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February 2, 2010

BY EMAIL & COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2009-0140
Veridian Connections Inc. – 2010 Cost of Service Application
Energy Probe Technical Conference Questions

Pursuant to Procedural Notice No. 2, issued by the Board on January 27, 2010, please find attached two hard copies of the questions from Energy Probe Research Foundation (Energy Probe) prior to the Technical Conference in the EB-2009-0140 proceeding. For ease of filing responses, Energy Probe has continued to use the Interrogatory numbering system. An electronic version of this communication will be forwarded in PDF format.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: George Armstrong, Veridian Connections Inc. (By email)
Andrew Taylor, Ogilvy Renault LLP (By email)
Randy Aiken, Aiken & Associates (By email)
Intervenors of Record (By email)

Energy Probe Research Foundation 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

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Ontario Energy Board

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

AND IN THE MATTER OF an Application by Veridian
Connections Inc. for an order approving just and reasonable
rates and other charges for electricity distribution to be
effective May 1, 2010.

**TECHNICAL CONFERENCE QUESTIONS OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

February 2, 2010

**VERIDIAN CONNECTIONS INC.
2010 RATES REBASING CASE
EB-2009-0140**

**ENERGY PROBE RESEARCH FOUNDATION
TECHNICAL CONFERENCE QUESTIONS**

Note: Numbering follows from the initial round of interrogatories.

Interrogatory # 45

Ref: Energy Probe Interrogatory #1

Please update the response to provide the actual 2009 provincial sales tax for 2009 for both OM&A expenditures and capital expenditures.

Interrogatory # 46

Ref: Energy Probe Interrogatory #15 & Exhibit 3, Tab7, Schedule 1, Table 8

Please update Table 8 to reflect actual and normalized actual data for 2009.

Interrogatory # 47

Ref: Energy Probe Interrogatory #16 & Exhibit 3, Tab 7, Schedule 2, Table 9

Please update Table 9 to reflect actual and normalized actual data for 2009.

Interrogatory # 48

Ref: Energy Probe Interrogatory #20 (d)

Based on the response provided, please comment on the following which is taken from the EB-2008-0226 Decision and Order for COLLUS Power Corp. dated April 17, 2009 (page 12):

“To be consistent with the Board’s findings in its December 20, 2006 Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors, the Board will approve the annual percent change in the Implicit Price Index for National Gross Domestic Product (GDP-IPI) for Final Domestic Demand. On March 2, 2009, Statistics Canada published the change for 2008 over 2007 as part of the National Economic Accounts. The percent change is 2.3%. The Board directs COLLUS to adjust its 2009 forecasted inflationary amount, excluding wages and benefits, to reflect this change.”

Interrogatory # 49

Ref: Energy Probe Interrogatory #33

- a) Please confirm that Veridian Connections used the half year rule for calculation depreciation expense in the 2009 bridge year.
- b) If the depreciation was calculated using the full year approach in 2009, what would be the incremental depreciation expense for 2009?

Interrogatory # 50

Ref: Energy Probe Interrogatory #34 (d)

Please provide support for the statement that only the income tax rates for taxable incomes exceeding \$1.5 million are applicable to Veridian Connections.

Interrogatory # 51

Ref: Energy Probe Interrogatory #38

- a) Does Veridian Connections agree that if rate payers are paying for the charitable contributions as part of the revenue requirement they should also get the reduction in the revenue requirement associated with these expenses? If not, why not?
- b) Please provide the number of apprenticeship positions that will be eligible for the apprenticeship training tax credits in 2010.
- c) Please reconcile the response to part (h) that indicates that the number of eligible apprenticeship positions in 2010 is 2 with the number of additions for apprentice positions shown in the response to VECC Interrogatory #29.

- d) Please provide the number of eligible apprentice positions added in each of 2007, 2008 and forecast for 2009 and 2010.
- e) Has Veridian Connections included the cost of any positions that would qualify for the co-op education tax credit in the 2010 revenue requirement? If yes, please provide details. If not, please reconcile with the 5.6 students shown in the response to CCC Interrogatory 18.

Interrogatory # 52

Ref: Energy Probe Interrogatory #39

- a) The response to part (h) is not complete. Please explain why a loan with a 10 year term should attract a 30 year term interest rate.
- b) Please also indicate why a 3 year term loan should attract a 30 year term interest rate.

Interrogatory # 53

Ref: School Energy Coalition Interrogatory #9

In the response it is stated that the 2010 operating and capital budgets were approved by Veridian's Board of Directors on December 17, 2009.

Please provide details of any differences in the operating and capital budgets approved by the Board of Directors and the information filed with the Board and intervenors in support of the 2010 revenue requirement.

Interrogatory # 54

Ref: VECC Interrogatory #26

- a) Please provide the actual 2009 costs for cyclical tree trimming. Please explain any variance greater than 5% from the projected figure of \$535,700.
- b) What was the average contract labour rate in 2008 and 2009 and what is the forecast for 2010?

Interrogatory # 55

**Ref: VECC Interrogatory #33 (b) &
Energy Probe Interrogatory #39 (i) &
Exhibit 5, Tab 2, Schedule 1, Table 1**

The response to the VECC interrogatory indicates that the outstanding principal as of December 31, 2009 is \$21.322 million. However, the response to the Energy Probe interrogatory shows this amount to be the outstanding principal as of December 21, 2010, and that the outstanding principal as of December 31, 2009 to be \$23.975 million.

- a) Please confirm which of the above figures was the amount of the outstanding principal as of December 31, 2009.
- b) If necessary, please revise Table 1 of Exhibit 5, Tab 2, Schedule 1 to reflect the December 31, 2009 outstanding principal balance in the calculation of the weighted average interest rate.

Interrogatory # 56

Ref: Board Staff Interrogatory #15 & Exhibit 3, Tab 7, Schedule 3

- a) Please confirm that the wholesale data used in the regression analysis includes wholesale purchases associated with the intermediate, large user, street lighting, sentinel lighting and USL classes.
- b) Please provide the kWh forecast for the intermediate and large use classes using the same methodology as used for the residential, GS < 50 and GS > 50 classes. That is, calculate the weather corrected class specific consumption as shown in Table 8 of Exhibit 3, Tab 7, Schedule 3 for both the intermediate and large use classes and apply the 2008 share to the 2009 and 2010 weather corrected wholesale kWh figures for 2009 and 2010 shown in Table 7.
- c) Based on the forecast provided in (b) above please update Table 13 in Exhibit 3, Tab 7, Schedule 3.
- d) Please provide the actual kWh and kW figures for 2009 for the large use and intermediate customer classes (i.e. update Table 11 in Exhibit 3, Tab 7, Schedule 3) to reflect actual data for 2009.

Interrogatory # 57

Ref: Energy Probe #15 & Exhibit 3, Tab 7, Schedule 1 & 2

The response provided does not explain the significant reduction forecast for 2009 and 2010. Please update Schedules 1 & 2 to reflect actual and normalized actual data for 2009.

Interrogatory # 58

Ref: Board Staff Interrogatory #14 & Exhibit 3, tab 7, Schedule 1, Tables 7 & 8

- a) Please confirm that the values in Table 7 reflect wholesale kWh's while the figures in Table 8 reflect billed kWh's.
- b) Please confirm the difference between the normalized and actual figures taken from Tables 7 & 8 for 2008 in the following table. If the figures cannot be confirmed, please provide a corrected table.

	<u>Normalized</u>	<u>Actual</u>	<u>Difference</u>
Wholesale kWh - Table 7	2,575,788,571	2,526,783,479	49,005,092
Residential - Table 8			
8	949,155,692	931,097,742	18,057,950
GS < 50 - Table 8	301,890,178	296,146,633	5,743,545
GS > 50 - Table 8	<u>949,846,163</u>	<u>931,775,076</u>	<u>18,071,087</u>
Total - Table 8	2,200,892,033	2,159,019,451	41,872,582

- c) The total difference in Table 8 between the normalized figures and the actual figures is approximately 85% of the difference in the normalized and actual figure for 2008 in Table 7. Aside from the total loss factor difference, what accounts for the difference in these two figures in 2008?

Interrogatory # 59

Ref: Energy Probe Interrogatory #12 and Exhibit 3, Tab 7, Schedule 3, Tables 7 & 8

- a) Based on the difference of 49,005,092 shown in Energy Probe Interrogatory #58 (b) as the difference between the actual and normalized wholesale kWh's for 2008, and the total loss factor for 2008 of 1.04879 shown in Exhibit 8, Tab 6, Schedule 4, does Veridian Connections agree that a reasonable estimate of the difference between actual and normalized billed kWh's is 46,725,362 kWh ($49,005,092 / 1.04879$)? If not, why not?

- b) Please consider the following approach to allocating the difference between the actual and normalized 2008 volumes of 46,725,362 kWh between the three weather sensitive classes (residential, GS < 50, GS > 50).

	<u>Percent</u>	<u>kWh</u>	<u>Normalized</u>	<u>Share</u>
Residential Share	43.13%	20,150,758	951,248,500	36.93%
GS < 50 Share	13.72%	6,409,187	302,555,820	11.75%
GS > 50 Share	<u>43.16%</u>	<u>20,165,417</u>	<u>951,940,493</u>	<u>36.96%</u>
Total	100.00%	46,725,362	2,205,744,813	85.63%

The percents shown are calculated based on the actual figures shown in Table 8 and then applied to the estimate of the difference between the actual and normalized billed kWh for 2008. For example, the residential percent of 43.13% is calculated as 931,097,742 divided by the sum of the actual figures for the weather sensitive classes shown in Table 8 (931,097,742 + 296,146,633 + 931,775,076) and then this percent is multiplied by the billed kWh difference of 46,725,362 kWh.

The normalized volume is then calculated as the actual figure for 2008 plus the normalized adjustment for the class. Again, using the residential class as an example, the residential 2008 normalized volume is 951,248,500 kWh (931,097,742 + 20,150,758).

Dividing the normalized billed kWh estimate for 2008 by the normalized 2008 wholesale figure provides the shares. The residential figure is 951,248,500 divided by 2,575,788,571, or 36.93%.

Please comment on this methodology as compared to the methodology used by Veridian Connections to calculate the shares for the residential, GS < 50 and GS > 50 classes for 2008.

- c) Please confirm that based on the shares calculated in (b) above and a 2010 wholesale forecast of 2,516,710,137 kWh, the following table accurately reflects the impact on the 2010 billed kWh forecast for the residential, GS < 50 and GS > 50 forecast relative to that shown in Table 8. If the numbers cannot be confirmed, please provide a corrected table.

	<u>Normalized</u>	<u>Table 8</u>	<u>Difference</u>
Residential - Calculated	929,430,610	927,385,803	2,044,807
GS < 50 - Calculated	295,616,382	294,966,007	650,375
GS > 50 - Calculated	<u>930,106,731</u>	<u>928,060,437</u>	<u>2,046,294</u>
Total	2,155,153,723	2,150,412,247	4,741,476

Interrogatory # 60

Ref: Application Update, Manager's Summary, page 3

- a) Please confirm that Veridian Connections has only included a partial year cost in 2010 associated with the wages and benefits for the new Corporate Secretary and the Executive Assistant to the Corporate Secretary.
- b) Please quantify the amount included in the 2010 revenue requirement associated with these two positions.
- c) Please show the allocation of the costs associated with these two positions to Veridian Connections and to each of its affiliates and indicate what the allocation is based on.
- d) Please provide details on the costs of \$234,000 associated with incremental maintenance expenses for the building expansion.

Interrogatory # 61

Ref: Application Update, Manager's Summary, page 4

Are the corrections to the capital cost allowance referred to here the same as those that were corrected in response to Energy Probe Interrogatories #36 & #37? Are there any additional changes from that filed in response to those interrogatories? If so, please explain the additional changes.

Interrogatory # 62

Ref: Application Update, Ajax Building Description – Project Description

- a) The operational efficiencies are shown on pages 5 & 6. Please explain what is meant by staff meeting travel costs and show how the \$13,000 figure was calculated.
- b) Please show how the \$10,000 in maintenance savings was calculated.
- c) Please show how the other savings of \$10,000 was estimated.
- d) Does the staff meeting travel costs of \$13,000 include any provision for increased worker productivity due to less travel time? If not, why not and please quantify the increased productivity.

- e) Please reconcile the figure of \$645,920 shown Table 3 on page 7 for furniture, fixtures & equipment with the increase of \$710,518 shown in account 1915 in the response to Energy Probe Interrogatory #33 from that in Exhibit 4, Tab 8, Schedule 3, Attachment 1.
- f) Please explain why Veridian Connections requires space to accommodate 172 people (Option 2, page 5) when the number of people at the Pickering Parkway centre is only 65 plus a small team of finance staff (page 3), in addition to the 65 located at the Ajax facility.
- g) Please explain why it is appropriate to include the 10% contingency in the capital expenditure?
- h) Does the \$6 million capital estimate include the costs associated with the provincial sales tax? If yes, please quantify the amount of the \$6 million that is related to the provincial sales tax.

Interrogatory # 63

Ref: Application Update, Ajax Building Description – Project Description

With respect to Option 2B shown on page 7:

- a) What assumptions did Veridian Connections use relative to the \$210,000 cost associated with the Pickering Parkway center? In particular, how much of the 15,000 square feet currently leased (page 2) would need to be leased under Option 2B and what cost was included in the customer impact in the test year and NPV calculations? Assume that the space to be leased would accommodate staff growth through 2015.
- b) If Veridian Connections did not use a lower lease cost associated with the Pickering Parkway space, please provide the following based on the amount of space that would need to be leased as determined in (a) above:
 - i) the customer impact (revenue requirement in test year); and
 - ii) the customer impact (NPV revenue requirement).
- c) Please provide the discount rate used for the NPV calculations.

Interrogatory # 64

Ref: Application Update, Ajax Building Description – Project Description

With respect to Option 6:

- a) Please explain why there would be any impact on the 2010 test year revenue requirement if the new facility was not completed until after 2010?**
- b) Would Veridian Connections require a new facility to accommodate 175 people if the people currently working at the Pickering facility are relocated to the existing Ajax facility? Could a new facility to accommodate approximately 100 people be built in place of that proposed? If not, why not?**