

INTERROGATORIES FOR VERIDIAN CONNECTIONS INC.

FROM THE CONSUMERS COUNCIL OF CANADA

2014 RATES APPLICATION – EB-2013-0174

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?

1.1-CCC-1

Please explain Veridian's response to the question above. Please include all relevant evidence references in support of Veridian's answer.

1.2 Are the customer engagement activities undertaken by the applicant commensurate with the approvals requested in the application?

1.2-CCC-2

(Ex. 1/T2/S1) For the period 2010-2013 please provide the actual costs incurred related to all of Veridian's "customer engagement" activities. Please provide the amount proposed for 2014. Please include a detailed budget for 2014. Does Veridian plan to change the way it undertakes customer engagement in light of the new RRFE? If not, why not? If so, in what way will customer engagement change?

1.2-CCC-3

(Ex. 1/T2/S1/p. 2) Please provide copies of the annual customer opinion survey results for the years 2010-2013.

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-CCC-4

Please explain how Veridian is "delivering on Board-approved plans from its most recent cost of service application." Please include all evidence references.

2.1-CCC-5

(Ex. 2/T4/S1) Please set out all of the ways Veridian measures service quality beyond measuring the Board approved metrics. Does Veridian strive to improve its service quality or maintain service quality at existing levels? Is Veridian spending

more to maintain or enhance service quality in light of the new RRFE? Please explain.

CUSTOMER FOCUS:

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

3.1-CCC-6

Please explain the extent to which customer feedback and preferences are used to develop Veridian's capital and operating budgets. Is Veridian changing the way it engages its customers and develops those budgets in light of the new RRFE?

OPERATIONAL EFFECTIVENESS:

4.1 Does the applicant' 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-CCC-7

Please explain Veridian's overall strategy with respect to productivity. Please provide a list of the efficiency gains or productivity improvements that were achieved during the IRM period. Please explain the extent to which these have been sustainable and are reflected in the proposed revenue requirement for 2014.

4.1-CCC-8

Please indicate what Veridian's system reliability and quality objectives are. Please provide evidence to indicate the extent to which Veridian's proposed revenue requirement allows it to meet those 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-CCC-9

(Ex. 4/T1/S1/p. 3) The evidence states that Veridian's labour costs were escalated by 3% for 2013 and 2014 to reflect the current collective agreement negotiated in 2011. Please indicate, specifically, when the next collective agreement will be negotiated. What assumptions has Veridian used for non-union employees for 2013 and 2014?

4.2-CCC-10

(Ex. 4/T1/S1/p. 3) Please explain, in detail, how Veridian develops its OM&A budget. Please provide all correspondence provided to its employees as part of the 2014 budgeting process. Is Veridian changing the way in which it prepares its

budget in light of the new RRFE? If so, please explain how the process has changed or will be changed.

4.2-CCC-11

(Ex. 4/T1/S1/p. 6) The evidence states that Veridian's historic spending related to O&M has been lower on a cost per customer than most utilities in Ontario. Please explain what factors have contributed to a lower O&M cost per customer.

4.2-CCC-12

(Ex. 4/T1/S1/p. 7, Ex. 4/T3/S1) Veridian cites continued increasing costs related to salaries and wages as a driver of the deficiency. Please provide a schedule setting out total salaries and wages broken out by the following categories - union, non-union, management - for each year 2010-2014 (forecast) which also breaks out overtime and incentive pay. Please include the 2010 Board approved levels.

4.2-CCC-13

(Ex. 4/T1/S2/pp. 2-3) The evidence states that Veridian has experienced an increase in costs related to distribution asset maintenance and repairs due to aging infrastructure. For each year 2010-2014 please provide a schedule setting out Veridian's total spending for this category of expenditures. For 2010 please include Board-approved and Actual amounts. For 2014 please include the forecast. Please explain why there is such a significant variance in the level of these expenditures year to year.

4.2-CCC-14

(Ex. 4/T1/S2/p. 9) Has Veridian experienced increased distribution savings related to the deployment of smart meters? If not, why not? If so, please identify how those savings are reflected in the 2014 revenue requirement.

4.2-CCC-15

(Ex. 4/T1/S2/p. 11) Please provide a detailed explanation as to what activities are included in Veridian's "Business Integrity Programs". Please provide a detailed budget for 2013 and 2014.

4.2-CCC-16

(Ex. 4/T1/S4/p.4) Please provide the total operating costs associated with each of the Customer Self-Service Options undertaken included in the 2014 budget.

4.2-CCC-17

(Ex. 4/T2/S2/p. 16) Please provide a complete description of Veridian's vegetation management program. Please provide the vegetation management expenditures for the period 2010-2014(forecast).

4.2-CCC-18

(Ex. 4/T2/S2/p. 29) For all of the administrative programs in Table 11 please set out the following: 2010-2014 detailed budgets for each element.

4.2-CCC-19

(Ex. 4/T2/S2/p. 32) The evidence states that the Office and Professional Services budget for 2014 for legal, studies and consulting services was \$150,000 in 2013 and is projected to be \$310,000 in 2014. Please explain this variance in detail.

4.2-CCC-20

(Ex. 4/T2S3/p. 1) The 2010 approved Regulatory Costs were \$519,000 and amortized over the IRM period. What were the actual Regulatory Costs? Please explain if Veridian has taken any measures to reduce its regulatory costs. For legal and consulting costs associated with the application please provide a detailed break-down. Please include all assumptions (hourly rates, task undertaken etc.)

4.2-CCC-21

(Ex. 4/T3/S1) Please explain to what efforts Veridian is making, or has made, to reduce its overall compensation costs.

4.3 Are the applicant's proposed operating and capital expenditures appropriately paced and prioritized to reasonable rates for customers, or is any rate mitigation required?

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 other government mandated obligations?

5.1-CCC-22

(Ex. 4/T1/S2/p. 1) The evidence indicates that Veridian has added responsibilities and opportunities to service its customers and to be responsive to public policy initiatives. For each year 2010-2014 please estimate the cost impacts resulting from complying with, or responding to, initiatives from the Province and the OEB. Please list each initiative separately.

5.1-CCC-23

(Ex.4/T1/S2/p.1) Please indicate to what extent Veridian has involved in projects related to electric vehicles. To the extent Veridian has such projects please provide the costs (capital and OM&A) included in the 2014 revenue requirement. Please provide any business cases undertaken.

5.1-CCC-24

(Ex. 4/T1/S2/pp. 8-9) Please explain why there was a reduction in metering costs in 2010 of \$244,287. The evidence states that there are increasing cost pressures resulting from growing volumes of trouble report investigations related to smart

metering. Please explain why there is an increase in trouble reports due to smart meters. What is the estimated annual cost in 2014 of addressing these concerns?

FINANCIAL PERFORMANCE:

6.1 Do the applicant's proposed rates allow it to meet its obligations to its customers while maintaining its financial ability?

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

REVENUE REQUIREMENT:

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

7.1-CCC-25

(Ex. 2/T3/S10, EX. 2/T3/S7/pp. 5-6) Veridian is significantly ramping up its capital spending in the test year relative to historical levels. Please explain to what extent Veridian is confident in its ability to execute the capital plan.

7.1-CCC-26

(Ex. 2/T3/S7, Ex. 2/T3/S10) Please explain how Veridian defines "non-discretionary" in the context of its capital plan. For the projects listed at Schedule 10 for 2014 please identify which projects are "non-discretionary."

7.1-CCC-27

(Ex. 2/T3/S10/p. 1 and Attachment 2 of 5)

Please provide the most updated numbers for 2013. To the extent projects were not completed for 2013, how does this impact the 2014 proposed capital expenditures?

7.2 Are the proposed levels of depreciation/amortization expenses 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?

7.5-CCC-28

Please provide a schedule setting out the allowed ROE and actual ROE (actual and normalized) for the period 2010-2012. Please provide an estimate for 2013.

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

7.6-CCC-29

(Ex. 3/T8/S2) Please explain, specifically, how Veridian prepares its forecast of other revenues. Please explain the variance between 2013 and 2014 Specific Service Charges.

7.6-CCC-30

(Ex. 3/T8/S1) Please explain how Veridian generates revenue from pole rentals. What factors might impact the revenue associated with pole rentals?

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?

LOAD FORECAST, COST ALLOCATION AND RATE DESIGN:

8.1 Is the proposed load forecast, including billing determinants and appropriate reflection of the energy 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?

8.3-CCC-31

(Ex. 8/T2/S1) Please explain to what extent Veridian sought input from its customers regarding its proposals for rate harmonization. If no input was sought please explain why.

8.3-CCC-32

(Ex. 8/T2/S1)

Please explain to what extent Veridian has sought input from its customers regarding the new residential service classifications. If no input was sought please explain why. Please indicate how Veridian plans to communicate with its customers regarding the requirement to certify that they meet the "Residential" requirements. What specific process will Veridian use to qualify customers as "Residential" vs "Residential-Seasonal"? How will customers "certify to the criteria"? Has Veridian had any discussions with the Federation of Ontario

Cottagers' Associations (FOCA) regarding its proposals? If so, please explain the nature of those discussions. If not, why not?

8.4 Are the proposed Total Loss Factor 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?

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, estimate and adjustments been properly identified, as is the treatment of each of these impacts appropriate?