EB-2013-0174

Ontario Energy Board

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.

INTERROGATORIES OF ENERGY PROBE RESEARCH FOUNDATION ("ENERGY PROBE")

January 20, 2014

VERIDIAN CONNECTIONS INC.
2014 RATES REBASING CASE
EB-2013-0174

ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES

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?

1.2-Energy Probe-1

Ref: Exhibit 1, Tab 2, Schedule 1

a) Please provide the complete customer opinion surveys for each of 2011, 2012 and 2013.

b) Please provide the meeting notes for each of the meetings held by the Gravenhurst Advisory Committee in 2011, 2012 and 2013.

c) Please indicate any adjustments that were built into the design plans and budgets based on feedback from the Gravenhurst Advisory Committee in each of the years noted above, as well as any impacts on the 2014 test year.

d) Do the Key Account Representatives perform their OPA function only in the Veridian distribution territory or do they also perform this function for other distributors or other customers in other distributor territories?

e) Has Veridian consulted with other Ontario electricity distributors about potential economies of scale and cost savings of combining the type of OPA services provided to the Veridian commercial and industrial customers?

f) Please provide the minutes or notes taken from any Special Purpose Community Meetings held in 2013.

g) Please provide a summary of any feedback obtained by Veridian from Business Associations/Community Events in 2013.

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?

2.1-Energy Probe-2

Ref: Exhibit 1, Tab 1, Schedule 2

Please confirm that based on the most recent benchmarking study, Veridian is in Group III and has a stretch factor of 0.3%.

2.1-Energy Probe-3

Ref: Most Recent Cost of Service Decision

a) **Please provide a list of all Board-approved plans from the most recent cost of service decision.**

b) **Please provide the evidence references in the current application that illustrates that the distributor is delivering on these approved plans.**

2.1-Energy Probe-4

Ref: All Exhibits

a) **Please provide the references to any performance efficiency benchmarking undertaken by the distributor.**

b) **Has the distributor considered benchmarking in relation to other distributors and/or to its own past historical performance? Please indicate where in the evidence this information has been provided for capital expenditures and OM&A expenses.**

2.1-Energy Probe-5

Ref: Exhibit 2, Tab 1, Schedule 2

a) **Please provide more details on the reduction in capital expenditures of $4.2 million from the Board approved level. In particular, in addition to the $4.9 million reduction in account 1820, the $1.8 million reduction in account 1830 and the $0.9 million lower contributions, please indicate what accounts for the remaining increase of about $1.6 million.**

b) **Please provide the amount of approved capital expenditures in 2010 that were carried forward to 2011 for each of the main reasons noted in the evidence for lower expenditures in 2010.**

2.1-Energy Probe-6

Ref: Exhibit 2, Tab 1, Schedule 1

a) **Table 1 shows that the opening 2010 PP&E NBV is $2.5 million below the Board approved opening balance for 2010. Please explain this reduction.**

b) **Table 1 shows that the closing 2010 PP&E NBV is $7.6 million below the Board approved closing balance for 2010. Other than the decrease in capital expenditures and contributions noted in the previous interrogatory, please explain the remaining reduction.**

3. Customer Focus

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

3.1-Energy Probe-7

Ref: Exhibit 1, Tab 2, Schedule 1

a) **Please provide all customer feedback and preferences received from residential customers with respect to capital expenditures in the bridge and test years.**

b) **Please provide all customer feedback and preferences received from non-residential customers with respect to capital expenditures in the bridge and test years.**

c) **Please provide all customer feedback and preferences received from residential customers with respect to OM&A expenses in the bridge and test years.**

d) **Please provide all customer feedback and preferences received from non-residential customers with respect to OM&A expenses in the bridge and test years.**

e) **Did the distributor ask customers (residential or non-residential) for feedback and preferences on employee compensation, including, but not limited to salary levels, salary increases, benefits and pensions? If yes, please provide the feedback received.**

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?

4.1-Energy Probe-8

Ref: Exhibit 2

a) **Does the distributor agree that system reliability has to be attained, or does it have to be maintained? Please explain fully.**

b) **How has the distributor determined that its distribution system plan will result in continuous improvement in productivity? Please explain fully.**

c) **Does the distributor believe that its current level of system reliability and quality objectives need to be improved or that they are already high and need to be maintained?**

d) **What component or percentage of the associated revenue requirement does the distributor believe is directly related to the continuous improvement in productivity, the attainment of system reliability and quality objectives?**

4.2 Are the applicant's proposed OM&A expenses clearly driven by appropriate objectives and do they show continuous improvement in cost performance?

4.2-Energy Probe-9

Ref: Exhibit 1, Tab 1, Schedule 2

Page 3 of 29 indicates the recovery of $2,577,008 in previously incurred OM&A costs in 2012 associated with smart meter implementation. Similarly, in the 2010 COS application, the Board approved the recovery of $604,961 in OM&A related smart meter installation costs.

a) **Please indicate the accounting treatment of the $2,577,008 figure in 2012. For example, was the amount transferred from a deferral account to OM&A expenses in 2012?**

b) **Please indicate the accounting treatment of the $604,961 figure in 2010. For example, was the amount transferred from a deferral account to OM&A expenses in 2010? If not 2010, then what year?**

c) **Please provide a breakdown of the $2,577,008 into the years in which the costs were actually incurred.**

d) **Please provide a breakdown of the $604,961 into the years in which the costs were actually incurred.**

e) **Please reconcile the figure of $604,961 shown on page 3 with the figure of $730,000 shown on page 15.**

4.2-Energy Probe-10

Ref: Exhibit 1, Tab 1, Schedule 2

a) **What is the source of the 2.0% inflation that was used for costs where year-specific increases were not used?**

b) **Please provide the amount of OM&A in 2012 and 2013 to which this 2.0% inflation factor was applied.**

4.2-Energy Probe-11

Ref: Exhibit 1, Tab 4, Schedule 13

a) **Does the test year revenue requirement include any costs associated with the Board of Directors of Veridian Corporation and/or Veridian Energy Inc.? If yes, please indicate the amount included and show how this amount has been calculated.**

b) **What is the total cost for each of 2010 through 2013 (forecast for 2013 if actuals not yet available) associated with the Veridian Connections Inc. Board of Directors and what is the forecast for 2014 that is included in the revenue requirement?**

4.2-Energy Probe-12

Ref: Exhibit 4, Tab 1, Schedule 1 &
Exhibit 4, Tab 1, Schedule 2

a) **Please reconcile the smart meter costs for 2010 BA, 2010 and 2011 shown in Table 3 in the first reference with the figures shown in Table 1 in the second reference.**

b) **How much of the smart meter deferral account was recorded in OM&A in 2012 when the clearance of the account was approved? Is this amount included in the $23,170,067 total OM&A cost shown in Table 1 in the second reference? If not, please explain the accounting treatment of the clearance of the smart meter deferral account.**

c) **Are the forecasted smart meter costs for 2012 and 2013 (line 11, page 5, Exhibit 4, Tab 1, Schedule 1) included in the OM&A figures shown for these years in Table 1 in Exhibit 4, Tab 1, Schedule 2?**

4.2-Energy Probe-13

Ref: Exhibit 4, Tab 1, Schedule 2

Please provide a version of Appendix 2-L in Attachment 3 that reflects the "normalized" OM&A expenditures in Table 1 of Exhibit 4, Tab 1, Schedule 2

4.2-Energy Probe-14

Ref: Exhibit 4, Tab 2, Schedule 4, Attachment 1

Attachment 1 shows a total 2013 cost of $213,500 associated with the current cost of service proceeding. Please confirm that none of these costs are included in 2013 costs included in Table 1 of Exhibit 4, Tab 1, Schedule 2.

4.2-Energy Probe-15

Ref: Exhibit 4, Tab 2, Schedule 2 &
Exhibit 4, Tab 1, Schedule 2

Please explain why the operations, maintenance, customer service and administrative program costs shown in Table 2 in the first reference do not match the figures shown in Table 1 in the second reference.

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?

4.3-Energy Probe-16

Ref: Exhibit 4, Tab 3, Schedule 1

a) **What would be the cumulative impact on the 2014 revenue requirement if the union, non-union and management staff increases had been 2.5% per year in 2010 through 2014 instead of the 3.0% shown in Table 8.**

b) **What would be the impact on the 2014 revenue requirement if the union, non-union and management staff increase for 2014 was set to 1.7%, the inflation factor set by the Board for 2014 IRM applications?**

c) **Please confirm that the inflation rate used by the Board for 2010 through 2014 IRM applications were/are 1.3% for 2010, 1.3% for 2011, 2.0% for 2012, 1.6% for 2013 and 1.7% for 2014, with an average over this period of about 1.6% per year. If these figures cannot be confirmed, please provide the correct figures.**

d) **What would be the cumulative impact on the 2014 revenue requirement if the union, non-union and management staff increases had been 1.6% per year in 2010 through 2014 instead of the 3.0% shown in Table 8.**

4.3-Energy Probe-17

Ref: Exhibit 4, Tab 3, Schedule 1

Please add two lines to Table 10. The first addition is a line that shows the total potential annual incentive compensation if all objective, goals, etc. were met. The second addition is a line that shows the percentage of actual annual incentive compensation paid divided by the total potential incentive compensation each year.

4.3-Energy Probe-18

Ref: Exhibit 4, Tab 3, Schedule 1

a) **Please add a line to Table 14 that shows the total employee contributions to OMERS.**

b) **How many dollars, on average, does Veridian contribute to the employee pension plan for each dollar contributed by employees?**

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?

5.1-Energy Probe-19

Ref: Current Application

a) **Please provide a list of the obligations mandated by government in 2010 through to the current time.**

b) **For each of the obligations noted in (a) above, please explain how the distributor has met those 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?

6.2-Energy Probe-20

Ref: Exhibits 1, 2 & 4

a) Please describe, with references to the evidence, the operational effectiveness initiatives that the distributor has or is planning to undertake.

b) Please show now these initiatives have, or will result in savings to ratepayers.

c) Please explain how the savings identified in part (b) above are sustainable.

7. Revenue Requirement

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

7.1-Energy Probe-21

Ref: Exhibit 2, Tab 1. Schedule 2, Attachment 1

a) Please provide an updated fixed asset continuity schedule for 2013 based on actual data for projects put into service and closed to rate base before year end. If final actual data is not yet available, please update based on the most recent year-to-date actual information available and a forecast for the remainder of 2013.

b) Please reconcile the difference in the additions shown for 2013 in the response to part (a) above and the original additions shown in the schedule.

c) Please identify any projects that were delayed from 2013 to 2014 or future years as compared to the original forecast in the evidence.

d) Please provide an updated fixed asset continuity schedule for 2014 that reflects the response to part (a) and any impacts associated with the 2014 forecast of additions to in-service projects in the test year.

7.1-Energy Probe-22

Ref: Exhibit 2, Tab 1. Schedule 2, Attachment 1

Please explain why the smart meters were added to the meters line in the 2012 fixed asset continuity schedule rather than the smart meters line.

7.1-Energy Probe-23

Ref: Exhibit 2, Tab 1. Schedule 2, Attachment 1

The fixed asset continuity schedule for the 2014 test year shows a reduction to the depreciation expense of $613,073 for transportation equipment.

a) **Please explain how the amount has been calculated.**

b) **Please indicate how much of this amount has been capitalized and how much has been included in the OM&A expenses.**

7.1-Energy Probe-24

Ref: Exhibit 2, Tab 1. Schedule 2, Attachment 2

Please update Table 3 to reflect actual data for 2013 and any changes for the 2014 test year. If actual data is not yet available for 2013, please provide an estimate based on the most recent year-to-date figures available, along with a forecast for the remainder of the year.

7.1-Energy Probe-25

Ref: Exhibit 2, Tab 1, Schedule 4

Please show which figures Veridian has forecasted in Table 3 and for each of those items, please show how Veridian has forecasted those figures, including figures taken from any of the references provided.

7.1-Energy Probe-26

Ref: Exhibit 2, Tab 1, Schedule 4, Attachment 1

Please confirm that the SME charge shown in the cost of power forecast has not been included in OM&A costs.

7.1-Energy Probe-27

Ref: Exhibit 2, Tab 1, Schedule 4, Attachment 3

a) Given that 2014 is not a leap year, please explain why the midpoint of service for monthly billed customers should not be 15.21 days (365/12) and the midpoint of service for bi-monthly billed customers should not be 30.42 days.

b) Please explain why the number of customers is different for some rate classes in Tables 1 & 2.

c) Is the number of 912 shown for the number of customers in Table 1 for the USL class and the 157 shown for the number of customers in the sentinel class the actual number of customers or connections? If connections, please explain why connections were used rather than customers. For example, is one bill issued for each connection?

d) If any of the customer figures shown in Table 1 are actually connections, please provide a revised Table 1 that reflects actual customers in place of connections.

e) Please provide examples of the pricing information that is available from the Independent Electricity System Operator that is required by the distributor before it can process a bill.

f) Please explain why the number of days between meter reading and billing for the USL and sentinel classes is less than it is for the residential, residential seasonal and GS < 50 classes.

g) Please explain why the number of days between meter reading and billing for the GS > 50, Intermediate, street lighting and large users classes is more than it is for the residential, residential seasonal and GS < 50 classes.

h) Please show the average days used for the weighting of each of the collection lags shown in Table 3. For example, what number of days was used for January for each of the lags shown that results in an average number of days of 22.21?

i) Please provide a table showing the calculation of the payment processing lag broken down into the payment forms noted in the evidence. Please include in the table the dollar weightings used for each form of payment and the lag associated with each form of payment.

j) Please explain how the revenue lag of 149.47 days shown in Table 5 was calculated by providing a table showing the derivation of this figure based on the lags associated with each type of revenue included in revenue from other sources. In particular, please show the service, billing, collection and payment processing lags for each type of revenue.

7.1-Energy Probe-28

Ref: Exhibit 2, Tab 1, Schedule 4, Attachment 3

a) Does Veridian have any plans to move any customers in the rate classes shown in Table 1 as being bi-monthly to monthly? If yes, please provide details.

b) Please provide a version of Tables 1, 4, 5 and 10 that reflects a situation where all customer classes are billed on a monthly basis.

c) If Veridian billed all customer classes monthly, please confirm that there would be no changes in the OM&A expense leads (Table 7) or the HST for cost of power and OM&A (Table 9). If this cannot be confirmed, please indicate what the changes are and what they would be.

d) If Veridian billed all customer classes monthly what changes, if any, would result for HST for revenues (Table 8)? Please provide a version of Table 8 that would reflect any changes.

7.1-Energy Probe-29

Ref: Exhibit 2, Tab 1, Schedule 4, Attachment 3

Page 1 of the report states "Both the overall revenue lag and expense lead, in number of days, are developed by weighting the lag or lead from individual sources based on relative dollar magnitude".

a) Please explain why the service lag has been weighted by the average number of customers, rather than the sales figures used for the billing and collection lags.

b) Is the payment processing lag weighting based on sales or on the number of customers using each payment form?

c) Please calculate the service lag in Table 1 if the sales weightings shown in Table 2 were applied.

d) Based on the response to part (c) above and any other changes that might result from the change in the service lag, please provide a version of Tables 4, 5, 8 and 10, along with any other tables that may change.

7.1-Energy Probe-30

Ref: Exhibit 2, Tab 1, Schedule 4, Attachment 3

Please consider the following example. A distributor has only 2 rate classes, one of which is billed monthly and the other is billed bi-monthly. The monthly billed rate class has 99 customers and sales revenues of $50. The bi-monthly billed rate class has 1 customer and also has sales revenues of $50.

a) Please calculate the service lag based on the customer weighting used in the Elenchus report.

b) Please calculate the service lag based on the sales revenue weighting.

c) Please explain why the customer weighting in part (a) better reflects actual cash flow for the distributor as compared to the sales revenue weighting in part (b).

7.1-Energy Probe-31

Ref: Exhibit 2, Tab 1, Schedule 4, Attachment 3

a) Please explain why dividend payments are not considered in the study when long term debt payments are considered.

b) What was the timing of dividend payments made for the 2012 year (i.e. same year as used in the Elenchus report)?

c) Please provide a table showing the calculation of the long term debt lead of 122.86 days.

d) Please reconcile the reference to 2 promissory notes and a bank loan with the long term debt detail shown for 2012 in Attachment 2 to Exhibit 5, Tab 1, Schedule 1. In particular, has each debt instrument shown in Attachment 2 in 2012 been accounted for in the calculation of the 122.86 day figure? If not, why not and please provide a revised calculation that takes into account all of the debt instruments shown.

e) Please show the calculation of the PILS lead of 3.16 days.

f) Please explain why a weighted cost of power expense lead is calculated based on a weighting of payments made to the IESO and Hydro One as shown in Table 6 rather than applying the separate expense leads to the forecast of each payment, which can be derived from the forecasts in Attachment 1 of Exhibit 2, Tab 1, Schedule 4.

g) Please provide a version on Table 10 that includes separate calculations for the IESO and Hydro One payments based on the individual lags shown in Table 6.

h) Please show all the calculations used to arrive at the payroll and benefits expense lead of 15.03 days.

i) Please provide a summary of the miscellaneous OM&A costs that comprise the $2,624,425 figure shown in Table 7 and appear to have payment due within 3.5 days of the service being rendered.

j) Please provide the 2014 forecast for each of the payroll & benefits, annual prepaids and quarterly prepaids and total miscellaneous OM&A as shown in Table 7. If the breakdown for the miscellaneous OM&A expenses is not available for 2014, please use the relative proportions for 2012 to separate the 2014 forecast out into the appropriate lines.

7.1-Energy Probe-32

Ref: Exhibit 2, Tab 1, Schedule 4, Attachment 3

a) Please confirm that Table 9 includes all the OM&A expenses included in Table 7 with the exception of payroll and benefit costs.

b) Please explain why property taxes are included in the figure used in Table 9 when there is no HST applicable to property taxes.

c) Are there other OM&A costs (such as insurance premiums, etc.) that do not attract HST or the full 13% HST included in the $10,256,647 figure shown in Table 9?

d) Please provide a revised Table 9 that reflects the removal of property taxes and any other adjustments, if needed, as a result of the response to part (c) above.

7.1-Energy Probe-33

Ref: Exhibit 2, Tab 1, Schedule 4, Attachment 3

a) Please confirm that the lead lag days shown in Table 8 are based on the revenue lag days shown in T able 5, less 45 days. If this cannot be confirmed, please provide the detailed calculations of the days in Table 8.

b) Please provide the rationale, if appropriate, for the 45 day reduction to the revenue lags to calculate the HST revenue days.

c) Please confirm that HST is remitted to the government based on when the bills are issued to customers. For example, if a bill is issued in July, the associated HST is remitted to the government at the end of August. If this is not correct, please provide an example that shows when HST is remitted to the government in relation to when bills are remitted to customers.

7.1-Energy Probe-34

Ref: Exhibit 2, Tab 1, Schedule 4, Attachment 3

a) Please explain why Table 10 appears to include forecast interest on short term debt in the test year expense column in the interest on long term debt line.

b) Was a lead lag analysis undertaken for short term debt? If not, why not?

c) Please provide details on when short-term debt interest is payable.

7.1-Energy Probe-35

Ref: Exhibit 2, Tab 2, Schedule 1 &
Exhibit 2, Tab 1, Schedule 2, Attachment 1

a) Please explain the difference in 2010 actual capital expenditures shown in Table 2 of Exhibit 2, Tab 2, Schedule 1 and in the fixed asset continuity schedule for 2010 found in Attachment 1 of Exhibit 2, Tab 1, Schedule 2. Is the difference solely related to the transfer of stranded meters?

b) Please update Tables 1 and 2 to reflect actual data for 2013. If actual data for all of 2013 is not yet available or audited, please provide an estimate for 2013 based on the most recent year-to-date information available, along with a forecast for the remainder of the year. Please also include any updates to

2014 through 2018 based on the revised 2013 figures and provide details as to the changes.

c) Please expand Table 2 to reflect a split in each of the categories shown to reflect discretionary and non-discretionary projects over all of the years shown.

7.1-Energy Probe-36

Ref: Exhibit 6A, Tab 1, Schedule 1

a) Does the deficiency calculated in Table 2 reflect the higher CCA allowance available in 2015 and subsequent years as a result of the capital additions in 2014, along with the use of the half year rule for these 2014 additions? If not, please calculate the reduction in PILS that results from the CCA related to capital additions in 2014 and provide a revised Table 2 that takes this impact into consideration.

b) Is Veridian proposing that it would not seek an ICM adjustment during the IRM period of 2015 through 2018 if the Board approved Veridian's approach to use the year end net fixed assets to set rates in 2015 and beyond? If not, why not?

c) Please explain when, for depreciation purposes, a capital project is placed into service. For example, does Veridian use the half year rule, or does it start to calculate depreciation in the month an expenditure is put into service?

d) Does Veridian produce monthly or quarterly financial statements?

e) Based on the response in part (d) above, and the forecast of when projects will be placed into service in 2014, please provide the calculation of rate base using the average of monthly averages, or average of quarterly averages (whichever is applicable) in the same way that rate base is calculated for the natural gas distributors regulated by the OEB.

7.1-Energy Probe-37

Ref: Exhibit 6A, Tab 1, Schedule 2, Attachment 2

Please provide a version of the PILs model that does not use the half year rule for CCA additions in the 2014 test year. In other words, please calculate the CCA deduction for 2014 assuming full year CCA for additions in 2014.

7.1-Energy Probe-38

Ref: Exhibit 6A, Tab 1, Schedule 1, Attachment 1

a) **What is the source of the 0.18%PCI adjustment?**

b) **What is the source of the OM&A cost per customer of $239.43? What is the difference between this figure and the figure of $238.23 shown for 2014 in Appendix 2-L in Exhibit 4, Tab 1, Schedule 2, Attachment 3?**

c) **Has the PILs calculation been adjusted in 2015 to 2018 to reflect the increased CCA reductions available as a result of the 2014 capital additions? If not, why not?**

d) **Has the PILs calculation been adjusted for the higher CCA available for the capital additions in 2015 through 2018? If not, why not?**

e) **Has Veridian made any adjustments for reduced depreciation in 2015 through 2018 for assets that become fully depreciated over this period? If not, please calculate for each of 2015 through 2018 the reduction in depreciation expense as a result of assets becoming fully depreciated.**

7.1-Energy Probe-39

Ref: Exhibit 6A, Tab 1, Schedule 1, Attachment 1

Please provide live Excel spreadsheets for the two scenarios presented with the following changes:

a) **change the PCI adjustment from 0.18% to 1.40% for all years;**

b) **the change in (a) above, plus a change in the OM&A cost per customer from $239.43 to $238.23;**

c) **the changes in (a) and (b) above, plus the impact of the CCA deductions available in 2015 through 2018 that reflect the CCA additions related to the 2014 through 2018 capital additions.**

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?

7.2-Energy Probe-40

Ref: Exhibit 4, Tab 6, Schedule 2, Attachments 2, 3 & 4

Attachments 2 and 3 (for 2012 and 2013) show reductions to the depreciation expense to be used in the following year for assets that fully depreciated during the year. These reductions total $560,000 in 2012 and $1,430,000 in 2013.

However, Attachment 4 (for 2014) does not show the amount of depreciation in 2014 that needs to be reduced in the calculation of subsequent years.

Please provide a version of Attachment 4 for 2014 that shows the depreciation expense on assets fully depreciated during 2014 that would be reflected as a reduction in 2015.

7.3 Are the proposed levels of taxes appropriate?

7.3-Energy Probe-41

Ref: Exhibit 4, Tab 7, Schedule 3, Attachment 1 &
Exhibit 2, Tab 1, Schedule 2, Attachment 1

a) **Please explain the difference between the bridge year CCA additions of $23,118,181 shown in the first reference and the additions to rate base of $23,685,181 shown in the second reference.**

b) **Please explain the difference between the test year CCA additions of $30,270,671 shown in the first reference and the additions to rate base of $30,690,671 shown in the second reference.**

c) **Please indicate what is included in miscellaneous intangible plant (account 1610) and indicate why it does not appear to be eligible for CCA treatment.**

d) **Is the capital expenditures on miscellaneous intangible plant deductible for PILs purposes? If so, please indicate where in the PILs model this deduction has been taken. If not, please explain why not.**

e) **Please explain why the $20,000 expenditure shown in the 2014 fixed asset continuity schedule (account 1612) in the first reference shows that is eligible for the CEC but in Schedule 10 CEC there is no addition shown in the second reference.**

7.3-Energy Probe-42

Ref: Exhibit 4, Tab 7, Schedule 3, Attachment 3 &
Exhibit 2, Tab 1, Schedule 2, Attachment 1

Please explain the significant difference in additions to CCA for the 2012 historical year of $24,703,064 shown in Schedule 8 in the tax return in the first reference and the additions to rate base of $34,149,447 shown in the 2012 fixed asset continuity scheduled in the second reference.

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

7.4-Energy Probe-43

Ref: Exhibit 4, Tab 4, Schedule 1

a) **Attachment 1 seems to imply that the costs recovered from Veridian Corporation are based on the allocation of FTE related costs. Do the FTE related costs include all wages, salaries and benefit costs?**

b) **Does Veridian Connections recover any costs from Veridian Corporation associated with the use of assets such as computer equipment, office equipment and furniture, building space, etc.?**

c) **Please explain how the costs (depreciation, return on capital, PILs, property taxes) associated with the assets noted in part (b) above are calculated and recovered from Veridian Corporation.**

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

7.5-Energy Probe-44

Ref: Exhibit 5, Tab 1, Schedule 1

Please update the 2014 table found in Appendix 2-OA (page 6) and in Appendix 2-OB (page 7) to reflect the update cost of capital parameters applicable to 2014 cost of service applications, as issued by the Board on November 25, 2013.

7.5-Energy Probe-45

Ref: Exhibit 5, Tab 1, Schedule 1

The evidence states that Veridian attempts to maintain debt to equity ratios in line with the deemed capital structure established by the Board.

a) **Is this why Veridian issued $5 million in additional equity?**

b) **What is the projected equity ratio for the 2014 test year on an actual basis rather than on a deemed basis?**

7.5-Energy Probe-46

Ref: Exhibit 5, Tab 1, Schedule 1

Appendix 2-OA shows that the deemed long term debt amount of $136,383,952 is significantly higher than the actual level of long term debt $113,527,915, as shown in Appendix 2-OB.

a) **Given the need for additional capital to fund capital expenditures in 2014 through 2018, and the expectation that interest rates will be rising, why has Veridian not taken advantage of low long term interest rates to lock in low rates for 30 years, given that it has about $23 million less in actual long term debt than in deemed long term debt?**

b) **Has Veridian attempted to obtain any long-term debt from Infrastructure Ontario or any other third party source for 2014? If not, why not?**

c) **What is the current rate available for a 30 year loan from Infrastructure Ontario?**

7.5-Energy Probe-47

Ref: Exhibit 5, Tab 1, Schedule 1

The evidence indicates that the long-term debt from the municipal shareholders is callable on demand with 6 months notice, subject to a number of conditions.

Are the long-term debt notes payable to Veridian Corporation also callable on demand? If so, what are the terms and are there any conditions related to the call ability?

7.5-Energy Probe-48

Ref: Exhibit 5, Tab 1, Schedule 1

Please explain why the interest shown in the 2014 section of Appendix 2-OB does not equal the product of the principal and the rate shown for each of the debt instruments shown. If the principle amount is not the average amount outstanding in 2014, please provide a revised table that utilizes the average amount outstanding such that this amount times the rate results in the interest amount shown in the table.

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

7.6-Energy Probe-49

Ref: Exhibit 3, Tab 8, Schedule 1, Attachment 1

a) **Please update Appendix 2-H to reflect actual data for 2013. If complete audited actual data is not yet available for 2013, please provide the most recent year-to-date actuals available, along with a forecast for the remaining period in 2013.**

b) **If actual data for 2013 is not yet available, please provide the most recent year-to-date figures in the same level of detail as shown in the first table in Appendix 2-H, along with the figures for the corresponding period in 2012.**

7.6-Energy Probe-50

Ref: Exhibit 3, Tab 8, Schedule 1, Attachment 1

a) **Please show how the $357,204 forecast in account 4086 ties into the customer forecast shown in Exhibit 3, Tab 5, Schedule 1 for 2014.**

b) **The forecast for account 4086 shows a decrease from the levels recorded/forecast in 2012 and 2013. However, as the evidence notes, the number of retail enrolled customers has decreased, while the number of total customers continues to grow. Please reconcile.**

c) **What is driving the decrease in account 4405 from $51,176 in 2013 to $35,000 in 2014? In particular, please provide the average bank deposit balance for each of 2012 through 2014.**

d) **What is driving the pole rental decrease in 2014 relative to 2013 as shown in account 4210?**

e) **Where are the costs recorded for the activity related to the shared service revenue obtained from Veridian Corporation in account 4390? In particular, what are the costs associated with the revenue of $181,026 and are they recorded in the OM&A costs?**

f) **Please explain why revenue from the sales of scrap metal are forecast for 2014 at levels below 2011, 2012 and 2013.**

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?

7.7-Energy Probe-51

Ref: Exhibit 6

a) **Please update the RRWF found in Appendix 6A to reflect any changes or corrections resulting from the interrogatory responses, as well as the updated cost of capital parameters applicable to 2014 cost of service applications as issued by the Board on November 25, 2013.**

b) **Please provide a tracking sheet showing the changes and/or corrections made to the revenue deficiency/sufficiency calculation as noted in part (a) above. For each change, please provide a reference to the associated interrogatory response that results in the change.**

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?

8.1-Energy Probe-52

Ref: Exhibit 1, Tab 1, Schedule 2

a) **Please provide the number of customers in each rate class that is usually associated with connections (eg. street lights, sentinel and USL) in each of 2010 through 2014.**

b) Is Table 2 based on year-end numbers, mid-point numbers or monthly average numbers of customers?

c) Please provide a revised Table 2 that shows the comparison between the 2014 forecast and the 2010 actual figures.

8.1-Energy Probe-53

Ref: Exhibit 3, Tab 2, Schedule 2, Attachment 1

a) Are the figures shown in Table 5 for 2013 and 2014 rather than 2012 and 2013? If not, please explain how the forecast for 2014 has been determined.

b) Please update the forecasts in Table 5 to reflect the most recent forecasts available. Please also add the most recent forecast from CIBC to the table and calculate the average based on the average of the 5 forecasts.

c) What is the impact on the volume forecast using the updated employment forecast requested in part (b) above?

d) What is the impact on the revenue deficiency of the forecast requested in part (c) above?

8.1-Energy Probe-54

Ref: Exhibit 3, Tab 2, Schedule 2, Attachment 1

Please re-estimate the Main equation by replacing the Shoulder variable with two variables: one that has a value of 1 in September, October and November and 0 in all other months, and one that has a value of 1 in April and May and 0 in all other months.

a) Based on the equation requested above, please provide the associated Table 2, Table 3 and Table 6 output.

b) What is the approximate impact on revenues at current rates of this change in the load forecast?

8.1-Energy Probe-55

Ref: Exhibit 3, Tab 2, Schedule 2, Attachment 1

a) Please update Table 8 to reflect actual data for 2013.

b) Please update Table 11 to reflect actual data for 2013.

8.1-Energy Probe-56

Ref: Exhibit 3, Tab 2, Schedule 2, Attachment 1

a) Please show the derivation of the intermediate and large use kW forecasts for 2014 shown in Table 8 based on the 2012 figures and the adjustments noted on page 11.

b) Please update Table 10 to reflect 2013 actual data.

8.1-Energy Probe-57

Ref: Exhibit 3, Tab 2, Schedule 2, Attachment 1

Please update Table 12 to reflect actual data for 2013.

8.1-Energy Probe-58

Ref: Exhibit 3, Tab 2, Schedule 2, Attachment 1

Please update Tables 20 and 22 to reflect actual data for 2013.

8.1-Energy Probe-59

Ref: Exhibit 3, Tab 3, Schedule 1

Does Veridian have a preliminary estimate of its 2013 CDM savings (kWh and kW) in relation to the 18,809,279 kWh and 12,549 kW shown in Table 2? If yes please provide the preliminary estimates.

8.1-Energy Probe-60

Ref: Exhibit 3, Tab 2, Schedule 2, Attachment 1 &
Exhibit 8, Tab 5, Schedule 1, Attachment 1

a) Please explain how the retail kWh's were calculated in Table 25, resulting in a loss factor (unadjusted for LU loss of load) of 6.3%.

b) Please reconcile this loss of 6.3% with the forecast for 2014 of 4.8% as calculated in Exhibit 8, Tab 5, Schedule 1, Attachment 1

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

8.2-Energy Probe-61

Ref: Exhibit 1, Tab 2, Schedule 1

a) Are the costs (OM&A, PILs, return on capital, depreciation, etc.) associated with the Key Account Representatives recovered in their entirety through the revenue requirement, or are some costs covered through the OPA? If the latter, please explain how the allocation is derived.

b) Are the costs included in the revenue requirement for the Key Account Representative directly allocated to the commercial and industrial rate classes? If not, please explain how these costs are allocated and provide a table that shows the allocation of all the associated costs (OM&A, return on capital, PILs, depreciation, etc.) to each rate class in 2014.

8.2-Energy Probe-62

Ref: Exhibit 7, Tab 1, Schedule 1

a) Please provide a version of all the attachments for the 2014 Cost Allocation Study assuming using of the standard average rate base approach rather than the year-end figures as proposed by Veridian.

b) Please provide a table that shows the revenue to cost ratios proposed by Veridian for each rate class based on the year-end approach and the average rate base approach.

8.2-Energy Probe-63

Ref: Exhibit 7, Tab 1, Schedule 1

Please provide a revised Attachment 5 that includes the existing approved fixed charge for each rate class shown.

8.2-Energy Probe-64

Ref: Exhibit 7, Tab 1, Schedule 2

Please provide a version on Table 1 that includes the following 2014 Proposed CAS Ratios for those classes outside of the Board approved ranges with no changes to the ratios for the classes already inside the range:

sentinel lighting = 80%, large use = 85%, GS 3,000 - 4,999 = 80%, residential seasonal = 85%, GS < 50 = 120% and USL = 120%.

a) Please confirm that these ratios result in excess revenues.

b) Please adjust the GS < 50 and USL classes in tandem (i.e. keeping their revenue to cost ratios equal to one another) and reduce this ratio from 120% until the excess revenues are eliminated. Please provide the resulting ratio for these two rate classes.

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?

8.6-Energy Probe-65

Ref: Exhibit 1, Tab 1, Schedule 2 &
Exhibit 1, Tab 4, Schedule 6

Please reconcile the bill impacts shown in Exhibit 1, Tab 4, Schedule 6 with those found on pages 27 through 29 of Exhibit 1, Tab 1, Schedule 2.

9. Accounting

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

9.1-Energy Probe-66

Ref: Exhibit 2, Tab 1, Schedule 3

How has Veridian identified the costs by rate class for the stranded meters? For example, has Veridian always tracked meter costs by rate class? If not, please provide the assumptions used and the calculations made to allocate the remaining NBV of the assets to each of the residential and GS < 50 rate classes.

9.1-Energy Probe-67

Ref: Exhibit 9, Tab 1, Schedule 1

Please show the derivation of the $127,836 principal balance as of Dec. 31, 2013 for account 2425. Please show all calculations and assumptions used in the calculation.

***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?**