



55 Taunton Road East
Ajax, ON L1T 3V3
TEL (905) 427-9870
TEL 1-888-445-2881
FAX (905) 619-0210
www.veridian.on.ca

January 23, 2013

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
Suite 2700, P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Veridian Connections Inc., 2013 IRM3 Electricity Distribution Rate Application
Responses to Interrogatories, Board File No.: EB-2012-0170**

Veridian is pleased to provide the enclosed responses to interrogatories received from Board staff on January 8th, 2013.

In accordance with Veridian's response to Board staff interrogatory #4, Veridian is refiling its 2013 Rate Generators models with updated Service Classification descriptions. All other revisions to these models will be conducted by Board staff.

Yours truly,

Original signed by

George Armstrong
Vice President, Corporate Services

The power to make your community better.

Veridian Connections is a wholly owned subsidiary of Veridian Corporation



Veridian Connections
EB-2012-0170
Response to Board Staff Interrogatories
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1. Ref: 2012 IRM3 Tax Savings Work Form Gravenhurst, page 3
Veridian's Cost of Service Application EB-2009-0140

Please confirm, Gravenhurst's General Service 50 to 4,999 kW Re-based Billed kWh is correct, as they do not reconcile to Veridian's cost of service application EB-2009-0140. If confirmed, please provide supporting evidence for the difference. If this is an error Board staff will update your Tax Savings Work Form accordingly.

Last COS Re-based Year was in 2010

Rate Group	Rate Class	Fixed Metric	Vol Metric	Re-based Billed Customers or Connections A	Re-based Billed kWh B	Re-based Billed kW C
RES	Residential Urban Year-Round	Customer	kWh	2,985	27,397,075	
RES	Residential Suburban Year Round	Customer	kWh	757	9,458,013	
RES	Residential Suburban Seasonal	Customer	kWh	1,592	9,730,721	
GSLT50	General Service Less Than 50 kW	Customer	kWh	727	14,769,007	
GSGT50	General Service 50 to 4,999 kW	Customer	kW	50	29,668,436	68,687
Sen	Sentinel Lighting	Connection	kW	53	43,727	127
SL	Street Lighting	Connection	kW	947	598,709	1,664

Veridian's Cost of Service Application EB-2009-0140

Customer Class Name	2010 Normalized
Residential Urban Year-Round	27,397,075
Residential Suburban Year-Round	9,458,013
Residential Suburban Seasonal	9,730,721
General Service Less Than 50 kW	14,769,007
General Service 50 to 4,999 kW	28,668,436
Sentinel Lighting	43,727
Street Lighting	598,709

Response:

The reported amount on the Gravenhurst 2013 Tax Savings Work Form sheet 3 General Service 50 to 4,999 kW Re-based Billed kWh was input in error. The correct amount should be 28,668,436. Veridian understands that the Board staff will make the necessary changes to the work form and also update the Rate Generator model.

2. Ref: 2013 IRM3 Tax Savings Work Form Veridian Main, page 5
Response to Board staff Interrogatories EB-2011-0199

Please provide an explanation of the 2010 Regulatory Taxable Income of \$6,809,361 entered in the tax savings work form given that the 2010 approved amount was \$6,806,492. If this is an error Board Staff will update your work form.



This worksheet calculates the tax sharing amount.

[UPDATE SHEET](#)

Step 1: Press the Update Button (this will clear all input cells and reveal your latest cost of service re-basing year).

Step 2: In the green input cells below, please enter the information related to the last Cost of Service Filing.

Summary - Sharing of Tax Change Forecast Amounts

For the 2010 year, enter any Tax Credits from the Cost of Service Tax Calculation (Positive #)

\$ 103,444

1. Tax Related Amounts Forecast from Capital Tax Rate Changes

2010

2013

Taxable Capital

\$ 175,473,899

\$ 175,473,899

Deduction from taxable capital up to \$15,000,000

\$ 14,106,000

\$ 14,106,000

Net Taxable Capital

\$ 161,367,899

\$ 161,367,899

Rate

0.150%

0.000%

Ontario Capital Tax (Deductible, not grossed-up)

\$ 120,031

\$ -

2. Tax Related Amounts Forecast from Income Tax Rate Changes

2010

2013

Regulatory Taxable Income

\$ 6,809,361

\$ 6,809,361

Corporate Tax Rate

30.99%

26.50%

Tax Impact

\$ 2,109,468

\$ 1,701,037

Grossed-up Tax Amount

\$ 3,056,757

\$ 2,314,336

Tax Related Amounts Forecast from Capital Tax Rate Changes

\$ 120,031

\$ -

Tax Related Amounts Forecast from Income Tax Rate Changes

\$ 3,056,757

\$ 2,314,336

Total Tax Related Amounts

\$ 3,176,788

\$ 2,314,336

Incremental Tax Savings

-\$ 862,453

Sharing of Tax Savings (50%)

-\$ 431,226

Response to Board staff Interrogatories EB-2011-0199

- i. Veridian confirms that \$7,237,869 is the correct amount of Veridian's 2010 approved regulatory taxable income for both service areas. The Board Staff reference of Appendix "I" in Veridian's Revised Draft Rate Order Submission dated April 30, 2010, filed as part of Veridian's 2010 cost of service application (EB-2009-140) is correct.
- ii. The table below provides the updated allocation of regulated taxable income for the Gravenhurst and Main service areas. The basis for this calculation is the proportions used in the Board-approved apportionment of the 2010 Revenue Requirement (see Table 1, Page 5 of the Manager's Summary).

<u>Regulatory Taxable Income</u>		Allocation to Tariff Zones based on 2010 Revenue Requirement Apportionment	
	2010 Approved	Veridian_Main	Veridian_Gravenhurst
Regualtory Taxable Income (Appendix I-Draft Rate Order - Revenue Requirement Workform)	7,237,869	6,806,492	431,377

Response:

The reported amount on the 2013 Tax Savings Work Form Veridian Main page 5 2010 Regulatory Taxable Income was input in error. The correct amount should be \$6,806,492. Veridian understands that the Board staff will make the necessary changes to the work form. Veridian understands the Board staff will update the 2013 Rate Generator model also.

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3. Ref: 2012 IRM3 RTSR Work form, page 4 Veridian Main and Gravenhurst

Request

- a) Please confirm that the amounts entered into the columns “Non-Loss Adjusted Metered kWh” and “Non-Loss Adjusted Metered kW” have not been adjusted by Veridian’s Board-approved loss factor.

Rate Class	Unit	Non-Loss Adjusted Metered kWh	Non-Loss Adjusted Metered kW
Residential	kWh	910,519,407	
General Service Less Than 50 kW	kWh	290,249,257	
General Service 50 to 2,999 kW	kW	983,615,801	2,348,698
General Service 3,000 to 4,999 kW	kW	48,838,845	132,193
Large Use	kW	199,771,107	350,197
Unmetered Scattered Load	kWh	5,860,015	
Sentinel Lighting	kW	523,767	1,455
Street Lighting	kW	19,480,569	54,547
Rate Class	Unit	Non-Loss Adjusted Metered kWh	Non-Loss Adjusted Metered kW
Residential Urban Year-Round	kWh	27,119,271	
Residential Suburban Year Round	kWh	9,264,974	
Residential Suburban Seasonal	kWh	9,381,400	
General Service Less Than 50 kW	kWh	15,875,875	
General Service 50 to 4,999 kW	kW	31,999,816	76,983
Sentinel Lighting	kW	594,327	1,675
Street Lighting	kW	34,106	98

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- b) Please confirm that the amounts entered for Residential, General Service Less than 50 kW, General Service Greater than 50 kW, Sentinel Lighting and Street Lighting Non-Loss adjusted Metered kWh and Non-Loss adjusted Metered kW are correct, as they do not reconcile to RRR 2.1.5. If confirmed, please provide an explanation for the differences in the RRR data.

		Reported in 2.1.5Billed kwh	Reported in 2.1.5 Billed kw	Reported in RTSR Billed kWh	Difference	Reported in RTSR Billed kW Billed kWh	Difference
Veridian Connections Inc.	-						
	Residential	955,895,335	-	956,285,052.00	(389,717.00)	-	-
	General Service < 50 kW	306,514,850	-	306,125,132.00	389,718.00	-	-
	General Service >= 50 kW	1,064,454,637	2,557,875	1,064,454,462.00	175.00	2,557,874.00	1
	Large User	199,771,107	350,197	199,771,107.00	-	350,197.00	-
	Unmetered Scattered Load Connections	5,860,015	-	5,860,015.00	-	-	-
	Sentinel Lighting Connections	557,873	1,553	1,118,094.00	(560,221.00)	3,130.00	(1,577)
	Street Lighting Connections	20,074,896	56,222	19,514,675.00	560,221.00	54,645.00	1,577

Response:

- a) Confirmed
- b) The amounts entered for Residential, General Service Less than 50kW, General Service Greater than 50 kW, Sentinel Lighting and Street Lighting are incorrect. The correct amounts are shown in the table below. Veridian understands that Board staff will make the necessary changes to the Veridian Main and Gravenhurst workforms and the Rate Generator models.

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Rate Class	Reported in 2.1.5 Billed kWh	Gravenhurst Non Loss- Adjusted Metered kWh	Veridian Main Non-Loss Adjusted Metered kWh	Total Main and Gravenhurst kWh	Reported in 2.1.5 Billed kW	Gravenhu rst Non Loss- Adjusted Metered kW	Veridian Main Non-Loss Adjusted Metered kW	Total Main and Gravenhurst kW
Residential	955,895,335	45,765,645	910,129,690	955,895,335				
General Service <50kW	306,514,850	15,875,875	290,638,975	306,514,850				
General Service >50kW	1,015,615,792	31,999,816	983,615,976	1,015,615,792	2,425,681	76,983	2,348,698	2,425,681
General Service 3,000 to 4,999kW	48,838,845		48,838,845	48,838,845	132,193		132,193	132,193
Large Use	199,771,107		199,771,107	199,771,107	350,197		350,197	350,197
Unmetered Scattered Load	5,880,015		5,860,015	5,860,015				
Sentinel Lighting	557,873	34,106	523,767	557,873	1,553	98	1,455	1,553
Street Lighting	20,074,896	594,327	19,480,569	20,074,896	56,222	1,675	54,547	56,222

4. Ref: Rate Generator Sheet 4 Current Tariff Schedule Veridian Main and Gravenhurst

Request

- a) Please update the rate generator sheet 4 Current Tariff Schedule Veridian Main and Gravenhurst with Service Classifications descriptions for each rate class.

Residential Service Classification

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APPLICATION

- b) Please confirm that the sunset date for the Rate Rider for Disposition of Residual Historical Smart Meter Costs is April 30, 2014 and not effective until next cost of service application. If confirmed please update all rate classes accordingly and if not confirmed please provide an explanation.

Response:

- a) The 2013 Rate Generator model sheet 4 Current Tariff Schedule for both Veridian Main and Gravenhurst has been updated with the Service Classification descriptions for each rate class. A copy of both Veridian

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Main and Gravenhurst Rate Generator models are provided. The models have only been updated for the Service Classification descriptions. No other changes have been made.

- b) The sunset date for the Rate Rider for Disposition of Residual Historical Smart Meter Costs is April 30, 2014. Veridian is unable to update the model for each class as this rate rider is not available in the drop down menu. Veridian requests Board staff update the model to include this rate rider.

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5. Ref: Rate Generator Sheet 5 2013 Continuity Schedule Veridian Main
IRM Decision and Order EB-2011-0199

Please provide an explanation for the balances of “Interest Disposition during 2012 - instructed by Board” not equaling the amounts approved for disposition by the Board in EB-2011-0199. In particular for Veridian Main the interest amounts appear to have been entered as debits where they should be credits and amounts have been entered as debits where they should be credits. If this is an error Board staff will make the necessary changes.

Veridian Main

Account Descriptions		2012			
		Principal Disposition during 2012 - instructed by Board	Interest Disposition during 2012 - instructed by Board	Closing Principal Balances as of Dec 31-11 Adjusted for Dispositions during 2012	Closing Interest Balances as of Dec 31-11 Adjusted for Dispositions during 2012
Group 1 Accounts					
LV Variance Account	1550	(1,826,971)	54,653	(23,752)	(100,845)
RSVA - Wholesale Market Service Charge	1580	(3,382,929)	120,854	(2,424,992)	(243,576)
RSVA - Retail Transmission Network Charge	1584	2,280,146	(34,468)	977,741	70,868
RSVA - Retail Transmission Connection Charge	1586	2,035,246	(7,285)	2,504,684	18,477
RSVA - Power (excluding Global Adjustment)	1588	(8,916,701)	261,693	3,783,253	(527,918)
RSVA - Power - Sub-account - Global Adjustment	1588	5,232,645	(209,739)	(699,386)	412,569
Recovery of Regulatory Asset Balances	1590			0	0
Disposition and Recovery/Refund of Regulatory Balances (2008) ⁵	1595			0	0
Disposition and Recovery/Refund of Regulatory Balances (2009) ⁵	1595			0	0
Disposition and Recovery/Refund of Regulatory Balances (2010) ⁵	1595			0	0
Group 1 Sub-Total (including Account 1588 - Global Adjustment)		(4,578,564)	185,708	4,117,549	(370,425)
Group 1 Sub-Total (excluding Account 1588 - Global Adjustment)		(9,811,209)	395,447	4,816,934	(782,995)
RSVA - Power - Sub-account - Global Adjustment	1588	5,232,645	(209,739)	(699,386)	412,569
Deferred Payments in Lieu of Taxes	1562			0	0
Total of Group 1 and Account 1562		(4,578,564)	185,708	4,117,549	(370,425)
Special Purpose Charge Assessment Variance Account⁴	1521			0	0
LRAM Variance Account	1568			0	0
Total including Accounts 1562, 1521 and 1568		(4,578,564)	185,708	4,117,549	(370,425)

IRM Decision and Order EB-2011-0199

The table below identifies the principal and interest amounts approved for disposition for Group 1 Accounts for Veridian – Main.

Account Name	Account Number	Principal Balance A	Interest Balance B	Total Claim C = A + B
LV Variance Account	1550	-\$1,826,971	-\$54,653	-\$1,881,624
RSVA - Wholesale Market Service Charge	1580	-\$3,382,929	-\$120,854	-\$3,503,783
RSVA - Retail Transmission Network Charge	1584	\$2,280,146	\$34,468	\$2,314,614
RSVA - Retail Transmission Connection Charge	1586	\$2,035,246	\$7,285	\$2,042,531
RSVA - Power (excluding Global Adjustment)	1588	-\$15,043,797	\$5,865,403	-\$9,178,394
RSVA - Power – Global Adjustment Sub-Account	1588	\$7,143,369	-\$1,700,985	\$5,442,384
Group 1 Total				-\$4,764,273

Response:

The reported amounts on the Rate Generator Sheet 5 2013 Continuity Schedule Veridian Main column “Interest Disposition during 2012 - instructed by Board” were input in error. The interest amounts were entered as debits where they should be credits and amounts were entered as credits where they should be debits. See the table 1 below for the correct amounts. Veridian understands that Board Staff will make the necessary changes to the 2013 IRM Rate Generator model for Veridian Main.

Table 1

<u>Account</u>	<u>Account Number</u>	<u>Interest Disposition During 2012</u>
LV Variance Account	1550	-\$54,653
RSVA Wholesale Market Service	1580	-\$120,854
RSVA Retail Transmission Network Charge	1584	\$34,468
RSVA Retail Transmission Connection Charge	1586	\$7,285
RSVA – Power (Excluding Global Adjustment)	1588	-\$261,693
RSVA Power – Global Adjustment Sub Account	1588	\$209,739

The split between the RSVA Power and RSVA Power Global Adjustment for Principal and Interest was incorrect on the 2012 Board Approved in the 2012 IRM Decision and Order as noted on Page 18 the 2013 IRM Application Managers Summary, Ex. 2, Tab 1, Schedule 1. Table 2 below shows corrected amounts.

Table 2

Account Name	Account Number	Principal Balance A	Interest Balance B	Total Claim C=A+B
RSVA Power (Excl Global Adjustment)	1588	-\$8,916,701	-\$261,693	-\$9,178,394
RSVA Power – Global Adjustment Sub Account	1588	\$5,232,645	\$209,739	\$5,442,384

6. Ref: Managers Summary Exhibit 2 Tab 1 Schedule 1

Please provide more details on the nature of adjustments as a result of the Wholesale Settlement review process.

Response:

Through Veridian's reconciliation and review of its wholesale settlement processes, inaccuracies in quantification of TOU and RPP eligible conventional meter volumes were noted. Veridian's cost of power that was related to retailer enrolled customers were inaccurately classified as TOU and RPP eligible volumes, rather than non-RPP volumes for IESO settlement purposes. The adjustments as a result of this review affected only the COP expense not revenues. The customers were billed correctly, only the IESO settlement was affected. The adjustment amounts are included in the 2013 IRM Rate Application Attachment J for review.

Impacts to Account 1588 – RSVA Power (excluding Global Adjustment)

Cost of Power related to TOU volumes was originally overstated. Smart Meter volumes for Retailer Enrolled customers had not been deducted from the TOU volumes Veridian submitted in its wholesale settlement process with the IESO. The Cost of Power decreased as the retailer enrolled volumes should have been settled with the IESO at the spot price for commodity which was lower than the TOU pricing.

Cost of Power related to conventional meter volumes was originally overstated. Conventional meter volumes for Retailer Enrolled customers had not been deducted from the conventional meter volumes Veridian submitted in its wholesale settlement process with the IESO. The Cost of Power decreased as the retailer enrolled volumes should have been settled with the IESO at the spot price for commodity which was lower than the conventional meter RPP tiered pricing.

Impacts to Account 1589 – RSVA Power – Sub-account – Global Adjustment (GA)

Cost of Power for GA related to Non-RPP and Non-TOU volumes was originally understated. Smart Meter volumes for Retailer Enrolled customers had not been included in the Non-RPP volumes when Veridian calculated its Smart Meter TOU volumes submitted in its wholesale settlement process with the IESO. The Cost

of Power for GA increased as the GA should have been applied to the retailer enrolled volumes when Veridian settled with the IESO.

Cost of Power for GA related to Non-RPP and Non-TOU volumes was originally understated. Conventional meter volumes for Retailer Enrolled customers had not been included in the Non-RPP volumes when Veridian calculated its conventional meter RPP tiered volumes submitted in its wholesale settlement process with the IESO. The Cost of Power for GA increased as the GA should have been applied to the retailer enrolled volumes when Veridian settled with the IESO.