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December 3, 2008

Ontario Energy Board
26th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Attention: Kirsten Walli
Board Secretary

RE: COLLUS Power Corp – 2009 Cost of Service Rate Application
Board File No. EB-2008-0226

Dear Kirsten Walli:

COLLUS Power has received Procedural Order No. 3 issued on this date by the Board. In conformance with the Board order part 1 COLLUS Power provides the following.

COLLUS Power has provided the original application documents submitted on August 15, 2008 and subsequently responded to interrogatories about the application contents on November 28, 2008. We believe that the materials in their entirety provide the required information for the Board to deliberate and reach a Decision on our Application. In conversation with Board staff following the issuance of Procedural Order No.3, it was suggested that some clarification should be provided on one particular item.

Within the COLLUS Power interrogatory response, we have provided a Response Summary which includes a summary list of expected adjustments that are an outcome of the process. Board Staff have noted that the summary does not include reference to the fact that COLLUS Power is now an approved “active” participant for implementation of Smart Meters. As a result of our change of status and in response to a concern raised within the Board Interrogatory related to mitigating future rate impacts related to Smart Meters, we are requesting to change the Smart Meter Rate Rider from \$0.26/meter/month to a rate of \$1.00/mt/mo. The impact of this would be \$0.74/customer/month equating to approximately \$130,000 of an annual increase.

COLLUS Power has noted in the summary list two specific distribution service revenue offsets, the inclusion of \$68,856 in interest revenue and an approximately \$33,000 reduction in PILs requirement. Since these both serve to reduce the revenue requirement there is an annual \$101,856 decrease. This decrease combined with the Smart Meter adjustment suggests a potential net increase of approximately \$28,000. On a \$30M total annual customer electricity charge base this is less than a 0.1% impact. Given the lack of materiality related to a 0.1% adjustment, COLLUS staff did not provide a revised, detailed analysis of customer impacts. What is currently provided are accurate portrayals of estimated impacts.

The Response Summary also indicates that COLLUS staff identified a number of other factors which will require adjustment before the rate process is completed. Items 2 thru 5 on the list will be determined by the Board and upon their Direction will be incorporated into the final rate order. For ease of reference those items are listed as follows:

- 2. The appropriate adjustment will be made to calculate the projected Cost of Power using the Board approved rate per kWh when draft order is provided.*
- 3. The appropriate changes will be made to the Retail Transmission Rates as per the Board approved rates after reviewing COLLUS Power's data in regards to the recent trend of the deferral account balances.*
- 4. All of the original submitted Cost Allocation adjustments are still being requested for the 1st year of the new rates (May 1, 2009 to April 30, 2010). Further request will be made in regards to the Street Light class to adjust in each of the next 2 years thereafter, as per the Board ruling on SL class adjustment in previous 2008 COS applications.*
- 5. The appropriate rates will be used in calculating the Cost of Capital and long-term Debt rate, again based on Board approved rates in place at the time of final application.*

A revised, detailed analysis of customer impacts will be completed at that time and provided when the final rate order is submitted.

To summarize then and respond to the questions poised in the Board's order:

- a) COLLUS appreciates the efforts of all of the parties involved in the review of our application process as we work towards completing it as efficient and cost effective as possible. We do not believe further interrogatories or a technical conference are necessary. In that regard though if there is anything Board staff or an intervenor requires we are available and will be prepared to respond as needed.
- b) COLLUS does not believe a settlement conference is required.
- c) COLLUS believes that a written hearing is appropriate for our application and also that it is the most cost effective process

Please contact us at your earliest convenience regarding any further steps.

Respectfully Submitted,

A handwritten signature in black ink, appearing to be 'T. E. Fryer', with a long horizontal flourish extending to the right.

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