- to \$76-. Therefore the actual CAPEX cost amount for these was \$103,114 - \$12,000 = \$91,114. The purchase of the 1,200 meters in the two allotments was at the same terms of the eventual KTI/Sensus agreement thereby maintaining consistency in that regard.

PROFESSIONAL SERVICES:

In reviewing the items listed in the Table the Professional fees that are noted were specifically for Util-Assist Services when they were providing required assistance to members of the CHEC group of utilities during the smart meter process. As noted by VECC our membership in the CHEC initiative surely provided efficiencies and resulted in lower overall costs. Therefore these particular costs should also be recoverable.

INSTALLATION (PREPARATION) SERVICE:

There is detail on Page 8 Section 1.1.2 of our 1st Round interrogatory response that details the \$65,295 in 2007 and \$91,328 in 2008. Further detail is provided:

2007

Approximately \$33,900 was expended on various equipment in 2007 as follows:*

Butt Meter - \$18,100 (S-Base Adapters to fit Smart Meter onto Customer A-Base meterbase)
Stock Materials - \$ 3,700 (Various materials used to adapt the meterbases)
PEFCO Ontario- \$ 6,900 (Tools required for meterbase and meter installation work)
Miscellaneous - \$ 5,200 (Other equipment and tools required for preparation work)

** It is noted in the earlier submission that there was \$31,395 incremental labour expense in 2007. It was for work that had to be done outside normal hours, when this cost of personnel is not in the ratebase, mostly for this adaptation work that had to be undertaken to prepare the customer meter bases.*

2008

Approximately \$72,330 was expended on equipment as follows:*

*Butt Meter Sales - \$52,900 (For S-Base adapters – approximately \$6,000 was after July 2008)
Smart Synch - \$16,000 (12 Elster A3 Commercial Smart Meters in May 2008-S/B part of SM
PEFCO Ontario - \$ 400 (Equipment purchased)
Miscellaneous - \$ 3,030 (Other materials and equipment used in preparation work)*

**As noted above there was \$18,997 incremental labour expense recorded for the 2008 work. Some of the 12 Commercial meters were installed as part of the test group-should have been in SM.*

SUMMARY: (Prudence – Smart Meter Installation Costs)

COLLUS Power respectfully submits that the costs of Table 1, with the small adjustments noted, were incurred in a prudent manner and should be eligible for recovery through this Application. When the Fairness Commissioner finally provided the ruling COLLUS Power was completely prepared to begin the process of mass rollout installation of the smart meter technology. All staff were very familiar and comfortable with the requirements of the installation process because of the preparations undertaken, including as well the operational aspects of the new technology from the test group of meters that were deployed. Even our Customer Service Representatives benefited which helped tremendously with dealing with customers that were impacted when the mass installation began in August. The result was a very smooth and seamless transition for our customer resulting in minimal negative reaction.

We would further like to review in this response that VECC's Final Submission in the area of Prudence Review noted that COLLUS Power's mandatory TOU date was December 2011. It then also noted that TOU rates were billed on February 21, 2012. We would like to clarify in this regard that the mandatory date of TOU is correctly identified as December 2011 and that we targeted to be completely ready by Dec. 31st.

We were prepared and the customers were as well so therefore in January 2012 all customers were transferred over so that when billing went out starting on Feb. 21st it was for January consumption at TOU rates. COLLUS Power wants to ensure that it has explained that it did meet its' mandatory deployment date, that had been adjusted as approved by the Board due to various reasons, a major one being illness. COLLUS Power submits that it did meet its' adjusted mandatory date.

Additionally VECC provides detail regarding comparative information and also references COLLUS Power's participation within the CHEC group of LDCs. They accurately indicate their belief that operational efficiencies resulted due in part to this. They also note COLLUS Power's \$191.86 average cost which is detailed in Section 3 Part 4 Board submission below. As identified in VECC's information this was the average relative to minimum functionality. In COLLUS Power's Section 4 response there is further detail which indicates the "beyond minimum functionality" average cost of \$7.45 per meter. Incorporating this result lowers the smart meter average cost for minimum functionality to close to \$184.40 which does fall completely into the range of similar LDCs of \$123.59 to \$189.96. Prior to the adjustment for functionality VECC indicated support for the cost as originally determined and we would submit that this is further support that we acted in a prudent manner and all costs should be recoverable.

COLLUS updated the 2011 CAPEX by increasing its smart meter expense by \$32,085 for actual November purchases.⁶ While it may be appropriate to acquire smart meters, COLLUS did not change the number of installed meters on Tab 2 Smart Meter Costs of the Model, which indicates that they were not installed in 2011. Board staff submits that COLLUS should address why it acquired meters but seems to not have installed the meters in its Reply. Without justification linking the meters to a need, the Board should disallow the \$32,085.

COLLUS Power Response:

⁶ Response to Board staff interrogatory 2 b.

In our interrogatory response we noted that this amount was expended for November purchases. That response submission should have elaborated to state that this was the payment of the invoice for meters received and utilized in our service territory in July & August 2011. Since the meters were issued and installed either as a new TOU or replacement TOU meter at the customer premises in those months the final installed meter numbers used in any calculations already incorporated them. Therefore COLLUS Power submits that this cost should be approved for recovery.

Cost of Capital Parameters

COLLUS has responded to Board staff by updating the Costs of Capital Parameters in the Model.^{7, 8} COLLUS stated that they have employed a weighted cost for long term debt of 6.62% for 2009. It pointed out that through a Motion to Review (EB-2009-0130) the Board found that its weighted cost for long term debt ought to be 6.62%, and not 7.62%. However, COLLUS used 6.20% in the Model. Board staff submits that COLLUS either correct the Model, or explain the anomaly in its Reply.

Board staff accepts the remaining revisions to the Costs of Capital parameters.

COLLUS Power Response:

*The correct rate for use in the model is the 6.62%. An **updated model** has been completed and filed into the Board along with this Final Submission. The following has been determined from the adjusted model. Both the Final Net \$ amount and the rate per meter from the model are shown for the two riders.*

TABLE A

	SMDR Filed	SMDR Updated	SMIRR Filed	SMIRR Updated
Net Amount	(\$75,729-)	(\$63,270-)	\$635,859	\$640,791-
Monthly Rate Results on a per meter basis	(\$ 0.39)	(\$ 0.33)	\$3.31	\$3.34

⁷ Response to Board staff Interrogatory 6

⁸ Response to Board staff Interrogatory 12

When considering further calculations required with the updated model results COLLUS Power will follow the Board staff recommendation on the SMFA as noted in Section 5 of their Final Submission. VECC also took the same position and as a result the SMFA distribution should be as shown in Table B. Further detail is provided to explain the actual SMDR rate determination in our response portion of Section 5 in this submission.

*COLLUS Power also needed to re-calculate the SMIRR for the distribution between the classes of the updated amounts using the same allocation methodology that was utilized in the Application. Table B indicates the re-allocation results amongst the classes. **Appendices A & B** are provided with this submission with the detail as to how the SMDR & SMIRR have been calculated*

TABLE B

	FILED Residential	UPDATED RES	FILED GS<50	UPDATED GS<50
SMDR	(\$ 0.33)	(\$ 1.21)	(\$ 0.92)	\$ 6.64
SMIRR	\$2.97	\$2.99	\$6.00	\$6.07

As indicated in Table B the results of the correction to the Long-Term Debt Rate doesn't have a major impact but the change in allocation for the SMFA does. COLLUS Power does submit that the updated rates as shown in the table should replace the previously filed amounts.

-
- **SMDR for Residential \$1.21 credit and GS<50 \$6.64 debit.**
 - **The SMIRR for Residential \$2.99 and \$6.07 for GS<50, per meter per month.**
-

Smart Meter Operating Costs

In comparison to the Application, COLLUS changed its OPEX for 2011 by increasing expenses as found on line 2.1.2 AMCD Other on Tab 2 Smart Meter Costs of the Model by \$28,201, and decreasing expense for line 2.5.2 Communications from \$30,000 to \$0. The net is a reduction of (\$1,799).

Part of the \$28,201 increase was due to unbudgeted audit costs of \$1,000 per month, totalling \$9,281. No explanation was given for the remaining \$18,920. The Budget for OM&A, per Table 2: Budget to Actual Cost Comparison 2006 to 2012 was \$409,998. The Actual CAPEX after interrogatories is \$390,201, which is \$19,797 under budget for the smart meter programme according to COLLUS.

Board staff accepts these changes as reasonable, except for the \$18,920. Board staff submits that COLLUS should explain this amount in its Reply.

COLLUS Power Response:

The \$18,920 amount is for accrued charges not previously accounted for that were adjusted for at Dec. 31/11 yearend reconciliation. The breakdown of the amount is as follows:

<i>December TGB Charge</i>	<i>- \$ 9,904.64 (Mthly rental fee for 2 communication towers – Minimum Functionality)</i>
<i>UCS Professional Services</i>	<i>- \$ 4,543.74 (Co-op UCS shared exp for Smart Meter work – 50% is Beyond MF)</i>
<i>Util-Assist Service (Data Sync)</i>	<i>- \$ 3,044.00 (Co-op UCS shared exp for daily operation of SMs – Min. Function)</i>
<i>Misc. Expense</i>	<i>- \$ 1,427.62 (ITM hosting UCS shared service and other – Min. Functionality)</i>

COLLUS Power submits that these are qualified costs that should be included in the recovery calculation. The reference to minimum functionality in the description of the particular expense is provided for use in the later response on Cost estimates for Beyond Minimum Functionality.

Smart Meter Unit Costs

Board staff has produced Table 2 from the totals found in Tab 2 Smart Meter Costs in the Model, which was revised by COLLUS to reflect the changes made through the Interrogatories.⁹ Board staff does not consider these costs to be out of line when considering the costs the Board is seeing submitted in other applications. COLLUS is a small distributor that is spread out over the Collingwood area, and would have costs that would be different and presumably higher than seen from higher density urban areas.

Board staff observes that COLLUS, as part of the Cornerstone Hydro Electric Concepts

Table 2			
Unit Cost Calculation			
	Cost	Meter Count	Unit Cost
Smart Meter CAPEX	\$2,606,507	15,619	\$166.88
Smart Meter OPEX	\$390,201	15,619	
Total OPEX & CAPEX	\$2,996,708	15,619	\$191.86

("CHEC") group of utilities, has become authorized to deploy smart meters under O. Reg. 427/06 as amended by O.Reg. 238/08 in accordance with the London Hydro RFP process. With the exception of the unauthorized purchased mentioned above, Board staff submits that COLLUS has complied with the Regulation and the London Hydro RFP process for the procurement of smart meters and associated equipment and for services to install and operate the smart meters and associated equipment.

Given these points, Board staff considers that the documented costs have been prudently incurred.

COLLUS Power Response:

COLLUS Power submits that the earlier detailed explanation of spending on CAPEX prior to the July 2008 report justifies the expenditures and we agree with the Board staff's position that the costs shown in Table 2 have been prudently incurred. It also is noted that VECC on Page 4 2nd paragraph of their Final Submission indicated they did not consider the resulting average costs to be excessive. VECC's position therefore further supports our position for complete recovery.

⁹ Response to Board staff Interrogatory 10

It also is duly noted here that VECC requested in their submission on Page 4 in the 3rd paragraph that confirmation should be provided that external audit has been completed and the amounts that are submitted for recovery have been confirmed. COLLUS Power hereby states that the audit has been completed and the amounts verified based on the basis that has been used to file our Application for recovery.

4. Costs Beyond Minimum Functionality

COLLUS, on Page 15 Section 15, states that the installed meters and systems do not exceed minimum functionality. However, on page 10 Section 8 of its Application, COLLUS explains system changes that were made in preparation for TOU billing. On page 12 Section 11 of its Application, COLLUS also discusses CIS enhancements in order to include web access for customers and changes to the bill format. COLLUS also has stated that it began invoicing customers on TOU rates on February 21, 2012.¹⁰

Board staff questioned this apparent dichotomy.¹¹ However, COLLUS stated that it did not include any costs beyond the minimum functionality, as set out O.Reg 425/06.

Board staff is not convinced that there are not costs for functionality beyond the defined minimum in COLLUS' Application. If these costs were not included in Account 1555, and were absorbed by COLLUS, then COLLUS should explain why they have absorbed costs that were not included in its revenue requirement. If indeed these costs are in Account 1555, Board staff submits that COLLUS should provide the details as requested in Board staff Interrogatory 8. In that interrogatory, Board staff specifically referred to any expenditures related to the MDM/R, web presentment, CIS changes, TOU rates, process changes, training, and customer education costs that by definition are beyond minimum functionality. In responding to this submission, Board staff refers COLLUS to O.Reg 425/06, and the related document *Functional Specifications for an Advanced Metering Infrastructure Version 2, July 5, 2007*, which is found on the Ministry of Energy's website, and to the Board's Guideline G-2011-0001 *Smart Meter Funding and Cost Recovery – Final Disposition*.

¹⁰ Response to Board staff Interrogatory 3 b.

¹¹ Response to Board staff Interrogatory 8.

COLLUS Power Response:

In consideration of Board staff's submission on this item COLLUS Power re-examined and gave further consideration to the mechanisms used to allocate costs and related the findings to the requirements contained within O.Reg 425/06. Some costs relating to web presentment, CIS upgrades or similar functions, that could be in a strict sense considered "beyond minimum functionality" when compared to what is conveyed in the regulation, have indeed been recorded into either 1555 or 1556. Board staff inquiries in the above ask for explanation if there were costs absorbed. In this case though as stated above any cost that could be readily identified as incremental would have been directed to a 1555 or 1556 sub-account. If there were costs that ended up in expense it was because they were not easily discernible and/or considered material enough to warrant the cost of tracking and re-allocating them.

TABLE 2(A): BUDGET TO ACTUAL COST COMPARISON 2006 TO 2012

RATE FILING COMPONENT	Total Actual	Total Budget	Variance
1.1.1 Advanced Metering Communication (Smart Meter) Device	\$ 1,718,192	\$ 1,773,524	(\$ 55,332)
1.1.2 Advanced Metering Installation Related Cost	\$ 373,367	\$ 458,484	(\$ 85,117)
1.3.2 Computer Software & Installation	\$ 165,988	\$ 133,346	\$ 32,642
1.5 Other AMI Costs Related to Min. Functionality	\$ 316,875	\$ 257,882	\$ 58,993
2.3 Advanced Metering Control Computer *	\$0	\$ 662,135	(\$662,135)
2.5 Other AMI OM&A Costs Related to Min. Fun.	\$ 350,000	\$ 409,998	(\$ 59,998)
TOTAL	\$ 2,924,422	\$ 3,695,369	(\$770,947)

***The budgeted cost was the estimated charge that would be leveled for the MDM/R system operation.
The Board has not issued an approved rate and no cost has been included in the SMIRR calculation.**

Table 2(A) is from Page 17 of the Application and is provided for use in fully responding to the Board staff questions on this matter. In regards to Minimum Functionality all Category 1 amounts except for section 1.5 are fully Minimum Functionality requirements. There are some costs in 1.5 that are part of the identified costs shown below but these are estimated to be only a small portion. There also are some costs in the 2.5 series (that was updated to \$390,201 in interrogatory responses) that also are considered as beyond Minimum Functionality and these are detailed too. It is noted that Sect 1.3.2 is for the Sensus headend system cost which is required for MF.

The following breakdown is of the identified costs for either Section 1.5 or 2.5 that are used both on an actual invoiced cost and estimate basis because in some cases some parts of an invoiced cost were incurred for Minimum Functionality but more than that was achieved. An example of this type of expenditure would be a charge for distributed customer information packages about the new smart meter installation process at customer premises because the packages also included description and detail about TOU rate introduction at a later date. So a portion of the cost would be applicable to completing Minimum Functionality but also a portion towards TOU.

Section 1.5 Beyond Minimum Functionality Amounts – Considered Capital (1555)

<i>TOU education & related for customers</i>	<i>\$10,000 (2011 one-time cost)</i>
<i>CIS upgrades for TOU related applications</i>	<i>\$25,000 (2010-1 one-time expenditures)</i>
<i>Shadow Bill & other introductory measures</i>	<i>\$10,000 (2011 one-time expenditure)</i>
<i>Other Misc. Exp. (training sessions etc)</i>	<i>\$ 5,000 (2011 one-time expenditure)</i>
<i>Sub-Total</i>	<i>\$50,000</i>

Section 2.5 Beyond Minimum Functionality Amounts – Considered Mtce (1556)

<i>Web & Other Customer Communication -</i>	<i>\$30,000(2012 amt – one time)</i>
<i>UCS Shared Services* (50% of \$4,500/mo – 16 mo)</i>	<i>\$36,000(Mthly amount 2011-2)</i>
<i>Sub-Total</i>	<i>\$66,000</i>

**As noted in our earlier response in Section 3 Smart Meter Operating Cost-Service is partially BMF
Of the Total \$20,000 estimated monthly cost all of the other expenses are considered to be MF*

Following this process allowed us to identify for reporting purposes “BMF” costs and identify those as listed above. It is noted then that based on the Total of \$116,000 the unit cost for the 15,619 installed meters is approximately \$7.45 per meter.

COLLUS Power also confirms at this time that there has not been any cost added into the Application for the expected IESO MDM/R fees. It is our understanding that these fees will be dealt with through a general Board process. COLLUS Power submits that the cost per meter for the Beyond Minimum Functionality related items is reasonable and should be included in the recovery calculations.

5. Cost Allocations

COLLUS is proposing to calculate its SMDR and SMIRR by class. The proposed method allocates; capital related costs using the cost of meters as an allocator, OM&A expenses using meter counts by class, and PILs based on the allocated revenue requirement before PILs. The net of the total revenue requirement and the revenues from the SMFA with interest are allocated based on the total revenue requirement by class. These allocated costs are the basis for determining the SMDR. The rate riders based on the updated evidence are now:

<i>Table 3</i>		
Rate Riders₁		
	SMDR	SMIRR
Residential	(\$ 0.33)	\$2.97
GS<50 kW	(\$ 0.92)	\$6.00

¹ Response to Board staff Interrogatory 13

Board staff notes that the credit proposed for the SMDR is greater for the GS<50 kW class than for the Residential class. This appears to be due to the allocation used for the revenues from the SMFA. This allocation is based on the distribution of the allocated revenue requirement between the two classes. A more accurate means for determining revenues is to assign the revenues based on class revenues over the period of the SMFA. Interest on the SMFA revenues could be allocated to the class assigned revenues. In response to VECC #10 (c) COLLUS provided the following SMFA revenues by rate class:

Table 4 Class Revenues ₁	
Residential	\$932,000
GS<50 KW	\$115,000
GS>50 KW	\$8,000
1 Response to VECC Interrogatory #10 (c)	

Board staff submits that using these revenues in the determination for the class SMDR, with the interest on the revenues allocated as described would produce a rider that better reflects causality.

COLLUS Power Response:

COLLUS Power submits that both Board Staff and VECC indicated support in their Final Submissions for the cost allocation methodology deployed in the calculation of the SMDR. It is noted that both also indicated that the allocation of the SMFA funds should be done relative to the revenue received from the classes. As determined by the updated inputs to the model for the SMDR the net amount of difference between costs and funds is a net credit amount of \$63,270 or a rate per meter per month of -\$0.33. Appendix A provides the detail as to how this amount is allocated to the classes.

Board Staff and VECC also indicated support in their Submissions for the methodology used to determine the class SMIRR. In Section 3 Part 2 (Cost of Capital Parameters) COLLUS Power notes that the updated rates are Residential \$2.99 and GS < 50 kW of \$6.07 per meter per month. Appendix B is provided with this submission and it is the allocation worksheet that has been updated for the correction to the Long-term Debt rate. This details how the average rate of \$3.34 is allocated between the classes and the resulting SMIRR that is now being sought for approval and recovery.

COLLUS Power submits the SMDR and SMIRR for Board consideration as outlined earlier in our response to Section 3 Cost of Capital Parameters.

Subject to the above comments, Board staff submits that COLLUS' Application is compliant with Guideline G-2011-0001, *Smart Meter Funding and Cost Recovery – Final Disposition*, reflects prudently incurred costs and is consistent with Board policy and practice with respect to the disposition and recovery of costs related to smart meter recovery.

- All of which is respectfully submitted -

COLLUS Power Response:

COLLUS Power has submitted detailed response, to each of the Board staff questions, that it believes sufficiently addresses all matters. We have also tried to ensure that we completely covered any items that required response from VECC's submission.

We respectfully submit the case then, as per the above highlighted statement, that we have acted prudently and followed the Board's guidelines in completing the smart meter recovery process and that approval of the applied for SMDR and SMIRR as outlined in this Final Submission should be granted.

(end of responses)

APPENDIX A

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 %	\$ 399,731	\$ 287,827	\$ 111,903
Amortization (use UBP allocation %)	\$ 453,570	\$ 326,595	\$ 126,976
OM&A (use Installed Meter allocation %)	\$ 108,201	\$ 96,054	\$ 12,147
Revenue Requirement Amortization and OM&A	\$ 561,771	\$ 422,648	\$ 139,123
Revenue Requirement before PILs (total of above \$)	\$ 961,502	\$ 710,476	\$ 251,026
PILs (based on RR before PILs)	\$ 22,039	\$ 16,285	\$ 5,754
Carrying Charge Deferred Expenses (based on RR Amort and OM&A	\$7,981	\$6,004	\$1,976
Total Revenue Requirement for 2006 to 2011 to recover	\$ 991,521	\$ 732,765	\$ 258,756
	100.00%	73.90%	26.10%
Smart Meter Rate Adder Revenues	(\$1,029,617)		
Carrying Charge SMFA	(\$25,174)		
	(\$1,054,791)	(\$939,121)	(\$115,670)
Smart Meter True-up	-\$ 63,270	-\$ 206,356	\$ 143,086
Active Metered Customers (estimated for 2012)	16,000	14,204	1,796
Rate Rider to Recover Smart Meter Costs	-\$ 0.33	-\$ 1.21	\$ 6.64

APPENDIX B

Smart Meter Actual Cost Recovery Rate Rider - SMIRR			
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 %	\$ 146,063	\$ 105,173	\$ 40,890
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 \$)	\$ 623,962	\$ 496,572	\$ 127,390
PILs (based on RR before PILs)	\$ 16,829	\$ 13,393	\$ 3,436
Total Revenue Requirement for 2006 to 2011 to recover	\$ 640,791	\$ 509,965	\$ 130,826
Active Metered Customers (estimated for 2012)	16,000	14,204	1,796
Rate Rider to Recover Smart Meter Costs (TRR/Mt Cust)	\$ 3.34	\$ 2.99	\$ 6.07