



PUBLIC INTEREST ADVOCACY CENTRE
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January 28, 2014

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: EB-2013-0174 Veridian Connections Inc.

Please find enclosed the interrogatories of VECC in the above-noted proceeding.

Yours truly,

Michael Janigan
Counsel for VECC

Encl.

cc: George Armstrong, Veridian Connections
e-mail: garmstrong@veridian.on.ca
All Parties

REQUESTOR NAME	VECC
INFORMATION REQUEST ROUND NO:	# 1
TO:	Veridian Connections Inc.
DATE:	January 22, 2014
CASE NO:	EB-2013-0174
APPLICATION NAME	2014 Cost of Service Electricity Distribution Rate Application

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?

1.1 - VECC - 1 Reference: E2/T3/S1/pg.7

- a) Please explain the difference between the Distribution System Plan filed in this application and the Asset Management Plan to be developed in 2014.

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

1.2 - VECC - 2 Reference: E1/T1/S1/pg.1

- a) Does Veridian survey customers in Gravenhurst separately from those in the southern service area?

1.2 - VECC - 3 Reference: E1/T2/S1

Surveys:

- a) Is the telephone survey described at page 1 of the reference the same UtilityPULSE survey described at page 5 of the evidence? If not please provide the telephone customer survey described in the evidence.
- b) Please provide the UtilityPULSE survey results or the reference to their location in the filing.

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?

3.1 - VECC - 4 Exhibit E1/T2/S1

Please provide a summary of customer engagement and feedback that was used to develop the 2014 capital budget and the Distribution System Plan.

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 associated level of 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?

4.2 - VECC - 5 Reference: E1/T1/S2/pg.24 E4/T1/S1/pg.3

Please provide the source of the 2% inflation factor. Please also provide the Statistics Canada annual CPI for the years 2010 through 2013.

4.2 - VECC - 6 Reference: E4/T1/S1

For each of the years 2010 through 2014 please provide:

- a) EDA membership fees
- b) All other Corporate membership fees
- c) Please confirm that EDA fees are included in the annual prepaid category of the Lead-Lag Study (E2/T1/S4/Attachment 3/pg.8).

4.2 - VECC - 7 Reference: E4/T1/S1

The purpose of this interrogatory is to understand the elements which have caused billing and collection to increase from 2010 to 2014.

- a) Please provide a table comparing the cost components of Billing and Collection accounts (5305, 5310, 5315, 5320, 5325, 5335, 5340) for Board approved 2010 as compared to 2010 actuals and 2014 forecast.
- b) Please provide a table comparing and contrasting (describing) the components of Billing account 5315 for 2010 actuals as compared to 2014 forecast costs.

4.2 - VECC - 8 Reference: E4/T1/S1/pg.3

Please provide an amended Table 2-JA which shows 2013 actuals (unaudited). Please also add columns for 2012 through 2014 which show for each category (e.g. Operations/ Maintenance/ Billing/ Community A&G) the impact of the change in capitalization policy.

4.2 - VECC - 9 Reference: E2/T2/S1/pg.3 ; T3/S7/pg.6

Please provide the Distribution System Plan's OM&A forecast for 2015 through 2018.

4.2 - VECC - 10 Reference: E4/T2/S1/pg.6 & E4/S2/pg.27

Veridian notes that bad debt was lower than expected in 2011. It also notes that it expects bad debt to decrease in 2014 following a downward trend since 2012. During the same period Veridian moved from quarterly to bi-monthly billing. Please comment on the relationship between the change in billing frequency and the change in bad debts. Specifically, did Veridian carry out any analysis on the relationship between the two? If so please provide these.

4.2 - VECC - 11 Reference: E4/T2/S2/pg. 17

Please provide the Distribution Automation costs (OM&A and capital) for each year 2012 through 2016. Please also provide the FTE's assigned to this office for each of those years. Please also provide the business case that was used in approving this new office.

4.2 - VECC - 12 Reference: E4/T2/S2/pg.19

Veridian is proposing to spend \$750,000 in pole testing over a three year period.

- a) Please explain why a random sampling of poles would not provide sufficient information for developing a program for pole replacement.
- b) Please explain why the results of the sample of 1500 poles could not be extrapolated to provide a reasonable understanding of pole conditions.
- c) How much is the average cost to replace a pole (fully dressed wood).

4.2 - VECC - 13 Reference: E4/T2/S2/pg.20

Veridian states that it will be spending approximately \$160,000 annually to test 23 km of underground cable per year. What was the average cost of replacing underground cable in each year 2010 through 2014?

4.2 - VECC - 14 Reference: E4/T2/S2/pg. 32

Please breakdown and compare for 2012, 2013 and 2014 the "Office and Professional Services" category into the costs for the sub-categories of Corporate Memberships; Consulting Studies, Legal, and Office Supplies (include all other).

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

4.3 - VECC - 15 Reference: E2/T3/S8/Attachment 2.1

At page 2 of 6 of the Reference Veridian states that changes to the DSC have impacted its forecast of capital contributions.

- a) Please provide the capital contributions for each year 2010 through 2014.
- b) Please identify in for each year the adjustment due to DSC changes.
- c) Please explain the methodology for estimating the 2014 capital contribution amount.

- 4.3 - VECC - 16 Reference: Appendix 2-AA
Please provide the 2013 actual capital spending in the format shown at Appendix 2-AA
- 4.3 - VECC - 17 Reference: E2/T2/S1
Please clarify if the total CIS upgrades approved in the 2010 cost of service application were \$445k or \$645k (inclusive of the Credit Module). Please also clarify the total spending on the CIS system by year end 2011.
- 4.3 - VECC - 18 Reference: E2/T2/S1 & E2/T3/S13
407 East Extension
a) Please provide the 2014 capital budget amounts, if any, for plant relocations, for Phase 2 (Harmony Road to Taunton Road) of the 407 East Expansion. Separately please provide any 2014 capital budget amounts for the amounts related to the East Durham Link.
b) Please explain how the 73% capital contribution rate is derived.
- 4.3 - VECC - 19 Reference: E2/T3/S14
Veridian states that it will replace 250 poles in 2014 at a cost of \$2.042 million. Please provide the business plan for this project. Please explain whether the project is to be completed by internal resources or outsourced. If the latter please provide an update on the outsourced party, when the project is to begin and when it is expected to be completed. Please also provide the number of poles replaced in each year 2009 through 2013.
- 4.3 - VECC - 20 Reference: E2/T3/S13, pgs. 39-70
Please provide the actual or forecast capital contributions for the following projects:
a) Dundas Street Coleman to BayBridge
b) Front Street
c) Airport Parkway West
- 4.3 - VECC - 21 Reference: E2/T3/S13/pg.60
Please explain why no capital contribution is forecast for the Port Hope-Relocation project.

4.3 - VECC - 22 Reference: E2/T3/S13/pg.53

Please provide a breakdown of the \$3058 average cost of per lot.
Please indicate if this amount includes meter installation.

4.3 - VECC - 23 Reference: E2/T3/S13, pg. 67-69

Please provide the Seaton Development project business case analysis.

4.3 - VECC - 24 Reference: E2/T3/S14, pgs.6-8

Were all the amounts, including tree trimming, of the \$799,117 in costs related to the Gravenhurst storm recovery operations capitalized in 2013?

4.3 - VECC - 25 Reference: E2/T4/S2/pgs.1-4

Please provide a breakdown of the service reliability performance metrics into the different category of reasons for the outage (excluding supply loss Code 2 outages). The table below provides an example format.

Description	2010 Totals	2011 Totals	2012 Totals	2013 Totals
Scheduled				
Supply Loss				
Tree Contact				
Lightning				
Def. Equip.(other than pole)				
Pole Failure				
Weather				
Animals, Vehicle				
Unknown				
Total				

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 - VECC - 26 Reference: E2/T2/S1

Please provide the cost-benefit analysis that was done to demonstrate the cost effectiveness of the project described at pages 1-5 of the above reference.

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 - VECC - 27 Reference: E4/T3/S1/pg.19

Veridian states that cumulative inflation adjustments since 2010 have been 12.6%. What has been the cumulative CPI during that same period? If the wage adjustment has been higher than CPI please explain what labour efficiencies took place to offset increases above inflation.

6.2 - VECC - 28 Reference: E2/T2/S2/pg.118-125

Veridian states that the Mobile Computing project will have a gross capital cost of \$1.153 million and incremental OM&A costs of \$104k. Please provide the cost-benefit analysis that Veridian used in support of this project. If none was done, please provide the annual anticipated cost savings for this program.

6.2 - VECC - 29 Reference: E4/T2/S2/pg. 7 & E4/T3/S1

The purpose of this interrogatory is to try to match incremental responsibilities to the incremental increase in FTEs.

- a) Please separate the 2010 – 2014 incremental staff increase of 29 (211 to 230) into the following categories:
 - i) Related to incremental Smart Meter/TOU activities;

- ii) Related to incremental regulatory and government mandated policy requirements;
- iii) Primarily related to customer growth (e.g. customer service, line crew);
- iv) Primarily related to enhanced system maintenance, reliability or safety (e.g. GIS, SCADA, etc.);
- v) Primarily related to governance (e.g. finance, HR, planning, etc.);
- vi) Primarily related to special projects (e.g. smart grid etc.);
- vii) Temporary backfilled position / training for an expected retirement;
- viii) Please comment on categories and FTE classifications as necessary to clarify the cost driver.

b) Please provide a dollar estimate for each category.

6.2 - VECC - 30 Reference: E4/T1/S4 & E4/T3/S1

Please provide the completed business case for each of the new positions added to items v), vi), and vii) since 2010.

6.2 - VECC - 31 Reference: E4/T1/S3

Please explain why 2 additional staff were required to support DSC requirements. Specifically, please explain what requirements are being referred to in the evidence.

6.2 - VECC - 32 Reference: E4/T2/S2/pg. 13

Have the two Protection and Control Technicians discussed at the above reference been hired?

6.2 - VECC - 33 Reference E4/T3/S1/pg.14

Please provide a table showing all positions which are being staffed in anticipation of retirement along with the expected date of the retirement. For each position please provide the salary band or range for the position which is being backfilled (not individual salary).

6.2 - VECC - 34 Reference: E4/T3/S1 Appendix 2-K

We are unable to locate the explanation for the variance from the 2010 Board approved FTE of 236 to the actual 2010 FTE of 211. Please provide the reference or a detailed explanation for the variance in staff (i.e. showing staff positions anticipated in 2010 but not hired and why).

7. Revenue Requirement

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

7.1 - VECC - 35 Reference: E2/T1/S4

Lead Lag Study – Attachment 3

- a) Please explain how the Bi-monthly mid-point service period was calculated in Table 1 – Service Lag. In particular please explain why it is not 30.42 (i.e. one-half of an average 2 month period or $365/12$).
- b) Similarly please explain why the monthly mid-point service period is not 15.21 days.

7.1 - VECC - 36 Reference: E2/T1/S4

Lead Lag Study – Attachment 3

In respect to Billing Lag the Study indicates that the availability of IESO pricing information is on average 10 days and that one day was added for processing. This leaves 6-10 days delay in billing unexplained (depending on customer class).

- a) Please provide an explanation for the delay between when the time pricing information is available and when the billing information is given to the billing contractor.
- b) The evidence states that the billing lag was derived by a query in June 2012. Were any other months queried? If not why not. Specifically why was an average of a query in each of the 12 months not used? Please explain why June represents a typical period.

7.1 - VECC - 37 Reference: E2/T1/S4

Lead Lag Study – Attachment 3, Item 3.5

- a) Please provide a description of the calculation and methodology of the Payroll and Benefits expense lead.
- b) Please provide a table which shows the elements of the Payroll and Benefits which includes the amounts, lead days and weighting factors (e.g. Pensions, WSIB, Insurance, etc.).

7.1 - VECC - 38 Reference E2/T2/S1 Appendix 2-AA

Please provide Board approved capital budget in the format of Appendix 2-AA.

7.1 - VECC - 39 Reference: E2/T2/Sa

Veridian underspent its 2010 Board approved capital budget by 21% or \$6,087,043 million.

- a) \$2.4 million Applecroft substation. Please explain why Veridian believed it necessary to engage in a conversation about non- standard transformer windings for this station. When does Veridian expect to convert the Applecroft station to 27.6 Kv? Please provide the forecast cost of that conversion.
- b) \$1.5 million Gravenhurst Substation. Please provide the forecast date and cost of this station's conversion.
- c) Please provide a breakdown of the \$2.2 million in lower than forecast spending on sustainment capital. Specifically, provide the pole replacement budget in 2010 and the actual amount spent. Please do the same for the budget for transformers.

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 - VECC - 40 Reference: E4/T6/S2/Attachment 5

In a number of places Veridian appears to have departed from the recommended range for useful service life in the Kinectrics Report.

- a) Please identify all accounts which are not within the Useful

Life range of the Kinectrics Report.

- b) For each of these accounts please explain the rationale for a departure from the Report's recommendation.
- c) Please provide an estimate of the revenue requirement impact of moving all accounts into the useful life range of the Report (an estimate for the purpose of determining the materiality of this issue is a sufficient response).

7.3. Are the proposed levels of taxes appropriate?

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

7.4 - VECC - 41 Reference: E4/T5/S1/ Attachment 1

Purchase from Suppliers:

- a) Please describe the services provided by MEARIE Management Inc. (2012 \$473,320) and MEARIE Group (2010 \$491,606).
- b) Please provide the amounts for these two entities for 2011 through 2014.
- c) Please explain the process which was used for the RFQ for the MEARIE Management Inc. services. Is this contract for 3 years or less as is contemplated by section 6.3 of Veridian's Purchasing Policy?
- d) Please explain if and how the MEARIE Group Insurance meets section 6.3 of Veridian's purchase policy.

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

7.5 - VECC - 42 Exhibit 5, Tab 1, Schedule 1, pg.6

Does the interest swap agreement for the two TD Loans have the effect of reducing the effective interest rate of the two loans to below their fixed rates (4.24% and 3.99%)? If so please provide the effective interest rate on the loans in 2013.

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

7.6 - VECC - 43

Reference: E3/T8/S2, Att 1

- a) Where are the revenues from MicroFIT class customers reflected in Other Operating Revenue?
- b) What were the actual revenues for 2012 and 2013 and the forecast revenue for 2014?

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?

8.1 - VECC - 44

Reference: E3/T2/S2, Att 1, page 6

- a) Please provide the employment forecast for 2013 and 2014 from the most recent Ontario Budget.

8.1 - VECC - 45

Reference: E3/T2/S 2, Att 1, page 8

- a) What are the actual 2013 kWh Purchases for VCI Main?
- b) Please provide a schedule that sets out:
 - i) The actual 2013 VCI Main purchases
 - ii) The actual CDD and HDD values for 2013
 - iii) The assumed weather normal CDD and HDD values
 - iv) The difference between the Normal and Actual CDD values multiplied by 297,273.3
 - v) The difference between the Normal and Actual HDD values multiplied by 73,709.9
 - vi) The addition of items (i), (iv) and (v)

8.1 - VECC - 46

Reference: E3/T2/S 2, Att 1, page 17

- a) What are the actual 2013 kWh Purchases for VCI Gravenhurst?
- b) Please provide a schedule that sets out:

- i) The actual 2013 VCI Gravenhurst purchases
- ii) The actual CDD and HDD values for 2013
- iii) The assumed weather normal CDD and HDD values
- iv) The difference between the Normal and Actual CDD values multiplied by 12,092.9
- v) The difference between the Normal and Actual HDD values multiplied by 5,917.7
- vi) The addition of items (i), (iv) and (v)

8.1 - VECC - 47

Reference: E3/T1/S2, Att 1, pages 9-11

- a) Please provide a 2013 schedule that, in the first row, sets out the starting forecast kWh and kW for each of the GS>50, Intermediate and Large Use classes plus the overall total and then, in subsequent rows, set out each of the adjustments outlined in the referenced pages leading to the proposed forecast by customer class.
- b) .Please provide a similar schedule for 2014.

8.1 - VECC - 48

Reference: E3/T1/S2, Att 1, page 11

- a) Table 10 does not use comparable months for 2011 and 2012 in order to calculate the growth rates. Did Elenchus examine whether this inconsistency would bias the results?
- b) Please re-do Table 10 but calculate the growth rates using the periods May-December 2011 versus May-December 2012.
- c) Please re-do Table 10 but calculate the growth rates using the periods May 2011-March 2012 versus May 2012-March 2013.

8.1 - VECC - 49

Reference: E3/T1/S2, Att. 1, pages 13 and 21

- a) Please explain why the VCI Main customer counts for Street and Sentinel Lighting are based on the “average of year end values” whereas those for VCI Gravenhurst are based on “yearend customer counts”.

8.1 - VECC - 50

Reference: E3/T3/S1, page 2

- a) Please provide copies of the OPA’s final reports for 2011 and 2012.

8.1 - VECC - 51

Reference: E3/T3/S1, Att 1 (Appendix 2-I)
OEB Decision EB-2012-0165 (Sioux Lookout 2013 Rates), page 7

- a) Please reconcile the proposed ½ year CDM adjustment for 2012 with the Board's Decision in EB-2012-0165 for Sioux Lookout's 2013 rates that "The Board does not agree with the inclusion of the half-year impact of the 2011 CDM program".

8.1 - VECC - 52

Reference: E3/T4/S1

- a) Does the calculation of the transformer allowance by customer class take into account the customer reclassifications between GS>50, Intermediate and Large Use discussed in the Elenchus Load Forecast? If so, please indicate how.

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

8.2 - VECC - 53

Reference: E7/T1/S1, page 3

- a) Please confirm whether the difference (\$1,704,365) was allocated to classes in proportion to their total allocated revenue requirement or their allocated share of the base distribution revenue requirement.
- b) Since the difference is associated with Net Fixed Assets would it not be more appropriate for the difference to be allocated to classes based on each class' share of the NFA as determined in the CA model (Sheet O1, Row 51).
- c) Please provide a schedule that sets out the allocation of the difference to customer classes based on Veridian's approach versus one that uses the NFA allocation in the CA Model.

8.2 - VECC - 54

Reference: E7/T1/S1, page 5
Cost Allocation Model, Sheet I5.2

- a) Please confirm that the customers in classes other than Residential, Residential Seasonal, GS<50 and GS>50 own and are responsible for the maintenance/repair/replacement of

their service assets.

- b) If not confirmed, why are the weighting factors for these classes zero?

8.2 - VECC - 55

Reference: E7/T1/S1, Att 2

- a) Please explain how Veridian determined that there were 4,393 connections associated with the 30,340 Street Light devices.

8.2 - VECC - 56

Reference: E7/T1/S1, Att. 8, page 8

- a) What was the basis for the hourly load profiles used for the GS>50, Intermediate and Large Use classes?
b) Please explain how the development of these load profiles accounted for the customer class changes (e.g. reclassifications and customer losses) discussed in Exhibit 3

8.2 - VECC - 57

Reference: E7/T1/T2, page 2

- a) Why is the Residential Seasonal ratio being increases from 82.13% to 93.95% when there are other customer classes whose proposed ratios are less than the Residential Seasonal starting point?

8.2 - VECC - 58

Reference: E7/T1/S1, page 6
E8/T2/S1, pages 4-5

- a) Please confirm that the criteria for Residential classification as opposed to Residential Seasonal classification are not specifically linked to “density”.
b) Has Veridian undertaken any assessment in the last 5 years as to whether or not Residential Seasonal customers are in lower density areas than Residential customers? If so, please provide the results.
c) Please provide a revised version of the CA Model with no density weighting factors for Residential Seasonal.

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?

8.5 - VECC - 59

Reference: E8/T3/S2, pg. 3

a) Please confirm that the proposed HONI 2014 rates used in Table 2 are the same as the final approved rates.

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 - VECC - 60

Reference: E8/T6/S2, page 2

a) The text (lines 3-4) indicates that the bill impacts for the existing Gravenhurst classes of Residential Suburban and GS 50-2999 are greater than 10%. However, Table 1 suggests that this is not the case. Please clarify.

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 - VECC - 61 Reference: E2/T1/S3/pg.3

Stranded Meter Cost Recovery

- a) Please provide the account balances for each of the years 2000 to 2010 which recorded the cost of residential meters separately from those of GS customers.
- b) Please recalculate the stranded meter rate riders using Veridian's 2010 Cost Allocation model as used in its last cost of service application.

9.1 - VECC - 62 Reference: E9/T1/S1/pg.11

Smart Grid Deferral Account 1535

- a) Please provide the individual costs for the six Smart Grid Studies and Planning exercise outlined in the evidence.
- b) Please describe who owned and operated the two electric vehicles for the Better Place project. If these vehicles were owned by Veridian please describe their purpose.
- c) Please provide the costs of the Smart Grid Education and Training project.

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?

End of document