

EB-2008-0226

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c.15, Schedule B, as amended;

AND IN THE MATTER OF an Application by COLLUS
Power Corp. for an Order or Orders approving or fixing just
and reasonable rates and other service charges for the
distribution of electricity as of May 1, 2009.

COLLUS Power Responses Submitted November 28, 2008 To ENERGY PROBE Regarding

**INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

October 20, 2008

**COLLUS POWER CORPORATION
2009 RATES REBASING CASE
EB-2008-0226**

ENERGY PROBE RESEARCH FOUNDATION

Interrogatory # 2

Ref: Exhibit 2, Tab 2, Schedule 1

- a) Please explain why there are no disposals shown in the cost and accumulated depreciations sections for any of the 2006 through 2009 continuity schedules.
- b) If COLLUS replaces an existing vehicle with a new one and the replaced vehicle is disposed of, how is the disposal reflected in the gross asset and accumulated depreciation figures?
- c) In the situation described in (b) above, how are the proceeds from the disposal of the vehicle accounted for? In particular, what account reflects the proceeds from the sale?

[illegible]**COLLUS Response: IR #2**

- a) The annual review of capital assets for year end financial result purposes did not indicate any other disposal requirements during 2006 and 2007. There was a truck replacement in 2007 that was not noted on the continuity schedule (Ex. 2 Tab 2 Sch. 1 Pg 2 of original application) as the net amount \$46,769.54 in the Cost additions column for A/C #1930. When the new vehicle was purchased it was at a cost of \$69,206.40. A 1990 Ford Flat-bed was replaced and it had a book value of \$22,436.70 thus the net amount indicated above. This vehicle was fully depreciated so the Addition amount in the Accumulated Depreciation section of the table of \$35,567.64 also is a net amount and should have been adjusted for \$22,436.70. The net impact on the schedule of this is \$0.

The estimated 2008 bridge year and forecasted 2009 test year do not anticipate any disposal. The expectation is that if any asset did require disposal it would be a fully depreciated asset with no residual value.

- b) When a replaced vehicle is disposed of it usually is fully depreciated so both the original cost and accumulated depreciation are removed.***

[illegible]

Ref: Exhibit 2, Tab 3, Schedule 1, Table 1

- [illegible]

[illegible]

Ref: Exhibit 2, Tab 2, Schedule 1, Table 3 & Table 4

- [illegible]

a) The depreciation rate for each account are as follows:

b) Provided as attachments EP IR #5(b) -Schedules 1 a to c are the Depreciation schedules for 1820, 1925 & 1930 which includes the depreciation calculations for 2008 and 2009.

[illegible]

Ref: Exhibit 2, Tab 3, Schedule 1

- a) what capital expenditures forecast for 2008 could be postponed to 2009 or beyond? Please distinguish between the amounts that could be postponed to 2009 from those that could be postponed to beyond 2009.
- b) what capital expenditures forecast for 2009 could be postponed to 2010 or later?

COLLUS Response: IR # 6

- [illegible]

Interrogatory # 9

Ref: Exhibit 2, Tab 3, Schedule 1, page 10

- a) Please confirm that the double bucket truck has been purchased and is in service.
- b) Please provide the total cost associated with this vehicle, excluding GST.
- c) What has COLLUS done with the vehicle that was replaced? If the vehicle was disposed of, how have the proceeds from disposition been accounted for?
- d) Please explain the need for the additional vehicle purchased referenced on line 26. Please explain why there was nothing in the budget for this vehicle. Please also indicate whether or not such a vehicle has been purchased and if so, at what cost, excluding GST.
- e) Does the addition of this vehicle have any impact on the budgeted addition in 2009 of another vehicle? Please explain.
- f) Has COLLUS purchased the replacement for the forklift? If yes, what was the total cost (excluding GST)? If not, will the replacement still be purchased before the end of 2008?

COLLUS Response: IR #9

- a) *The new double bucket vehicle will be into service by late November 2008.*
- b) *The total expected cost and more details about the transaction/plan are indicated in the Schedule provided in our response to Board staff IR #3.5.*
- c) *At this time the intention is to utilize the current vehicle as a backup and for when 2 doubles are required. Assessment will be made regularly to determine if the vehicle provides sufficient benefit to justify the cost of maintaining it. This will provide an opportunity to not have to use the new vehicle in situations that could have a higher risk of the vehicle being damaged. Also there may be reduced instances of a crew utilizing either of the vehicles to have to breakdown from a job to answer an emergency response call.*
- d) *The reference about a new vehicle was in regard to the planned purchase of a new forklift which is further explained in the response below to #9 f).*

- f) *The tender process for the forklift is being undertaken in late November. The plan is still to acquire the forklift in 2008. Further to this the current forklift will be maintained and utilized. By locating it in an area that would normally require the operator to drive it a distance, this will reduce in the cost of use.*

[illegible]

Interrogatory # 10

Ref: Exhibit 3, Tab 2, Schedule 2, Table 1

- b) Please provide the number of customers for each rate class that existed for the corresponding month in 2007.

[illegible]

COLLUS Response: IR #10

- b) This is provided in the updated Table 1 which is referred to in a)***

[illegible]

COLLUS Power does not expect any gains on the Sale of Assets in 2008 or 2009.

[illegible]

Ref: Exhibit 3, Tab 3, Schedule 5

- [illegible]

a) *COLLUS Power provides **Schedule EP IR #13(a) – 1** to assist in answering this question. We have included a breakdown of interest expense as well for further reference, since the regulatory accounts carrying charge calculations can have either an income and/or expense impact.*

c) COLLUS Power's response to Board staff IR #6.6 fully explains that this request will be removed when Final application calculations are made and will then be included as a revenue offset.

[illegible][illegible][illegible][illegible][illegible]

Ref: Exhibit 4, Tab 2, Schedule 3, page 10

Please provide a breakdown of the regulatory expenses of \$160,000 estimated cost of the 2009 COS rate application process into each of its component parts such as preparation of evidence, intervenor costs, legal, etc.

[illegible]

COLLUS Power's response to Board staff IR #1.8 fully details this.

[illegible]

Ref: Exhibit 4, Tab 2, Schedule 2

- a) The increase in maintenance costs in 2008 (\$178,660) is more than triple the increase recorded in 2007. Please explain this significant increase.
- b) The increase in maintenance costs in 2009 (\$127,500) is more than double the increase recorded in 2007 and is in addition to the significant increase forecast for 2008. Please explain this significant and incremental increase.

[illegible]

a) *In July of 2008 2 additional line personnel were hired. Approximately 50% of the increase is associated with these additions to staff. These hires were essential due to increasing workload requirements. The Electrical Safety Authority continues to be a source of pressure for our contingent of laborers. There is information in our response to Board Staff IR # 1.2 b & c in which we outline the reasons for increases in more detail.*

- b) In 2009 the additional staff referred to in a) will be impacting expense for the whole year instead of ½ of a year like in 2008. Well over 50% of the increase is attributable to this.***

[illegible]

Ref: Exhibit 4, Tab 2, Schedule 4, Table 1

- [illegible]

b) There is detailed information in COLLUS Power's response to Board staff IR # 1.09 and 1.10. We believe the information provided in that response will cover the question noted above.

[illegible]

Ref: Exhibit 4, Tab 3, Schedule 2

[illegible]

When preparing the initial application document COLLUS Power Corp used previously employed methodology in former applications. Generally for simplicity reasons the OEB models did not perform a fine detail tax calculation rather would just utilize the standard rates. For instance it wouldn't go into the detail of calculating the clawbacks of either federal or provincial small business credits.

Therefore the initial application document did not perform the calculations that are noted in the above question. Adjustment for the impact of these calculations will be made in the Final application to calculate tax on this basis. COLLUS Power's response to Board staff IR #5.1 includes information that verifies the expected impact of this adjustment. In addition it contains information on the years 2006 and 2007.

Interrogatory # 20

Please confirm that all distribution assets acquired post February 22, 2005 were recorded in CCA class 47 in 2005, 2006 and 2007. If this cannot be confirmed, please provide the year and the amount in the year which was recorded in another class, and provide that class.

COLLUS Response: IR # 20

For ease of reference in response to this IR please find attached **Schedules EP IR #20 – 1a,b&c**. These are copies of the T2 Schedule 8's for each of the required years. The information in each of the schedules indicates the amount of posting to class 47 as well as the smaller amounts that go to some of the other classes.

Energy Probe IRs – COLLUS Power Responses

Ref: Exhibit 5, Tab 1, Schedule 1

- a) Please provide any applications filed by COLLUS for the establishment a deferral/variance account or request to include such costs in an existing deferral/variance account and the response received from the Board.
- b) Please provide the actual return on equity for COLLUS in each of 2006, 2007 and forecast for 2008.
- c) Please provide copies of the previous rulings in which the OEB agreed that COLLUS needed to earn their deemed rate of return, as referenced in lines 19 to 21 on page 2.
- d) A review of the other distribution revenue shown in Exhibit 3, tab 3, Schedule 5 shows that by taking the Board approved amount of \$327,742 and considering it for a period of 36 months (2006 through 2008) the expected revenue from other distribution revenue would total \$983,226. The total actual other distribution revenue over this period was \$1,592,733. The difference between the expected revenue and the actual revenue is more than \$600,000 of additional income. Why has COLLUS not considered this as an offset to the loss of \$400,000 due to the loss of the large user?

COLLUS Response: IR #21

a) ***COLLUS Power Corp did not make any application for any non-standard deferral account. As per the terms of the Accounting Procedures Handbook the Tier 2 rate rider that was approved for 1 year of collection and then must be tracked in a variance account after the year expires. The account 2405 was chosen to represent the***

monthly amount being collected from the customer base and include the carrying charge expense.

- b) The rate of return for 2005 was 4.2%, 2006 was 4.95%, 2007 was 5.75% and at current rates the expected return will be 2.4%. As you will note all of these are will below the OEB approved deemed rate of return as noted in the original application. This highlights the impact of losing our largest distribution service income customer.**

- c) There are not any decisions.**

- d) As noted earlier COLLUS Power will not be seeking to recover the account balance in #2405 as originally requested and part of the reason for this decision is based on this. To answer the question a major part of the net recovery outlined in question #21d) is due to carrying charge interest revenue which is not an earned rate of return for the utility.**

[illegible]

Interrogatory # 22

Ref: Exhibit 6, Tab 1, Schedule 1

COLLUS acknowledges that the return on equity will be updated in accordance with the Board Report related to the guidelines for the cost of capital. Does COLLUS also agree that the cost of short term debt will be updated in accordance with the Board Report?

[illegible]**COLLUS Response: IR #22**

Yes it does.

[illegible]

Ref: Exhibit 6, Tab 1, Schedule 3

- [illegible]

[illegible]

Ref: Exhibit 8, Tab 1, Schedule 2, page 5

- a) Please clarify if COLLUS defines the next stage of adjustment as the next rebasing application or if it proposes to increase the revenue to cost ratio for the street lighting class in 2010 and 2011 to 56.37% and 70.00%, respectively.
- b) If COLLUS plans to increase the revenue to cost ratio for the street lighting class in 2010 and 2011, please confirm that the incremental revenues would be used to reduce the revenue to cost ratio for residential customers.

- a) *Yes the next stage of adjustment will be to move as noted. This is based on the OEB's previous decision on some of the 2008 Cost of Service applications.*
- b) *Yes the intention would be that the impact would increase distribution revenue from the street light class and decrease the residential class.*

[illegible]

Energy Probe IRs – COLLUS Power Responses 20

5705-0-0 \ 2105-0-3

146,722.04	267,296.17	150,204.11	181,866.64	47,230.09	1,062,654.87	-	1,900,000.00
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5705-0-0 / 2105-0-10

[illegible]

9070-0-0 / 2105-0-12

YEAR	BAL FWD	2000	2001	2003	2004	2005	2006	2007	2008	2008	2009	YEARLY DEPREC	ACCUM DEPREC	UCC
DELETIONS	594,193.06	31,392.79	16,584.00	(32,389.65) 56,917.89	(14,769.38) 66,784.58	(84,532.87) 148,899.60	36,146.99	(22,436.76) 69,206.40	400,000.00	50,000.00	50,000.00	-	1,365,996.65	
ADDITIONS	43,088.00													
1999	43,088.00											43,088.00	551,562.06	814,434.59
2000	41,163.00	6,276.79										47,439.79	599,001.85	766,994.80
2001	1,468.00	6,279.00	6,188.00									13,935.00	612,936.85	753,059.80
2002		6,279.00	10,396.00									16,675.00	629,611.85	736,384.80
2003		6,279.00		11,381.89								17,660.89	614,883.09	751,113.56
2004		6,279.00		11,384.00	13,356.58							31,019.58	631,133.29	734,863.36
2005				11,384.00	13,357.00	9,309.60	7,230.99					34,050.60	580,651.02	785,345.63
2006				11,384.00	13,357.00	18,612.00	7,229.00	6,922.40				50,583.99	631,235.01	734,761.64
2007				11,384.00	13,357.00	18,612.00	7,229.00	13,841.00	25,000.00	5,000.00		57,504.40	666,302.65	699,694.00
2008					13,357.00	18,612.00	7,229.00	13,841.00	50,000.00	10,000.00		83,039.00	749,341.65	616,655.00
2009						18,612.00	7,229.00	13,841.00	50,000.00	10,000.00		104,682.00	854,023.65	511,973.00
2010						18,612.00	7,229.00	13,841.00	50,000.00	10,000.00		109,682.00	963,705.65	402,291.00
2011						18,612.00		13,841.00	50,000.00	10,000.00		102,453.00	1,066,158.65	299,838.00
2012						18,612.00		6,920.00	50,000.00	10,000.00		95,532.00	1,161,690.65	204,306.00
2013						9,306.00			50,000.00	5,000.00		74,306.00	1,236,996.65	130,000.00
2014									50,000.00		5,000.00		1,290,996.65	75,000.00
2015									50,000.00				50,000.00	
2016									25,000.00				25,000.00	
2017														
2018														
		31,392.79	16,584.00	56,917.89	66,784.58	148,899.60	36,146.99	69,206.40	400,000.00	50,000.00	50,000.00	-		

COLLUS Power Response to EP #10 (Sch EP IR # 10 - 1)

**TABLE 1 (updated for year to date info)
CUSTOMER and CONNECTIONS BY CLASS**

	2002	2003	2004	2005	2006	2007 (Oct 1 st)	2007	2008 (Oct 1 st)	2008	2009
Residential	11,420	11,756	11,934	12,142	12,242	12,500	12,535	12,710	12,771	13,011
<i>Per cent chg</i>		2.94%	1.51%	1.74%	0.82%	2.1%	2.39%	1.4%	1.88%	1.88%
GS<50 kW	1,515	1,524	1,536	1,537	1,554	1,558	1,567	1,572	1,578	1,588
<i>Per cent chg</i>		0.59%	0.79%	0.07%	1.11%	0.26%	0.84%	0.32	0.70%	0.63%
GS>50 kW	108	114	115	119	123	120	121	121	124	127
<i>Percent chg</i>		5.56%	0.88%	3.48%	3.36%	-2.5	-1.63%	0.0%	2.48%	2.42%
Large User	2	2	2	2	1	1	1	1	1	1
USL (connections)	150	154	158	100	95	88	85	78	76	68
Street Lighting(connect ions)	2,479	2,517	2,715	2,750	2,806	2,860	2,875	2,950	2,961	3,051
<i>Percent chg</i>		1.53%	7.87%	1.29%	2.04%	1.9%	2.46%	2.6%	2.99%	3.04%
Total Customer & Connections	15674	16067	16460	16650	16821	17,115	17184	17,429	17511	17846
<i>Percent change</i>		2.51%	2.45%	1.15%	1.03%	1.70%	2.16%	1.42%	1.90%	1.91%

Collus Power Interest Income

	2006	2007
Bank Interest	215,050.80	245,215.79
Regulatory	-34,406.71	14,234.97
GST Refund	11.54	
A/R charges		1,966.09
	<u>180,655.63</u>	<u>261,416.85</u>

Collus Power Interest Expense - LTD

	2006	2007
Town Loan	123,984.00	123,984.00
CIBC	92,024.44	84,820.90
Usbourne & Hibbert - TBM	5,850.00	3,120.00
	<u>221,858.44</u>	<u>211,924.90</u>

Collus Power Interest Expense - Other

	2006	2007
Customer Deposits	6,674.19	846.84
IESO Letter of Credit	12,085.90	10,188.53
Miscellaneous	0.19	2,548.25
Regulatory		111,769.34
	<u>18,760.28</u>	<u>125,352.96</u>

Summary of Operating Costs

Summary of OM&A 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	\$285,179	(\$39,849)	\$245,331	\$28,969	\$274,300	\$17,000	\$291,300	\$6,121
		9.40%		-14.00%		11.80%		6.20%		2.10%
Maintenance	\$1,163,605	\$100,283	\$1,263,888	\$58,277	\$1,322,165	\$178,660	\$1,500,825	\$127,500	\$1,628,325	\$364,437
		8.60%		4.60%		13.50%		8.50%		28.80%
Billing and Collections	\$538,249	\$54,084	\$592,333	\$63,312	\$655,645	\$66,464	\$722,109	\$39,984	\$762,093	\$169,760
		10.00%		10.70%		10.10%		5.50%		28.70%
Community Relations	\$88,563	\$65,680	\$154,243	\$3,681	\$157,924	(\$57,839)	\$100,085	\$7,304	\$107,389	(\$46,854)
		74.20%		2.40%		-36.60%		7.30%		-30.40%
Administrative and General Expenses	\$1,200,627	(\$248,197)	\$952,430	(\$47,698)	\$904,732	\$28,259	\$932,991	\$75,750	\$1,008,741	\$56,311
		-20.70%		-5.00%		3.10%		8.10%		5.90%
Total Operating Costs	\$3,251,670	(\$3,596)	\$3,248,073	\$37,724	\$3,285,797	\$244,513	\$3,530,310	\$267,538	\$3,797,848	\$549,775
		-0.11%		1.16%		7.44%		7.58%		16.93%

Summary of Operating Costs to September 30

Summary of OM&A Expenses	2007 Actual	Variance 2008/2007	2008 Bridge
Operation	\$240,588	\$13,791	\$254,379
		5.70%	
Maintenance	\$974,738	\$198,423	\$1,173,161
		20.40%	
Billing and Collections	\$473,012	\$7,282	\$480,294
		1.50%	
Community Relations	\$67,824	\$3,150	\$70,974
		4.60%	
Administrative and General Expenses	\$652,265	\$53,301	\$705,566
		8.20%	
Total Operating Costs	\$2,408,427	\$275,947	\$2,684,374
		11.46%	

CAPITAL COST ALLOWANCE

For more information, see the section called "Capital Cost Allowance" in the T2 Corporation Income Tax Guide.
 Is the corporation electing under regulation 1101(5q)? 101 1 Yes ☐ 2 No ☒

1 Class	2 UCC at start of year	3 Cost of additions in the year	4 Net adjustments	5 Proceeds of dispositions in the year	7 Adjustment for additions (1/2 x (col 3 - 5))	8 Base amount for CCA	9 Rate %	10 Recapture of CCA	11 Terminal loss	12 CCA for the year (col 8 x 9 or a lower amount)	13 UCC at the end of the year
200	201	203	205	207	211		212	213	215	217	220
1	8,544,293					8,544,293	4			341,772	8,202,52
8	203,871	48,020			24,010	227,881	20			45,576	206,31
10	358,340	63,657		5,000	29,329	387,668	30			116,300	300,69
47	1,243,976	1,463,151		1,600	730,776	1,974,751	8			157,980	2,547,54
12	7,384	5,265			2,633	10,016	100			10,016	2,63
Totals	10,357,864	1,580,093		6,600	786,748	11,144,609				671,644	11,259,71

CAPITAL COST ALLOWANCE

Is the corporation electing under regulation 1101(5q)? 101 1 ☐ Yes 2 ☒ No

1 Class	2 UCC at start of year	3 Cost of additions in the year	4 Net adjustments	5 Proceeds of dispositions in the year	7 Adjustment for additions (1/2 x (col 3 - 5))	8 Base amount for CCA	9 Rate %	10 CCA for the year (col 8 x 9 or a lower amount)	11 Recapture of CCA	12 Terminal loss	13 UCC at the end of the year
200	201	203	205	207	211		212	217	213	215	220
1	8,900,305					8,900,305	4	356,012			8,544,293
8	214,173	36,147			18,074	232,246	20	46,449			203,871
10	477,527	28,319			14,160	491,686	30	147,506			358,340
47	803,813	535,487		10,000	262,744	1,066,556	8	85,324			1,243,976
12	19,411	14,767			7,384	26,794	100	26,794			7,384
Totals	10,415,229	614,720		10,000	302,362	10,717,587		662,085			10,357,864

CAPITAL COST ALLOWANCE

Is the corporation electing under regulation 1101(5q)? 101 1 Yes ☐ 2 No ☒

1 Class	2 UCC at start of year	3 Cost of additions in the year	4 Net adjustments	5 Proceeds of dispositions in the year	7 Adjustment for additions (1/2 x (col 3 - 5))	8 Base amount for CCA	9 Rate %	10 CCA for the year (col 8 x 9 or a lower amount)	11 Recapture of CCA	12 Terminal loss	13 UCC at the end of the year
200	201	203	205	207	211		212	217	213	215	220
1	9,271,151					9,271,151	4	370,846			8,900,305
8	236,953	27,345			13,673	250,625	20	50,125			214,173
10	439,593	199,779			99,890	539,482	30	161,845			477,527
47		837,305			418,653	418,652	8	33,492			803,813
12		38,821			19,411	19,410	100	19,410			19,411
Totals	9,947,697	1,103,250			551,627	10,499,320		635,718			10,415,229