



EB-2013-0174

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, 2014.

PROCEDURAL ORDER NO. 2

January 16, 2014

Veridian Connections Inc. ("Veridian") filed a complete application with the Ontario Energy Board (the "Board") on October 31, 2013 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that Veridian charges for electricity distribution, to be effective May 1, 2014. The Board issued a Notice of Application and Hearing dated November 19, 2013.

Issues List Decision

The approved issues list for this proceeding is attached as Appendix A (the "Approved Issues List").

Procedural Order No. 1 made provision for written submissions by all parties on the draft issues list for this proceeding within the context of the Board's Renewed Regulatory Framework ("RRFE"). Submissions were received from the Vulnerable Energy Consumers Coalition ("VECC"), Energy Probe Research Foundation ("Energy Probe"), the School Energy Coalition ("SEC") and Veridian. No submission was received from the Consumers Council of Canada ("CCC").

Submissions

SEC adopted its submissions filed previously in the EB-2013-0160 proceeding (Orangeville Hydro Limited). SEC noted that while the EB-2013-0160 panel has determined a final issues list in that proceeding, the panel in this proceeding is independent and may come to a different conclusion.

The Board received two submissions from Energy Probe, one under cover letter signed by Randy Aiken and the other signed by David Macintosh. The submissions note that their comments are substantially the same as those made in the EB-2013-0160 (Orangeville Hydro Limited), EB-2013-0159 (Oakville Hydro Electricity Distribution Inc.) and EB-2013-0155 (Niagara-on-the-Lake-Hydro) proceedings with the only difference being that Energy Probe has adopted a proposed issues list initially developed by VECC in those proceedings.

VECC accepted the new issues list in the spirit of the Board's EB-2013-0160 decision, on the expectation that any further submissions on the generic issues list would not be meaningful and to minimize further time and costs on the matter.

Veridian's submission included suggested changes to the draft issues list which it believes will reasonably balance the Board's Renewed Regulatory Framework for Electricity ("RRFE") objectives without prejudicing Veridian during the transition to a RRFE based approach. Veridian sees its suggestions as facilitating both the Board's objective to transition to a RRFE focussed approach and Veridian's objective to earn a fair rate of return over the next five years.

Board Findings

The draft issues list being considered in this application is similar to the one that the Board recently considered in the Orangeville Hydro Limited ("Orangeville") and Oakville Hydro Electricity Distribution Inc. ("Oakville") cases. The Board will adopt the changes made to the draft issues list in those two cases. In this proceeding Energy Probe and SEC referred to their submissions in the Orangeville and Oakville cases and VECC indicated its acceptance of the issues list approved in the Orangeville case. The Board also finds that the applicant has not raised any matter that is so unique to this application such that it needs to be specifically reflected in the issues list. The Board is of the view that many of the requested changes are covered by the more general issues as listed on the issues list approved for this proceeding.

Procedural Direction

The Board will make provision at this time for written interrogatories. The Board reminds parties that interrogatories must reference the evidence that has been filed. In accordance with Chapter 1 of the *Filing Requirements for Electricity Distribution Rate Applications* (the “Filing Requirements”), parties must sort their interrogatories and responses by issue. Parties must use a continuous numbering system to facilitate subsequent referencing of the interrogatories, as described in Chapter 1 of the Filing Requirements. Parties must use the following acronyms for labelling interrogatories: “VECC”, “SEC”, “CCC” and “EP” for the intervenor names and “Staff” for Board staff.

The Board reminds parties not to engage in detailed exploration of items that do not appear to be material. The materiality thresholds documented in Chapter 2 of the Filing Requirements should be taken into consideration by the parties. In making its decision on cost awards, the Board will consider whether or not intervenors made reasonable efforts to ensure that their participation in the hearing was focused on material issues.

At this time, the Board will also make provision for a Technical Conference and a Settlement Conference.

A Technical Conference will only be held if the intervenors and/or Board staff are of the view that as a result of the interrogatory responses further discovery is required.

Parties should be mindful that any settlement proposal must be supported with sufficient rationale for the settlement of every issue for which settlement is reached. Parties should indicate how the elements of the settlement proposal are consistent with the Board’s *Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach* issued on October 18, 2012 (the “RRFE Report”) and other Board policy, and prior Board decisions.

In the event that there is no settlement proposal arising from Settlement Conference, the Board anticipates that it will proceed by way of oral hearing.

The Board considers it necessary to make provision at this time for the following procedural steps.

THE BOARD ORDERS THAT:

1. Board staff shall request any relevant information and documentation from Veridian that is in addition to the evidence already filed, by written interrogatories filed with the Board and served on all parties on or before **January 21, 2014**.
2. Intervenor(s) shall request any relevant information and documentation from Veridian that is in addition to the evidence already filed, by written interrogatories filed with the Board and served on all parties on or before **January 28, 2014**.
3. Veridian shall file with the Board complete written responses to all interrogatories and serve them on all Intervenor(s) and Board staff on or before **February 18, 2014**.
4. Should the Board deem it necessary, a transcribed Technical Conference will be held on **February 21, 2014** starting at 9:30 a.m., at 2300 Yonge Street, 25th floor, Toronto. Parties intending to participate in the Technical Conference are to notify Veridian and copy all parties of the areas that will be questioned.
5. A Settlement Conference among the parties will be convened on **February 26-27, 2014** starting at 9:30 a.m., at 2300 Yonge Street, 25th floor, Toronto. If necessary, the Settlement Conference will continue on February 28, 2014.
6. Any settlement proposal arising from the Settlement Conference shall be filed with the Board on or before **March 19, 2014**. In addition to outlining the terms of any settlement, the settlement proposal should contain a list of any unsettled issues. Unsettled issues will be dealt with by way of an oral hearing
7. If there is no settlement proposal arising from the Settlement Conference, Veridian shall file a statement to that effect with the Board by **March 4, 2014**.
8. Any submission from Board staff on a settlement proposal shall be filed with the Board and served on all parties within **7 days** from when a settlement proposal is filed.

All filings to the Board must quote the file number, EB-2013-0174 and be made electronically through the Board's web portal at <https://www.pes.ontarioenergyboard.ca/eservice/>, in searchable / unrestricted PDF format. Two paper copies must also be filed at the Board's address provided below. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.ontarioenergyboard.ca/OEB/Industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

Parties should also send all communications and materials for this proceeding to Board staff's case manager, Richard Battista at Richard.Battista@ontarioenergyboard.ca and Board counsel, Maureen Helt at Maureen.Helt@ontarioenergyboard.ca.

ADDRESS

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4
Attention: Board Secretary

E-mail: boardsec@ontarioenergyboard.ca
Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

DATED at Toronto, January 16, 2014

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

APPENDIX A
TO PROCEDURAL ORDER NO. 2

Veridian Connections Inc.

Approved Issues List

EB-2013-0174

Dated: January 16, 2014

**Approved 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 by the applicant commensurate with the approvals requested in the application?

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) service quality, and (4) efficiency benchmarking, support the application?

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 associated revenue requirement requested by the applicant?
- 4.2 Are the applicant's proposed OM&A expenses clearly driven by appropriate objectives and do they show continuous improvement in cost performance?
- 4.3 Are the applicant's proposed operating and capital expenditures appropriately paced and prioritized to result in reasonable rates for customers, or is any additional rate mitigation required?

5. Public Policy Responsiveness

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

6. Financial Performance

- 6.1 Do the applicant's proposed rates allow it to meet its obligations to its customers while maintaining its financial viability?
- 6.2 Has the applicant adequately demonstrated that the savings resulting from its operational effectiveness initiatives are sustainable?

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?
- 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?