

BOARD STAFF INTERROGATORIES
Collus PowerStream Corp. (“Collus PowerStream”)
2013 ELECTRICITY DISTRIBUTION COST OF SERVICE RATES

July 30, 2013

General

1.0-Staff-1 – Updated RRWF

Upon completing all interrogatories from Board staff and intervenors, please provide an updated RRWF with any corrections or adjustments that the applicant wishes to make to the amounts in the previous version of the RRWF, in the middle column. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note.

1.0-Staff-2 – Updated Appendix 2-W, Bill Impacts

Upon completing all interrogatories from Board staff and intervenors, please provide an updated Appendix 2-W for all classes at the typical consumption / demand levels (i.e. 800 kWh for residential, 2,000 kWh for GS<50).

1.0-Staff-3 – Updated Revenue Requirement

Upon completion of responses to all interrogatories, please identify any adjustments to the proposed service revenue requirement that the applicant wishes to make relative to the original application.

1.0-Staff-4 – Corporate Organization Chart

Ref: E1/T1/S 12; E1/T1/S 13; E1/T1/S16

In E1/T1/S12, Collus PowerStream provides a summary of the share purchase which was reviewed and approved by the Board in its decision on the MAADs application EB-2012-0056. This transaction resulted in PowerStream Inc. acquiring a 50% equity interest, and the Town of Collingwood retaining a 50% equity interest, reduced from 100%, as result.

In E1/T1/S16, Collus PowerStream, states: “The Town of Collingwood is no longer an affiliate of Collus PowerStream as a result of the PowerStream transaction.”

Since the Town of Collingwood retains a 50% interest in Collus PowerStream through its shareholding of Collus PowerStream’s parent, Collingwood PowerStream Utility Services Corp., why does Collus PowerStream believe that it is no longer affiliated with the Town of Collingwood?

Exhibit 2 – Rate Base

2.0-Staff-5

Ref: E1/T2/S6, Appendix A, Revenue Requirement Work Form; Rate Base Tab and E2/T2/S1 p.5, Table 7 and 2013 Fixed Asset Continuity Schedule

Board staff noted that there is a difference of \$26,533 between the calculation of the average gross fixed assets in the revenue requirement: rate base tab and the amounts reflected in Table 7 of the 2013 Fixed Asset Continuity Schedule as shown below.

	RRWF: Rate Base Tab	Calculation based on Fixed Asset Continuity Sch.	2013 Fixed Asset Continuity Schedule	Difference
Gross fixed asset (average)	\$32,024,061	[\$31,038,990 (Bal. 12/31/2012) +\$33,062,198 (Bal. 12/31/2013)]/2	\$ 32,050,594	\$26,533
Accumulated depreciation (average)	(16,324,684)	[\$15,758,248 (Bal. 12/31/2012) +\$16,891,119 (Bal. 12/31/2013)]/2	(\$16,324,694)	0
Net fixed asset (average)	15,699,377		15,725,900	26,533

- a) Please explain and reconcile the difference noted above and make the necessary adjustment if any, in the evidence.

2.0-Staff-6

Ref: E2/T2/S1; 2013 Fixed Asset Continuity Schedule; Appendix 2-CI, 2013 Depreciation Expense; E1/T2/S6, Appendix A, Revenue Requirement Work Form; E4/T4/S7, p. 4, Summary of Amortization Expense; PILS WF: Taxable Income-Test Year

Board staff noted the following differences in the 2013 depreciation expenses in the RRWF and the depreciation expenses in the 2013 Appendices 2-B and 2-CI below.

Reference	AMOUNT - \$
Appendix 2-B, 2013 Fixed Asset Continuity Schedule, Accumulated Depreciation Additions	\$1,102,871
PILS WF: Taxable Income-Test Year Tab, Amortization of Intangibles	\$1,102,871
E4/T4/S7, Table 2 Summary of Amortization Expense 2009-2013	\$1,102,871
Appendix 2-CI, 2013 Depreciation Expense	\$872,860
RRWF: Utility Income Tab	\$948,979
RRWF: Revenue Requirement Tab	\$948,979

- a) Please explain and reconcile the differences in the 2013 depreciation expense found in Appendix 2-B, E4/T4/S7, p.4; PILS WF: Taxable Income-Test Year Tab, Appendix 2-CI and the depreciation found in the RRWF: Utility Income & Revenue Requirement Tabs.
- b) Please state which is the correct 2013 depreciation expense and make all the adjustments if any, in the evidence.

2.0-Staff-7

Ref: E2/T3/S2, Appendix A – Asset Management Plan

On page 29 of its Asset Management Plan (“AMP”), the following is documented with respect to smart meters:

8.3 Smart Meters

CPS completed the installation of smart meters throughout the service territory in December 2010. At the end of May 2011 all

installed smart meters were registered with the Meter Data Management and Repository (“MDM/R”). Time of use (“TOU”) billing began January 1, 2012. Throughout the installation and up to registration with the MDM/R CPS experienced issues with the quality of the meters procured which required the replacement of 839, representing a failure and replacement rate of 5.22% of the total population of installed smart meters.

With smart meters containing not only metrology but also communications and computer technology it can reasonably be assumed that the communications and computer portion of the meters will become obsolete prior to the metrology failing causing the replacement of meters which, from a metrology standpoint, are functioning normally. This is the issue which is currently being experienced with the Sensus iCon F and iCon G model smart meters. The meters, from a metrology standpoint, are accurate. The communications portion of the meter has however become obsolete. CPS has 4,631 Sensus iCon F and iCon G model smart meters which have issues with encryption. Installing encryption on Sensus iCon smart meters is a requirement as a result of the security audit completed in 2012. The 4,631 Sensus iCon F and iCon G model smart meters will need to be replaced with encryption compatible Sensus iCon smart meters.

Table 13 of the Asset Management Plan indicates forecasted meter capex of \$275,500 per annum for 2013 to 2015, and \$109,250 for each of 2016 and 2017.

Section 10.2.6 of the AMP documents that meter capex is about \$109,250 for annual meter replacement for about 600 meters per year, and \$166,500 for meter failures, corresponding to about 11% of meters per year.

- a) What is the current meter failure rate?
- b) Why does Collus PowerStream use a replacement rate of 11% for meter failures?
- c) The reduction of meter capex to \$109,250 in 2016 and 2017 corresponds to assuming there will be no replacements for meter failures after 2015. Why has Collus PowerStream assumed that replacements for meter failures will cease after 2015?
- d) Please identify how the costs for the failed smart meter replacements (both for the meters themselves and for installation/replacement) will be

- recovered. In other words, were the failed meters replaced under warranty, or were the costs paid for by Collus PowerStream?
- i. If the latter, were these costs part of Collus PowerStream's costs reviewed and approved in the utility's smart meter application EB-2012-0017?
 - ii. Are any of these costs being recovered as part of this 2013 Cost of Service Application? If so identify what the costs are and where they are identified in the Application evidence.
- e) With respect to the encryption issues identified for Sensus iCon F and iCon G smart meters:
- i. Please document the number of Sensus iCon F and iCon G smart meters for which encryption upgrading is necessary, and the percentage of Collus PowerStream's smart meters that this represents;
 - ii. Identify what costs Collus PowerStream has estimated for the necessary upgrade. Please identify what costs are identified in the test year in this Application, if applicable, and where these are identified in the Application evidence.

Capital Expenditures

2.0-Staff-8

Ref: E2/T3/S3, table 1 – Capital Expenditure Summary and E2/T3/S7 – Capital Budget

On page 1 of E2/T3/S7 Collus PowerStream states that Table one summarizes Collus PowerStream's actual investments for the years 2009, 2010, 2011, 2012 Bridge and 2013 Test Year. On Table 1 Collus PowerStream only provides its Capital Budget Summary up to 2012 Actual.

- a) Please provide the table in the same format with the 2013 forecast amounts as well as 2013 year-to-date spending.
- b) Please reconcile the amounts shown for 2009 actual and 2010 actual with Table 1 of E2/T3/S3, p.2 and explain if smart meter capital costs have been included in one of the tables.

2.0-Staff-9

Ref: E9/T1/S1 – Disposition of Renewable Generation and Smart Grid Capital and OM&A Deferral Accounts; Accounting Procedures Handbook FAQ's, dated December 2010.

Collus PowerStream is proposing to dispose December 31, 2011 audited balances (plus interest) in four Renewable Energy/Smart Grid deferral accounts – Accounts 1531, 1532, 1534 and 1535.

- a) Were the capital investments and OM&A costs that are the subject of the above noted accounts, reviewed in a prior Board proceeding? If any of the costs (or investments) that are the subject of this disposition request were reviewed by the Board in a previous proceeding, please provide the appropriate references.

2.0-Staff-10

Ref: Ex 9/T1/S1/p.11 – Disposition of Account 1531 - Renewable Generation Connection Capital Deferral Account; and Ex 9/T1/S1/p.11 Disposition of Account 1532 Renewable Connection OM&A;

Ontario Regulation 330/09

Distribution System Code, section 3

Under section 3 of the Distribution System Code (“DSC”), distribution system investments related to the connection of renewable generation facilities are classified in the DSC within 3 categories - connection assets, expansions and renewable enabling improvements (“REI”). The cost responsibility for each is also set out in section 3 the DSC

- a) Please classify the capital costs in the above noted DSC categories and provide reasoning for the proposed classification. Please provide your response in table format as set out at page 19, section 4.4.2 of the *DSP Filing Requirements*. If the capital investments are classified as REI, please refer to section 3.3.2 of the DSC and demonstrate how the investments qualify as REI investments. In keeping with the DSC, please provide the appropriate cost responsibility for each category.
- b) Please explain how the OM&A labour costs were estimated and provide a high-level breakdown of the costs by its main *elements* and a description of the work performed under each *element*.
- c) Has Collus PowerStream included any allocation of general expenses that are not specifically related to the eligible investments? If the answer is

“yes”, please explain why the subject amounts have been included and quantify the amount of general expenses.

- d) Please classify the OM&A expenses in the above noted DSC categories and provide reasoning for the proposed classification. Please provide your response in table format as set out at page 19, section 4.4.2 of the *DSP Filing Requirements*. In keeping with the DSC, please identify the appropriate cost responsibility for each category.

As part of its disposition proposal, Collus PowerStream is seeking Board approval to dispose of audited balances (plus interest) in account 1532. Collus PowerStream is proposing to recover the entire amount from its ratepayers and no calculation of direct benefits, has been provided.

Please explain how Collus PowerStream’s approach to cost recovery is consistent with the expectations of O.Reg 330/09.

2.0-Staff-11

Ref: Ex 9/T1/S1/p.12 Disposition of Account 1534 – Smart Grid Capital

Collus PowerStream is proposing to dispose audited balances (plus interest) in account 1534. At the above reference, Collus PowerStream states “*this account consists of capital costs associated with investments in a demonstration smart grid project...*”

- a) Please provide (i) a description of the demonstration project and its stated purpose and objectives; and, (ii) a description of the technology that was demonstrated.
- b) Please provide a breakdown of the capital costs by its main elements, a description of the work performed and need for the capital expenditures.
- c) Prior to undertaking its own demonstration project, did Collus PowerStream review other demonstrations related to similar technology?

2.0-Staff-12

Ref: Ex 9/T1/S1/p.12 Disposition of Account 1534 – Smart Grid Capital Accounting Procedures Handbook FAQ’s, dated December 2010, page 19

Collus PowerStream is proposing to dispose audited balances (plus interest) in account 1534. At the above reference, Collus PowerStream states "... *[this account consists of] capital costs to accommodate renewable generation*".

- a) Please provide a description of the noted capital work, a description of need for the capital expenditures and the quantum of the capital costs related to the accommodation of the renewable generation.
- b) If the noted capital costs relate to REI investments, the above referenced APH FAQs require that the distributor allocate the related costs to the renewable generation capital account. Based on Collus PowerStream's response to part (a), please undertake the allocation as required under the December 2010 FAQ's.

2.0-Staff-13

Ref: E9/T1/S1, p. 7, Table 3; E9/T1/S1, p. 12 and December 2010 APH FAQ #16 – Account 1535, Smart Grid OM&A Deferral Account

As per APH FAQ #16 this account only includes OM&A expenses.

Collus PowerStream is seeking disposition of the total balance of \$12,808 for Account 1535. Regarding Account 1535, Collus PowerStream indicates that this account consists of **capital** costs including wages, associated with installation, operation and maintenance of smart grid studies, education and training programs.

- a) Please confirm that the balances in this account are OM&A cost rather than capital cost. If not, please explain why these expenditures are recorded under on an OMA account and make the necessary adjustment to accounts 1535 and 1534.
- b) If yes, please provide a breakdown of these costs.

Exhibit 3 – Load Forecast and Operating Revenue

3.0-Staff-14

Ref: E3/T1/S3 and Appendix A – Load Forecast

Board staff's understanding of the multivariate regression model that Collus PowerStream has used to develop its load forecast is as follows:

- The load forecast is developed on a system-purchased kWh basis;
 - The monthly measured system purchased kWh was modified by adding back in the loss-adjusted CDM savings for each month in the period from 2006 to 2011. The loss adjustment of CDM is explained on pages 2-4 and summarized in Table 2.
 - The system-purchased kWh adjusted to removed loss-adjusted CDM savings was then regressed on the following regressor variables:
 - i. Customer count;
 - ii. Heating Degree Days;
 - iii. Cooling Degree Days; and
 - iv. A full set of binary variables for every month in the year. The full set of monthly variables would have been perfectly linear with an intercept, so the intercept was omitted from the regression.
 - v. The system-purchased kWh was then estimated.
 - vi. Loss-adjusted CDM impacts were then subtracted again to get the estimate or forecast of the “real” system-purchased kWh.
 - vii. Billed system kWh were then calculated by dividing system-purchased kWh by (1 + loss factor).
 - viii. Billed system kWh were then allocated to customer classes based on allocations related to historical data; and
 - ix. For demand-billed customer classes, billed kW were estimated from the classed allocated billed kWh by a kW/kWh conversion factor.
- a) Please confirm, correct or provide further explanation of the regression-based approach that Collus PowerStream employed to develop its load forecast.
- b) Appendix A and an associated Excel spreadsheet provide the data used for the regression analysis. The CDM variable has been “grossed up” for losses to correspond with the system purchased kWh endogenous variable being modelled. It appears that the CDM variable is held constant in any particular year.
- i. Please explain the construction of the CDM variable.
 - ii. Please explain the rationale for constant CDM impacts in every month.
 - iii. Please explain how the first-year impact of new CDM programs in a year is accounted for. For example, while OPA program results are

reported as annualized amounts, this assumes that all programs are in place as of January 1 of that year. That will not be true for new programs introduced and implemented in that year. In the absence of further information on the timing for deployment and uptake of new programs in a year, a half-year rule is a better approximation of the real impact on demand. Persistence of CDM programs into future years is appropriately represented by the annualized impacts as reported by the OPA. If Collus PowerStream has not reflected first-year impacts by a “half-year rule”, please explain.

- c) On page 15 of the exhibit, Collus PowerStream states: “Forecasts are made for time periods beyond the end of the available data. To estimate the average energy purchases for any particular combination of predictor variable values, the values of the predictor variables are simply substituted in the estimated regression equation itself.” “Forecasts” for the monthly binary variables are easily understood. Please explain how the forecasts of customer counts, HDD18 and CDD18 were developed.

3.0-Staff-15

Ref: E3/T1/S3 – Load Forecast

On page 5, Collus PowerStream documents that the explanatory variable was “monthly system load (i.e. purchases) grossed up by CDM data for January 2005 to September, 2012.” This is 93 observations.

Table 8 on page 14 shows that there were 88 observations in the estimated regression model, please confirm the regression range for the model.

3.0-Staff-16

Ref: Exhibit 3/Tab 1/Schedule 3 – Load Forecast

Collus PowerStream’s proposed regression model employs both HDD and CDD and a full set of 12 binary variables for every month in the year. The monthly binary variables will capture seasonal effects which could be weather-related (including HDD and CDD) as well as monthly “seasonal” variations on other factors such as economic activity (e.g. fewer business days in February, holiday impacts in December and January, etc.). The full set of monthly binary variables should be highly correlated with the HDD and CDD variables. Nonetheless, in the estimated coefficients shown in Table 9, all coefficients have t-Statistics that are statistically significant.

- a) Why did Collus PowerStream employ two sets of variables (HDD/CDD and the monthly binary variables) that methodologically, would show significant overlap?
- b) The use of the monthly binary variables assumes that monthly “seasonal” impact on kWh is constant over years for any particular month. In other words, the seasonal influence for July is 8,012,927 kWh, for every year in the regression range, from 2005 to September 2012. However, normal business cycles, economic and other growth and factors will mean that a constant monthly factor would not be realistic. Please provide Collus PowerStream’s reasons for preferring a full set of monthly binary variables to more realistic measures of economic and other drivers, beyond HDD and CDD.

3.0-Staff-17

Ref: Exhibit 3/Tab 1/Schedule 3- Load Forecast

On page 11, Collus PowerStream provides, in Table 7, a list of initial explanatory variables tried:

**Table 7
 Initial Set of Explanatory Variables**

Dependent Variable	Y Monthly Energy Purchases (kWh)
Independent (Explanatory) Variables	X ₁ Heating Degree-days (HDD18) X ₂ Colling [sic] Degree-days (CDD18) X ₃ Real Gross Domestic Product for Ontario (GDP) X ₄ Customer Count for service area X ₅ Energy Price X ₆ GDP/Energy price (weighted variable) X ₇ Simple Trend

- a) Why was Real Ontario GDP omitted from the model?
- b) What was the definition of Energy Price? Why was this variable omitted from the model?
- c) Please explain the rationale underlying the GDP/Energy Price variable? How is this seen as a driver of energy consumption or demand? Why was this variable omitted from the model?
- d) Please provide the definition and the purpose underlying the “Simple Trend” variable. Why was this variable omitted from the model?

- e) Please explain how these variables were entered in the modelling. Were they entered all and then dropped as a result of a stepwise regression model?
- f) What alternative measures of population and/or economic activity were tried? Please summarize why these were not used in the proposed load forecasting equation.

3.0-Staff-18

Ref: Exhibit 3/Tab1/Schedule 3, pp. 3-4 and p. 17-18 and Exhibit 3/Tab 1/Schedule 5/Appendix A – CDM Adjustment

Collus PowerStream has proposed a CDM adjustment of 10,740,068 which represents 34.4% of Collus PowerStream's CDM target. Collus PowerStream has proposed to use the corresponding amount to establish the amount of CDM savings for 2013 (and hence 2014) for the LRAMVA.

Based on the pages from the final 2011 CDM report provided by the OPA for Collus PowerStream as provided in Exhibit 3/Tab 1/Schedule 5/Appendix A, Board staff has prepared the following table, which is also provided in working Microsoft Excel format:

The methodology for this is as follows:

For the top table

- The 2011-2014 CDM target is input into cell B4;
- Measured results for 2011 CDM programs for each of the years 2011 and persistence into 2012, 2013 and 2014 are input into cells C13 to F13;
- Based on these inputs, the residual kWh to achieve the 4 year CDM target is allocated so that there is an equal incremental increase in each of the years 2012, 2013 and 2014.

Load Forecast CDM Adjustment Work Form (2013)

Collus PowerStream Power Corp.

EB-2012-0116

4 Year (2011-2014) kWh Target:					
14,970,000					
	2011	2012	2013	2014	Total
%					
2011 CDM Programs	5.48%	5.48%	5.48%	4.94%	21.38%
2012 CDM Programs		13.10%	13.10%	13.10%	39.31%
2013 CDM Programs			13.10%	13.10%	26.21%
2014 CDM Programs				13.10%	13.10%
Total in Year	5.48%	18.58%	31.69%	44.26%	100.00%
kWh					
2011 CDM Programs	820,000	820,000	820,000	740,000	3,200,000
2012 CDM Programs		1,961,667	1,961,667	1,961,667	5,885,000
2013 CDM Programs			1,961,667	1,961,667	3,923,333
2014 CDM Programs				1,961,667	1,961,667
Total in Year	820,000	2,781,667	4,743,333	6,625,000	14,970,000
			Check		14,970,000

Net-to-Gross Conversion				
	"Gross"	"Net"	Difference	"Net-to-Gross" Conversion Factor ('g')
2006 to 2011 OPA CDM programs:				
Persistence to 2013		1	1	- 0.00%

	2011	2012	2013	2014 Total for 2013
Amount used for CDM threshold for LRAMVA	820,000	1,961,667	1,961,667	4,743,333
Manual Adjustment for 2013 Load Forecast	410,000	1,961,667	980,833	3,352,500
<i>Manual adjustment uses "gross" versus "net" (i.e. numbers multiplied by (1 + g))</i>		<i>50% assumed to be in base forecast, so 50% needed for full year persistence by 2014</i>	<i>Only 50% of 2013 CDM impact is used based on a half year rule</i>	

The second table is to calculate the conversion from “net” to “gross” results. While the LRAMVA is based on the “net” OPA-reported results, the load forecast is impacted also by CDM savings of “free riders” and “free drivers”. While Board staff has input values of “1” in each of cells D24 and E24, in the absence of other information, these should be populated with the measured “gross” and “net” CDM savings for the persistence of all CDM programs from 2006 to 2011 on 2013, as reported in the final OPA reports.

For the last table, two numbers are calculated:

- The “Amount used for CDM threshold for LRAMVA” is the sum of the persistence of 2011 and 2012 CDM programs and the annualized impact of 2013 CDM programs on 2013; and
 - “Manual Adjustment for 2013 Load Forecast” represents the amount to be reflected in the 2013 load forecast. This amount uses the “gross” impact, which is calculated by multiplying each year’s CDM program impact or persistence by $(1 + g)$ from the second table. In addition, the impact of the 2013 CDM programs on 2013 “actual” consumption is divided by 2 to reflect a “half year” rule. Since the 2013 CDM programs are not in effect at midnight on January 1, 2013, the “annualized” results reported in the OPA report will overstate the “actual” impact. In the absence of information on the timing and uptake of CDM programs in their initial year, a “half-year” rule may proxy the impact.
- a) Please provide the preliminary 2012 CDM report from the OPA for Collus PowerStream. This is normally provided in the spring of the year. If this is not available, please explain.
 - b) Please input the “gross” and “net” cumulative kWh CDM savings from all CDM programs from 2006 to 2011 on 2013 as measured in the final OPA reports into, respectively, cells D24 and E24. Please verify the inputs and results of the model.
 - c) Please derive the class CDM kWh and kW savings that would correspond with the “net” CDM savings above.
 - d) Since Collus PowerStream has calculated its forecast on a system purchased kWh model, the CDM adjustment should be similarly adjusted for losses. When the forecast is then calculated on a billed basis to again back out the losses, and allocated to classes for class-specific consumption (and converted to kW demand for demand-billed customer classes) and used in cost allocation and as billing determinants for volumetric based distribution rates and other volumetric rate riders and rate

adders. Please provide Collus PowerStream's views as to whether this is preferable to the approach that it has proposed in the Application.

- e) Please provide Collus PowerStream's comments on the methodology above to develop the CDM savings that will underlie the 2013 CDM amount for the LRAMVA and the corresponding CDM adjustment for the 2013 test year load forecast. What, if any, refinements to this approach should be considered?

3.0-Staff-19

Ref. E3/T2/S1, Attachment 1, Table 2– Other Revenue

- a. Please provide the up-to-date balances in these accounts to the same level of detail as shown in Table 2.

Exhibit 4 - Operating Costs

4.0-Staff-20

Ref: E4/T4/S1, pp. 1-4, Tables 1, 2, 3, and 5

Please provide year-to-date OM&A expenses at the same level of detail as tables 1 through 5.

4.0-Staff-21

Ref: E4/T1/S1, p.7 – Donations

On page 7, Collus PowerStream states that “donations in the 2013 test year have not yet been determined... Collus PowerStream has in the past made donations to charities that have a direct benefit to customers (such as the local hospital). As a result in the Test Year, the donations made by Collus PowerStream have been included in regulatory OM&A expenses due to their expected nature.

- a) Please confirm that all donations have been included in account 6205. If not, please explain
- b) Please provide the up-to-date amounts of donations for the 2013 test year.
- c) Please provide a breakdown of this account.

4.0-Staff-22

Ref: E4/T1/S1, Table 2 and E4/T1/S2, p.2 – Regulatory Costs

Collus PowerStream has included a total cost of \$81,000 for the 2013 test year, which is an increase of approx. 174% or \$51,485 over 2009 Actual. Included in this cost is an expert witness for the amount of \$20,000. On page 2 of E4/T1/S2, p. 2 Collus PowerStream cites “reduce[d] costs through expertise in the area of regulatory issues and implementation” due to the Acquisition of 50% of the Shares of Collingwood utility Services Corp. by PowerStream Inc. in the summer of 2012.

- a) Please explain the nature and need for an expert witness.
- b) Please provide a breakdown and details of the cost for external consultants.
- c) Please state if and what efficiency gains Collus PowerStream has been able to realize as a result of the acquisition by PowerStream Inc. If so, please provide details and the impact on regulatory costs. If not, please explain why not.

4.0-Staff-23

Ref: E4/T4/S1, p.1 and E4/T4/S4, p. 7 – Operations Expenditures – Other Rent

On page 7 of E4/T4/S4, Collus PowerStream notes that Operations expenses have increased by \$315,000 or 108% over the 2009 Board-approved levels. Board staff notes that on the summary table 1, E4/T4/S1, p. 1 Collus PowerStream has included a cost of \$172,800 in account 5096 Other Rent and a \$132,00 in account 5005 – Operation Supervision and Engineering..

- a) Please provide a detailed explanation for the 90% or \$62,610 increase in account 5005 Operation Supervision and Engineering in the 2013 test year over 2009 actuals.
- b) Please explain the cost of \$172,800 booked in account 5096 Other Rent in more detail.

4.0-Staff-24

Ref: E4/T1/S1, p. 5 and E2/T3/S2, Asset Management Plan – Smart Meter Maintenance Costs and E4/T4/S1, Table 3 – Meter Reading Expenses

On page 5 of E4/T2/S1 Collus PowerStream notes that ongoing Smart Meter maintenance costs are forecasted at \$240K with is a \$150K increase from 2009 approved levels. On page 29 of the Asset Management Plan, Collus PowerStream describes a failure and replacement rate of 5.22% of the total population of installed smart meters.

Table 3 of E4/T4/S1 shows a meter reading expense of \$192,000 in the 2013 test year, which is an increase of 126% over 2009 Board approved and a 316% increase over 2011 actuals.

- a) Please provide more information on the proposed ongoing Smart Meter maintenance cost.
- b) Please elaborate if and when Collus PowerStream anticipates a decrease in the maintenance costs as Smart Meters are being replaced in response to the failure rate of the existing smart meter population.
- c) Please explain if the Smart Meter maintenance cost is part of the increase in account 5310 - Meter Reading Expense. If not, please explain the increase in meter reading expenses.
- d) Please state if Collus PowerStream has been able to realize any efficiency cost savings in meter reading costs due to the installation of smart meters. If not, please explain why not.

4.0-Staff-25

Ref: E4/T4/S5, p.3 Table1 and E4/T4/S5, p.4 Table 2 and E4/T5/S1, p.1 – Total Compensation

For the 2013 Test Year Table 1 shows a total compensation amount of \$2,459,679 and a total compensation charged to OM&A of \$2,253,759. Table 2 – Changes in Salaries and Wages 2009 to 2013 shows total Salary and Wages of \$2,035,604.

- a) Please reconcile the two tables.

On page 1 of E4/T5/S1 Collus PowerStream states that PowerStream' Inc's purchase of 50% interest in Collingwood Utility Service Corp. (CUSC, "allows for the efficiencies of scale and provides cumulative benefits and savings" as well as

“benefits are: provision of strategic and specialized resources such as back office support in finance and regulatory processes”.

- b) Please provide further detailed explanation for the 86% increase in non-union and part-time salaries in 2013 over 2009 actual.
 - i) Please discuss the impact of PowerStreams purchase of 50% interest in Collingwood Utility Service Corp. (CUSC) on wages, in particular for non-union and part-time staff.
 - ii) Please discuss any efficiency gains in the test year. Please provide a forecast of expected efficiency gains for the subsequent years.
 - iii) If there are no gains, please explain why.

4.0-Staff-26

Ref: E4/T4/S8, Appendix A 2012 Income Tax Return: Schedule 1-Net Income(loss) for Income Tax Purposes; E4/T4/S8, Appendix B, Income Tax/PILS Work form (WF) for 2013 Filers: Adjusted Taxable Income-Bridge Year Tab

Board staff notes the differences between the amounts in the PILS WF, Adjusted Table Income Bridge Year, and Schedule 1 of the 2012 income tax return for the following items: net income before PILs, and the amortization of tangible assets and the reserve balance from the financial statements, at the end of the year for 2012 was performed Board staff notes the differences in the table below.

2012 Bridge Year

	Net Income Before PILS	Amortization of Tangible Assets	Reserves from the Financial Statements-bal. at the end of the year
PILS WF: Adjusted Taxable Income	680,119	1,888,095	365,620
2012 Income Tax Return- Sch.1	\$468,411	\$1,053,169	\$336,468
Difference	211,708	834,926	29,152

- a) Please explain and reconcile the differences.

- b) Please confirm if the data used in the PILS WF for Adjusted Taxable Income conforms to the figures in the Income Tax Return for the bridge year. If not, please make the necessary adjustments.

Exhibit 7 – Cost Allocation

7.0-Staff-27

Ref: E4/T4/S7, p. 4; CA Model, worksheet I-3, cell E430 (Account 5705) – Allocation of Amortization

Depreciation is described in Exhibit 4 totaling \$1,102,871. In worksheet I-3, the amount of \$30,000 is entered at cell E430, which as a result is allocated as a component of account 5705 'Amortization Expense – PP&E'. With this amount, the allocated total is \$940,824.

- a) Please state which is the correct cost to be used in the revenue requirement and for allocation to classes.
- b) Please explain what the \$30,000 component refers to, providing a reference if applicable to where the cost is described in the application.
- c) Please confirm that the \$30,000 amount is not attributable to account 1575 or 1576.

7.0-Staff-28

Ref: E7/T1/S1, Table 5; Appendix 2-P; CA Model worksheet O-1 – Revenue to Cost Ratios

The total revenue requirement matches in these two references, at \$6,981,397, but the amounts allocated to the respective classes do not match. In particular, the General Service > 50 kW class revenue requirement in Table A of Appendix 2-P is \$1,181,819 whereas the class revenue requirement in the CA model is \$957,151. A result is that the status quo revenue to cost ratio of that class in Table C of Appendix 2-P is 94.23%, whereas in the CA model it is 115.80%

- a) Please confirm that the status quo ratios in Exhibit 7 and the CA model should be used, and that Appendix 2-P should be disregarded as filed.
- b) If the statement in part a) cannot be confirmed, please file a revised CA model and a revised Table 5 in Exhibit 7.

- c) If the status quo ratios in Exhibit 7 and the cost allocation model are correct, please provide an updated version of Appendix 2-P.

Exhibit 8 – Rate Design

8.0-Staff-29

Ref: E3/T2/S1, p. 1, Table 1 and p. 4, Table 6; E8/T1/S2, p. 1, Table 1 – Fixed/Variable split

- a) Please provide a table that shows how the revenue amounts in the first two columns of Table 1 (Exhibit 8) are derived from billing loads in Exhibit 3 (Tables 1 and 6)

8.0-Staff-30

Ref: E1/T1/S2, Appendix A and E8/T1/S9, Table 2 – Revenue Reconciliation

The proposed volumetric rates in Exhibit 8 and in appendix 2-V appear to be inconsistent in Collus PowerStream's proposed tariff in Exhibit 1 and in the Bill Impact calculations in Appendix 2-W.

- a) Please state which volumetric rates are being proposed by Collus PowerStream, and if necessary please file a revised calculation of revenue (including Appendix 2-V).

8.0-Staff-31

Ref: E2/T4/S1, Table 3; CA model, account 4716; E8/T1/S3 and RTSR model – Transmission Costs

The cost projections used in the forecast cost of power as a component of Working Capital in Exhibit 2 appear to not match the forecast in Exhibit 8 (and in the RTSR Model) to derive COLLUS's proposed RTSRs. In particular, the forecast cost of Transmission Connection in Exhibit 2 Table 3 and in the CA model is \$105,506, whereas in the RTSR model the forecast wholesale cost is \$39,549 for line connection plus \$1,006,065 for transformation.

- a) Please state which cost forecast is correct, and provide any necessary revisions to the applicable model and exhibit.

Exhibit 9 – Deferral and Variance Accounts

9.0-Staff-32

Ref: E9/T1/S1, p. 28

On page 28, Collus PowerStream requests a “new sub-account for account 1555 to capture the remaining net book value of older smart meters that need to be replaced...”

In Decision and Order EB-2012-0017, issued June 21, 2012 the Board determined that “in granting its approval for the historically incurred costs and the revenue requirement projected for 2012, the Board considers COLLUS to have completed its smart meter deployment. Going forward, COLLUS is not to record any capital and operating costs for new smart meters and any costs for operations of smart meters in Accounts 1555 and 1556. Instead, the costs shall be recorded in regular capital and operating expense accounts (e.g. Account 1860 for meter capital costs) as is the case with other regular distribution assets and costs.”

- a. Please explain why Collus PowerStream deems a new sub-account necessary given the Board’s determination in EB-2012-0017.

9.0-Staff-33

Ref: E9/T1/S1 – Stranded Meters

In *Guideline G-2011-0001: Smart Meter Funding and Cost Recovery – Final Disposition* (“Guideline G-2011-0001”), issued December 15, 2011, the Board states its expectation that proposals for the SMRR would reflect an allocation of the stranded meter costs reflecting the net book value of the conventional meters stranded by replacement by smart meters. In Section 3.7, page 22, of Guideline G-2011-0001, the Board states:

The distributor should determine and support its proposed allocation, based on the principles of cost causality and practicality. The stranded meter NBV should be recovered through rate riders for applicable customer classes. A distributor must outline the manner in which it intends to allocate the stranded meter costs to the applicable customer rate classes and the rationale for the selected approach. If a distributor has recorded the NBV of the stranded

meters by customer class, it should propose class-specific rate riders for each applicable class (Residential, GS < 50 kW and any other classes approved by the Board for smart meter deployment). If the NBV is not known on a class-specific basis, a distributor should propose an allocation between the affected metered customer classes and support its proposal.

Collus PowerStream is proposing separate rate riders to recover the NBV of stranded meters from Residential and GS < 50 kW customers, as shown in Table 11 of this exhibit:

- Residential: \$0.98/month for a period of two years; and
- GS < 50 kW: \$2.94/month for a period of two years.

This is based on a NBV of \$469,325 for stranded conventional meters as of August 31, 2013. This reflects the December 31, 2011 NBV of \$504,566 less further depreciation expense of \$35,241 recovered in existing rates for the first eight months (January 1 to August 31) of 2013.

In Table 11, Collus PowerStream states that the class allocation is based on its "approved Smart Meter filing".

- a) Despite Collus PowerStream filing later, its Application is for rates based on a 2013 forward test year. For the purpose of determining the 2013 revenue requirement, the NBV of stranded meters are removed from rate base, cost allocation and the revenue requirement determination as of January 1, 2013. Please provide further explanation of Collus PowerStream's basis for recording further depreciation until August 31, 2013.
- b) Please confirm whether the allocation weights shown in Table 11 reflect the class-specific weighted meter costs of conventional meters or of smart meters.
- c) If the weights are based on the class-specific weighted smart meter costs, please provide the rationale for using these weights for allocating the net book value of stranded conventional meters.
- d) Please provide a copy of Sheet I7.1 from Collus PowerStream's Cost Allocation study from its previous Cost of Service application.
- e) Based on the information provided in d), please provide class-specific SMRRs for the Residential and GS < 50 kW using the customer weighted meter costs and number of customers to allocate the NBV of stranded meters to the Residential and GS < 50 kW customer classes. Please

adequately document the methodology for allocating the costs between the classes. Where available, spreadsheets for documenting the data and calculations should be provided in working Microsoft Excel format.

9.0-Staff-34

Ref: Account 1508, Sub Account Pension Contributions; E9/T1/S1, pp7- 8 and December 2005 APH FAQ # 13

The December 2005 APH FAQ # 13 states:

Q.13 Incremental cost assessments and cash pension contributions were authorized for inclusion in 1508, Other Regulatory Assets, sub-accounts as per Board letters of December 20, 2004 and February 15, 2005 respectively. To which date are the recordings authorized in these sub-accounts?

A.13 These recordings are authorized to **April 30, 2006** since effective on May 1, 2006 cost assessments and cash pension contributions amounts are included in the distribution rates of LDCs for the 2006/07 rate year.
[Emphasis added]

Collus PowerStream is requesting for its December 31, 2011 audited total balance of \$60,881 for Account 1508, Sub Account Pension Contributions.

Board staff notes that Collus PowerStream had the opportunity in its 2009 COS rates application to request for the disposition of Account 1508, Sub Account Pension Contributions balance.

- a) Please explain why the Board should approve Collus PowerStream's request for disposition of Account 1508, Sub Account Pension Contributions at this time.

9.0-Staff-35

Ref: Account 1508, Sub Account Deferred IFRS Transition Costs; E9/T1/S1, p.7, Table 3; E1/T3/S5, p. 1; DVA Work Form (WF) for 2013 Filers; October 2009 APH FAQ # 1 and E9/T1/S1, p.8-10

In Table 3, Collus PowerStream listed Account 1508, Sub Account Deferred IFRS Transition Costs as one of the Group 2 accounts to be disposed for a total of \$117,245.

Collus PowerStream indicated that it will adopt IFRS on January 1, 2015.

Board staff notes the Accounting Procedures Handbook – FAQ #1, dated October 2009 stated the following with respect to the disposition of Account 1508 Other Regulatory Assets, Sub-account Deferred IFRS Transition:

The Board has approved a deferral account for a distributor to record **one-time administrative incremental IFRS transition costs**, which are not already approved and included for recovery in distribution rates.

In the distributor's next cost of service rate application immediately **after the IFRS transition period**, the balance in this sub-account should be included for review and disposition. *[Emphasis added]*

- a. Please provide estimates of what additional costs Collus PowerStream is expecting to incur for its IFRS project.
- b. Given that Collus PowerStream's IFRS adoption will be on January 1, 2015 and given the APH guidelines, please explain why Collus PowerStream is seeking disposition of the \$117,245 balance in this current rate application instead of requesting disposition in the next rate proceeding when the IFRS transition period is complete.

9.0-Staff-36

Ref: Account 1588, RSVA Power and Account 1588, RSVA Power -Sub account Global Adjustment and E9/T1/S1, p.3, Table 2

Table 2 lists Accounts 1588, RSVA Power and Account 1588, RSVA Power, Sub account Global Adjustment for disposition in the amounts of \$141,511 and \$574,290 respectively.

- a. Does Collus PowerStream pro-rate IESO Charge Type 146 Global Adjustment into the RPP portion and non-RPP portion? If not, why not.

- b. If so, please provide the supporting spreadsheet for the year 2011 which prorates the IESO Charge Type 146 Global Adjustment into RPP portion and non-RPP portion.

9.0-Staff-37

Ref: Account 1592, PILs and Tax Variance for 2006 and Subsequent Years – Sub-account HST/OVAT Input Tax Credits; E1/T1/S2, p.3 and Chapter 2 of the Filing Requirements For Electricity Transmission and Distribution Applications, Sections 2.12.2, June 28, 2012

The 2013 COS filing requirements state:

The applicant must state whether entries have been made to record variances in the sub-account of Account 1592 to cover the period from July 1, 2010 to December 31, 2012 since the Test Year, which starts January 1, 2013 would include the HST impacts in rates going forward. If this is not the case, please explain. If the rate year begins May 1, entries to record variances in the sub-account of Account 1592 would cover the period from July 1, 2010 to April 30, 2013.

The applicant is required to provide an analysis to support the applicant's conformity with the December 2010 APH FAQs using the example shown in the FAQ #4.

Board staff noted that the variances recorded in 1592 sub account did not cover the period from July 1, 2010 to August 31, 2013 since the rate year starts September 1, 2013.

Board staff also noted that Collus PowerStream has not provided the detailed analysis required by S.2.12.2 of the 2013 COS filing requirements.

- a) Please file the updated balance for disposition for Account 1592, PILs and Tax Variance for 2006 and Subsequent Years – Sub-account HST/OVAT Input Tax Credits to cover the period of July 1, 2010 to August 31, 2013 using the analysis method in the December 2010 APH FAQ #4.
- b) Please provide the details for the analysis for the completion of the record.