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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: Veridian Connections Inc.  
2014 Cost of Service Rate Application - Comments on Draft Issues List  
Board File EB-2013-0174**

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In accordance with Procedural Order 1 in the above noted proceeding, please find enclosed Veridian's comments on the draft Issues List.

Please do not hesitate to contact me if you have any questions.

Regards,

*Original signed by*

George Armstrong  
Vice President, Corporate Services

cc Laurie McLorg  
Andrew Taylor, The Energy Boutique

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## **Overview**

Veridian welcomes the opportunity to comment on the Board's draft Issues List set out at Appendix B to Procedural Order 1 in this proceeding (the "Draft Issues List"). Veridian understands that the Draft Issues List serves as a means of examining applications in the context of the Board's new *Renewed Regulatory Framework* (the "RRFE"). It is also Veridian's understanding that the Board is transitioning to a RRFE-focused approach, and therefore the Board's experience with the 2014 rate filers will assist the Board in improving its RRFE-focused approach for future rate filers.

## **Comments on Draft Issues List**

Veridian has provided some suggestions that it believes will reasonably balance the Board's RRFE objectives, without prejudicing Veridian during the transition to a RRFE-focused approach. The potential for prejudice lies in the fact that Veridian's pre-filed evidence was prepared in accordance with the Board's *Filing Requirements for Electricity Transmission and Distribution Applications* (the "Filing Requirements"), which pre-date some of the issues raised in the Draft Issues List. Because the Draft Issues List includes considerations that were not contemplated by the Filing Requirements, Veridian's suggestions will better align the Draft Issues List with the Filing Requirements, and therefore Veridian's evidence.

Furthermore, Veridian is mindful that the rates set in this proceeding will form the basis for its revenue requirements for the next five years. Veridian wants to ensure that its ability to earn a fair return will not be jeopardized by transitioning to a RRFE-focused approach. For this reason, Veridian has made suggestions to the Draft Issues List that will facilitate both the Board's objective to transition to a RRFE-focused approach and Veridian's objective to earn a fair return over the next five years.

Proposed changes to the Draft Issues List are shown with tracked changes for reference. Explanations for each of the proposed changes are italicized and follow the corresponding issue.

**Draft Issues List**  
**Veridian Connections Inc.**  
**2014 Cost of Service Rate Application**  
**EB-2013-0174**

**1. Foundation**

1.1 Does the planning (regional, infrastructure investment, asset management etc.) undertaken by the applicant and outlined in the application support the appropriate management of the applicant's assets?

1.2 Are the customer engagement activities undertaken or planned by the applicant appropriate and sufficient given the timing of the application in relation to the implementation of the Renewed Regulatory Framework for Electricity Distributors? ~~commensurate with the approvals requested in the application?~~

*On the basis that the 2014 Test Year is a transitional year for distributors under the Board's RRFE, Veridian submits that 2014 Cost of Service filers may not have had sufficient time to fully engage customers to the degree contemplated by the Board. Veridian believes it would be beneficial if the Issues List considered planned customer engagement activities in addition to activities already undertaken, and that both be judged with the understanding the distributor has had a very limited amount of time to make changes to its customer engagement processes.*

**2. Performance Measures**

2.1 Does the applicant's performance in the areas of: ~~(1) delivering on Board approved plans from its most recent cost of service decision; (2) reliability performance; (3) and service quality, and (4) efficiency benchmarking~~ support the Applicant's proposed capital plan and OM&A costs application?

*Veridian has reviewed the December 9<sup>th</sup>, 2013 submission by Oakville Hydro Electricity Distribution Inc. on its Draft Issues List (Board file EB-2013-0159), and supports its proposed revisions to this issue for the reasons stated within its submission.*

**3. Customer Focus**

3.1 Are the applicant's proposed capital expenditures and operating expenses appropriately reflective of customer feedback and preferences?

#### 4. Operational Effectiveness

4.1 Does the applicant's distribution system plan appropriately support continuous improvement in productivity, the attainment of system reliability and quality objectives, and the level of revenue requirement requested by the applicant?

4.2 Are the applicant's proposed OM&A program expenses prudent and clearly driven by appropriate objectives?

*Veridian submits that its revised wording better aligns with section 2.7 of the Board's Filing Requirements for Electricity Distribution Rate Applications, which requires categorization of costs on a program basis.*

4.3 ~~Are-Do~~ the applicant's proposed ~~rates require any operating and capital expenditures appropriately paced and prioritized to result in reasonable rate increases for customers, or is any additional~~ rate mitigation ~~required~~?

*The operating and capital expenditures of an Electricity Distributor are driven by need rather than rate impacts. This issue should focus solely on whether or not rate mitigation is required, as opposed to the pacing and prioritization of operating and capital expenditures, which is a separate issue from that of rate mitigation.*

#### 5. Public Policy Responsiveness

5.1 Do the applicant's proposals meet the current obligations mandated by government in areas such as renewable energy and smart meters and any other government mandated obligations?

*The proposed revision is intended to clarify that only existing obligations are to be considered within this issue.*

## 6. Financial Performance

6.1 Do the applicant's proposed rates and its proposal for a Year End Revenue Requirement Adjustment Rate Rider (RRARR) allow it to meet its obligations to its customers while maintaining its financial viability, including an ability to earn a fair return in the Test year and the subsequent IRM term?

*Veridian submits that this issue should be expanded to capture Veridian's unique RRARR proposal.*

6.2 ~~Has the applicant adequately demonstrated that the savings resulting from its operational effectiveness initiatives are sustainable?~~

*Veridian does not understand the intent of this issue as presently stated. Veridian requests that this issue be clarified or removed from the Issues List.*

## 7. Revenue Requirement

7.1 Is the proposed Test year rate base including the working capital allowance reasonable?

7.2 Are the proposed levels of depreciation/amortization expense appropriately reflective of the useful lives of the assets and the Board's accounting policies?

7.3 Are the proposed levels of taxes appropriate?

7.4 Is the proposed allocation of shared services and corporate costs appropriate?

7.5 Are the proposed capital structure, rate of return on equity and short and long term debt costs appropriate?

7.6 Is the proposed forecast of other revenues including those from specific service charges appropriate?

7.7 Has the proposed revenue requirement been accurately determined from the operating, depreciation and tax (PILs) expenses and return on capital, less other revenues?

## **8. Load Forecast, Cost Allocation and Rate Design**

8.1 ~~Is the proposed load forecast, including billing determinants an appropriate reflection of the energy and demand requirements of the applicant?~~ Does the applicant's proposed load forecast, including billing determinants, appropriately reflect energy and demand requirements of the applicant's customers in the Test year?"

*The proposed changes are meant to clarify the issue statement as the energy and demand requirements within the load forecast are not that of the applicant's, but rather that of the applicant's customers.*

8.2 Is the proposed cost allocation methodology including the revenue-to-cost ratios appropriate?

8.3 Is the proposed rate design including the class-specific fixed and variable splits and any applicant-specific rate classes appropriate?

8.4 Are the proposed Total Loss Adjustment Factors appropriate for the distributor's system and a reasonable proxy for the expected losses?

8.5 Is the proposed forecast of other regulated rates and charges including the proposed Retail Transmission Service Rates appropriate?

8.6 Is the proposed Tariff of Rates and Charges an accurate representation of the application, subject to the Board's findings on the application?

## **9. Accounting**

9.1 Are the proposed deferral accounts, both new and existing, account balances, allocation methodology, disposition periods and related rate riders appropriate?

9.2 Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified, and is the treatment of each of these impacts appropriate?