EB-2012-0116

Ontario Energy Board

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

AND IN THE MATTER OF an application by Collus PowerStream Corporation for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity, effective September 1, 2013.

TECHNICAL CONFERENCE QUESTIONS OF ENERGY PROBE RESEARCH FOUNDATION (“ENERGY PROBE”)

August 27, 2013

ENERGY PROBE RESEARCH FOUNDATION
TECHNICAL CONFERENCE QUESTIONS

(Please note that the numbering is based on the continuation of the interrogatories)

EXHIBIT 1 – ADMINISTRATIVE DOCUMENTS

1-Energy Probe-42s

Ref: 1-Energy Probe-2

The answer provided in part (a) indicates that no "sales transactions costs" are included in the capital, OM&A or other costs provided for 2012 or previous years. However, then the answer goes on to indicate that all "sales transaction costs" were 're-billed' to the shareholder and reimbursed by them.

a) **Does this mean that the "sales transactions costs" are included in the OM&A, capital or other categories in the figures provided for financial and/or regulatory purposes, along with an entry or entries for revenues to record the reimbursement received from the shareholder?**

   To be clear, no "sales transaction costs" are included in OM&A, capital or other categories with the corresponding revenue recorded. Such a treatment would not be in accordance with generally accepted accounting principles and would not allow for an unmodified audit opinion on our financial statements from our auditors.

   "Sales transaction costs" were posted directly as a receivable from the Town of Collingwood and never impacted the income statement in any manner. They never impacted OM&A, capital or revenue.

b) **If the response to part (a) is in the affirmative, please provide a breakdown of the expenses recorded for regulatory purposes in this application in 2012 and previous years for each of OM&A, capital and other expenses, along with the revenue recorded from the reimbursement.**

   Not applicable. The answer was not affirmative.

1-Energy Probe-43s

Ref: 1-Energy Probe-2

In the response to part (a) Collus PowerStream indicates that it did incur some additional general and administrative costs that were not "sales transactions costs", but were incurred as a result of the transaction.

a) **For each of the three quantified expenses provided (extra audit, professional accounting fees, legal fees) please describe the expense and why it was incurred as a result of the transaction.**

All invoices not typically incurred were scrutinized during the transaction period to ensure only allowable expenses were included by the corporation. All non-allowable invoices on account of the share sale were re-billed to the Town of Collingwood. The allocations were specifically audited and individually verified by the auditor. The following three expenses were included in the review and determined as qualifying for inclusion in the corporation's accounting records:

Audit $31,100:

Independent accountants were retained to examine and verify the financial accounts and statements to check their accuracy and provide an opinion on their reliability. As to the costs for the extra audit, the reasonable furnishing of information from time to time to shareholders by a company respecting its affairs is properly a part of the carrying on of the company's business of earning income and is an expense correctly included.

Audited financial statements were required on the closing date for the seven months ended July 31, 2012 in accordance with the "Share Purchase Agreement", as would normally be required by such a transaction. Typically audited financial statements are only provided by the corporation for the year-ending December 31.

The "Share Purchase Agreement" filed in the MAAD application EB-2012-0056 filed on March 9, 2012 and approved by the OEB on July 12, 2012 states the following on page 6:

"Closing Date Financial Statements" means the final audited unconsolidated financial statements of each of the Corporation and the Subsidiaries for the period ending on the Closing Date, prepared consistent with past practice and delivered by the Vendor to the Purchaser within 60 days of Closing."

Professional Accounting Fees $77,923.50:

In accordance with the "Share Purchase Agreement" a Final Recapitalization dividend and an Additional Closing Dividend were required to be calculated and paid to the Town of Collingwood. The level of complexity involved in the task required outside professional services, which assisted with the initial calculation, revisions, final verification, and obtaining the purchaser's agreement of the amount.

In addition, there was a short-term absence by the CFO during early 2012. Shortly, after returning to work the CFO announced his retirement which occurred September 30, 2012. In order to meet the on-going and extra obligations involved during the process of the sale of the shares, outside professional accounting services were necessary.

Professional accounting fees for the purpose of assisting with financial reporting and the calculation of dividends meet the definition of a qualifying expense of a corporation.

Legal Fees 16,775.19:

As a result of the Recapitalization Dividend, financing was required. Collus PowerStream borrowed $6.3m from Infrastructure Ontario. Legal fees were required during the borrowing process in order to obtain a legal opinion on the loan agreement. Such fees meet the definition of a qualifying expense as they were incurred in the corporation's ordinary revenue generating or service delivery activities.

Interrogatory

b) Please confirm that these costs are included in the OM&A shown for 2012 and were not reimbursed by the shareholder.

Yes, we confirm that these costs described in part a) are included in the OM&A shown for 2012 and were not reimbursed by the shareholder. These are not shareholder costs and would not be relevant to require the shareholder to pay.

All of the above costs are included in 2012 in account 5630 Outside Services. Sub-accounts of 5630 have been maintained in our accounting program from 2011 forward specifically for audit/accounting and legal. The information is provided below to assist with understanding the impact of the additional $125,798.69 in audit, accounting and legal fees explained in part a) above.

	FORECAST		
	December 2013	December 2012	December 2011
5630-0001-00 Outside Services - Accounting & Audit	48,000.00	136,923.50	47,229.00
5630-0002-00 Outside Services - Legal **	12,000.00	16,775.19	
	------------------------	------------------------	------------------------
	60,000.00	153,698.69	47,229.00
	------------------------	------------------------	------------------------
		106,469.69	
		Increase over 2011	
	* Audit	31,100.00	
	Accounting Fees	77,923.50	
	Legal Fees	16,775.19	
		125,798.69	

* The extra audit in July had some work applied to the regularly scheduled interim audit tests. It was not 100% extra costs.

** Legal costs for new Infrastructure Ontario Loans in 2013 is necessary to maintain the debt to equity ratio and support capital requirements.

c) Are the three quantified expenses noted above in part (a) one-time costs incurred in 2012 as a result of the sales transaction? In other words, is there any continuation of these costs included in the 2013 forecast? If yes, please explain.

Yes, these are one-time costs incurred in 2012 as a result of the sales transaction.

Future borrowing with Infrastructure Ontario will be required to maintain our debt to equity ratio resulting in on-going legal opinion requirements.

Also, a portion of the audit fee of $31,100 for July 31st covered some interim audit work that would have occurred in the absence of the sale of shares anyway. We will continue to require such interim audit work.

d) Are there any OM&A, capital or other expenses or revenues included in the 2013 forecast associated with the sales transaction? If yes, please quantify, explain and indicate whether these are one time costs, or costs that are expected to remain for the term of the IRM plan.

No there are no OM&A, capital or other expenses or revenues included in the 2013 forecast associated with the sales transaction.

<u>1-Energy Probe-44s</u>

Ref: 1-Energy Probe-2

The response to part (a) lists a number of activities (general travel, office, telephone, wages and benefits) where costs were incurred related to supporting the transaction process.

a) **Please explain why these costs are labelled as non-quantifiable. In doing so, please provide a description of the costs incurred for the each of the items listed. For example, did Collus PowerStream not track the hours of its executives that were involved in sales transaction?**

Incidental expenses were not specifically tracked. It would be very difficult to track all incidental expenses incurred during this process as they would be imbedded in routine monthly invoices such as telephone bills.

These expenses (general travel, office, telephone) are related to travel for meetings, conference calls, office supplies and administration used for preparing documentation and other miscellaneous expenses occurring during the time of the transaction.

Collus PowerStream did not track the hours of its executives and board that were involved in the sales transaction, as we do not track any hours for such postions.

b) **Please provide a best estimate of the total costs incurred by Collus PowerStream for the above noted activities (in aggregate only). If more appropriate, please provide a range which Collus PowerStream believes is a reasonable estimate of the minimum and maximum costs incurred.**

Acct	Description	Travel & Admin	Board Fees	Total
5605	Executive	7,500		7,500
5605	Board	15,300	40,000	55,300
		22,800	40,000	62,800

Executives are not paid overtime for hours worked beyond a standard eight hour day. The regular salaries and benefits remain unchanged regardless of the work and effort put into the PowerStream deal. The only extra wages and benefits would be some unused vacation time for executive members and incentive pay partly related to the additional work performed related to the sales transaction. Please refer to exhibit 4/tab 4/schedule 5 Compensation table for further information on incentive pay.

c) Given that these costs are non-recurring in 2013, how has Collus PowerStream adjusted the 2013 forecast for OM&A?

As you can see in 1-Energy Probe-43s part b), the forecast for 2013 <u>outside services for audit/accounting and legal</u> have been modified to reflect only 2013 expected expenditures. The 2012 PowerStream deal impact has been removed from the 2013 forecast.

<u>Board expenses</u> forecasted for 2013 have excluded the prior year extra costs incurred in 2012 for the PowerStream deal. 2013 has also been increased for a full year of the new board of directors expenses based on actual quarterly payments set and an estimate for travel and incidental costs. Since we no longer split board costs with the Water Utility and since board members are travelling further there is an anticipated increased in costs compared to previous normalized expenses of approximatley $40-45k per year.

	YTD June 2013	Forecast December 2013	December 2012	December 2011	December 2010	December 2009
5605-0001-00 Board Member Expenses	41,072.89	96,000.00	107,994.30	38,777.32	40,038.33	31,115.88

The incidental <u>executive office, telephone and travel expenses</u> of about $7.5k have not been specifically identified to reduce expense because they are insignificant and also these types of expenses will be necessary to maintain the relationship with the new 50% shareholder through communication requirements and travel to their location in Vaughan. (The other $15,300 has been considered in the board expense comments above.)

<u>1-Energy Probe-45s</u>

Ref: 1-Energy Probe-6

The response to part (b) indicates that the "on-going tracking, new forms, reporting, system setup, GIS system integration, disposal record keeping, and financial statement reporting create a significant increase in workload and resources on an on-going basis".

a) **Please quantify the dollar impact of this "significant increase".**

   While we have a significant increase in workload related to IFRS, our rate increase request is very low. In the residential category, if you exclude the stranded meter adder, which is fully outside our control, the impact is only 25 cents a bill. There are no significant increases in rates being requested.

   The ongoing costs associated with mandatory IFRS compliance will be higher given the education, training, and staffing requirements needed to address the increased documentation, disclosure requirements, and auditor involvement under principle-based standards. While we know that this will be a cost driver in the general and administration category, the budget process is not broken down on a task based level of detail. Quantifying this on a dollar impact is not information we have available or would realistically prepare in a small utility. This statement was meant as a general comment. Reasonably a higher level of compliance will result in a higher level of required resources.

b) **Please describe the "system setup" activity and explain why it is an ongoing activity, rather than part of the one-time transitions costs to be recorded in Account 1508.**

   We are implementing a new capital asset tracking module in our Great Plains accounting software. We have never used such a module in the past. Manual excel spreadsheet record keeping is currently used. Annually we will be required to pay a licence fee and support and maintenance costs to our software provider. From time to time training for various staff will also be necessary. These are on-going costs.

   Account 1508 per the OEB Accounting Procedures Handbook states, “The incremental transition costs shall not include ongoing IFRS compliance costs, the financial impacts arising from adopting accounting policy changes that reflect changes in the timing of the recognition of income, or costs related to system upgrades, replacements or changes where IFRS was not the major reason for conversion. In addition, incremental IFRS costs shall not include capital assets or expenditures.”

c) **If the increase in OM&A costs associated with IFRS are not "specifically identifiable", please explain how the accounts impacted (5615 and 5630) have been adjusted to reflect the increase in workload and resources.**

Our budgeting process did not include specific identification of IFRS tasks which were quantified and then added to the accounts impacted. Our budgeting process is based on a 5 year historical review analyzing accounts on an individual basis, reviewing staff levels and wage rates, assessing inflationary and growth factors, and providing managements best estimate of the expense for 2013.

The increase over 2009 OEB approved expenses, for accounts which would have IFRS expense impact, is only $50,859 after the new board and legal costs are explained. This increase would be related to raises, staff changes, increased reporting requirements for IFRS and regulation and higher audit fees. This increase based on a five year time difference is exceptionally reasonable. Please see the table below.

	December 2013	December 2012	December 2011	December 2010	December 2009	December 2009
	FORECAST					OEB Approved
5605/5610/5615 Executive, Management, General Salaries & Expenses	831,600	872,221	672,693	819,531	736,804	747,241
5630 Outside Services	216,000	306,333	146,229	100,000	133,125	181,500
	1,047,600	1,178,554	818,922	919,531	869,929	928,741
Increase over OEB approved in 2009	118,859.00					
Less: Increased Board costs	(56,000.00)					
Less: New Legal expenses for IO loan reviews	(12,000.00)					
Remaining Variance	50,859.00	increase for raises, staff changes, increased reporting requirements, higher audit fees etc.				

EXHIBIT 2 - RATE BASE

2-Energy Probe-46s

Ref: 2-Staff-6

In Table Staff 6.1 - Reconciliation of Depreciation Amounts, an amount of $192,047 is explained as moved to burden pools and shown on other lines.

a) **Please confirm that this amount is depreciation associated with transportation equipment.**

   We confirm that this amount is depreciation associated with transportation equipment.

b) **Please indicate the breakdown of the transfer of the $192,047, showing the amount included in OM&A and the amount capitalized in the 2013 test year.**

Amortization on Vehicles		
	2013	2012
Capitalized	48,012	43,005
OM&A	144,035	136,183
Total	192,047	179,188

2-Energy Probe-47s

Ref: 2-Energy Probe-17

Please confirm that the response to part (c) indicating that effective January 1, 2013, additions will be added using the half year rule is applicable to both regulatory and financial accounting.

We confirm that effective January 1, 2013 additions will be added using the half year rule on both a regulatory and financial accounting basis.

EXHIBIT 3 - OPERATING REVENUE

3-Energy Probe-48s

Ref: 3-Energy Probe-20

a) **What is the impact on the distribution revenue forecast for 2013 of the correction in the number of GS>50 customers from 114 to 117 as noted in the response to part (b)?**

The total distribution revenue forecasted for 2013 as filed is $6,515,797 broken down between variable of $4,056,712 and fixed of $2,459,085. With the change in GS>50 customers from 114 to 117 there is no change in the total distribution revenue however the variable portion changes to $4,064,113 and the fixed becomes $2,451,684.

Before customer class adjustment:

Revenue Requirement Allocation		
Total ($)	Variable $	Fixed $
4,036,763	2,301,530	1,735,234
1,028,467	610,217	418,250
1,215,488	1,039,404	176,084
8,416	8,416	-
226,662	97,145	129,517
6,515,797	4,056,712	2,459,085

After customer class adjustment:

Revenue Requirement Allocation		
Total ($)	Variable $	Fixed $
4,017,043	2,290,286	1,726,757
1,023,443	607,236	416,207
1,241,381	1,061,546	179,835
8,375	8,375	-
225,555	96,671	128,884
6,515,797	4,064,113	2,451,684

b) **Please explain why the forecast for the billed kW in 2012 for the GS>50 and streetlighting classes is lower than that calculated in the response to part (a). If the forecast were set equal to the figures calculated in the 2013* line in the table, what would be the impact on the distribution revenue forecast for 2013?**

Collus PowerStream:

The response (a) billed kW for 2011 and 2012 includes total billed kW which included the customer Amaizeningly Green while forecasted 2013 exclude this customer from the load forecasting.

Using the revised billed kW of 338,491 kW vs submitted billed kW of 337,058 kW results in an increase to variable distribution of $610,217 vs $610,137.

3-Energy Probe-49s

Ref: 3-Energy Probe-20 & 3-VECC-16

With respect to the company that filed for bankruptcy in 2012, please provide the following:

a) **Is the 37,161 kW figure shown in the response to part (a) reflective of an entire year of operations in 2012, or is it only reflective of a partial year of operation in 2012? If the latter, please provide the number of months that make up the 37,161 kW.**

Collus PowerStream:

The 37,161 kW was based actual to October and on forecast to December for this customer.

b) **Please reconcile the figure of 37,161 kW in 3-EP-20 with the figure of 36,052 kW in 3-VECC-16.**

Collus PowerStream:

The actual billed was a total of 36,052 kW for the period January 1, 2012 through December 31, 2012.

c) **Has Collus PowerStream provided the actual kW figures for the GS>50 and streetlighting classes for the 2008 through 2012 period in its evidence? If yes, please provide a reference to where this information is provided. If not, please expand the table provided in the response to part (a) of 3-EP-20 to reflect actual data for 2008 through 2012.**

Collus PowerStream:

Billed kW		
Year	GS>50 Billed kW	Streetlighting Billed kW
2008	288,261	5,796
2009	295,894	5,912
2010	396,534	5,973
2011	371,483	6,048
2012	378,911	6,186

e) **In the calculation of the 2013 kW figure of 338,491 in the table provided in the response to part (a) it appears that Collus PowerStream has reduced the 2012 actual figure of 378,911 by multiplying it by 0.9914 and then subtracting 37,161.**

i) **Please confirm that the above calculation is correct.**

Collus PowerStream:

That is correct.

ii) **Please explain the double counting of the removal of the bankrupt customer given that the 37,161 figure is reduced by 0.86% and then 100% is removed from the 2013 forecast.**

Collus PowerStream:

You are correct, there was a small portion double counted. The total kW double counted was 319 kW.

iii) **Please confirm that if the bankrupt customer demand is removed before the application of the 0.86% reduction, the 2013 kW forecast is 338,810 kW ((378,911-37,161)x.9914).**

Collus PowerStream:

Collus PowerStream confirms this calculation as accurate.

c) **What is the status of the bankruptcy claim of the customer noted?**

Collus PowerStream:

This customer filed for bankruptcy in December 2012. May 15, 2013 the company was purchased by AG Global.

d) **What is the kW recorded on a year to date basis for 2013 for this customer?**

Collus PowerStream:

Month	kW	kWh
Jan-13	1,045	607,542
Feb-13	982	553,016
Mar-13	990	599,228
Apr-13	776	427,360
May-13	531	236,613
Jun-13	301	146,973
Jul-13	301	90,593
To August 27	143	57,844

3-Energy Probe-50s

Ref: 3-VECC-18

The response indicates that the 2013 load forecasts do not include any historical or forecasted loads for Nacan/Amaizeningly Green (now AG Global).

a) **Please provide the most recent year-to-date figures available for the kWh and kW consumption associated with this plant.**

Collus PowerStream:

Month	kW	kWh
Jan-13	1,045	607,542
Feb-13	982	553,016
Mar-13	990	599,228
Apr-13	776	427,360
May-13	531	236,613
Jun-13	301	146,973
Jul-13	301	90,593
To August 27	143	57,844

b) **Please provide the distribution revenue billed year-to-date to this customer and please indicate whether or not the customer is continuing to pay their bills to Collus PowerStream.**

Collus PowerStream:

As indicated from December 2012 though May 2013 the company was in receivership. During that period the receiver paid the monthly electricity bills. From May 2013 to date the new company AG Global has continued to pay their electricity bills and keep the account current.

Month	Distribution revenue $
Jan-13	2,873.61
Feb-13	2,695.35
Mar-13	2,727.25
Apr-13	2,159.04
May-13	2,472.67
Jun-13	908.19
Jul-13	908.19

<u>3-Energy Probe-51s</u>

Ref: 3-Energy Probe-22 & Exhibit 3, Tab 3, Schedule 1

a) **Please confirm that the response to part (b) indicates that there are no SSS Admin charges included in the original Table 2 in Exhibit 3, Tab 3, Schedule 1. If this cannot be confirmed, please show which account in Table 2 includes the 82,080 forecast for SSS Admin charges in 2013.**

We confirm that only 2011 SSS Admin charges of $48,000 are included in the original Table 2 in Exhibit 3, Tab 3, Schedule 1.

SSS Admin Charges for all other years are not located anywhere else in the original table. They are included in account 4080 Distribution Revenue, which is not part of this table.

In the response to part b) of 3-Energy Probe-22 we did provide a response showing the SSS Admin charges for 2012 and 2013 of 48,853 and $82,080 respectively. It would be reasonable to assume historical years would approximate $48,000.

The amounts were missed being inputted for 2012 and 2013 in the table because the accounting records do not contain an account 4078 SSS Admin charges. Previous finance management prepared the chart and current finance management finished the 2012 and 2013 amounts not knowing a manual reallocation of SSS Charges out of the 4080 distribution accounts was required for the table. We will correct the numbering so that 4078 is created and going forward this error is not repeated.

Also, it is worth noting again that the forecast amount for 2013 is $82,080. However, the actual results thus far in 2013 indicate that the forecast should have been about $48,000. This revenue category for 2013 has been over budgeted by $33,080.

b) The response to part (e) indicates that the difference in specific service charges between Tables 2 and 3 is related to service charges related to performing water and sewer billing.

i) Please provide the total revenue generated for performing the water and sewer billing for each of 2009 through 2012, along with the forecast for 2013.

There are some miscellaneous service charge revenues that are retained in Collus PowerStream relating to collections. The account receivable is held and collected in Collus PowerStream for water/sewer charges. Water receives the full revenue billed regardless of the collection status. Therefore, the miscellaneous collection service charges and interest are retained in Collus PowerStream.

	OEB Approved 2009	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Forecast 2013
Specific Charges - Table 2	155,000	149,517	199,352	173,436	185,406	204,000
Specific Charges - Table 3	155,310	143,325	159,625	149,030	143,804	148,780
Variance	(310)	6,192	39,727	24,406	41,602	55,220
Water Misc Service Revenues		1,238	7,945	4,881	8,320	11,044
Power Misc Non Specific Charges		4,954	31,782	19,525	33,282	44,176
	-	6,192	39,727	24,406	41,602	55,220

The variance allocation above is based on management's best estimate of account 4235. There is currently, no breakdown of amounts tracked in the system. Effective January 1, 2014 breakdown will be available. The variance includes not just water customer service charges but some power miscellaneous revenues that are not just specific service charges as only complied in Table 3.

In addition the following shows interest revenue for Water accounts in 4225. This is actual amounts tracked based on accounting records:

	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Forecast 2013	30-Jun 2013
Commercial C1	2,504	4,082	5,558	8,043	1,004	502
Commercial D1	-	88	12,871	13,775	126	63
Residential R1	1,960	5,978	4,581	5,104	4,950	2,475
Residential S1	-	39			60	30
4225 Late Payment Charges	4,465	10,187	23,011	26,921	6,141	3,070

There is no revenue generated for the actual service of performing the water and sewer billings. Shared employees are in Collus PowerStream Solutions and billed out to the appropriate company at cost. Any expenses are split and posted to the applicable corporation at the invoice entry stage.

ii) **Please provide the total OM&A cost associated with the water and sewer billing for each of 2009 through 2012, along with the forecast for 2013.**

There is no OM&A cost associated with the water and sewer billing in Collus PowerStream for any years.

iii) **Are the OM&A costs related to providing these billing services included in the OM&A figures included in the 2013 revenue requirement? (or, for example, are the costs netted off the revenues, with the net revenues showing up in the specific service charges?)**

There is no inclusion anywhere in Collus PowerStream accounts of any OM&A costs related to water/sewer. There is also no revenue included for the performance of the billing function. Some miscellaneous customer service charges are retained in Collus PowerStream as described in part i).

iv) **How has Collus PowerStream estimated the capital related costs (depreciation, taxes, return on capital) associated with the assets used to do the billing for the water and sewer services?**

Collus PowerStream does not own any capital assets used to do the billing for water and sewer services.

c) The response and reference to part (h) indicate that microfit revenue of $2,205 is included in Account 4080. However, Account 4080 is not listed in Table 2 of Exhibit 3, Tab 3, Schedule 1. Please indicate where in Table 2 the microfit revenue is included in Table 2.

Account 4080 is Distribution Service Revenue which does not belong on Table 2. We will create a new micro-fit revenue account, effective January 1, 2014 to correctly track these revenues outside of account 4080, which will allow for appropriate future disclosure on this table.

EXHIBIT 4 - OPERATING COSTS

4-Energy Probe-52s

Ref: 4-Energy Probe-27

The response to part (b) has not been fully answered. In particular, please explain why the activities listed in the response (training, consultants, software, software support and overtime) are not considered a one-time cost or a transition cost that is recoverable through the deferral account for transition costs to IFRS.

IFRS is a requirement on-going in the future not just at one point in time. There are one-time costs associated with transitioning. There are on-going costs that will forever be a part of the reporting requirements of the corporation. IFRS requires a higher level of standard in reporting, tracking and disclosure.

Please refer to 1-Energy Probe-45s for more information on the difference between one-time costs and on-going costs as well as the insignificance of the increase in any accounts that would include IFRS expenses on an on-going basis.

<u>4-Energy Probe-53s</u>

Ref: 4-SEC-15

On pages 277 and 278 of the interrogatory responses, the table shows a positive cost driver of $172,800 between 2012 and 2013. Note 6 explains that this is because of an accounting change where, beginning in 2013, this expense will be tracked separately.

a) What was the corresponding rent incurred in 2012?

The corresponding rent was also $172,800 in 2012. Please refer to 4-Energy Probe-28 which provides a table showing $50,432 ($43,200 for stores rent plus $7,232 for vehicle rent) that is no longer allowed to be capitalized from the burdens in 2013 forward. $122,368 is spread over many O&M accounts in 2012. Rent is isolated in its own O&M account in 2013 because it has been removed from the burden process to avoid any allocation to capital.

Stores & Vehicle Rent		
	2012	2013
Capitalized	50,432	
O&M	122,368	172,800
	172,800	172,800

b) Please show where in the OM&A table this increase in operations costs of $172,800 is offset, or at least partially offset by the removal of the actual costs incurred in 2012 (see (b) above) in moving to the 2013 forecast.

Please see table above. $122,368 is included in O&M in 2012. $172,800 is included in O&M in 2013. O&M is $50,432 higher because of the IFRS change.

We cannot identify the particular portion of rent within the various O&M accounts in 2012 as it becomes a pool of burdened costs.

4-Energy Probe-54s

Ref: 4-Energy Probe-29 & Exhibit 4, Tab 4, Schedule 5

a) **Is Collus PowerStream willing to provide the response to part (d) on a confidential basis?**

Collus PowerStream will not disclose the cost in 2012 associated with the buy out/early retirement for a former senior employee as this is personal information.

b) **Is the cost of the retirement allowance incurred in 2012 higher or lower than the materiality threshold of $50,000?**

Collus PowerStream has made every effort to ensure all material variances are identified and an analysis is prepared, including some variances under $50,000 in order to assist the Board in considering this Application.

Please refer to the materiality analysis in Exhibit 4, Tab 4, Schedule 4.

Table 10 on Page 9 of 9 of this section shows Administrative and General Expenditures 2009 vs. 2013, which includes the comparison of 2012 executive salaries and expenses compared to the 2009 test year.

c) **If the response to part (a) is no, please show where the retirement allowance is included in the 2012 column of Table 1 in Exhibit 4, Tab 4, Schedule 5.**

It is included in the line for Total Salary and Wages – Executive & Management.

EXHIBIT 9 - DEFERRAL AND VARIANCE ACCOUNTS

9-Energy Probe-55s

Ref: 9-Energy Probe-41

The response indicates that Collus PowerStream has not removed the meters that were replaced up to the end of 2012 from rate base.

a) **Please indicate if Collus PowerStream added the replacement meters installed through to the end of 2012 to rate base.**

In 2011 and 2012 the cost of the new meters were added to capital and the labour and truck time was expensed through meter maintenance. About 265 meters were replaced in 2011/2012 which adds an immaterial capital amount of $11,925 to PP&E based on a replacement price of $45.

b) **Please explain why Collus PowerStream believes it is appropriate to leave replaced meters that are neither used nor useful in rate base.**

Collus PowerStream believes it is appropriate to leave the replaced meters that are neither used nor useful in rate base because this approach mitigates and delays the rate impact to our customers rather than expensing the full loss on disposal in 2013.

This decision mirrors the OEB ordered treatment of the original stranded meters.

This decision also matches Hydro Ottawa's statement that they will also be using this approach to request a deferral account in their next cost of service application which will cost $2.5 million to replace 215,000 of their 313,000 meters for similar reasons.

http://www.ottawacitizen.com/technology/Smart+meter+upgrades+could+costly/8631653/story.html (Appendix A)

c) **Please provide the net book value at the end of 2012 of the meters that have been replaced but still continue to be included in rate base.**

There is an immaterial net book value at the end of 2012 of $32,595 for meters that have been replaced but still continue to be included in rate base.

Year	Units	NBV	Total
2011	130	$123	$15,990
2012	135	$123	$16,605
			$32,595

Starting in 2013 with the implementation of the new Kinetrics study for the change in useful life of assets and the application of IFRS(MCGAAP) rules for capital, our utility will have more accurate accounting records for our PP&E.

Pooling assets and not recording disposals is a common occurrence for most utilities prior to IFRS(MCGAAP) adoption.

In 2013 we have created a specific project work order to track separately all the labour and vehicle time involved in replacing the Sensus iCon F and G models and the metering department is reporting the numbers each month that are removed so that the accounting department can appropriately record the disposals.

d) What is the net book value of the meters that are forecast to be replaced in 2013, but remain in rate base for the entire test year?

The net book value of the meters that are forecast to be replaced in 2013, but remain in rate base for the entire test year is $184,500. Since $18,000 of amortization is already included in rate base on these stranded meters in 2013, we would continue to amortize them. The amount expected to be posted to the new regulatory deferral account is $166,500 in 2013.

The following chart has been prepared to estimate the response for this answer.

Year	Units	NBV	Total
2013	1500	$123	$184,500
2014	1500	$111	$166,500
2015	1631	$99	$161,469
	4631		$512,469
		AMORT	
2013	1500	($12)	($18,000)
2014	3000	($12)	($36,000)
2015	4631	($12)	($55,572)
2016	4631	($12)	($55,572)
			($165,144)
Balance in Deferral Account Dec 31, 2016			$347,325

Appendix A

Smart meter upgrades could be costly

BY DEREK SPALDING, OTTAWA CITIZEN JULY 8, 2013

OTTAWA — Early upgrades to more than half of Hydro Ottawa's 313,000 smart meters will cost $2.5 million and could increase customer bills after 2016, the energy provider said Monday.

About 215,000 meters that were installed between 2006 and 2008 lack features found in newer devices that automatically report power outages and allow for remote disconnections.

In a letter to the Ontario Energy Board last week, Hydro Ottawa explained the smart meters "are deficient and are having to be replaced before their normal retirement date," but a spokeswoman rejected that description, saying the replacements are simply to upgrade the older meters.

The devices are "still fully functional, they're still fully accurate, but they just don't have some of the features (used) on what we call the smart grid," said Rebecca Hickey, media and public affairs supervisor for Hydro Ottawa.

Smart meters, which monitor time-of-day energy use, were installed after the Ontario government set a 2010 deadline to implement the new technology. The older Rex 1 models were installed until 2008 when a newer version became available.

The Rex 1 makes up about 68 per cent of the total 313,000 devices installed and Hydro Ottawa wants to replace them with the Rex 2 model over the next five years. The city-owned corporation expected to pay off the cost of smart meters in 15 years, but with the new replacement plan it anticipates paying more money.

Its letter to Ontario Energy Board is a notification that Hydro Ottawa will be looking to recover the $2.5 million when new rates are set, Hickey said. Any additional cost, if approved, could be transferred to customers in the form of a one-per-cent increase to the average bill.

"The next time we do a cost of service application, that would be a variance that we would ask to consider," Hickey said.

Replacing the devices will be a slow process as Hydro Ottawa wants to wait until crews update a service or otherwise physically touch a device. When that service is needed, they will be replaced with a Rex 2 model.

"There will be no large phase of going from neighbourhood to neighbourhood to take them out, it's going to be a much slower transition," Hickey said.

In addition to features like automatic detection of power outages, which allows the corporation to react quicker to repairs, the Rex 2 model allows Hydro Ottawa to disconnect service remotely.

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