



*PUBLIC INTEREST ADVOCACY CENTRE*

*LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC*

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

**Toronto Office: 34 King St E Suite 1102 Toronto Ont. M5C 2X8**

February 4, 2010

**VIA E-MAIL/RESS**

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

Dear Ms. Walli

**Re: EB-2009-0140 Veridian Connections Inc. 2010 Rates  
Technical Conference Questions from the  
Vulnerable Energy Consumers Coalition (VECC)**

Please find enclosed VECCs Questions for the Technical Conference.

Please note that due to workload, we have not finished reviewing the IR responses on Load Forecast, Cost Allocation and Rate Design and will forward any additional questions on these topics as soon as possible.

Yours truly,

*Original signed*

Michael Buonaguro  
Counsel for VECC

## **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.

**VERIDIAN CONNECTIONS INC.**

**EB-2009-0140**

**Vulnerable Energy Consumers Coalition**

**TECHNICAL CONFERENCE QUESTIONS**

**Note: Numbering Follows from VECC IRs 1-53**

**VECC TC Question #54**

**New (no VECC IRR)**

Ratemaker Tab B1 shows 2010 Capital Additions to Gross Fixed Assets of \$ 32,388,046 (net of \$3.5 million contributions)

Request

- a) Provide a Schedule that reconciles Ratemaker Tab B1 2010 Capital Additions to Gross Fixed Assets to the amounts shown in Exhibit 2 Tab 4 Schedule 1 Page 2.

**VECC TC Question#55**

VECC IRR # 8.b) Ref: Exhibit 2 / Tab 3 / Schedule 1 / Page 11

Board Staff IRR#12. Ref: Exhibit 2 / Tab 12 / Schedule 1;Exhibit 2 / Tab 12 / Schedule 2

Response (partial)

“In contrast, Veridian's plans now will result in an increase in the relative amount of capital investment that directly reduces potential outage causes, through rebuilding, renewal, and betterment of line and substation assets. This activity is not confined to Sustainment work. For example many of the projects in the Development category, listed there because they primarily produce an asset that adds a new main supply feature or that is of a larger capacity, do however significantly and directly result in newer and better performing assets than those they replace. This will reduce or eliminate contributors to outages, and strengthen the system's ability to withstand disturbances.”

Request

- a) Identify how much of the 2010 CAPEX is considered Discretionary and how much non-discretionary.
- b) Reconcile the response to VECC 8 b) the \$1.7 million reduction in Sustaining CAPEX in 2010.
- c) Identify the specific 2010 projects and costs that will improve overall system reliability particularly in VG
- d) What is the multi year plan for investment in improving System reliability
- e) What are the targets/dates for reliability improvements?

**VECC TC Question#56**

VECC IRR 18. Ref: 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.

## Request

- a) Update all data for 2009 actuals - customer connections average use and actual and weather normalized loads
- b) Comment on the materiality of any significant variations in 2009 data for the 2010 forecasts

## **VECC TC Question #57**

VECC IRR 19b Reference Exhibit 3 / Tab 6 / Schedule 2

(b) Please confirm that the expected sales to the two new customers have been grossed up for losses for purposes of Table 6. What loss factor value was used?

## Response

(b) Veridian has attempted to interpret the question given the provided reference but has not been successful. The evidence reference does not contain a Table 6. Table 6 is within Exhibit 3, Tab 6, Schedule 1, but Veridian is unable to interpret the reference to 'two new customer' or 'sales' as Table 6 provides information on average annual customer connections for VCI\_Main, not sales.

## Request

The evidence states "As noted previously, in 2006 two customers that were previously classified as GS > 50 were reclassified; one to Intermediate and one to Large Use. For the purpose of customer class forecasting, these customers have been allocated to their current rate class for the entire time series."

- a) Please provide the information requested on the treatment of these two large customers in the load forecast.

## **VECC TC Question #58**

No Prior Response

## Request

- a) Does the OM&A data in Exhibit 4 Tab 4 Schedule1Table 1 include Gravenhurst?
- b) If so, breakout the historic and estimated amounts.
- c) If not, provide these in a separate schedule.

## **VECC TC Question #59**

VECC IRR #29 Response part b

“Actual 2009 compensation is estimated to be \$656,000 less than the 2009 plan. Forecast 2010 total compensation as at January 6, 2010 is \$79,000 less than the forecast 2010 total compensation as filed within the pre-filed evidence.”

#### Request

- a) Provide an update to the 2009 hiring plan (actual) and discuss the impact on the 2010 hiring plan

#### **VECC TC Question #60**

VECC IRR 27. Ref: Exhibit 4 / Tab 4 / Schedule 4

#### Request

- a) Confirm that the DSC Amendments are not directly related to Low Income Customers but are general in nature.
- b) Provide a breakdown of estimated 2010 incremental costs related to the Impact of Code Amendments in the Categories in Attachment 1.
- c) Relate this to the original increase in FTEs and OM&A costs of \$160,000 for LEAP.
- d) If the OEB implements more of the measures recommended by the LEAP Finance Working Group will these costs be incremental to the current 2010 costs. Explain why they may/will exceed the original LEAP cost estimates and by approximately by how much.

#### **VECC TC Question #61**

VECC IRR # 35 and SEC IRR# 34: Ref: Exhibit 5 / Tab 1 / Schedule 1

#### Request

- a) Provide/ update the following based on new debt and the Board's 2009 Cost of Capital Report:
  - i. Cost of Existing Affiliated Debt (distinguish existing and new VC Loans)
  - ii. Cost of ST Debt
- b) Calculate the Impact (including updated ROE) on the DRR and
- c) Rate Impacts
- d) Bill Impacts

#### **VECC TC Question #62**

VECC IRR # 33. Ref: Exhibit 5 / Tab 2 / Schedule 1 / Page 3 / Table 1

(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?

Response

d) Directed to Energy Probe Interrogatory #39

New Additional Debt - \$21 million from Veridian Corporation

This promissory note was issued on December 17, 2009 to supply the incremental debt required to meet Veridian’s financing requirements. The note also has features similar to the VC shareholder promissory notes discussed above.

1. The notes are also subordinated providing Veridian with the flexibility as described above.

2. The notes also do not contain covenants or borrowing restrictions and therefore extend Veridian the benefits as outlined above.

Request

a) Provide the term sheet and a discussion regarding the VC Note interest rate vs. term of the note and alternatives (such as Infrastructure Ontario) investigated by VCI.

### **VECC TC Question #63**

VECC IRR #50 Ref: Exhibit 9 / Tab 4 / Schedule 5

In VECC IRR 50 VECC requested a split of costs between residential and Commercial meters based on actual installed unit costs VCI indicated “Veridian is unable to provide a class specific SM unit meter cost as not all capital costs have been tracked separately by rate class” but then went on to provide an average (which implies data are available)

Request

a) Provide Support/details of the 2009-2011 Residential and Commercial Class SM Unit costs (procurement and installation).