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BY E-MAIL

October 16, 2014

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Veridian Connections Inc.
2015 IRM Distribution Rate Application
Board Staff Interrogatories
Board File No. EB-2014-0272**

In accordance with Procedural Order #1, please find attached Board Staff interrogatories in the above proceeding. The applicant and the intervenors have been copied on this fling.

Veridian Hydro responses to interrogatories are due by October 30, 2014.

Yours truly,

Original Signed By

Kelli Benincasa
Electricity Rates and Accounting

Encl.

**Veridian Connections Inc.
EB-2014-0272
Board Staff Interrogatories**

Interrogatory #1

Ref: Managers Summary – Page 2 – Audited Costs

- A. Please indicate when the balance of OM&A costs of \$140,773 will be audited.

Interrogatory #2

Ref: Managers Summary – Page 9 – Restoration Plan

- A. Please provide a copy of Veridian's Power Restoration Plan.

Interrogatory #3

Ref: Managers Summary – Page 13 & 14 – Local LDC's

Board staff notes that Veridian relied partially on support from nearby LDCs in the restoration effort.

- A. Does Veridian have a group of utilities with which it regularly cooperates? If so, which utilities are included in this group?
- B. Please provide a copy of the Mutual Assistance Plan. If a copy of the agreement is not available, please describe any standard arrangements in place with local LDCs regarding payment for service in emergencies.
- C. Please clarify if the invoiced costs from the LDCs are based on regular labour rates or premium rates, given the timing of the engagement, its urgency, or the amount of notice provided to suppliers.

Interrogatory #4

Ref: Managers Summary – Page 13 & 14 – Third Party Contractors

Board staff notes that Veridian relied partially on support from external contractors in the restoration effort.

- A. Please provide information supporting the choices made with respect to the procurement of external contractors shown in Table 7 – Detailed Breakdown of Contractor Costs.
- B. Were external contractors retained in a manner consistent with Veridian's procurement policies? If not, please provide the rationale supporting procurement.
- C. Please clarify if the invoiced costs from the external contractors are based on regular labour rates or premium rates, given the timing of the engagement, its urgency, or the amount of notice provided to suppliers.

Interrogatory #5

Ref: EB-2013-0174 Exhibit 4, Tab 1, Schedule 3, Page 3

The above referenced exhibit describes the departmental and corporate OM&A activities normally undertaken by Veridian and included within Veridian's OM&A budget for the 2014 test year, which underpins Veridian's current rates. One of these activities is Emergency Power Restoration, described in the evidence as follows:

Emergency Power Restoration

This program is the emergency or reactive service to customers to restore distribution service to customers when interruptions occur due to unplanned events such as equipment failure or storm damage.

- A. Please provide the amount included in Veridian's 2014 OM&A expense that relates to Emergency Power Restoration.
- B. Please provide Veridian's actual Emergency Power Restoration expenditures for the period from 2010 to 2014 and calculate a 5 year average.
- C. Please provide Veridian's budgeted Emergency Power Restoration expenditures for the period from 2010 to 2014 and calculate a 5 year average.
- D. If Veridian had a capitalization change please provide Veridian's Emergency Power Restoration expenditures prior to the capitalization change from 2010-2014.
- E. Please total how much Emergency Power Restoration expenditures have been in Veridian's rates since 2010-2014 less how much has been spent.
- F. Please provide 2013 actual Emergency Power Restoration expense, excluding the ice storm damage claimed in this application.

- G. Please indicate what, if any, of the Emergency Power Restoration budget was applied to the ice storm recovery costs.

Interrogatory #6

Ref: EB-2013-0174 Exhibit 1, Tab 1 Schedule 2, Page 1

Board staff notes that Veridian provided the following description of its ownership:

Veridian is a wholly-owned subsidiary of Veridian Corporation and is headquartered in Ajax, Ontario.

- A. Is Veridian's shareholder making any contribution to the restoration cost?
- i. If not, why not?
 - ii. If so, please provide details.

Interrogatory #7

Ref: Accounting Standard - Board's letter¹ dated July 17, 2012

Veridian has specified that the accounting standard under which its Z-factor application has been filed is Canadian Generally Accepted Accounting Standards ("CGAAP").

- A. How has the accounting standard under which Veridian has filed impacted the level of OM&A for the ice storm recovery?

Interrogatory #8

Ref: Board Letter of March 2, 2012: Cost of Capital Parameter Updates for 2012 Cost of Service Applications

Ref: Board Letter of March 7, 2008: Cost of Capital Parameter Updates for 2008 Cost of Service Applications

Board staff notes that Veridian has reported achieved regulatory ROE as follows:

	Board-Approved ROE	Achieved ROE (reported)
2011	9.85%	8.01%
2012	9.85%	8.60%
2013	9.85%	12.39%

- a. Please confirm the above table is correct. If so, please explain Veridian's reasons for seeking the amount of \$718,055 recovery of the Z-factor claim through this

application despite earning over 250 basis points above the approved ROE for the subject year, and whether the amount of \$718,055 could and should be borne by Veridian, given the level of its reported achieved return on equity in 2013.

Interrogatory #9

Ref: Managers Summary – Page 16 and 17- Z factor Rate Rider

Ref: EB-2007-0514/0595/0571/0551 Decision

Ref: EB-2011-0186 Decision and Order

Board staff notes that Veridian proposes to recover the ice storm Z-factor costs by way of a fixed rate rider across all customer classes based on its approved 2014 base revenue requirement allocations. Board staff further notes that in the Board's Decision on The Combined Proceeding on Storm Damage Cost Claims (EB-2007-0514/0595/0571/0551)² and the Board's Decision on Niagara-on-the-Lake Hydro Inc.'s wind storm damage Z-factor claim (EB-2011-0186)³, the Board ruled that approved costs shall be allocated to the classes on the basis of distribution revenue and using the last Board-approved fixed-variable split.

- a. Please provide Veridian's views on the merits of allocating approved costs to all customer classes on the basis of distribution revenue regardless of the variance in costs incurred to restore service.
- b. Please calculate fixed and variable rate riders by allocating Veridian's proposed recovery amount of \$732,035 to all customer classes, using approved distribution revenue allocations and the last Board approved fixed-variable split for the following collection periods:
 - i. 2 years;
 - ii. 18 months; and
 - iii. 1 year.

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http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/11274/view/Dec_Combined%20Proceeding_Storm%20Damage_20070731.pdf.PDF

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http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/331998/view/dec_order_NOTL_20120322.PDF