

**Veridian Connections Inc.**  
**2010 Electricity Distribution Rates**  
**EB-2009-0140**  
**Board Staff Supplemental Interrogatories**

**1. Annual Capital Expenditures**

Refs: Exhibit 2 / 2 / 1 / p4, Exhibit 2 / 2 / 3 / pp2-5, Exhibit 2 / 4 / 1 / pp 1-2 and response to Board staff interrogatory No.5

In the interrogatory, the Applicant was asked to reconcile various capital costs and, in its response, provided a detailed reconciliation. However, the 2010 value shown in the pre-filed evidence in Exhibit 2 / 2 / 1 / p4 / Table 2 is \$22.173 million and this value does not appear as part of the reconciliation.

- a) Please re-file the Applicant's response to Board staff interrogatory No.5 but now including the \$22.173 million value as one of the values to be reconciled.

**2. Service Quality**

Refs: Exhibit 2 / 12 / 1 & 2 and response to Board staff interrogatory No.12

In responding to part (b) of the interrogatory the Applicant noted that, in addition to the statistics provided up to November 2009, the 2006-8 statistics were included in the rate application.

- a) Please re-file the table provided in the part (b) response but now including the full-year results for each year from 2003 to 2009.
- b) Using the best-fit straight line, please plot the results in a) above for each of the three service quality measures.

**3. Load Forecast – Loss Factors**

Refs: Exhibit 3 / 7 / 3 / pp 1-25 and response to Board staff No.18

In response to the interrogatory request, the Applicant compared the implied loss factors it utilized in its wholesale/retail energy conversion to the values proposed in the application.

- a) Please recalculate the resultant load forecast for each of the two tariff zones using the loss factors actually proposed in the application; i.e. 4.581% and 10.125% for the Main and Gravenhurst zones respectively.

#### **4. Customer Connections**

Refs: Exhibit 3 / 6 / 1 / p1, Exhibit 3 / 6 / 2 / p1 and response to Board staff interrogatory No.19

Please re-file both tables now using 2009 full-year results.

#### **5. Additional Resources – Drivers**

Refs: Exhibit 4 / 2 / 1 / p3 and responses to Board staff interrogatories 22 & 25

In Board staff interrogatory No.22, the Applicant was asked to provide the FTEs required for each activity in a list of activities that the Applicant had noted “Additional resources will be required for.” In response to the interrogatory, the Applicant replied: “Veridian is unable to provide an accurate estimate of the FTEs...required to support these activities...” In response to Board staff interrogatory No.25, the Applicant shows that it proposes to increase its staffing level from 186.5 in 2008 to 235.5 in 2010; i.e. an increase of 49 staff.

- a) Please confirm that the FTEs required to perform the activities listed in interrogatory No.22 are part of the proposed increase in 49 staff.
- b) Please provide *any* FTE data that the Applicant may have that are an estimate of the staffing needed to perform the listed activities in interrogatory No.22.

#### **6. OM&A costs per Customer and FTEE**

Refs: Exhibit 4 / 2 / 1 / Attachment 5 / p1 / Appendix 2-J and Board staff interrogatories No.23 & No.26

Interrogatory No.23 noted that in Appendix 2-J the Applicant showed:

- The OM&A Cost per Customer as increasing from \$177 in 2008 to \$198 in 2010, and
- The Customer/FTEE as decreasing from 594 in 2008 to 480 in 2010.

In response to interrogatory No.26(c) the Applicant stated: “Peer utilities operated with lower customer to employee ratios than Veridian in 2006.” In response to interrogatory No.26(d) that asked in part for “...a breakdown of the 2008-2009 and 2009-2010 employee increases by employee class that are discretionary vs. non-discretionary...” the Applicant states: “Veridian does not distinguish staff and new hires by specific projects and is therefore unable to answer the question.”

- a) Please calculate the amount of OM&A the Applicant would require in 2010 if it were to maintain the 2008 performance proxy of \$177 per customer.

- b) Please calculate the number of staff the Applicant would require in 2010 and the corresponding staffing cost for the year if it were to maintain the 2008 performance proxy of 594 Customer/FTEE.
- c) Please clarify if the Applicant's FTEE measure includes overtime; for example, if a full-time employee were to work 10% overtime for a year, does the Applicant consider this to be 1.0 or 1.1 FTEE?
- d) Please provide the evidence that the Applicant relied on to state: "Peer utilities operated with lower customer to employee ratios than Veridian in 2006."
- e) Please provide an estimate of the FTEs required to perform separately the planned discretionary and non-discretionary projects.
- f) Based on the estimate obtained for e) above, please estimate the corresponding staffing level required for the utility if the discretionary projects were not undertaken in 2010.

## **7. Purchase of Non-Affiliate Services**

Refs: Exhibit 4 / 7 / 1 / pp 1-3 and response to Board staff interrogatory No.30

In Exhibit 4 / 7 / 1/ Tables 1 to 5, the Applicant shows the "Forecasted Annual Total OM&A Purchase of Services exceeding \$240k". In response to the interrogatory the Applicant provides a table that lists the top six non-affiliate companies "where purchases pertain to OM&A expenditures".

- a) Please re-file the table to include both OM&A and capital expenditures.

## **8. Tax Calculations**

Ref: Exhibit 4 / 9 / 2 / pp1-2 and response to Board staff interrogatory No. 31

In response to the interrogatory, the Applicant filed its Attachment 1 which shows "Income/(Loss) before PILs/Taxes (Accounting)" for "2009 Projection", "2010 @ existing rates" and "2010 @ new dist. rates" to be \$9,825,222, \$25,872,668 and \$6,013,124 respectively.

- a) Please confirm the Applicant's income before PILs for the year 2010 at existing rates is \$25,872,668.
- b) If confirmed in a) above, please explain the significant reduction from the 2009 value to \$6,013,124 for 2010.

## **9. Network and Connection Charges**

Refs: Exhibit 8 / 4 / 3 / p1, Attachment 1, pp1-2 and response to Board staff interrogatory No.43.

The exhibits in the pre-filed evidence for Veridian\_Main showed the Network Service Rates and the Connection Service Rates to over/(under) recover; specifically:

	2007	2008	Jan-May 2009
Network Service Rates	\$1.655 million	\$1.267 million	(\$0.217 million)
Connection Service Rates	\$1.146 million	\$0.061 million	(0.276 million)

The Applicant noted in its pre-filed evidence that its retail transmission network rates and its retail transmission connection rates as of May 2009, increased by 11.255% and 5.455% respectively.

Board staff's interrogatory had asked for a forecast to the end of 2010 but the Applicant responded that the forecast was "not readily available...and could not be provided within the time provided."

- a) Please expand the tables in Exhibit 8 / 4 / 3 / Attachment 1, pp1-2 to include 2009 actual data.
- b) Please reconsider the original interrogatory request and expand the tables to include a forecast until 2010 year end.
- c) If the Applicant is still not able to provide the forecast requested in b) above within the time provided, please:
  - From the actual 2009 results, calculate the over/under recovery for each of the service rates for the June 2009 to December 2009 period.
  - Extrapolate the 2009 actual over/under recovery for the June 2009 to December 2009 period by dividing it by 7 and multiplying by 12 to obtain a 2010 forecast.
  - Comment how the forecast just obtained for 2010 may be improved.

#### **10. Loss Factors – Veridian\_Main**

Refs: Exhibit 8 / 6 / 2 / pp1-2, Exhibit 8 / 6 / 4 / p1 and response to Board staff interrogatory No.46

The interrogatory asked how the higher loss factors at 6 of the 31 IESO delivery points (effective May 1, 2009) were included in the Applicant's 2010 proposed Supply Facility Loss Factor (SFLF) when the Applicant stated that it had used the three-year average of the historical years 2006, 2007 and 2008.

Board staff understands the Applicant to have replied that the SFLF values for Veridian\_Main shown for the years 2006 to 2008 in Exhibit 8 / 6 / 4 / p1 / Appendix 2-Q were not, in fact, values for the respective years but were a calculated "specific SFLF" utilizing post-May 1, 2009 data that produced a 1.54% value.

- a) Please confirm Board staff's understanding of the use of the post-May 1, 2009 data and the role played in the calculation of the specific SFLF for Veridian\_Main, or explain.
- b) Please show the detailed calculation of the 1.54% specific SFLF value for Veridian\_Main.
- c) Please re-file Appendix 2-Q for Veridian\_Main using *only actual data* for each of the three years 2006, 2007 and 2008.
- d) Please confirm if the SFLF for Veridian\_Gravenhurst in Exhibit 8 / 6 / 4 / p1 / Appendix 2-Q was determined in a similar manner to the Veridian\_Main SFLF and, if so, provide Gravenhurst-specific responses to items a), b) and c) above.

#### **11. Account 2425 – Deferred Credits**

Refs: Exhibit 9 / 3 / 2 / pp1-3 and response to Board staff interrogatory No.53

In Board staff interrogatory No.53 the following background is provided:

"The Applicant explains how, apparently for the Gravenhurst zone, the credit balance in account 2425 was brought about by Bill 210 making the then-interim rates final at a level that was higher than required in the long term. On page 3, the Applicant states: "Because the December 31<sup>st</sup>, 2008 balance of \$387,465 was recovered pursuant to a final rate order, Veridian proposes to reclassify the balance as distribution revenues from prior periods.""

The interrogatory sought to understand the mechanism that the Applicant was proposing whereby its Gravenhurst customers would receive the benefit of the over-recovery to which they had contributed.

The Applicant responded: "The Applicant has not proposed a mechanism to transfer the balance to the benefit of its customers. The balance in account 2425 was recovered pursuant to a final rate order. Altering that final rate order would amount to retrospective ratemaking."

- a) Assuming that the Gravenhurst customers over-contributed in good faith of restitution and had no control of the situation that resulted in the over-recovery, please specify the case law and identify the precedents that support the Applicant's proposal not to refund the \$387,465 since, in the Applicant's opinion, refunding would amount to retrospective ratemaking.
- b) Please calculate the reduction in rate increase for Residential customers @ 800kWh and GS<50kW customers @ 2000kWh if the over-recovery were applied as a single-year rate rider/adder.

#### **12. Ajax Building Extension**

Refs: Application Update, January 11, 2010, Exhibit 3

In the referenced exhibit, the Applicant provides details on the Ajax building extension and the consolidation of the Ajax and Pickering buildings.

- a) Please state the date that is considered to be “current” as used in Table 2; e.g. December 31, 2009?
- b) Please confirm the Applicant’s total number of actual employees in the utility corresponding to (i) the date in a) above and (ii) December 31, 2010 if this is not the date in a) above.
- c) Please confirm that the “current headcount” shown in Table 2 for the Pickering and Ajax sites are *actual persons* occupying the space shown and does not include any vacant staff positions or any future positions; otherwise, provide actual staffing numbers.
- d) Please explain the basis on which the Square Footage per Employee was calculated; e.g. is it the number of square feet leased/owned by the Applicant divided by the Headcount shown? For greater certainty; is a portion of the common facilities such as elevator shafts, stairwells, corridors, etc. included in the Square Footage per Employee data that are shown in Table 2?
- e) Please (i) state the Applicant’s total number of employees in the utility that corresponds with the 172 headcount in Table 2 and (ii) confirm the corresponding year is 2028, or correct.