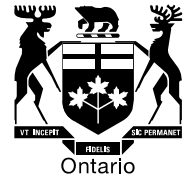


**Ontario Energy  
Board**

P.O. Box 2319  
27th. Floor  
2300 Yonge Street  
Toronto ON M4P 1E4  
Telephone: 416- 481-1967  
Facsimile: 416- 440-7656  
Toll free: 1-888-632-6273

**Commission de l'énergie  
de l'Ontario**

C.P. 2319  
27e étage  
2300, rue Yonge  
Toronto ON M4P 1E4  
Téléphone: 416- 481-1967  
Télécopieur: 416- 440-7656  
Numéro sans frais: 1-888-632-6273



**BY E-MAIL**

August 10, 2012

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Veridian Connections Inc.  
Disposition of Account 1562 – Deferred PILs  
Board Staff Interrogatories  
Board File No. EB-2012-0061**

In accordance with the Notice of Application and Hearing, please find attached Board Staff Interrogatories in the above proceeding.

In addition, Board staff reminds Veridian Connections Inc. that responses to interrogatories are due by August 31, 2012.

Yours truly,

*Original Signed By*

Daniel Kim  
Analyst – Applications & Regulatory Audit

Encl.

**Veridian Connections Inc.  
Disposition of Account 1562 – Deferred PILs  
Board Staff Interrogatories**

Gravenhurst

**Reference: PILs Recovery Worksheet  
PILs Recoveries from Customers**

- 1) In the application evidence filed in 2002, 2004 and 2005, Gravenhurst provided statistics of demand data. In 2006 EDR, Gravenhurst also provided statistics for 2002-2004. The trend for the majority of distributors is that the PILs recoveries exceed the proxies for the full years of 2003, 2004 and 2005. As demand and population grew, the PILs dollar amounts recovered were higher than the proxy set using 2001 billing determinants. The table below shows Gravenhurst's evidence from 2002 to 2006.
- a) Please explain why the PILs recoveries are so much lower than one would expect in 2002 and 2005 as seen in the table below.

| <b>PILs Proxies vs. Recoveries</b> | <b>2002 partial</b> | <b>2003</b>    | <b>2004</b>   | <b>2005</b>  | <b>2006 partial</b> |
|------------------------------------|---------------------|----------------|---------------|--------------|---------------------|
| PILs Proxies in Rates              | 328,177             | 392,169        | 344,175       | 248,477      | 73,970              |
| PILs Recovery Calculations         | -193,485            | -430,922       | -351,381      | -242,045     | -93,885             |
| Difference                         | <b>134,692</b>      | <b>-38,753</b> | <b>-7,206</b> | <b>6,432</b> | <b>-19,915</b>      |

- b) The volumetric billing determinants for 10 months of 2002 appear to be lower than the full year statistics would indicate. Board staff prorated (10/12) the 2002 statistics as filed in the 2006 EDR application and compared the prorated volumes with those used in the PILs recovery calculations. Please explain.

| <b>Customer Class</b> | <b>Billing Parameter</b> | <b>Billed Consumption Mar. 1/02 to Dec 31/02</b> | <b>Prorated 2002 Statistics Filed in 2006 EDR</b> | <b>2002 Statistics Filed in 2006 EDR</b> |
|-----------------------|--------------------------|--|---|--|
| Residential urban     | kWh's                    | 4,623,047  | 23,115,235  | 27,738,282                               |
| Residential suburban  | kWh's                    | 1,493,457  | 7,467,286   | 8,960,743                                |

|                      |       |           |           |            |
|----------------------|-------|-----------|-----------|------------|
| Residential seasonal | kWh's | 1,742,878 | 8,714,390 | 10,457,268 |
| GS<50                | kWh's | 1,926,154 | 9,630,768 | 11,556,921 |
| GS>50                | kW's  | 7,325     | 36,627    | 43,952     |
| Sentinel Lights      | kWs   | 9,743     | 135       | 162        |
| Streetlight          | kW's  | 92,428    | 1,431     | 1,717      |
| GS<50 suburban       | kWh's | 589,796   | 2,948,978 | 3,538,773  |
| GS>50 suburban       | kW's  | 7,848     | 39,242    | 47,091     |

- c) If there are any adjustments that need to be made to the PILs recovery calculations, please update and file the revised PILs continuity schedule in active Excel format.

**Reference: 2001 through 2005 SIMPIL Models  
Income Tax Rates**

- 2) Veridian used the following income tax rates in the table below to calculate the true-up variances in the SIMPIL models for Gravenhurst.

|                                | 2001   | 2002   | 2003   | 2004   | 2005   |
|--------------------------------|--------|--------|--------|--------|--------|
| Income tax rate used in SIMPIL | 34.12% | 34.12% | 31.87% | 31.87% | 27.50% |

- a) How did Veridian select the income tax rates for 2001 to 2005? Please provide the calculations in Excel format.
- b) Gravenhurst's 2002 rate base was \$8,718,402. Please explain why the minimum income tax rates would not be appropriate for Gravenhurst? Please refer to Midland EB-2012-0219/ EB-2011-0182. Veridian used the minimum income tax rates for Scugog's evidence. Why would these minimum income rates also not be used for Gravenhurst?

Scugog Hydro

**Reference: PILs Recovery Worksheet  
PILs Recoveries from Customers**

- 3) In the application evidence filed in 2002, 2004 and 2005, Scugog Hydro provided statistics of demand data. In 2006 EDR, Scugog Hydro also provided statistics for 2002-2004. The trend for the majority of distributors is

that the PILs recoveries exceed the proxies for the full years of 2003, 2004 and 2005. As demand and population grew, the PILs dollar amounts recovered were higher than the proxy set using 2001 billing determinants. The table below shows Scugog Hydro's evidence from 2002 to 2006.

- a) Please explain why the PILs recoveries are so much lower than one would expect in 2002, 2004 and 2005 as seen in the table below.

| <b>PILs Proxies vs. Recoveries</b> | <b>2002 partial</b> | <b>2003</b>   | <b>2004</b>  | <b>2005</b> | <b>2006 partial</b> |
|------------------------------------|---------------------|---------------|--------------|-------------|---------------------|
| PILs Proxies in Rates              | 26,063              | 31,083        | 27,318       | 38,715      | 14,311              |
| PILs Recovery Calculations         | -24,645             | -32,180       | -24,554      | -38,028     | -15,721             |
| Difference                         | <b>1,418</b>        | <b>-1,097</b> | <b>2,764</b> | <b>687</b>  | <b>-1,410</b>       |

- b) The volumetric billing determinants for 10 months of 2002 appear to be lower than the full year statistics would indicate. Board staff prorated (10/12) the 2002 statistics as filed in the 2006 EDR application and compared the prorated volumes with those used in the PILs recovery calculations. The billing determinant data for the Sentinel Lights and Streetlight rate classes used for PILs recovery are not consistent with the load forecast data contained in Scugog Hydro's last cost of service application for 2003 as seen in the table below. Please explain.

| <b>Customer Class</b>   | <b>Billing Parameter</b> | <b>Billed Consumption Mar. 1/02 to Dec 31/02</b> | <b>Prorated 2002 Statistics Filed in 2006 EDR</b> | <b>2002 Statistics Filed in 2006 EDR</b> |
|-------------------------|--------------------------|--|---|--|
| Residential             | kWh's                    | 15,119,762                                       | 16,799,735  | 20,159,682                               |
| General Service < 50 KW | kWh's                    | 7,829,495  | 8,691,105   | 10,429,326                               |
| General Service > 50 KW | kW's                     | 28,628   | 31,809  | 38,171                                   |
| USL                     | kWh's                    | 130,998  | 134,443   | 161,331                                  |
| Sentinel Lights         | kWs                      | 21   | 23  | 28                                       |
| Streetlight - TOU       | kW's                     | 860  | 956   | 1,147                                    |

| Customer Class    | Billing Parameter | Billed Consumption 2003 | 2003 Statistics Filed in 2006 EDR |
|-------------------|-------------------|-------------------------|-----------------------------------|
| Sentinel Lights   | kWs               | -                       | 19                                |
| Streetlight - TOU | kW's              | -                       | 1,175                             |

- c) If there are any adjustments that need to be made to the PILs recovery calculations, please update and file the revised PILs continuity schedule in active Excel format.

Veridian

**Reference: Veridian\_ED Disposition\_1562 Balance\_20120501.xls**

**4) Tab E1.1 Disposition of 1562 Balance**

- a) The description indicates that the worksheet only goes to October 31, 2005 rather than April 30, 2006. Please explain.
- b) Large Corporation Tax ("LCT")  
In the consolidation of Veridian for the 2005 regulatory information there is an amount for LCT of \$125,764. Did Veridian include 4/12ths of this amount in its continuity schedule as explained in APH FAQ July 2007?

**5) Tab C1.1 - VCI - March to December 2002**

The volumetric data for the ten months of 2002 look to be low when compared to 2002 full year statistics provided in the 2004 RAM application model. Please explain.

**6) Tab C1.1 - Belleville - March to December 2002**

Volumetric data for street lighting seems to be missing. Please explain and revise the spreadsheet where necessary.

**7) Tab C1.2 – Port Hope – 2003**

The volumetric data look to be low when compared to the 2003 statistics provided in the 2005 RAM application model. Please explain.

**8) Tab C1.6 - Belleville – April to December 2005**

The volumetric data for large use appear to be on the incorrect line. No PILs recovery has been calculated. Please correct the worksheet and re-file the workbook.

**Reference: Veridian – 2004 SIMPIL Model – LCT True-up Variance**

- 9) The LCT threshold increased to \$50 million in 2004 from \$10 million prior to 2004. On sheet TAXCALC in cell E172 the original LCT of \$246,873 appears. Above this in cell E170 the revised LCT amount of \$126,586 has been calculated. A credit variance of \$118,287 should appear in cell E173. The grossed-up amount is \$181,980. Please confirm the formula and file the revised 2004 SIMPIL and disposition workbook.

**Reference: 2005 Tax Returns**

- 10) In the Manager's Summary on page 16 there is reference to summation of the details of three tax returns filed in 2005. Board staff was unable to locate this summary. Please provide the reference in the evidence filed. If the summary has not been filed, please file it.