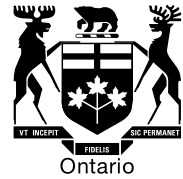


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BY EMAIL

February 7, 2013

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

Dear Ms. Walli:

**Re: Veridian Connections Inc.
2013 IRM3 Distribution Rate Application
Board Staff Submission
Board File No. EB-2012-0170**

In accordance with the Notice of Application and Hearing, please find attached the Board Staff Submission in the above proceeding. This document is also being forwarded to Veridian Connections Inc. and to registered parties to this proceeding.

Yours truly,

Original Signed By

Kelli Benincasa
Analyst, Applications & Regulatory Audit

Encl.



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2013 ELECTRICITY DISTRIBUTION RATES

Veridian Connections Inc.

EB-2012-0170

February 7, 2013

**Board Staff Submission
Veridian Connections Inc.
2013 IRM3 Rate Application
EB-2012-0170**

Introduction

Veridian Connections Inc. (“Veridian”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on December 7, 2012, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that Veridian charges for electricity distribution, to be effective May 1, 2013. The Application is based on the 2013 3rd Generation Incentive Regulation Mechanism (“IRM”).

The purpose of this document is to provide the Board with the submissions of Board staff based on its review of the evidence submitted by Veridian.

In the interrogatory phase, Board staff identified certain discrepancies in the data entered in the models filed by Veridian. In response to Board staff interrogatories, Veridian confirmed there were errors in some of the models filed and provided the corrected data. Board staff will make the necessary corrections to Veridian’s models at the time of the Board’s Decision on the Application.

With respect to tax sharing, Board staff noted in the interrogatory phase that the General Service 50 to 4,999 kW re-based Billed kWhs and the 2010 Regulatory Taxable Income reported in the Tax Sharing Workform did not reconcile with Veridian’s last cost of service application (EB-2009-0140). In response to Board staff interrogatories, Veridian agreed that the numbers did not reconcile and requested Board staff to update the workform. Board staff has no concerns with the corrected data supporting the updated Tax Sharing Workform provided by Veridian and submits that the workform reflects the Revenue Requirement Workform from the Board’s cost of service Decision in EB-2009-0140.

Staff has no concerns with the data supporting the updated Retail Transmission Service Rates proposed by Veridian. Pursuant to Guideline G-2008-0001, updated on June 28,

2012 Board staff notes that the Board will update the applicable data at the time of this Decision based on any available updated Uniform Transmission Rates.

The Report of the Board on Electricity Distributors' Deferral and Variance Account *Review Initiative* (the "EDDVAR Report") provides that during the IRM plan term the distributor's Group 1 audited account balances will be reviewed and disposed if the preset disposition threshold of \$0.001 per kWh (debit or credit) is exceeded. Debit balances are recoverable from customers whereas credit balances are amounts payable to customers.

Veridian completed the Deferral and Variance Account continuity schedule included in the 2013 IRM Rate Generator Model at Tab 5 for its Group 1 Deferral and Variance Accounts. Veridian's total Group 1 Deferral and Variance Account balances as of December 31, 2011 amounted to a debit of \$3,827,827 which included interest calculated to April 30, 2013. In the interrogatory phase Board staff requested that Veridian 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. Veridian responded that the interest amounts were entered as debits where they should be credits and amounts were entered as credits where they should be debits. The total updated balance of Veridian's Group 1 accounts is a debit of \$4,199,243 which includes interest calculated to April 30, 2013. This amount results in a total claim per kWh of \$0.0018, which exceeds the threshold of +/- \$0.001 per kWh. As such, Veridian has requested disposition of its Group 1 Deferral and Variance Account balances over a one-year period.

Board staff has reviewed the Model for Veridian's Group 1 Account balances and notes that the principal balances as of December 31, 2011 reconcile with the balances as reported as part of the 2.1.7 *Reporting and Record-Keeping Requirements* ("RRR"). Board staff submits that the Group 1 Account balances should be disposed on a final basis. Board staff further notes that the requested disposition period of one year is in accordance with the EDDVAR Report.

All of which is respectfully submitted