



PUBLIC INTEREST ADVOCACY CENTRE

LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC

ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N 7B7

December 18, 2009

VIA E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

Dear Ms. Walli

**Re: EB-2009-0140
Veridian Networks Inc. 2010 Rate Application
Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)**

Please find enclosed the interrogatories submitted on behalf of VECC.

Yours truly,

Original signed

Michael Buonaguro
Counsel for VECC

Encl.

**Veridian Connections Inc.
2010 EDR Application
EB-2009-0140**

Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)

Administration

Question: 1

Reference: Exhibit 1 Tab 1 Schedule 10

Preamble: The Application states “All of the power that Veridian distributes is acquired from Hydro One’s system. Some supply points are located at Hydro One Transformer Stations and others at the distribution voltage level. Due to Veridian’s diverse and non-contiguous service areas there are a large number and variety of supply points, however, the bulk of the power is received at 44 kV.”

- a) Please confirm that all of the contiguous and non-contiguous service areas of Veridian Connections Inc. (Veridian) receive supply from Hydro One Distribution) for 2010
- b) If not please indicate which service areas are supplied directly from hydro one transmission
- c) Please provide details of all the supply arrangements.

Question: 2

Reference: Exhibit 1 Tab 2 Schedule1 Page 16

Preamble: The Application States “Veridian proposes that the 2010 base revenue requirement be assigned to the two rate zones in the same proportions used to establish its 2006 Board approved distribution rates. The allocations used at that time were 94.04% to Veridian_Main and 5.96% to Veridian Gravenhurst. For the 2010 test year, the resulting apportionment of base revenue requirement is:

Veridian Main - \$45,059,625

Veridian Gravenhurst - \$2,855,757

- a) Provide a continuity schedule that shows starting in 2006, the components of and total base distribution revenue requirement for Main and Gravenhurst
- b) Calculate the % of the DRR for each service area and compare this to the Board Approved percentages and proposed 2010 allocations of Main - \$45,059,625 and Gravenhurst - \$2,855,757

Question: 3

General

Reference: Exhibit 1 Tab 2 Schedules 4 and 5

- a) Please provide an electronic copy of Exhibit.1 Tab 2 Schedules 4 and 5 - Revenue Requirement Work Form Model.
- b) Why was the model not run for the Main and Gravenhurst Service areas separately based on the inputs (ratebase etc) approved by the Board in 2006 as updated?
- c) What is the plan to harmonize rates for Main and Gravenhurst in terms of timing?
- d) Explain why separate accounting and determination of the Revenue Requirements for Main and Gravenhurst areas should not be maintained during the transition?

Rate Base

Question: 4

References: Exhibit 1 Tab1 Schedule 10; Exhibit 2 Tab 1 Schedule 2

- a) Does Veridian or Hydro One Networks own the transformer stations that step down the power supplied down from 230 kW & 115 kW to primary distribution voltage in the 12 service areas?

Question: 5

Reference: Exhibit 2 Tab 10 Schedule 1 Page 1 Table 1

- a) What is the source of the \$0.0672 per kWh,value used for the Cost of Power?
- b) Are any of Veridian's retail customers registered as Market Participants and billed directly for commodity costs by the IESO?
- c) If the response to part (b) is yes, what is their forecast use for 2009 and 2010 and has it been excluded from the calculation of the commodity cost used to determine the working capital allowance?
- d) Please confirm that over 50% of Veridian's sales are non – RPP customers
 - Estimate an average commodity cost for all sales based on the weighted average of the RPP and non-RPP costs.
 - Re-estimate the Total Commodity cost for 2009 and 2010.

Question: 6

Reference: Exhibit 2 Tab 2 Schedule 3 Table 1

- a) Please provide a schedule that provides details of the total capital additions in each year 2006-2010 using the same major spending categories as set out in Exhibit 2, Tab 2, Schedule 3 Table 1, but indicate the main asset categories- poles transformers etc and the US of A accounts associated with each category.
- b) Provide an explanation of the increase in development capital in 2010.

- c) Explain the reduction in sustainment capital in 2010 relative to the need to upgrade the networks.

Question: 7

Reference: Exhibit 2 Tab 3 Schedule 1 Page 6 of 11: Exhibit 2 Tab 5 Schedule 1

Preamble: The Application States

"Veridian's knowledge of the overall general condition of its assets, and of the condition of any specific asset, is based on the cumulative information collected from the routine and iterative inspection and testing programs which have been and continue to be conducted. With the increasing rigour and diligence being assigned to these inspection and testing activities in the bridge and coming years, and with the greatly enhanced ability to mine the data being collected as a result of the maturing of the GIS, the new features of the OMS, and the plans to develop an AMP, Veridian is confident of its ability to effectively manage its assets. Veridian considered the merits and costs of engaging an independent assessment of its asset condition to provide a base from which to build new management programs with an AMP. This step was viewed as not being cost effective, [Emphasis added]

- a) Since Veridian retained Hatch Acres to prepare a 10 Year Planning Study for the Ajax/Pickering Areas what additional ACAs and Capital Plans have been prepared? Provide the latest reports.
- b) In lieu of an external Asset Condition/Management Review what does Veridian use to provide direction to priorities for its Sustaining capital program? Please discuss.
- c) Provide a copy of any internal management reports that provide an overview of asset condition and required asset replacement investments over the current and forward rate years.
- d) For regulatory purposes the "gold standard" is an external ACA. Explain why Veridian apparently rejects this approach?

Question: 8

Reference: Exhibit 2 Tab 3 Schedule 1 Page 11 of 11

Preamble

Reliability: Outage information is currently manually recorded, at all levels of the system using existing recording devices. By late 2009 Veridian's new Operations Management System will replace the manual system with an automated software application which will improve the accuracy and efficiency of this function. Both processes are capable of generating reliability indices and outage reports for the whole system and eventually for any point in the system down to customer level. The new system will help Veridian operational staff to identify and correct incidences of poor operating performance.

- a) Provide Reliability data CAIDI, SAIDI, SAIFI from 2006 actual to 2010 forecast, if possible by service area.

- b) Discuss trends in reliability indices and relate these to the sustaining capital investment programs.

Conditions of Service

Question: 9

References: Exhibit 2 Tab 5 Schedule 1 pp1-39: Exhibit 2 Tab 2 Schedule 3 Pages 1-5

- a. Identify any new/changed charges included in the Conditions of Service and provide Explain the rationale for the changes.
- b. Provide more information on forecast revenues recovered from these charges in the 2010 test year compared to 2009 bridge year.

Rate Base

Question: 10

Reference: Exhibit 2 Tab 5 Schedule 2 Pages 39-40 of 54

Preamble

Veridian has approximately 28,000 wood poles within its distribution system. Detailed pole inspections have not been performed since 2003 due to the very high number of false negative inspection and test reports. Since that time only a routine visual check has been performed on a three year cycle.

- a) Provide a schedule that shows the history and projection of # wood pole replacements 2006-2015 and associated costs. Provide the Percentage of poles replaced in each year.
- b) Provide data on the # pole failures 2006-2009
- c) Please explain the reason for increase in the Pole Replacement spending from 2009 (\$378,000) to 2010 (\$500,000). Relate the spending to #defective poles as a result of visual inspections.
- d) Does Veridian have a plan to visually inspect its poles starting with the oldest? If not why not.

Question: 11

Reference : Exhibit 2 Tab 5 Schedule 2 Page 43

Preamble

For 2010 there is \$400,000 spending associated with the elimination of Long Term Load Transfers.

- a) Given the date for elimination of LT Load transfers is 2014 Provide a projection of planned expenditures for 2009-2014.
- b) Please describe the projects involved and why the approach selected (i.e. choice of
- c) What is the year to date spending for 2009 and the projected total for 2009?
- d) What are number of new customers connected in 2008, 2009 and 2010 and what is the associated capital spending? Where is this included in each year's reported spending?

Question: 12

Reference: Exhibit 2 Tab 5 Schedule 2 Page 45

Preamble:

This project involves replacing approximately 0.5 km of backyard (rear lot) primary overhead pole lines in the Bay Ridges area of the City of Pickering to front lot primary underground lines.

- a) Why is the Bay Ridges area unique in requiring replacement of overhead with underground service?
- b) What is the condition of the BR overhead and when would it be scheduled for replacement/ upgrade?
- c) Has Veridian experienced higher than usual customer complaints about the BR overhead service and its maintenance. Please provide details.
- d) What is the specific cost/benefit of this type of project?
- e) If applied to the rest of the franchise what would be the likely cost of similar conversions.

Question: 13

Reference: Exhibit 2 Tab 5 Schedule 2 Page 49 PCB Elimination

Preamble: The Application States

The results of the PCB testing will identify exactly which units must be replaced and result in transformer replacement costs in 2010. The capital estimate for this project is based on Veridian replacing 1% of the transformers being sampled, or 24 units in total.

- a) Please describe the testing program and results to date.
- b) Describe how this project relates to the proposed Z-Factor Accounting Treatment of 2009 PCB Testing Costs.
- c) Provide a summary of the testing and remediation program 2009-2010 and beyond.

Question: 14

Reference: Exhibit 2 Tab 5 Schedule 6 Page 2-3; Exhibit 9 Tab 4, Schedule 6

Preamble: The Application States:

Within this Application and in accordance with the Board's Smart Meter Funding and Cost Recovery Guideline (G-2008-0002), Veridian is proposing disposition of the Smart Meter Variance Account 1555 for amounts recorded to December 31, 2008. Through the disposition of the variance account, smart meter related capital investments would be transferred to rate base as of January 1st, 2010, resulting in a net increase to rate base of \$6.679M.

- a) Does the amount to be closed to ratebase include carrying costs?

- b) Has there been an independent review of the amounts to be charged to ratepayers?
- c) Provide details of the average unit meter costs (procurement and installation) for each of the residential and GS<50 kw classes. Compare to the aggregate cost of \$260.00 shown in Exhibit 9 Tab 4, Schedule 6 Attachment 1.
- a) Has Veridian tracked the AMCD costs separately for Residential and GS<50 kw classes. If so provide a copy of the costs for each class that are to be disposed of in this application. If not explain.
- b) Has Veridian tracked the other Capital and Operating costs by class? If so provide a copy of the costs for each class that are to be disposed of in this application. If not explain.

Service Quality

Question: 15

Reference: Exhibit 2 Tab 12 Schedules 1 and 2

Preamble The application states

In 2006 Veridian took on the Gravenhurst system, a low density high exposure distribution system located in a well forested and difficult access area. Frequent summer and winter storms were experienced each year thereafter, creating large and lengthy outages. The result has been a significant drop in Veridian's overall reliability performance.

- a). Please expand the SAIDI, SAIFI and CAIDI elements of the table in Schedule 1, for 2009 YTD and forecast 2010
- b). Breakdown the reliability indices (SAIDI, SAIFI, CAIDI) 2006-2009 and forecast 2010 between Main and Gravenhurst.
- c) Provide more detail on the plan to improve reliability values for both Main and Gravenhurst.

LOAD FORECAST

Question : 16

Reference: Exhibit 3/Tab 2/Schedule 1, Attachments 1 and 2

- a) For 2010 please provide a schedule setting out the revenue by class for Veridian - Main – where for each class the rates are net of the LV charge/adder and the revenues are reported both before and after the transformer allowance.
- b) For 2010 please provide a schedule setting out the revenue by class for Veridian - Gravenhurst – where for each class the rates are net of the LV charge/adder and the revenues are reported both before and after the transformer allowance.
- c) Please reconcile the results for parts (a) and (b) with the revenues by class reported at Exhibit 7/Tab 3/Schedule 2, Attachment 1.

Question: 17

Reference: Exhibit 3/Tab 4/Schedule 3, page 2

- a) Please update Table 1 to include the four month period Jul 09-Oct 09.
- b) What is the basis for the kWh/kW forecast provided for the Large User and Intermediate classes for 2009 and 2010?

Question : 18

Reference: Exhibit 3/Tab 6/Schedule 1

- a) Please provide a schedule setting out the actual customer count, by class, for the most recent month in 2009 that data is available.
- b) Given that the growth in GS>50 customers has exceed that for the GS<50 class in recent years (i.e., 2007 and 2008), why is it reasonable to assume no growth in the GS>50 customer count for 2009 or 2010?

Question: 19

Reference: Exhibit 3/Tab 6/Schedule 2

- a) Is the recent negative growth in Residential-Seasonal accounts the result of accounts in this class being transferred the Residential class? If so, are the transfers generally to the Residential-Suburban class?
- b) Please confirm that the expected sales to the two new customer have been grossed up for losses for purposes of Table 6. What loss factor value was used?

Question: 20

Reference: Exhibit 3/Tab 7/Schedules 1 and 2

- a) Please explain how the weather normalized use per customer values were determined for the Veridian_Main and Verdian_Gravenhurst service areas for the weather sensitive customer classes.

Question: 21

Reference: Exhibit 3/Tab 7/Schedule 3 (Note – There are no page numbers)

- a) With respect to Section 2.1, is Pearson Airport the closest weather station for which Environment Canada publishes monthly data? If not, why was Pearson airport used?

- b) With respect to Section 2.2, please provide the employment outlook from the Ontario Ministry of Finance's Fall Outlook and update the forecast for 2009 and 2010.
- c) With respect to Section 2.3, please confirm that the methodology used by ERA to determine weather normal use by customer class will require that the actual loads for non-weather sensitive classes also be adjusted in order that the sum of the weather normalized load by class equal the total weather normalized load. I
- d) With respect to Section 2.3, please recalculate the weather normalized use for the Residential, GS<50 and GS>50 classes for 2003 to 2008 using an approach where the total predicted weather normal purchases net of purchases required for non-weather sensitive classes is used and the shares based only on the relative proportion of load attributable to each weather sensitive class? Using these results, please also re-do Table 14.
- e) With respect to Section 2.3, please confirm whether the 2009 and 2010 forecast values for each class are based on: i) the 2008 percentages shown times the total forecast reported in Table 7 and discrepancies will be due to rounding error or ii).the 2008 percentages shown times the forecast total reported in Table 7 and then reduced by losses. If the later, what loss factor was used for each class?
- f) Given the material change in the unemployment forecasts for 2009 and 2010, relative to history (Table 2), why is it reasonable to assume that the share of sales to residential will be the same in 2009 and 2010 as it was in 2008 as opposed to being somewhat higher (as commercial/industrial use falls off reflecting the lower employment levels)?
- g) With respect to Table 12 in Section 2.3, 2008 normalized retail use is 1.74% higher than actual. However, per Table 7, weather normalized wholesale kWh are 1.94% higher than actual. Please reconcile.
- h) With respect to Table 14, Section 2.4, please comment on the reasonableness of the resulting 2009 and 2010 "normalized" average use values for Residential, GS<50 and GS>50 classes given the values for the preceding years.
- i) Please prepare an alternative forecast for 2009 and 2010 for the Veridian_Main Residential class where average use per customer in each year reflects the observed trend in average use over the 2003-2008 period as shown in Table 14.
- j) Please provide a schedule that sets out the average weather normal use per customer for each Veridian_Main customer class as determined by Hydro One Networks for the OEB's CAIF.
- k) With respect to Section 3.3, please provide Sheet I6 from Gravenhurst's 2006 CAIF and reconcile any differences between the loss factors reported here by customer class with those used in Table 20.
- l) Please repeat part (d) for Veridian_Gravenhurst and, using the results, provide a revised version of Table 26.
- m) Please provide a schedule that sets out the average weather normal use per customer for each Veridian_Gravenhurst customer class as determined by Hydro One Networks for the OEB's CAIF.
- n) Given that the customer count for the various Veridian_Gravenhurst customer classes is forecast to grow at different rates in 2009 and 2010, why is it reasonable to use the 2008 shares to determine the sales by class in 209 and 2010?

- o) With respect to Table 26, Section 3.5, please comment on the reasonableness of the resulting 2009 and 2010 “normalized” average use values for Residential, GS<50 and GS>50 classes given the values for the preceding years.

Question: 22

Reference: Exhibit 3/Tab 8/Schedule 1, page 1 and Schedule 3, page 3

- a) Please provide a more detailed breakdown regarding the sources of Other Income and Deductions for the years 2007-2010 such that the reasons for the year over year changes are more readily apparent.

Question: 23

Reference: Exhibit 3 Tab 8 Schedule 2, page 1

- a) Is Veridian proposing to introduce any new service charge or change the “rate” for any existing service charges? If so, please identify and provide the supporting rationale, including cost analysis.

Question: 24

Reference: Exhibit 3, Tab 8-Other Revenues.and Appendix D

Preamble: The reference states

Shared services to Veridian Corporation will continue and the associated revenue is forecast at \$229,000. Full details of corporate cost allocation methodologies are outlined at Exhibit 4, Tab 6, Schedule 5.

- a) Indicate which line(s) of Appendix D include the outbound services to Veridian Corporation.
b) Confirm the services are provided at Veridian Connections fully allocated cost.
c) Provide a sample of the calculation of the fully allocated cost for a service provided to Veridian Corporation.

Operating Costs

Question: 25

Reference Exhibit 4 Tab 2 Schedule 1 Page 4 Table 2

- a) Provide a version of Table 2 that incorporates the Cost per kilowatt hour distributed

- b) Benchmark the OM&A costs shown in Table 2 as amended, to the Data shown on the Boards Web site [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)
- c) Update the data for 2008.
- d) Discuss Veridian's trends and Position in the Cohort.

Question: 26

Reference: Exhibit 4 Tab 2 Schedule 1 Table 3

- a) With respect to the cost driver Table 3, please breakdown the Employee Costs contribution for each year as between: (i) staff increases (headcount and FTEs) and (ii) inflation .and increases in costs per employee.
- a) what were the annual contracted costs for tree trimming service in 2006-2008 along with the projected costs for 2009 and 2010.
- b) Please provide a schedule that compares the tree trimming cost for 2007 and 2010 and explain the variance in terms of inflation, scope of work performed, etc.
- c) Do Veridian's residential customers have an option of equal monthly (i.e. budget) billing? If not, why not?

Question: 27

Reference: Exhibit 4 Tab 4 Schedule 4

- a) Please confirm that Veridian's application includes provisions for LEAP contributions and staffing costs.
- b) Provide details of these costs.
- c) Given the Board's September 28, 2009 update regarding the Low Income Energy Assistance Program initiative, are the budgeted LEAP amounts required for 2010? If yes, then explain why?

Question: 28

Reference: Exhibit 4 Tab 5 Schedule 1 Page 1 of 3

- a. Please confirm the increase in total headcount from 2006 to 2008 is approximately 6.6% per year and from 2008 to 2010 is approximately 13.1% per year.
- b. Please explain the key changes in the Applicant's operations that have driven these changes.
- c) Benchmark the Employees (FTE) and total Compensation to the number of customers and the load distributed from 2006-2010(forecast).

Question: 29

Reference: Exhibit 4 Tab 5 Schedule 8 Page 1 of 2 Table 1

- a) Update the Employee hiring Schedule for 2009 Actuals and 2010 forecast. Show the new numbers and totals alongside the original plan.
- b) Estimate the change in total compensation from the original plan to the actual 2009 and forecast 2010.

Question: 30

Reference: Exhibit 4 Tab 6 Schedule 4 Page 1

Preamble: The Application States

With the 2009 elimination of shared services with its energy services affiliate and the establishment of a new lease for office and storage space at 5 Mill Street, Port Hope, shared services in the 2010 test year will be restricted to:

The provision of executive management, financial and property management services to Veridian Corporation, and;

The sublease of office and storage space from Veridian Corporation at the following locations:

- a. 459 Sidney Street, Belleville
 - b. 1465 Pickering Parkway, Pickering
-
- a) Please provide a copy of the 2010 Affiliate Services Agreement(s) between Veridian Networks and Veridian Corporation.
 - b) What happens to costs and cost allocation if the separation of Veridian Energy Services is not accomplished by the beginning of the 2010 rate year?
 - c) Provide a Copy (or Summary of the results) of the 2009 Time study that is the basis of 2010 allocations between Veridian Networks and Veridian Corporation.

Question: 31

Reference Exhibit 4, Tab 6, Schedule 5, Attachment 1 Appendix 2M

Preamble The Appendix Indicates the following affiliate transactions in 2010:

2010 Veridian Connections to Veridian Corporation Governance, Financial and Facilities Services Fully allocated Cost \$228,838 Range of 5 - 25% of various FTEs as per Service Agreement

2010 Veridian Corporation to Veridian Connections Leased Office & Storage Space Fully allocated Cost \$374,376 By square footage of each rented premise

- a) Confirm that these are the only Services and reconcile the costs to Schedule A of the Service Level Agreements for 2010 (requested in previous IR)

Cost of Capital

Question: 32

Reference: Exhibit 5 Tab 2 Schedule 1 Page 2

Preamble: The Application indicates

Veridian requires an additional \$21,000,000 of long-term debt to finance capital projects. This additional debt will be provided by parent company, Veridian Corporation. The \$21,000,000 debt instrument will be filed with the Board upon approval and execution by the parties. It will have a term of ten years. Similar to the notes payable to its municipal shareholders, the Veridian Corporation debt is proposed to have a variable interest rate that will match Ontario Energy Board's deemed long-term debt rate each year during the term of the instrument.

- a) Has Veridian contacted Infrastructure Ontario to determine if any or all of the \$21 million can be borrowed on more favorable terms? If Not why not. If yes provide details of the discussions.

Question: 33

Reference: Exhibit 5 Tab 2 Schedule 1 Page 3 Table 1

Preamble: The Application states

In accordance with the Cost of Capital Report's treatment of "new" and "variable" debt, Veridian expects that its cost of debt for rate-making purposes will be based on the Board's 2010 deemed long-term debt rate. Veridian has used the 2009 deemed long-term debt rate of 7.62% as a placeholder in this pre-filed evidence. However, Veridian understands that this rate will be replaced by the 2010 deemed long-term debt rate and that the Board is currently reviewing the cost of capital.

- a) Has Veridian assessed the impact of the Boards New Cost Of Capital Report on its Debt Costs for 2010? Provide an update to Table 1 that shows the projected changes in the cost of Debt
- b) Reconcile the amount owed under promissory note-- is it 21,322,000 as the evidence indicates or 31,000,000 as the note indicates?
- c) If Veridian wanted to pay off the \$21,322,000 promissory note, is it able to do so without the agreement of shareholder? If no, what agreements are required and why?
- d) Are there any impediments to Veridian borrowing from a third party such as Infrastructure Ontario or a commercial bank? For example, would it require the "guarantee" or "permission" of its shareholders to undertake such borrowing?
- e) If the response to part (c) is yes, is there any reason to expect these impediments would prevent it from undertaking 3rd party borrowing? For example, if a "guarantee" was required from the shareholders, is there any reason to expect such a guarantee could not/would not be provided?

Question: 34

Reference; Exhibit 5 Tab 2 Schedule 2 Page 1

Preamble: the Application states

Veridian has used the latest S.T. debt value, 1.33% as established by the Board for May 1, 2009 implementation dates. Veridian understands that this rate will be replaced with the 2010 rate approved by the Board.

- a) Provide an update to the cost of capital based on the Boards change in the ST interest rate in the latest Cost of Capital Report.

Question: 35

Reference: Exhibit 5 Tab 2 Schedule 3 Page 1 and Attachment 1

Preamble: The application states

Veridian Connections Inc. proposes that the Return on Equity rate should be the value as established by the Ontario Energy Board for Cost of Service Applications. This application uses the latest value, 8.01% as established by the Board for May 1, 2009 implementation dates. Veridian understands that this rate will be replaced with the 2010 rate.

- a) Provide an update to Exhibit 5 Tab 2 Schedule 3 Attachment 1 Page 2 that reflects the projected changes to Cost of Capital arising from The Board's latest Cost of Capital Report.
- b) Provide an estimate of the revised Return on rate base and impact on the as filed 2010 Distribution Revenue Requirement and Revenue Deficiency.

Revenue Deficiency

Question: 36

Reference: Exhibit 6 Tab 1 Schedule 1 Table 3: Exhibit 6 Tab 1 Schedule 2 Page 1 Table1

- a) Update Table 3 to reflect the current projections for cost of capital in 2010
- b) Update Table 1 in the second reference to reflect updated cost of capital
- c) Provide a schedule that sets out the derivation of 2010 Revenues at 2009 Rates by customer class (per Reference (ii)). Please provide the rates and volumes used and confirm that the rates are net of transformer ownership allowances (where applicable), smart meter adders and SSS Administration charges.

Question: 37

Reference: Exhibit 6 Tab 2 Schedule 2 Page 2 Table 1

Preamble: The Application States

Veridian proposes that the 2010 Base Revenue Requirement be apportioned to the two 5 rate zones in the same proportion as the 2006 Approved Base Revenue Requirement for 6 the rate zones.

- a) Provide a version of Table 1 for the 2010 test year.

- b) Compare the % of 2010 Revenue requirement allocated to Main and Gravenhurst to that provided in response to VECC IR#2 b).
- c) Explain any material differences between the calculated and proposed revenue requirement allocations.

COST ALLOCATION

Question: 38

Reference: Exhibit 7/Tab 2/Schedule 1, Table 1

- a) Please provide full electronic copies of the Cost Allocation Models VM-2010 and VG-2010.
- b) Please confirm whether Models VM-2010 and VG-2010 also included the Adjustment #1 (correction for transformer ownership allowance) and Adjustment #2 (as applicable for 2010).
- c) If the response to part (b) is that Adjustments #1 and #2 were not included in the 2010 Models, please provide revised 2010 runs for both the Main and Gravenhurst service areas with these two adjustments included.

Question: 39

Reference: Exhibit 7/Tab 2/Schedule 2

- a) With respect to Attachment 3, page 14 (lines 13-16) – please confirm whether it was the Total Revenue or the Distribution Revenue by class that was scaled up. If it was the Total Revenue by class, please recalculate the revenue to cost ratios based on an approach that scales the Distribution Revenue by class.
- b) With respect to Attachment 1 (page 2) and Attachment 3 (page 14), please confirm that for Veridian-Main the revenues based on 2006 rates and 2010 load were scaled down (as opposed to up as suggested by the text) in order to produce a total revenue to cost ratio of 100%.
- c) Please provide the full electronic copies of Cost Allocation Runs VM-2006C2 and VG-2006C.

Question: 40

Reference: Exhibit 7/Tab 3/Schedule 1

- a) Given the inability of Veridian to do a Cost Allocation by service areas based on 2010 costs and the fact that 2010 costs are not tracked by service area but rather apportioned based on the 2006 approved revenue requirement for each, does Veridian consider its cost allocation results for 2010 to be as robust and accurate as those prepared for 2006.
 - If yes, please explain why.

- If no, please comment as to why the target ranges established by the Board for revenue to ratios based on the 2006 CA filings should apply to Veridian in 2010.
- b) For Veridian-Main, the Applicant is proposing to increase the revenue to cost ratio for the residential class even though the current ratio is well within the Board's target range. The Applicant is also proposing to increase the ratios for the Large Use and Intermediate classes to values above the lower boundary of the Board's target range for each class. Please explain why such changes are considered to be consistent with the Board's Report per EB-2007-0667 and the Board's finding in other cost of service Applications where the ratios were adjusted only as required to move each customer class to the boundary of the Board's ranges.
 - c) Please explain why for Veridian-Main the Application includes specific proposals for 2011 revenue to cost ratio adjustments (page 2); while for Veridian-Gravenhurst no approval is sought for the 2011 revenue to cost ratios (page 4).

Question: 41

References:

- i) Exhibit 6/Tab 1/Schedule 2, page 1
- ii) Exhibit 7/Tab 3/Schedule 2, Attachment 1, page 1
- iii) Exhibit 10/Tab 1/Schedule 1, Attachment 3, page 40
- iv) Exhibit 10/Tab 1/Schedule 1, Attachment 4, page 40

- a) The first two references report different 2010 revenues for Veridian-Main based on existing rates. Please reconcile.
- b) Please re-do the schedule in the third reference so that the revenues (at existing rates) reported for each customer class are net of the LV rate adder and the transformer ownership allowance.
- c) Please reconcile any differences between the result (by customer class) presented in response to part (b) and those set out in Reference (ii) – page 1.
- d) Please re-do the schedule in the fourth reference so that the revenues (at existing rates) reported for each customer class are net of the LV rate adder and the transformer ownership allowance.
- e) Please reconcile any differences between the result (by customer class) presented in response to part (d) and those set out in Reference (ii) – page 2.

Question: 42

References:

- i) Exhibit 6/Tab 2/Schedule 2, pages 2-3
- ii) Exhibit 7/Tab 3/Schedule 2, Attachment 1
- ii) Exhibit 8/Tab 1/Schedule 1

- a) Please confirm whether the 2010 revenue requirement apportioned to Veridian-Main and Veridian-Gravenhurst in Reference (i) includes an adjustment for the transformer ownership allowance.
- b) If the response to part (a) is yes, please explain why when the May 2009 Filing Guidelines directed that it be excluded.

- c) If the response to part (a) is no, please explain why the percentages used to determine the split between the two service area (Reference (i)) were based on the 2006 revenue requirement for each service area adjusted to include the transformer ownership allowance as a cost.

RATE DESIGN

Question: 43

Reference: Exhibit 8/Tab 2/Schedule 1 (Veridian-Main)

- a) Did the variable rates used to determine the fixed/variable percentages set out in Table 1 exclude the LV rate adder and allow for the transformer discount where appropriate?
- b) Please provide a schedule that sets out the 2010 fixed and variable revenues by customer class based on existing rates and the resulting fixed/variable percentages where the variable rates used exclude the LV rate adder and variable revenues are reduced by the transformer allowance as applicable.
- c) Please confirm that the Board's EB-2007-0667 Guideline (page 12) sets the upper limit for the MSC at 120% of avoided costs plus the allocated customer costs (i.e., Minimum System plus PLCC Adjustment). Based on this definition, if Veridian-Main's fixed charges were set so as to maintain the fixed/variable percentages determined in part (b) would any of the resulting monthly service charges exceed the Board's upper limit?

Question: 44

Reference: Exhibit 8/Tab 2/Schedule 2 (Veridian-Gravenhurst)

- a) Did the variable rates used to determine the fixed/variable percentages set out in Table 1 exclude the LV rate adder and allow for the transformer discount where appropriate?
- b) Please provide a schedule that sets out the 2010 fixed and variable revenues by customer class based on existing rates and the resulting fixed/variable percentages where the variable rates used exclude the LV rate adder and variable revenues are reduced by the transformer allowance as applicable.
- c) Please confirm that the Board's EB-2007-0667 Guideline (page 12) sets the upper limit for the MSC at 120% of avoided costs plus the allocated customer costs (i.e., Minimum System plus PLCC Adjustment). Based on this definition, if Veridian-Gravenhurst's fixed charges were set so as to maintain the fixed/variable percentages determined in part (b) would any of the resulting monthly service charges exceed the Board's upper limit?

- d) Why is it appropriate to increase the monthly service charge for GS>50 to the maximum of the Board's range as opposed to just moving to the lower bound of the range?

Question: 45

- References:** i) Exhibit 8/Tab 1/Schedule 1, page 1
ii) Exhibit 8/Tab 3/Schedule 1 and Schedule 2

- a) Please confirm that the differences between the revenue requirements by customer class (for both Veridian-Main and Veridian-Gravenhurst) reported in the two references are due to the cost of the transformer allowance being included in the class revenue requirements in Reference (ii).

Question: 46

- Reference:** i) Exhibit 8/Tab 5/Schedule 2

- a) What is the basis for Veridian's assumption that the LV rates adders will not be revised/updated during the IRM period?

Question: 47

- Reference:** Exhibit 8/Tab 7/Schedule 2

- a) For Veridian-Main (Attachment 1), please provide the bill impacts for a Residential customer using:
- 500 kWh per month
 - 250 kWh per month
 - 100 kWh per month
- b) For Veridian Gravenhurst (Attachment 2), please provide the bill impacts for a Residential Urban customer using::
- 500 kWh per month
 - 250 kWh per month
 - 100 kWh per month
- c) For Veridian Gravenhurst (Attachment 2), please provide the bill impacts for a Residential Suburban customer using::
- 500 kWh per month
 - 250 kWh per month
 - 100 kWh per month
- d) For Veridian Gravenhurst (Attachment 2), please provide the bill impacts for a Residential Suburban Season customer using::
- 500 kWh per month
 - 250 kWh per month
 - 100 kWh per month

- e) Based on the most recent 12 months billing data, please provide a schedule that includes the following information regarding Veridian-Gravenhurst's Residential Urban customers:
- Total number of customers using less than 100 kWh per month
 - Total number of customers using between 100 and 250 kWh per month.
 - Total number of customers using between 250 and 500 kWh per month
 - Overall total number of customers.
- f) Based on the most recent 12 months billing data, please provide a schedule that includes the following information regarding Veridian-Gravenhurst's Residential Suburban customers:
- Total number of customers using less than 100 kWh per month
 - Total number of customers using between 100 and 250 kWh per month.
 - Total number of customers using between 250 and 500 kWh per month
 - Overall total number of customers.
- g) Based on the most recent 12 months billing data, please provide a schedule that includes the following information regarding Veridian-Gravenhurst's Residential Suburban Seasonal customers:
- Total number of customers using less than 100 kWh per month
 - Total number of customers using between 100 and 250 kWh per month.
 - Total number of customers using between 250 and 500 kWh per month
 - Overall total number of customers.

Deferral and Variance Accounts

Question: 48

Reference: Exhibit 9 Tab 2 Schedule 2 Table 1

Preamble the Application indicates In accordance with the Z-factor guidelines contained within Chapter 3 of the Board's Filing Requirements for Transmission and Distribution Applications (dated July 22, 2009), Veridian provides notice to the Board as part of this application, that it will record its 2009 PCB testing cost amounts in account 1572, Extraordinary Event Costs, and will seek recovery of these amounts at the time of a future rate application.

- a) Why is the PCB Extraordinary Cost deferral account required rather than simply tracking PCB remediation costs and including $\frac{1}{4}$ of the prior years expenses in rates or alternatively using a variance account to record the difference in rates and actual cost. Please explain

Question: 49

References: Exhibit 9 Tab 2 Schedule 1 : and Exhibit 9 Tab 4 Schedule 4 Attachment 1

Preamble: The application indicates

- a \$6.6 M increase in rate base representing the net book value of Smart Meter capital assets as of December 31, 2008

- a rate rider of \$0.54 per month for all metered customers to recover the under collection of incremental revenue requirement associated with Smart Meter capital investments and operating expenses to December 31, 2008. The rider to be effective for a period of one year, from May 1, 2010 to April 30, 2011.

- a) Reconcile the balances to be disposed of with the balance of Smart Meter Related Fixed Assets Net Book Value of: \$6,644,822 used for calculation of the 2010 Smart Meter Rate Adder.

Question: 50

Reference: Exhibit 9 Tab 4 Schedule 5

Preamble: The Application states:

Meter installation in Gravenhurst will be completed in 2010 (5,359 residential, 710 GS < 50kW).

In addition, approximately 4,777 GS < 50kW in the remainder of Veridian's service territory will be left to complete in 2010.

- a) Provide Support/details of the 2009-2011 Residential Class SM Unit costs (procurement and installation)
- b) Provide Support/details of the 2009-2011 Residential Class SM AMI, communications and back office costs_(procurement and installation)
- c) Provide Support/details of the 2009-2011 Commercial Class SM Unit costs (procurement and installation)
- d) Provide Support/details of the 2009-2011 Commercial Class SM Unit costs (procurement and installation)

Question: 51

References: Appendix 2-S, at Exhibit 9, Tab 4, Schedule 6, Attachment 2,

- a) Provide a schedule that gives a breakdown of the AMCD Capital Costs shown in lines 1.1.1-1.5.6 between the Residential and GS<50kw and other classes.
- b) Provide a breakdown of the O&M costs shown at lines 2.1.1-2.5 between the Residential and GS<50kw and other classes.

Question: 52

Reference: Appendix 2-S, at Exhibit 9, Tab 4, Schedule 6, Attachment 2,

- a) Based on the rate class split in capital and operating costs provided in the response to VECC IR#2 parts a, and b, provide a schedule that shows the amount to be recovered (including carrying costs) and the May 2010 onward

SM Adder by rate class and compare this to the aggregate \$1.14 per month per metered customer.

- b) Provide extension of the Table in appendix 2-S into 2011 and if required 2012.

Question: 53

Reference Appendix 2-S, at Exhibit 9, Tab 4, Schedule 6, Attachment 2,

- a) Provide a cash flow projection showing SM rate adder revenue and SM expenditures by Month for each class for the 2009, 2010 and 2011 rate years
- b) Is Veridian recording its Smart Meter Costs by class in the smart meter variance accounts 1555 and 1556? If not why not.