

**Board Staff Interrogatories
2009 Electricity Distribution Rates
COLLUS Power Corp.
("COLLUS")
EB-2008-0226**

1 OPERATING COSTS

1.1 General – Historical OM&A Expenses Data

Ref: [http://www.oeb.gov.on.ca/OEB/Documents/EB-2006-0268/Comparison of Distributors with 2007 data.xls](http://www.oeb.gov.on.ca/OEB/Documents/EB-2006-0268/Comparison_of_Distributors_with_2007_data.xls)

The figures in Table 1 below are taken directly from the public information filing of COLLUS as part of the Reporting and Record-keeping Requirements ("RRR") initiative of the OEB. The figures are available on the OEB's public website.

Table 1

	2003	2004	2005
Operation	\$208,569	\$233,127	\$215,551
Maintenance	\$722,698	\$963,605	\$900,117
Billing and Collection	\$676,933	\$538,258	\$529,478
Community Relations	\$69,034	\$88,563	\$190,680
Administrative and General Expenses	\$749,122	\$787,820	\$926,646
Total OM&A Expenses	\$ 2,426,356	\$ 2,611,372	\$ 2,762,472

Please confirm COLLUS' agreement with the numbers for Total OM&A Expenses that are summarized in Table 1. If COLLUS does not agree with any figures in Table 1, please explain why not and provide amended tables with a full explanation of all changes.

1.2 General – OM&A Expenses

Ref: Exhibit 4/Tab 1/Schedule 1/ p. 1

Board staff took the figures from the evidence provided in Exhibit 4 of COLLUS' application and prepared Table 2 as a summary of COLLUS' OM&A expenses. Please note that rounding differences may occur, but are not material to the questions that follow.

Table 2

	2006 Board Approved	2006 Actual	2007 Actual	2008 Bridge	2009 Test
Operation	\$260,626	\$285,179	\$245,331	\$274,300	\$291,300
Maintenance	\$1,163,605	\$1,263,888	\$1,322,165	\$1,500,825	\$1,628,325
Billing and Collection	\$538,249	\$592,333	\$655,645	\$722,109	\$762,093
Community Relations	\$88,563	\$154,243	\$157,924	\$100,085	\$107,389
Administrative and General Expenses	\$1,200,627	\$952,430	\$904,732	\$932,991	\$1,008,741
Total OM&A Expenses	\$3,251,670	\$3,248,073	\$3,285,797	\$3,530,310	\$3,797,848

Board staff took the figures from the evidence provided in Exhibit 4 of COLLUS' application and prepared Table 3 which summarizes COLLUS' OM&A forecasted expenses. Please note that rounding differences may occur, but are not material to the questions that follow.

Table 3

Summary of OMA Expenses	2006 Board Approved	Variance 2006/2006	2006 Actual	Variance 2007/2006	2007 Actual	Variance 2008/2007	2008 Bridge	Variance 2009/2008	2009 Test	Variance 2009/2006
Operation	260,626	24,553 9.4%	285,179	-39,848 -14.0%	245,331	28,969 11.8%	274,300	17,000 6.2%	291,300	6,121 2.1%
Maintenance	1,163,605	100,283 8.6%	1,263,888	58,277 4.6%	1,322,165	178,660 13.5%	1,500,825	127,500 8.5%	1,628,325	364,437 28.8%
Billing & Collections	538,249	54,084 10.0%	592,333	63,312 10.7%	655,645	66,464 10.1%	722,109	39,984 5.5%	762,093	169,760 28.7%
Community Relations	88,563	65,680 74.2%	154,243	3,681 2.4%	157,924	-57,839 -36.6%	100,085	7,304 7.3%	107,389	-46,854 -30.4%
Administrative and General Expenses	1,200,627	-248,197 -20.7%	952,430	-47,698 -5.0%	904,732	28,259 3.1%	932,991	75,750 8.1%	1,008,741	56,311 5.9%
Total OM&A Expenses	3,251,670	-3,597 -0.11%	3,248,073	37,724 1.16%	3,285,797	244,513 7.44%	3,530,310	267,538 7.58%	3,797,848	549,775 16.93%

- a) Please confirm that COLLUS agrees with the figures presented in Table 2 and Table 3. If COLLUS does not agree with any figures in the tables, please explain why not and provide amended tables with a full explanation of all changes.
- b) Please complete Table 4 below by identifying and listing the key cost drivers that are contributing to the overall increase of 16.9% in total 2009 OM&A expenses over 2006 historical actuals. Please add additional rows to Table 4 if there are more than four cost drivers. Some examples of specific costs drivers include items such increase in staff compensation, hiring staff, increase in cost of contractors, increase in inflation, etc.

Table 4

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Opening Balances	3,251,670	3,248,073	3,285,797	3,530,310
e.g., hiring X staff				
e.g., X% increase in cost of contractors				
Closing Balances	3,248,073	3,285,797	3,530,310	3,797,848

- c) For the period 2006 to 2009, please provide detailed and specific explanations for each cost driver in Table 4 above.

1.3 General – Cost Efficiency Programs

Ref: Exhibit 4/Tab 2/Schedule 1/ p. 1-4

Please describe and quantify the benefits of any cost efficiency programs that COLLUS has undertaken, e.g. cost reduction, contract negotiations, system automation, cost savings or other programs that are either in place now or are contemplated at some future time.

1.4 Contracted Services

Ref: Exhibit 4/Tab 2/Schedule 2/ p. 1-2

- a. From 2006 through 2009, please identify the portion of total OM&A expenses that is related to contracted services.
- b. For each of the years, 2006 through 2009, please identify the selection process for the contracted services.
- c. For each contracted service, please identify the year in which the selection process was used to select a particular contractor.
- d. Please provide examples of contracted services for the period of 2006 through 2009 in which COLLUS negotiated cost savings or contemplates achieving costs savings. Regarding contracted services, please provide evidence, if any that demonstrates that COLLUS has implemented cost efficiency initiatives or it is contemplating undertaking initiatives that help COLLUS achieve savings at some future time.

1.5 Customer Billing

Ref: Exhibit 4/Tab 2/Schedule 2/ p. 2

From 2006 to 2009, COLLUS has indicated customer billing has increased 19.5% or \$79,896.

Please provide an explanation and justification for the increase.

1.6 Maintenance Costs

Ref: Exhibit 4/Tab1/Schedule 1/p. 1

Ref: Exhibit 4/Tab2/Schedule 3/p. 3

For the 2009 test year, COLLUS is proposing a \$364,437 (28.8%) increase over the 2006 actual maintenance costs.

- a) Please identify the cost drivers that are contributing to the overall increase of 28.8%.
- b) In regards to COLLUS' tree trimming program;

- i) Identify the amount of funds dedicated to the program from 2006 through 2009.
- ii) Please file with the Board a tree trimming study and/or plan that was completed by the distributor.

1.7 Purchase of Services

Ref: http://www.oeb.gov.on.ca/documents/minifilingrequirements_report_141106.pdf

Pursuant to section 2.5 (Exhibit 4 Operating & Maintenance and Other Costs, Section A) of the Filing Requirements, please file the necessary information relating to the purchase of services or products.

1.8 Regulatory Costs

Ref: Exhibit 4/ Tab 2/ Schedule 2/ p. 2 "Account 5655"

Please identify the regulatory costs associated with the preparation of the 2009 cost of service application.

1.9 Shared Services / Corporate Cost Allocation

Ref: http://www.oeb.gov.on.ca/documents/minifilingrequirements_report_141106.pdf

Pursuant to section 2.5 (Exhibit 4 Part A and D) of the Filing Requirements for Transmission and Distribution Applications (see reference above), applicants are to file the following information:

- a) The type of shared service and the total annual expense by service.
- b) A detailed description of the assumptions underlying the corporate cost allocation as well as provide documentation of the overall methodology and policy.

Please complete Table 5 below for the years 2006 through 2009 describing all services that COLLUS provides and receives from its parent company as well as affiliate companies. Please duplicate the table for each year 2006 to 2009. Please use additional rows, if necessary.

Table 5

Year: _____

Name of Company		Type of Service Offered	Pricing Methodology	Price for the Service (\$)	Cost for the Service (\$)	% Allocation	Explanation
From	To						

Type of Service Offered: Services such as billing, accounting, payroll, etc.

Pricing Methodology: Pricing Methodology includes approaches such as cost-base, market-base, tendering, etc. Please provide evidence to demonstrate the pricing methodology that was used.

Price for the Service: The amount the entity pays for the service that it receives.

Cost for the Service: The cost of to provide the service.

%Allocation: % of the costs that is allocated to the entity for the service being offered.

1.10 Corporate Cost Allocation

Ref: EB-2005-0001 Decision with Reason for Enbridge Gas Distribution Inc. Chapter 10 p.69-91

The five principles listed below formed the basis of the Board's acceptance of Enbridge's corporate cost allocations in EB-2005-0001.

1. The service is specifically required by the utility;
2. The level of service provided is required by the utility;
3. The costs are allocated based on cost causality and cost drivers;
4. The cost to provide the service internally would be higher and the cost to acquire the service externally on a stand-alone basis would be higher; and
5. There are scale economies.

Please provide information as to how COLLUS' corporate cost allocation policy meets each of these principles.

2 COST OF CAPITAL (CAPITAL STRUCTURE AND WEIGHTED AVERAGE COST OF CAPITAL)

2.1 Long Term Debt Rate

Ref: Exhibit 6/Tab 1/Schedule 3/ p.1

Ref: Exhibit 1/Tab 3/Schedule 1/ Appendix A" Audited Financial Statements at December 31, 2007", Note 5, page 9.

Ref: Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors December 20, 2006, page 14
http://www.oeb.gov.on.ca/documents/cases/EB-2006-0088/report_of_the_board_201206.pdf

A debt rate of 6.25% is shown as applicable to affiliated debt payable to the Town of Collingwood.

Note 5 of COLLUS' 2007 Audited Financial Statements makes reference to the following debt:

"7.25% note payable to the Town of Collingwood, no set terms of repayment."

Section 2.2.1, the *Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors*, which deals with Long-Term Debt, states, in part:

"For all variable-rate debt and for all affiliate debt that is callable on demand the Board will use the current deemed long-term debt rate. When setting distribution rates at rebasing these debt rates will be adjusted regardless of whether the applicant makes a request for a change." [Emphasis in original]

- a) Please provide a copy of the long-term note payable instrument.
- b) Based on the terms of the long-term note payable and the guidelines in the Board Report, please state why COLLUS believes that a rate of 6.25% should be applied to this debt, as compared to the 6.10% rate contained in the Board's March 7, 2008 letter, as updated in 2009. In this context, please specifically comment on the absence of fixed terms of repayment for this debt and why, in the Applicant's view, the rate for this debt should not be determined as per Section 2.2.1 of the guidelines.

2.2 Debt Cost Rate

Ref: Exhibit 6/Tab 1/Schedule 1/p. 2

COLLUS states that *“To determine the appropriate interest rate of this new loan, information was located from Infrastructure Ontario regarding their OSIFA Loan Program for Municipal Corporations. The loan interest rate has been forecasted as 5.08% based on OSIFA information.”*

Please provide a more detailed explanation of how this rate was determined including the relevant calculations.

2.3 Long-Term Debt

Ref: Exhibit 6/Tab 1/Schedule 3/ p. 1

Ref: Exhibit 6/Tab 1/Schedule 2/ p. 1

For each of the amounts of Total Long Term Debt Outstanding at the end of 2006, 2007, 2008 and 2009:

- a) Please provide a breakdown of the debt and amounts that constitute the total.
- b) Please provide a similar breakdown and calculations for Total Interest Cost and Weighted Debt Cost Rate.
- c) Please discuss the reasons for the differentials between the total 2009 Long Term Debt Outstanding of \$2,810,170 in Table 2 and the total debt of \$9,052,743 for 2009 from the evidence provided in Exhibit 6/Tab 1/Schedule 2/Table 1 of the application.

3 RATE BASE AND CAPEX

3.1 Capital Expenditures

Ref: Exhibit 2/Tab 3/Schedule 1/ p. 3

COLLUS is proposing a substantial increase in its capital program which is forecast to rise from a 2008 Bridge Year level of \$1.9 million to \$3.0 million in the 2009 Test Year.

- a) Please provide the breakdown for each 2006 through 2009 showing the total of capital expenditures that are “one-time programs” vs. “ongoing programs”.
- b) Please discuss the extent to which COLLUS considered a phased approach to its capital program and if a phased approach was considered, why it was not adopted. If a phased approach was not considered, please explain why not.
- c) Please describe how the costs of capital investment programs for 2009 were estimated. Please provide evidence and supporting documents such as calculations, market-based contractor bids, etc.
- d) COLLUS is proposing a substantial increase in its capital program for the test year. Please provide an explanation on the measures that COLLUS has taken or will undertake, e.g. use of tendering process and deploying the lowest bid contractor, negotiations with suppliers on purchase of material and equipment, etc. to execute capital program projects in the most cost-effective way. Please file with the Board any evidence that demonstrates COLLUS’ effort in undertaking and implementing measures that would achieve cost savings for COLLUS’ capital programs.
- e) Please state why COLLUS believes that it has the capacity to complete such a large capital program in 2009. In this context, please provide an update as to where the 2008 capital program stands on a completion basis as of September 30, 2008. Please also discuss whether or not COLLUS anticipates having any carryover projects from 2008 and, if so, what their impacts would be in 2009.

3.2 New Information Technology System

Ref: Exhibit 2/Tab 1/Schedule 1/p. 6-7

On pages 6 and 7 of the evidence provided in the Exhibit 2 of the application, COLLUS states that:

“An extensive review of COLLUS Power Corp information technology (“IT”) needs was required after its’ current CIS software provider (Advanced Utility Systems owned by Harris Computer Systems) notified COLLUS Power Corp that, in the near future, the current Infinity System would not be maintained for the Ontario De-Regulated Market processes... In short, the review determined that COLLUS Power Corp will implement the Harris Computer System’s NorthStar 6 system to provide the required infrastructure. In keeping with COLLUS Power Corp’s co-operative spirit in order to help minimize future costs, the CIS system will be combined in a single template format with Utility Collaborative System’s five other Ontario LDC’s. By working together and utilizing the same system setup there will be major cost avoidance as the members split all on-going costs.”

- a) Please describe the review process including whether or not there was any consideration of systems other than those provided by Harris Computer Systems. If COLLUS did consider other systems, please explain on what basis the Harris system was selected, if other systems were not considered, please explain why not.
- b) Please identify the five other Ontario LDCs referenced above.
- c) Please explain why there will be major cost avoidance by working together with the other five Ontario LDCs and quantify the benefits.
- d) Please provide the basis upon which costs will be split between the other LDCs.

3.3 Asset Management Program

Ref: Exhibit 2/Tab 1/Schedule 1/p. 8

It is stated that “Currently COLLUS Power Corp does not have a formal Asset Management Program in place, but it is in the process of implementing a formal process in the near future.”

- a) Please state why COLLUS does not have such a plan and when it would anticipate having one in place.

- b) Please indicate whether COLLUS has undertaken any asset condition studies.

3.4 Capital Expenditure Forecasts

Ref: Exhibit 2/Tab 3/Schedule 1/ p. 3/Table 1

Please extend Table 1 to include the CAPEX forecasts for 2010, 2011, and 2012.

3.5 Truck Replacement

Ref: Exhibit 2/Tab 3/Schedule 1/ p. 9

Ref: Appendix E2 – E-mail from Larry Irwin to Tim Fryer dated July 31, 2008

It is stated that in 2008 \$400,000 was planned to be spent for replacement of a 1992 double bucket truck with a new vehicle. Appendix E-2 (referenced in page 11) provides a breakdown of the winning tender which was for \$377,014.

Please provide similar summaries for the other tenders and state why the Posi Plus Technologies tender was selected.

3.6 Substations

Ref: Exhibit 2, Appendix C-1/ p. 2

On the above referenced page a forecasted peak load table for COLLUS' distribution system is presented:

- a) Please state the time period for which this forecast load is applicable.
- b) It is stated in Appendix C-2 that "With the completion of M.S.#5 in 2007 it will take load off M.S.#1." In this context, please state why the forecasted peak load table in Appendix C-1 shows no increase in the 16% loading of M.S.#5 from the 2007 peak load in spite of the 128% loading of M.S.#1 and provide COLLUS' plan for relieving overload from MS#1 using MS#5.
- c) Please describe whether COLLUS has undertaken any studies that investigate deferring significant proposed investment for additional

stations in 2009 by load transferring to the under-utilized stations; especially stations 5, 6, and 7. If not, please state why not.

3.7 Service Quality and Reliability

Ref: Exhibit 1/Tab 2/Schedule 1/p. 2/Table 1.2.1-1

Please provide the following information on service reliability indicators recorded and used by COLLUS:

- a) a listing of the Service Reliability Indicators maintained and used, and their actual values for the years 2002 through 2007;
- b) COLLUS' 2008 and 2009 reliability improvement targets, if any, for the SAIDI, SAIFI and CAIDI indicators; and
- c) If COLLUS has established reliability improvement targets, a copy of the plan that identifies programs or projects that COLLUS will undertake to achieve these targets.

4 SMART METERS

Ref: Exhibit 1/Tab 2/Schedule 1/ p. 5

Ref: Ontario Energy Board – Guideline, Smart Meter Funding and Cost Recovery, G-2008-002, p. 9-10,

[http://www.oeb.gov.on.ca/OEB/ Documents/Regulatory/OEB Guideline SmartMeters.pdf/](http://www.oeb.gov.on.ca/OEB/Documents/Regulatory/OEB_Guideline_SmartMeters.pdf/)

On page 5 of Exhibit 1/Tab 2/Schedule 1 of its application, COLLUS stated that:

“In this application COLLUS Power Corp requests approval to continue with the Smart Meter adder provided in the 2008 EDR (EB-2007-0856) approved rates. Sometime in the near future further application will be made to the Ontario Energy Board for adjustment based on the outcome of the determination process of selecting an approved technology solution for COLLUS Power Corp.”

With reference to the Board guideline on smart meter funding and cost recovery (pages 9-10):

- a) Please provide a statement that the COLLUS is not planning to start a smart meter program in the rate test year.
- b) Please indicate the steps COLLUS intends to take in order to mitigate future rate impacts related to the implementation of smart meters in its service area.

5 PILS

5.1 Appropriateness of tax rate

Ref: Exhibit 4/Tab 3/Schedule 1/P. 1/ Table 1

COLLUS used a combined income tax rate of 33.0% in its application for 2008 even though its taxable income is below the \$1.5 million threshold for this tax

rate. Please explain why COLLUS believes that the 33% rate is the correct one to use, or if not, please provide a revised version of this evidence making use of the appropriate rate.

5.2 Correctness of taxable income

Ref: Exhibit 4/ Tab 3/Schedule 1/ p. 1

On this page, COLLUS provides its tax calculations including information for the years "2006 Board Approved", "2008 Bridge" and "2009 Test."

- a) Please provide a revised version of this table incorporating 2006 and 2007 actuals.

The taxable income numbers in Table 1 show a wide variability. The 2006 Board Approved number is shown as \$301,675, the 2008 Bridge as \$117,240 and the 2009 Test as \$827,097.

- b) Please confirm that these numbers are correct and, if so, please provide an explanation for these variances.

5.3 Consistency of income and depreciation numbers

Ref: Exhibit 4/Tab 3/Schedule 1/ p. 1

- a) Please show the calculation of the distribution income before taxes of \$827,097 for the 2009 test year. Please also show the calculation of 2009 test year income before taxes based on the following calculation:
 - i) Rate base multiplied by the percentage that equity comprises in the capital structure multiplied by the percentage return on equity.
 - ii) If there is a difference between the dollar figure in a) and the result in i) above, please explain why there is a difference.
- b) The 2009 depreciation and amortization amount of \$1,101,668 that appears on this schedule is different from the 2009 depreciation and amortization amount of \$983,056 that appears on Exhibit 7 Tab 1 Schedule 1 Page 1. Please either provide an explanation for these differences or provide the calculations of the correct depreciation

amounts that should be used in the tax calculations and in other parts of the evidence. Please also confirm that these numbers are consistent throughout the evidence.

6 WEATHER NORMALIZATION AND MODELLING

6.1 Weather Normalization

Ref: Exhibit 3/Tab 2/Schedule 1/Appendix A/p.p. 1-2, 3rd Paragraph of page 1

On pages 1 and 2 of the evidence provided in the Exhibit 3 of the application, COLLUS states: *"COLLUS Power Corp originally contracted with Hydro One to prepare weather normalized data as part of its Cost Allocation filing in March of 2007. Then again to adjust for ALCOA Wheel Products closure in June of 2007. By using the latest Hydro One forecast that is specific to COLLUS Power Corp, the 2004 weather normalized data has been used to forecast the required information for 2008 Bridge Year and 2009 Test Year. The process to obtain the weather normal data was an intensive effort for all parties involved, and COLLUS Power Corp is making use of this opportunity to leverage the value of that work by using it for this Application. COLLUS Power Corp submits that three additional years of actual data, being 2005, 2006 and 2007, would not have a significant impact on the existing normalized data from 2004, as the Hydro One forecast takes into consideration 30 years of historical data for COLLUS Power Corp."*

- a) Please provide Hydro One's report and any data supporting the calculation of the normalized historical load.
- b) Please provide the details related to the adjustment for the ALCOA Wheel Products closure.
- c) Please provide 2003, 2005-2007 normalized average use per customer ("NAC") data using the approach that was used to calculate the 2004 NAC.
- d) Using the Trend result of 2003-2007, please provide a forecast of the NAC for 2008 and 2009. Please recalculate the load forecast based on the new 2008 and 2009 NAC.
- e) Please explain why COLLUS believes that the 2005 to 2007 actual data would not have a significant impact on 2008 and 2009 forecasts considering 30 years of historical data.

6.2 Economic and Growth Projections

Ref: Exhibit 3/Tab 2/Schedule 1/Appendix A/ Page1- 1st Paragraph

On page 1 of the evidence provided in Exhibit 3 of the application, COLLUS states: *"COLLUS Power Corp has used a simple trend growth in customer connections, by class, in addition to known applications for subdivision expansions within our service territory and discussions with the Municipal Planning departments to forecast Bridge Year and Test Year customer numbers."*

- a) Please file with the Board the supporting material related to "known applications for subdivision expansions" and provide the details relating to the known applications.
- b) Please demonstrate how COLLUS has used the information related to the applications for subdivision expansions to forecast customer numbers for the 2008 and 2009.

6.3 Customer Count

Ref: Exhibit 3/Tab 2/Schedule 2

On pages 1 and 2 of the evidence provided in the Exhibit 3 of the application, COLLUS states: *"For Residential, GS < 50kW and GS > 50kW customer classes, the 2008 and 2009 customer numbers are forecast based on the average growth rate for the period from 2003 and 2007. Customer numbers for Street Lighting and Unmetered Scattered Load ("USL") classes in 2008 also represent current (early 2008) numbers of connections in each of these classes. COLLUS Power Corp expects the number of customers in the USL classes to decrease within the next year, as metering units continue to be added where possible. Customer growth for the Street Lighting Class is calculated based on the annual average arithmetic mean of growth from 2002 to current year (2008)."*

- a) Please identify the class or classes to which the metered USL class will be transferred in 2008 and 2009.
- b) Please confirm that cost allocation for 2009 rate classes includes the impact of the USL class transfer.

6.4 kWh Load and Revenue

Ref: Exhibit 3/Tab 2/Schedule 2

On page 6 of the evidence provided in the Exhibit 3 of the application, COLLUS states: *"Consumption for USL, and Street Lighting are not weather sensitive. A similar methodology is used to calculate an NAC for each of the USL and Street Lighting Classes."*

Please provide the Normalized Average Use per Customer (NAC) for USL and Street Lighting Classes and show the details of the calculation of NAC for these classes.

6.5 kW Load and Revenue

Ref: Exhibit 3/Tab/2/Schedule 2/p. 6

On page 6 of the evidence provided in the Exhibit 3 of the application, COLLUS states: *"Billed kW is estimated based on a load factor calculated using a ratio of historical billed kW to historical retail kWh, by class."*

Please provide details for the development of the kW values shown in the table including the process and values used to establish any kWh/kW conversion factors that may have been used.

6.6 Other Distribution Revenue

Ref: Exhibit 3/Tab/3/Schedule 5/p. 1

On page 1 of the evidence provided in the Exhibit 3 of the application, COLLUS states: *"COLLUS Power Corp submits that interest revenue earned due to Retained Earnings should not be considered as a revenue offset as it is separate from normal operations. The Retained Earnings have resulted from operations throughout the year and should be allowed to earn interest revenue that would not be treated as a revenue offset."*

- a. Please explain what COLLUS means by *"interest revenue earned due to Retained Earnings should not be considered as a revenue offset"*.
- b. Please explain in more detail and provide justification, including any necessary evidence, for why COLLUS believes that *"interest revenue*

earned due to Retained Earnings should not be considered as a revenue offset".

- c. Please provide the regulatory precedent for not using interest on surplus cash to reduce the revenue requirement.
- d. Please provide an explanation whether COLLUS reduced its debt expenses when it did not consider "*interest revenue earned due to Retained Earnings as a revenue offset*".

6.7 Customer Count, kWh load, kW load and Revenue

Ref: Exhibit 3/Tab 1 & 2

Some of COLLUS' evidence may be requires to be adjusted in light of responses to the preceding customer count, load and revenue forecasting interrogatories.

Please re-file any tables in Exhibit 3 that are required to be updated as a result of changes in the COLLUS' evidence.

7 DEFERRAL AND VARIANCE ACCOUNTS

7.1 Disposition of Deferral and Variance Accounts

Ref: Exhibit 5/Tab 1/Schedule 1

Please indicate which deferral and variance accounts COLLUS is requesting disposition of, the amounts being requested for disposition, and brief descriptions of these accounts.

7.2 Continuity Schedule for Regulatory Assets

Ref: Exhibit 5/Tab 1/Schedule 1

For all deferral and variance accounts being requested for disposition, please complete the attached continuity schedule for regulatory assets. Please note that including forecasted principal transactions beyond 2007 and the accrued interest on these forecasted balances in the attached continuity schedule is optional.

8 COST ALLOCATION

8.1 Cost Allocation Informational Filing

Ref: Exhibit 8/Tab 1/Schedule 1

Please file Sheets O1 and O2 from the Cost Allocation Informational Filing EB-2006-0247 as part of the record of this application. Please file Run 1 or 2, whichever one is more closely representative of COLLUS' situation. Alternatively, as a means of avoiding the difficulties described in the third paragraph of the reference page, file a modified run that is more closely representative than either of the runs in the Informational Filing.

8.2 Monthly Fixed Service Charge

Ref: Exhibit 9/Tab 1/Schedule 1/ Page 5 Table 6

With reference to Sheet O2 of the Cost Allocation Informational Filing EB-2006-0247 "Fixed Charge Floor/Ceiling" that COLLUS is required to file with the Board, please provide an explanation of any variances for the proposed Monthly Fixed Charge for GS<50, GS>50, and Large Use rate classes that may exceed the ceiling as set out in Sheet O2 Fixed Charge Floor/Ceiling.

8.3 Revenue to Cost Ratios

Ref: Exhibit 8/Tab 1/Schedule 2/Page 5

COLLUS proposes to set rates for its street lighting class that will "achieve movement that equates to a 50% change between an existing [revenue to cost ratio of] 15.48% and the 70% lower level of the OEB's target range for this class". COLLUS states that it will wait until its next stage of adjustment to take the final steps to re-align this rate.

Please provide COLLUS' plan, including timelines, to further re-align its revenue to cost ratios to the appropriate ranges.

9 RATE DESIGN

9.1 Transformer Ownership Allowance

Ref: Exhibit 9/Tab 1/Schedule 1/ Page 7

COLLUS Power has proposed an adjustment to its transformer allowance which reduces the current approved rate of (\$0.60) to \$(0.35) per kW for its GS>50 kW class. Please provide the calculation that COLLUS used to achieve this rate including a copy of worksheet O3.1 from COLLUS' Cost Allocation Information Filing EB-2006-0247.

9.2 Retail Transmission Service Rates

Ref: Exhibit 4/Tab 2/Schedule 8/Page 1

*Ref: Ontario Energy Board Guideline (G-2208-001) - Electricity Distribution Retail Transmission Service Rates, p. (III-IV),
http://www.oeb.gov.on.ca/OEB/_Documents/Regulatory/Board_Guideline_EDRTS.pdf*

On August 28, 2008, the Board issued its Decision and Rate Order in proceeding EB-2008-0113, setting new Uniform Transmission Rates (UTR) for Ontario transmitters, effective January 1, 2009. The change in the UTRs affects the retail transmission service rates (RTSR) charged by distributors. Given that COLLUS is fully embedded within Hydro One Distribution, its wholesale cost of transmission service is affected by the approved UTRs change.

On October 22, 2008, the Board issued its guideline on Electricity Distribution Retail Transmission Service Rates, outlining the evidence it expects distributors to file in support of their cost of service applications.

COLLUS is expected to file an update to that application detailing the calculations for adjusting its RTSRs.

- a) Please file a variance analysis using 2 years of actual data examining what, if any, trend is apparent in the monthly balances in the RTSR deferral accounts

- b) Please file a calculation of the proposed RTSR rates that includes the adjustment of the UTRs effective January 1, 2009 and an adjustment to eliminate ongoing trends in the balances in the RTSR deferral accounts