1. Ref: N/A

Request

> Following publication of the Notice of Application, has the Applicant received any letters of comment in respect of this application? If so, please confirm whether a reply was sent by the Applicant in response to such comments and if so, please file copies of such responses with the Board. If not, please explain why a response was not sent and confirm if the Applicant intends to respond and file a copy of the response if and when such response is given.

Response:

Veridian did not directly receive any letters of comment related to the publication of the Notice of Application. However, through a review of case documents posted on the Board's website, Veridian is aware of nine (9) letters of comment submitted to the Board Secretary.

Since none of the letters of comment were directed to Veridian, responses have not been issued.

At this time, Veridian does not intend to respond to the letters submitted directly to the Board Secretary.

2. Ref: Exhibit 1 / Tab 2 / Schedule 2 / Page 3

When discussing inflation factors for purchased goods and services, the Applicant states: "For adjusting 2008 distribution rates under 2nd Generation IRM a price escalator of 2.1% was used and for 2009, a price escalator of 2.3% was used."

Request

Please explain the relevance of the statement about 2008 distribution rates with respect to the current application.

Response:

The 2008 distribution rate price escalator of 2.1% was referenced for comparison and context purposes when providing information on the inflation factor used in the economic assumptions underpinning O M & A forecast for 2010.

3. Ref: Exhibit 1 / Tab 2 / Schedule 5 / Page 1
Exhibit 10 / Tab 1 / Schedule 1 / Attachment 4 / Page 73

A number of the values in the two references for Veridian_Gravenhurst's GS<50kW class at 2,000 kWh/month appear to differ.

Request

Please confirm the correct set of values and the exhibit that the Applicant is relying on.

Response:

The amount of Veridian's 2010 Test Year revenue requirement and proposed Tariff of Rates and Charges has changed as a result of Veridian's Application Update. This interrogatory has been answered on the basis of the updated values.

A revised Revenue Requirement Work Form and Addendum are provided as Attachments 1 and 2. Please reference these values as that which Veridian is relying on.

REVENUE REQUIREMENT WORK FORM

Name of LDC:	Veridian Connections Inc.	(1)
File Number:	EB-2009-0140	
Rate Year:	2010	*Version:* *1.0*

Table of Content

Notes:
(1) Pale green cells represent inputs
(2) ***Please note that this model uses MACROS. Before starting, please ensure that macros have been enabled.***

REVENUE REQUIREMENT WORK FORM

Name of LDC: Veridian Connections Inc.
File Number: EB-2009-0140
Rate Year: 2010

Data Input (1)

		Application		Adjustments		Per Board Decision	
1	**Rate Base**						
	Gross Fixed Assets (average)	$331,835,322	(4)			$331,835,322	
	Accumulated Depreciation (average)	($177,087,447)	(5)			($177,087,447)	
	Allowance for Working Capital:						
	Controllable Expenses	$22,236,324	(6)			$22,236,324	
	Cost of Power	$197,281,376				$197,281,376	
	Working Capital Rate (%)	15.00%				15.00%	
2	**Utility Income**						
	Operating Revenues:						
	Distribution Revenue at Current Rates	$43,890,892					
	Distribution Revenue at Proposed Rates	$47,648,472					
	Other Revenue:						
	Specific Service Charges	$1,772,300					
	Late Payment Charges	$618,650					
	Other Distribution Revenue	$983,000					
	Other Income and Deductions	$844,150					
	Operating Expenses:						
	OM+A Expenses	$22,236,324				$22,236,324	
	Depreciation/Amortization	$12,947,743				$12,947,743	
	Property taxes						
	Capital taxes	$259,013					
	Other expenses						
3	**Taxes/PILs**						
	Taxable Income:						
	Adjustments required to arrive at taxable income	$81,498	(3)				
	Utility Income Taxes and Rates:						
	Income taxes (not grossed up)	$1,950,279					
	Income taxes (grossed up)	$2,868,057					
	Capital Taxes	$259,013					
	Federal tax (%)	18.00%					
	Provincial tax (%)	14.00%					
	Income Tax Credits	($19,506)					
4	**Capitalization/Cost of Capital**						
	Capital Structure:						
	Long-term debt Capitalization Ratio (%)	56.0%					
	Short-term debt Capitalization Ratio (%)	4.0%	(2)				(2)
	Common Equity Capitalization Ratio (%)	40.0%					
	Prefered Shares Capitalization Ratio (%)						
						Capital Structure must total 100%	
	Cost of Capital						
	Long-term debt Cost Rate (%)	7.11%					
	Short-term debt Cost Rate (%)	1.33%					
	Common Equity Cost Rate (%)	8.01%					
	Prefered Shares Cost Rate (%)						

Notes:

This input sheet provides all inputs needed to complete sheets 1 through 6 (Rate Base through Revenue Requirement), except for Notes that the utility may wish to use to support the components. Notes should be put on the applicable pages to understand the context of each such note.

(1) All inputs are in dollars ($) except where inputs are individually identified as percentages (%)
(2) 4.0% unless an Applicant has proposed or been approved for another amount.
(3) Net of addbacks and deductions to arrive at taxable income.
(4) Average of Gross Fixed Assets at beginning and end of the Test Year
(5) Average of Accumulated Depreciation at the beginning and end of the Test Year. Enter as a negative amount.

Ontario

REVENUE REQUIREMENT WORK FORM

Name of LDC: Veridian Connections Inc.
File Number: EB-2009-0140
Rate Year: 2010

Rate Base

Line No.	Particulars		Application	Adjustments	Per Board Decision
1	Gross Fixed Assets (average)	(3)	$331,835,322	$ -	$331,835,322
2	Accumulated Depreciation (average)	(3)	($177,087,447)	$ -	($177,087,447)
3	Net Fixed Assets (average)	(3)	$154,747,875	$ -	$154,747,875
4	Allowance for Working Capital	(1)	$32,927,655	$ -	$32,927,655
5	**Total Rate Base**		$187,675,530	$ -	$187,675,530

Line No.	(1) Allowance for Working Capital - Derivation		Application	Adjustments	Per Board Decision
6	Controllable Expenses		$22,236,324	$ -	$22,236,324
7	Cost of Power		$197,281,376	$ -	$197,281,376
8	Working Capital Base		$219,517,700	$ -	$219,517,700
9	Working Capital Rate %	(2)	15.00%		15.00%
10	Working Capital Allowance		$32,927,655	$ -	$32,927,655

Notes

(2) Generally 15%. Some distributors may have a unique rate due as a result of a lead-lag study.
(3) Average of opening and closing balances for the year.

REVENUE REQUIREMENT WORK FORM

Name of LDC: Veridian Connections Inc.
File Number: EB-2009-0140
Rate Year: 2010

Utility income

Line No.	Particulars		Application	Adjustments	Per Board Decision
	Operating Revenues:				
1	Distribution Revenue (at Proposed Rates)		$47,648,472	$ -	$47,648,472
2	Other Revenue	(1)	$4,218,100	$ -	$4,218,100
3	Total Operating Revenues		$51,866,572	$ -	$51,866,572
	Operating Expenses:				
4	OM+A Expenses		$22,236,324	$ -	$22,236,324
5	Depreciation/Amortization		$12,947,743	$ -	$12,947,743
6	Property taxes		$ -	$ -	$ -
7	Capital taxes		$259,013	$ -	$259,013
8	Other expense		$ -	$ -	$ -
9	Subtotal		$35,443,080	$ -	$35,443,080
10	Deemed Interest Expense		$7,572,332	$ -	$7,572,332
11	Total Expenses (lines 4 to 10)		$43,015,412	$ -	$43,015,412
12	**Utility income before income taxes**		$8,851,160	$ -	$8,851,160
13	Income taxes (grossed-up)		$2,868,057	$ -	$2,868,057
14	**Utility net income**		$5,983,102	$ -	$5,983,102

Notes

(1)

Other Revenues / Revenue Offsets	Application	Per Board Decision
Specific Service Charges	$1,772,300	$1,772,300
Late Payment Charges	$618,650	$618,650
Other Distribution Revenue	$983,000	$983,000
Other Income and Deductions	$844,150	$844,150
Total Revenue Offsets	$4,218,100	$4,218,100

Ontario

REVENUE REQUIREMENT WORK FORM

Name of LDC: Veridian Connections Inc.
File Number: EB-2009-0140
Rate Year: 2010

Taxes/PILs

Line No.	Particulars	Application	Per Board Decision
	Determination of Taxable Income		
1	Utility net income	$6,013,124	$6,013,124
2	Adjustments required to arrive at taxable utility income	$81,498	$81,498
3	Taxable income	$6,094,622	$6,094,622
	Calculation of Utility income Taxes		
4	Income taxes	$1,950,279	$1,950,279
5	Capital taxes	$259,013	$259,013
6	Total taxes	$2,209,292	$2,209,292
7	Gross-up of Income Taxes	$917,778	$917,778
8	Grossed-up Income Taxes	$2,868,057	$2,868,057
9	PILs / tax Allowance (Grossed-up Income taxes + Capital taxes)	$3,127,070	$3,127,070
10	Other tax Credits	($19,506)	($19,506)
	Tax Rates		
11	Federal tax (%)	18.00%	18.00%
12	Provincial tax (%)	14.00%	14.00%
13	Total tax rate (%)	32.00%	32.00%

Notes

REVENUE REQUIREMENT WORK FORM

Name of LDC: Veridian Connections Inc.
File Number: EB-2009-0140
Rate Year: 2010

Capitalization/Cost of Capital

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
	Application				
		(%)	($)	(%)	($)
	Debt				
1	Long-term Debt	56.00%	$105,098,297	7.11%	$7,472,489
2	Short-term Debt	4.00%	$7,507,021	1.33%	$99,843
3	**Total Debt**	60.00%	$112,605,318	6.72%	$7,572,332
	Equity				
4	Common Equity	40.00%	$75,070,212	8.01%	$6,013,124
5	Preferred Shares	0.00%	$ -	0.00%	$ -
6	**Total Equity**	40.00%	$75,070,212	8.01%	$6,013,124
7	**Total**	100%	$187,675,530	7.24%	$13,585,456
	Per Board Decision				
		(%)	($)	(%)	
	Debt				
8	Long-term Debt	56.00%	$105,098,297	7.11%	$7,472,489
9	Short-term Debt	4.00%	$7,507,021	1.33%	$99,843
10	**Total Debt**	60.00%	$112,605,318	6.72%	$7,572,332
	Equity				
11	Common Equity	40.0%	$75,070,212	8.01%	$6,013,124
12	Preferred Shares	0.0%	$ -	0.00%	$ -
13	**Total Equity**	40.0%	$75,070,212	8.01%	$6,013,124
14	**Total**	100%	$187,675,530	7.24%	$13,585,456

Notes

(1) 4.0% unless an Applicant has proposed or been approved for another amount.

Ontario

REVENUE REQUIREMENT WORK FORM

Name of LDC: Veridian Connections Inc.
File Number: EB-2009-0140
Rate Year: 2010

Revenue Sufficiency/Deficiency

Line No.	Particulars	Per Application: At Current Approved Rates	Per Application: At Proposed Rates	Per Board Decision: At Current Approved Rates	Per Board Decision: At Proposed Rates
1	Revenue Deficiency from Below		$3,758,916		$3,758,916
2	Distribution Revenue	$43,890,892	$43,889,556	$43,890,892	$43,889,556
3	Other Operating Revenue Offsets - net	$4,218,100	$4,218,100	$4,218,100	$4,218,100
4	**Total Revenue**	$48,108,992	$51,866,572	$48,108,992	$51,866,572
5	Operating Expenses	$35,443,080	$35,443,080	$35,443,080	$35,443,080
6	Deemed Interest Expense	$7,572,332	$7,572,332	$7,572,332	$7,572,332
	Total Cost and Expenses	$43,015,412	$43,015,412	$43,015,412	$43,015,412
7	**Utility Income Before Income Taxes**	$5,093,580	$8,851,160	$5,093,580	$8,851,160
8	Tax Adjustments to Accounting Income per 2009 PILs	$81,498	$81,498	$81,498	$81,498
9	**Taxable Income**	$5,175,078	$8,932,658	$5,175,078	$8,932,658
10	Income Tax Rate	32.00%	32.00%	32.00%	32.00%
11	**Income Tax on Taxable Income**	$1,656,025	$2,858,450	$1,656,025	$2,858,450
12	**Income Tax Credits**	($19,506)	($19,506)	($19,506)	($19,506)
13	**Utility Net Income**	$3,457,061	$5,983,102	$3,457,061	$5,983,102
14	**Utility Rate Base**	$187,675,530	$187,675,530	$187,675,530	$187,675,530
	Deemed Equity Portion of Rate Base	$75,070,212	$75,070,212	$75,070,212	$75,070,212
15	Income/Equity Rate Base (%)	4.61%	7.97%	4.61%	7.97%
16	Target Return - Equity on Rate Base	8.01%	8.01%	8.01%	8.01%
	Sufficiency/Deficiency in Return on Equity	-3.40%	-0.04%	-3.40%	-0.04%
17	Indicated Rate of Return	5.88%	7.22%	5.88%	7.22%
18	Requested Rate of Return on Rate Base	7.24%	7.24%	7.24%	7.24%
19	Sufficiency/Deficiency in Rate of Return	-1.36%	-0.02%	-1.36%	-0.02%
20	Target Return on Equity	$6,013,124	$6,013,124	$6,013,124	$6,013,124
21	Revenue Sufficiency/Deficiency	$2,556,063	($30,022)	$2,556,063	($30,022)
22	**Gross Revenue Sufficiency/Deficiency**	$3,758,916 **(1)**		$3,758,916 **(1)**	

Notes:

(1) Revenue Sufficiency/Deficiency divided by (1 - Tax Rate)

Ontario

REVENUE REQUIREMENT WORK FORM

Name of LDC: Veridian Connections Inc.
File Number: EB-2009-0140
Rate Year: 2010

Line No.	Particulars	Revenue Requirement: Application	Revenue Requirement: Per Board Decision
1	OM&A Expenses	$22,236,324	$22,236,324
2	Amortization/Depreciation	$12,947,743	$12,947,743
3	Property Taxes	$ -	$ -
4	Capital Taxes	$259,013	$259,013
5	Income Taxes (Grossed up)	$2,868,057	$2,868,057
6	Other Expenses	$ -	$ -
7	Return		
	Deemed Interest Expense	$7,572,332	$7,572,332
	Return on Deemed Equity	$6,013,124	$6,013,124
8	Distribution Revenue Requirement before Revenues	$51,896,594	$51,896,594
9	Distribution revenue	$47,648,472	$47,648,472
10	Other revenue	$4,218,100	$4,218,100
11	**Total revenue**	$51,866,572	$51,866,572
12	**Difference (Total Revenue Less Distribution Revenue Requirement before Revenues)**	($30,022) (1)	($30,022) (1)

Notes
(1) Line 11 - Line 8

REVENUE REQUIREMENT WORK FORM

Name of LDC: Veridian Connections Inc.
File Number: EB-2009-0140
Rate Year: 2010

Selected Delivery Charge and Bill Impacts
Per Draft Rate Order

		Monthly Delivery Charge				Total Bill			
		Current	Per Draft Rate Order	Change $	Change %	Current	Per Draft Rate Order	Change $	Change %
Residential	**800 kWh/month**	$ 30.39	$ 29.44	-$ 0.95	-3.1%	$ 91.25	$ 90.30	-$ 0.95	-1.0%
GS < 50kW	**2000** kWh/month	$ 64.48	$ 57.55	-$ 6.93	-10.7%	$ 223.38	$ 216.45	-$ 6.93	-3.1%

Notes:

Provided for Veridian_Main Classes Only as no mechanism exists within the model to add rows for Veridian_Gravenhurst classes

Revenue Requirement Work Form
Name of LDC: Veridian Connections Inc.
File Number: EB-2009-0140
Rate Year: 2010

Selected Delivery Charge and Bill Impacts
Per Draft Rate Order

		Monthly Delivery Charge					Total Bill			
		Current	Per Draft Rate	Change $	Change %		Current	Per Draft Rate	Change $	Change %
Residential - Urban	**800 kWh/month**	$ 34.44	$ 41.46	$ 7.02	20.4%		$ 97.77	$ 105.54	$ 7.77	7.9%
Residential - Suburban	**800 kWh/month**	$ 38.61	$ 47.00	$ 8.39	21.7%		$ 101.94	$ 111.08	$ 9.14	9.0%
Residential - Seasonal	**800 kWh/month**	$ 58.63	$ 69.71	$ 11.08	18.9%		$ 121.96	$ 133.79	$ 11.83	9.7%
GS < 50kW	**2000** kWh/month	$ 69.85	$ 85.27	$ 15.42	22.1%		$ 234.92	$ 252.20	$ 17.28	7.4%

Notes:

Veridian Gravenhurst provided here as no lines could be added to Revenue Requirement Work Form

4. Ref: Exhibit 2 / Tab 2 / Schedule 1 / Pages 2-4

On page 4, the Applicant states that in 2007 it undertook a corporate restructuring and regulatory compliance initiative "which included the transfer to Veridian of assets owned and used by affiliates to deliver distribution services. Prior to the transfer, these assets had been leased directly to Veridian or had been included in the cost of distribution services provided by affiliates. These assets were transferred at the book value of $8.2M."

Request

(a) Please describe the due diligence and audit process the Applicant conducted with regard to the $8.2 million asset transfer to (i) ensure the assets, at the time of their financial transfer to Veridian, had a fair market value of not less than $8.183 million (as shown in Table 2) and therefore the Applicant did not pay a premium and (ii) confirm that the Applicant did not rely on the value of the assets as recorded in the accounting systems of affiliates where the Applicant had no control and where the assets may have been recorded at an inflated value.

(b) Please list all assets that were part of the $8.2 million transfer, together with their book value at time of transfer, that meet or exceed the Applicant's $240,000 threshold value.

Response:

(a) The $8.2 million asset transfer was conducted using net book asset values as detailed in Exhibit 4, Tab 6, Schedule 5, Attachment 2. These values are consistent with the asset values recorded in the audited financial statements of Veridian's affiliates leading up to the time of the asset transfer. An assessment of the fair market value of the assets was not undertaken and would have been difficult to perform given the purpose-built nature of many of the assets that were transferred.

The asset values were maintained in an accounting system shared between Veridian and its affiliates. Leading up to the 2007 restructuring, financial services for Veridian and its affiliates were provided by Veridian Corporation through a shared corporate services model. Therefore, Veridian is confident that the assets were not recorded at an inflated value.

(b) The following table summarizes the individual assets transferred with a net book value amount exceeding the $240,000 threshold. Both are real estate assets central to the distribution business operations of Veridian. The buildings were constructed or acquired by Veridian's predecessor municipal utility commissions prior to the formation of Veridian in 1999.

Asset Description	NBV at time of transfer ($)		
	Land	Building	Total
Administration and Operations Centre 55 Taunton Road East Ajax, Ontario	875,760	5,020,382	5,896,142
Operations Centre 2849 Highway 2 Bowmanville, Ontario	75,000	701,515	776,515

5. Ref: Exhibit 2 / Tab 2 / Schedule 1 / Page 4
Exhibit 2 / Tab 2 / Schedule 3 / Pages 2-5
Exhibit 2 / Tab 4 / Schedule 1 / Pages 1-2

In Exhibit 2 / 2 / 1 / p4, the Applicant equates Gross Fixed Assets to Annual Capital Expenditures by the use of the statement: "Veridian's annual increase in gross fixed assets (i.e. annual capital expenditure) is …".

In Exhibit 2 / 2 / 1 / p4 / Table 2, the Applicant provides its Annual Capital Expenditures. Expressing the values in million's of dollars and to one decimal point in order to facilitate comparison, the annual values are:

2006 Actual	2007 Actual	2008 Actual	2009 Forecast	2010 Forecast
$23.6	$14.9*	$18.3	$23.2	$22.2

** After "Removal of Non-Standard Additions" of $19.083 million.*

In Exhibit 2 / 2 / 3 / p2, the Applicant presents a graph that shows the Total Gross Capital. Interpolating the values from the graph, Board staff obtains values that appear identical to those values shown in Exhibit 2 / 2 / 3/ p5 and entitled Total Investment; i.e.

2006 Actual	2007 Actual	2008 Actual	2009 Forecast	2010 Forecast
$22.4	$20.9	$23.9	$19.9	$25.7

These 2009 and 2010 values are the same as those in Exhibit 2 / 4 /1 / pp 1-2 and entitled "Total Gross Investment". In that exhibit the Applicant presents a summary of its Capital Plan and notes: "Included for reference is projects completed in 2008 in part because several projects listed for 2009 and 2010 are phased larger projects with initial phases completed in 2008."

Request

(a) Please confirm that the Applicant is using the terms Gross Fixed Assets, Annual Capital Expenditures, Total Gross Capital and Total Gross Investment interchangeably, or provide a detailed explanation of the differences in meaning.

(b) Please reconcile the two tables above for all the years shown and, in particular, for 2009 and 2010.

(c) Please state the 2009 and 2010 Capital Expenditure values that the Applicant proposes to add to its Rate Base as part of this application.

(d) Please describe the $19.083 million Non-Standard Additions and list all of these additions that meet or exceed the Applicant's $240,000 threshold value, together with their book value (or purchase value), at time of addition.

(e) Please reconcile the items comprising the $19.083 million with those, totalling $8.183 million that were transferred at book value.

(f) Please clarify if the items comprising the $19.083 million additions and those comprising the $8.183 million transfer were substantially the same items or if one is a sub-set of the other, and, if not, differentiate between the two groups of items.

(g) If some or all the items comprising the $19.083 million additions were added to the rate base, please verify if they were added at net book value or fair market value, or if another valuation was used.

Response:

The amount of Veridian's forecast capital expenditures for the 2010 Test Year has changed as a result of Veridian's Application Update. This interrogatory has been answered on the basis of the updated values.

(a) At Exhibit 2, Tab 2, Schedule 1, page 4 Veridian references Gross Fixed Assets and Annual Capital Expenditures. In this context, Gross Fixed Assets for each year is the total dollar value of Rate Base applicable assets. This would include credit values of capital contributions received from others and recorded in Account 1995. The term Annual Capital Expenditures is meant as the annual change in the total of the Gross Fixed Assets, therefore would include annual credit amounts of capital contributions received from others.

At Exhibit 2, Tab 2, Schedule 3, page 2, Veridian references Total Gross Capital. At Exhibit 2, Tab 4, Schedule 1, pages 1-2, Veridian references Total Gross Investment. In this context, Total Gross Capital and Total Gross Investment are used interchangeably and for each year is the total change in the value of Rate Base applicable assets but do not include the credit values of capital contributions received from others.

(b) A reconciliation between the two tables is provided below. Note that values have been stated in thousands of dollars.

Table 1 – Reconciliation of Tables

Evidence Reference	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Forecast**	**2010 Forecast**
Ex 2/2/1/ p4 Table 2	23,552	14,912	18,250	23,220	***25,743***
Less: Transfer of Smart Metering Investments as per Proposed Disposition - Reference Exhibit 9, Tab 4, Schedule 2				-6,645	
Reconciled Values	**23,552**	**14,912**	**18,250**	**16,575**	**25,743**
Ex 2/2/3/ p2 Graph Values	22,447	20,920	23,934	19,877	***29,271***
Less: Contributed Capital		-5,813	-6,968	-3,301	-3,527
Less: Non Rate Base Investment		-196	-162		
Less: SM Variance Account			1,444		
Reconciled Values	**22,447**	**14,911**	**18,248**	**16,576**	**25,744**
Ex 2/4/1/ p1				19,877	
Less: Contributed Capital				-3,301	
Reconciled Values				**16,576**	
Ex 2/4/1/ p2					***29,271***
Less: Contributed Capital					-3527
Reconciled Values					**25,744**

Note:
2010 Forecast show updated values to reflect 2010 capital expenditures as per Veridian's Application Update related to its Ajax Facility Expansion Project.

Note: The 2006 Actual value in Ex 2/2/1 p4 Table 2 of $23,552 is the calculated difference between the preceding column value of '2006 Board Approved' (not shown here), not the 2006 Actual value of Change in Gross Fixed Assets. Therefore, this value is not meant to balance with the 2006 Actual value of $22,447 in Ex 2/2/3 p2 Graph Values.

(c) The 2009 Capital Expenditure value that Veridian intends to add to Rate Base as part of this application is $23.220M (Capital Investment of $16.576 net of contributed capital and transfer of Smart Meter related investments of $6.645M).
The 2010 Capital Expenditure value that Veridian intends to add to Rate Base as part of this application is $25.744 – Capital Investment net of contributed capital.

(d) The $19.083M Non-Standard Additions were assets previously owned and used by affiliates to deliver distribution services. Prior to the transfer, the assets had been

leased directly to Veridian or had been included in the cost of distribution services provided by affiliates. They included land and buildings and associated leaseholds, computer hardware and software, tools and other miscellaneous equipment. The total net book value of the assets at the time of addition was $8,183,800.
The appropriate materiality threshold when reviewing additions to rate base is $240,000. As these non-standard additions were added to rate base at their net book value, the threshold has been applied to the net book value of the additions. Please see the response to Board Staff interrogatory #4 (b) for a list of additions that meet or exceed the materiality threshold.

(e) Reconciliation of the items comprising the $19.083 million with those, totalling $8.183 million that were transferred at book value.

	Gross Value	Accum Amort	Net Book Value
Land	973,674	-	973,674
Buildings	8,115,866	2,453,970	5,661,896
Leasehold Improvements	936,316	483,607	452,709
Office Furniture	2,256,260	1,830,097	426,163
Computer Hardware	4,309,204	3,845,625	463,579
Computer Software	2,001,682	1,851,384	150,298
Tools and Equipment	7,936	3,566	4,370
Communications Equipment	15,255	10,896	4,359
Misc Equipment	76,519	31,746	44,773
Stores Equipment	391,219	389,240	1,979
Total	19,083,931	10,900,131	8,183,800

(f) The items comprising the gross book value of $19.083M are the same items comprising the net book value of $8.183M transferred.

(g) Please see the response to Board Staff interrogatory #4 (a).

6. Ref: Exhibit 2 / Tab 2 / Schedule 3 / Pages 1-2

On page 1, the Applicant differentiates between its discretionary and non-discretionary capital spending. On page 2, it shows a graph of the two categories where non-discretionary spending is shown to drop from approximately $18 million in 2006 to approximately $10 million in 2010; similarly, discretionary spending is shown to increase from approximately $4 million in 2006 to approximately $16 million in 2010.

Request

(a) Please confirm that for 2010, approximately 63% of the proposed capital spending is discretionary and 37% is non-discretionary.

(b) Please list separately for 2009 and 2010: (i) all discretionary capital items that meet or exceed the Applicant's $240,000 threshold level and (ii) all non-discretionary capital items that meet or exceed the Applicant's $240,000 threshold level.

Response:

The amount of Veridian's forecast capital expenditures for the 2010 Test Year has changed as a result of Veridian's application update. This interrogatory has been answered on the basis of the updated values.

(a) Veridian directs attention to the discussions on the terms "discretionary" and non-discretionary" in Ex. 2/3/1/Pg.3-4, and 6-9. A project listed as "discretionary" cannot be interpreted to mean optional or unnecessary. In basic terms, non-discretionary projects are the result of an external influence where little or no "planning" is required – they must be done when asked for or demanded by some external authority or event or as a result of some critical event where there is no option. Discretionary projects are those that are actively planned and managed by Veridian. Once identified, discretionary projects will only be included in a spending program when they are fully justified on the basis of good utility practice.

For 2010, the proposed capital spending is approximately split 66% discretionary, 34% non-discretionary.

(b) Response:

2009 Discretionary Capital Items

Year	Project Name	Reference	Disc (D)/ Non Disc (ND)
2009	2009 Fleet Program	Ex 2, Tab 5, Schedule 3, Page 1	D
2009	South Ajax Feeder Automation - Phase 1 (SARP)	Ex 2, Tab 5, Schedule 2, Page 14	D
2009	Bowmanville Adapti-Volt Program	Ex 2, Tab 5, Schedule 2, Page 21	D
2009	Outage Management System	Ex 2, Tab 5, Schedule 5, Page 8	D
2009	LIS Installation - Belleville	Ex 2, Tab 5, Schedule 2, Page 24	D
2009	GIS - Data Conversion - Gravenhurst and Programming Enhancements	Ex 2, Tab 5, Schedule 5, Page 12	D
2009	Harwood Avenue, Ajax, Cable Replacement	Ex 2, Tab 5, Schedule 2, Page 27	D
2009	Ajax - General Renovations	Ex 2, Tab 5, Schedule 4	D
2009	Whitby TS #2 - 27.6kV System Switching	Ex 2, Tab 5, Schedule 1, Page 16	D
2009	Server and Storage and Virtualization	Ex 2, Tab 5, Schedule 5, Page 16	D
2009	Whitby TS Feeders (Part II) Rossland Road, Ajax, Salem Road N x Westney Road N, Add 1.5 km O/H & 0.5 km U/G, 2 x 27.6kV Ccts.	Ex 2, Tab 5, Schedule 1, Page 21	D
2009	Whitby TS Feeders (Part I) Lakeridge Rd., Ajax, New 2 x 27.6kV pole line, Hydro One ROW x Rossland Road E, 3.0 km	Ex 2, Tab 5, Schedule 1, Page 19	D
2009	2009 Substation Oil Containment	Ex 2, Tab 5, Schedule 2, Page 32	D
2009	Cavan Street North, Port Hope, Rebuild	Ex 2, Tab 5, Schedule 2, Page 34	D
2009	LIS Installation -	Ex 2, Tab 5, Schedule 2, Page 35	D

	Gravenhurst		
2009	Control Room Systems Upgrade	Ex 2, Tab 5, Schedule 5, Page 18	D

2009 Non-Discretionary Capital Items

Year	Project Name	Reference	Disc (D)/ Non Disc (ND)
2009	2009 New Residential Developments	Ex 2, Tab 5, Schedule 1, Page 9	ND
2009	Bell Boulevard, Belleville, Extension and Line Relocation to suit Road Work	Ex 2, Tab 5, Schedule 1, Page 10	ND
2009	Transformers for General Service	Ex 2, Tab 5, Schedule 1, Page 12	ND
2009	Sidney SS T1, Belleville, Rebuild following forced removal from service	Ex 2, Tab 5, Schedule 2, Page 23	ND
2009	Altona Road, Pickering, Line Relocation	Ex 2, Tab 5, Schedule 1, Page 13	ND
2009	Whitby TS 44kV System Capacitors	Ex 2, Tab 5, Schedule 2, Page 25	ND
2009	Jane Forrester Park Phase 2, Belleville	Ex 2, Tab 5, Schedule 1, Page 14	ND
2009	2009 Pole Replacements	Ex 2, Tab 5, Schedule 2, Page 28	ND
2009	Retail Meters (excluding Smart Meters)	Ex 2, Tab 5, Schedule 2, Page 30	ND
2009	Duffin Creek WPCP, Pickering, 44kV Cct. Part 2, Phase 1	Ex 2, Tab 5, Schedule 1, Page 17	ND
2009	Brock St. W., Uxbridge, Road Reconstruction	Ex 2, Tab 5, Schedule 1, Page 23	ND

2010 Discretionary Capital Items

Year	Project Name	Reference	Disc (D)/ Non Disc (ND)
2010	Applecroft SS, Ajax, - Convert substation from 44kV - 13.8kV to 27.6kV - 13.8kV, Ajax	Ex 2, Tab 5, Schedule 1, Page 24	D
2010	Ajax - Building Expansion	Ex 2, Tab 5, Schedule 4	D
2010	2010 Fleet Program	Ex 2, Tab 5, Schedule 3, Page 4	D

2010	First Street SS #2, Gravenhurst	Ex 2, Tab 5, Schedule 1, Page 28	D
2010	Liberty North SS, Bowmanville	Ex 2, Tab 5, Schedule 1, Page 31	D
2010	South Ajax Feeder Automation - Phase 2	Ex 2, Tab 5, Schedule 2, Page 36	D
2010	Gravenhurst 4.16kV Voltage Conversion	Ex 2, Tab 5, Schedule 2, Page 37	D
2010	Dixie Road, Pickering, Add 13.8kV Feeder to Existing Pole Line, Finch Avenue to Kingston Road, 1.7 km	Ex 2, Tab 5, Schedule 1, Page 36	D
2010	Pickering South East Area - Insulator Replacement Program	Ex 2, Tab 5, Schedule 2, Page 41	D
2010	2010 Elimination of Long Term Load Transfers	Ex 2, Tab 5, Schedule 2, Page 43	D
2010	Bay Ridges Area, Pickering - Rear Lot Pole Line Conversion	Ex 2, Tab 5, Schedule 2, Page 45	D
2010	Mobile Computing - Phase 2	Ex 2, Tab 5, Schedule 5, Page 24	D
2010	2010 Substation Oil Containment	Ex 2, Tab 5, Schedule 2, Page 47	D

2010 Non-Discretionary Capital Items

Year	**Project Name**	**Reference**	**Disc (D)/ Non Disc (ND)**
2010	Pole Line Relocation on Highway #7 Between Brock Road and Lakeridge Road, Pickering	Ex 2, Tab 5, Schedule 1, Page 26	ND
2010	New Residential Developments	Ex 2, Tab 5, Schedule 1, Page 27	ND
2010	Transformers for General Services	Ex 2, Tab 5, Schedule 1, Page 30	ND
2010	Bayly Street Rebuild, Ajax	Ex 2, Tab 5, Schedule 1, Page 34	ND
2010	Westney Road Rebuild, Ajax	Ex 2, Tab 5, Schedule 1, Page 35	ND
2010	Retail Meters (excluding Smart Meters)	Ex 2, Tab 5, Schedule 2, Page 38	ND

2010	2010 Pole Replacements	Ex 2, Tab 5, Schedule 2, Page 39	ND
2010	Brock Road Pole Line Relocation between Rossland Road and CP Rail Crossing, Pickering	Ex 2, Tab 5, Schedule 1, Page 37	ND
2010	Duffin Creek WPCP, Pickering, 44kV Cct. Part 2, Phase 2	Ex 2, Tab 5, Schedule 1, Page 38	ND
2010	PCB Elimination	Ex 2, Tab 5, Schedule 2, Page 49	ND

7. Ref: Exhibit 2 / Tab 2 / Schedule 3 / Pages 1-5
Exhibit 2 / Tab 5 / Schedule 1 / Pages 1-39

In the pre-filed evidence the Applicant refers to its Conditions of Service.

Request

(a) Please identify any rates and charges that are included in the Applicant's Conditions of Service and provide an explanation for the nature of the costs being recovered.

(b) Please provide a schedule outlining the revenues recovered from these rates and charges from 2006 to 2008 and the revenue forecasted for the 2009 bridge and 2010 test years.

(c) Please explain whether, in the Applicant's view, these rates and charges should be included on the Applicant's tariff sheet.

Response:

(a) Veridian understands that the term 'rates' refers to fixed unit charges for recovery of costs related to a product or service, and that the term 'charges' refers to all other instances where Veridian recovers costs from customers, such as the pass through of actual or estimated costs.

Veridian has reviewed its Conditions of Service and has summarized all references to both rates and charges. This is provided in tabular format and is appended to this interrogatory response.

(b) The schedule below summaries recoveries related to rates currently included in Veridian's Tariff of Rates and Charges.

	2006 Actual	2006 Actual	2008 Actual	2009 Forecast	2010 Forecast
Customer Isolations*	n/a	n/a	n/a	n/a	n/a
Reconnections**	207,515	230,302	307,703	310,000	310,000
Meter Dispute Fee	-	-	240	200	200
Late Payment Charges	545,426	573,032	583,221	618,650	618,650
Data Delivery*	n/a	n/a	n/a	n/a	n/a

* - Revenues from customer isolations and data delivery are not tracked separately, therefore data is not available
** - Reconnection revenues are not tracked separately for New Accounts or After Disconnect

Veridian does not track separately all of the recoveries identified in the appended table as ‘Cost pass through” recoveries. These recoveries are included in the Revenue Offset category of Other Income and Deductions within the subcategory of Collections from Third Parties.

(c) The table referenced in response to interrogatory (a) above includes Veridian’s assessment of the appropriate means of cost recovery by service type. Veridian’s current tariff sheets include all but one of the rates referenced. The new proposed rate is discussed at Exhibit 3/Tab 8/Schedule 2/Pages 1 and 2.

Summary of Rate and Charge References, Veridian Conditions of Service

Service	Section Reference	Excerpt Describing the Rate or Charge	Nature of Cost Recovery	Discussion
Provision of a copy of Conditions of Service	1.4	Veridian may charge a reasonable fee for providing a copy of this document.	Not applied	In practice, Veridian has never assessed a charge for this service, and does not intend to so in the future. The reference will be removed as part of a future Conditions of Service update.
Repair/Replacement of Damaged Equipment	1.7.1	Veridian's metering equipment located on the customer's premises is in the care and at the risk of the Customer and if destroyed or damaged, other than by normal usage, the Customer will pay for the cost of repair or replacement. Customers will be required to pay the cost of repair or replacement of Veridian's equipment which has been damaged or lost through the Customer's action, neglect, or any other reasons.	Cost pass through	Repair or replacement costs vary with the nature of the damage and the type of equipment. A charge based on project-specific actual or estimated costs is appropriate.
Accommodating work near primary cables	1.7.9.2	If Customer will be exposing primary cable, charges may apply at Veridian's discretion for isolation. If isolation is not practical then charges may apply for a Veridian representative to stand by during the Customer's work.	Cost pass through	The costs for these services vary with the nature of the work being performed, and the time of day that it is provided. A charge based on project-specific actual or estimated costs is appropriate.

Service	Section Reference	Excerpt Describing the Rate or Charge	Nature of Cost Recovery	Discussion
Customer Isolations	17.9.4	The customer has the right to have the electric service to their premises disconnected for the purpose of maintenance or upgrade/modification through a proper request to Veridian give with sufficient advance notice. Customers will receive one free power interruption per year (rolling twelve months) during normal working hours. Charges will apply at all other times or for additional requests.	Rate	A rate for this service is included in Veridian's current tariff sheet.
Variable Connection Charge – Services at Secondary Voltage	2.1.1.1 and 2.1.1.2	Veridian will apply the Basic Connection Allowance (BCA) to the cost of connecting the customer and if the actual cost of connection is less than or equal to the allowance there will be no charge to the customer. If the BCA is insufficient to cover the cost of the connection, the customer will be required to pay Veridian the difference referred to as the Variable Connection Charge.	Cost pass though	Connection costs vary based on many factors such as underground vs. overhead service, length of connection assets, etc. A charge based on project-specific actual or estimated costs is appropriate.
Connection Charge – Services at Primary Voltage	2.1.1.2	Where the customer's service entrance is too far from Veridian's system for a connection at secondary	Cost pass though	Connection costs vary based on many factors such as underground vs. overhead service, length of connection assets, etc. A charge based

Service	Section Reference	Excerpt Describing the Rate or Charge	Nature of Cost Recovery	Discussion
		voltage, a primary service will be necessary. Veridian will charge the customer for the actual cost of the primary service.		on project-specific actual or estimated costs is appropriate.
Capital Contributions – Expansions	2.1.2	If the present value of the future revenue is not sufficient to recover the expansion costs, the customer will be required to pay a capital contribution.	Cost pass though	Capital contributions related to the expansion of the distribution system are assessed using the economic evaluation model as required under the Distribution System Code.
Offer to Connect	2.1.2	Veridian will make one Offer to Connect and prepare the design and estimate for such an Offer at no cost to the Customer, unless the Customer is a generator. If the Customer revises plans and requests a revised Offer, Veridian may do so at the Customer's expense.	Cost pass though	Engineering costs related to the preparation of Offers to Connect vary with the complexity of the project. A charge based on project-specific actual or estimated costs is appropriate.
Relocation of Plant	2.1.5	Customers may from time to time request that Veridian's plan, such as poles or pad-mounted equipment, be relocated to suit their plans. Veridian will attempt to accommodate all such requests, where feasible, but any relocation or associated work would be done at the Customer's expense.	Cost pass though	Plant relocation costs vary with the type and location of the equipment to be relocated. A charge based on project-specific actual or estimated costs is appropriate.

Service	Section Reference	Excerpt Describing the Rate or Charge	Nature of Cost Recovery	Discussion
Reconnection – Change in Occupancy	2.1.7	Veridian will disconnect the service to any vacant premises on request by the owner or operator. When a new account is to be established for such a disconnected service the service will be reconnected on payment of actual costs for Veridian to do so or alternatively the new account will be subject to a reconnection charge if such a charge is established.	Proposed Rate	A rate for this service is proposed in Veridian's 2010 rate application.
Reconnection – After Disconnect	2.2	Reconnection after a disconnection due to violations of Veridian's Conditions of Service will normally require the payment of a set fee.	Rate	A rate for this service is included in Veridian's current tariff sheet.
Power Quality Investigation	2.3.2	If through an initial assessment, or subsequent detailed investigation it is determine that the source of a power quality compliant is the Customer's own equipment, then Veridian will charge the Customer all or a portion of the costs of carrying out the investigation.	Cost pass though	In practice, Veridian has never assessed a charge for this service. However, if required, power quality Investigation costs would vary with the nature of the problem. A charge based on project-specific actual or estimated costs is appropriate.
Meter Dispute Fee	2.3.7.7	Either Veridian or the Customer may request the service of Measurement Canada to resolve a dispute. If the customer initiates the dispute,	Rate	A rate for this service is included in Veridian's current tariff sheet.

Service	Section Reference	Excerpt Describing the Rate or Charge	Nature of Cost Recovery	Discussion
		Veridian will charge the customer a meter dispute fee if the meter is found to be accurate and Measurement Canada rules in favour of the utility.		
Late Payment Charges	2.4.5	Overdue payments are subject to a late payment charge as set out in Veridian’s Tariff of Rates and Charges.	Rate	A rate for this service is included in Veridian’s current tariff sheet.
Data Delivery	2.5	Veridian will honour request for any specific Customer and specific service location twice a year for historical data to retailers and customers, if not available electronically through the EBT system or other existing arrangement. Veridian may, at its discretion, charge a fee for any additional requests.	Rate	A rate for this service is included in Veridian’s current tariff sheet.

8. Ref: Exhibit 2 / Tab 3 / Schedule 1 / Pages 1-11

On page 1, the Applicant refers to the KPMG Report on asset management and notes that for the next five years the Applicant will continue to use its existing Capital Investment Process (CIP) after which, it intends to transition to the more formal approach advocated in the report. On page 5, the Applicant notes that "Veridian was considered by KPMG to be operating its AM [Asset Management] process at its expected level of maturity…"

Request

(a) Please summarize the reasons for apparently delaying the implementation of the more formal asset management approach.

(b) Please elaborate on the "expected" level of maturity identified in the Report and, more specifically, state the *degree* of maturity the Applicant's system was judged to demonstrate.

(c) Please summarize the Applicant's strategy to adopt the KPMG asset management plan.

Response:

(a) Veridian's transition to a more formal asset management process is an on-going initiative which balances the efficiency objectives of continuous improvement with its fiscal and regulatory obligations to manage costs prudently. Improvements to its Capital Investment Process are undertaken when and where they add ratepayer value. Rather than delaying this type of improvement, Veridian started its transition to a more formal approach 5 years ago with the introduction of GIS.

Over the next 5 years, Veridian plans to continue to develop and implement cost-effective ways to improve the efficiency and accuracy of its asset management process relying on increasing levels of technical sophistication, improved data management and further process formalization. The transition referred to on page one of E2 T3 S1 is not scheduled to occur in the future as suggested in the interrogatory; on the contrary, it is already well underway and will continue to progress over the next five years.

(b) When commenting on page one of E2 T3 S1 that its asset management approach was "less formal", Veridian was comparing its current process to the standard referred to in the KPMG Report as PAS-55, which KPMG noted (on page 1 of its Report) "has not yet gained broad acceptance and is geared toward the very large enterprises with sophisticated management systems".

As a result of the low acceptance and complex nature of this approach, KPMG developed a maturity model based on the PAS-55 principles as a more appropriate framework for evaluating the asset management practices of Ontario electricity distributors. Using this more practical framework, KPMG positioned utilities as lagging, leading or operating at the expected level of maturity.

Based its review of four major utilities and the results from the Board staff survey of the Asset Management Practices of 17 Ontario Distributors (including Veridian), KMPG concluded that Ontario distributors in general and the 21 review and survey participants in particular were operating at the "expected" level of maturity and that while there was variability in the practices used by this representative group, utilities were applying appropriate care and diligence in the management of their distribution assets. Although KPMG identified areas for improvement in all four of the utilities visited, it noted that the companies were focused on the right issues and that there was no concern at all with regard to safety and reliability issues. The results of the Board staff survey provided KPMG with further assurance that Ontario distributors' asset management practices were operating at the expected level of maturity.

Veridian's degree of maturity can best be measured by its responses to Board staff's survey as this (along with the four site visits) was the basis on which KPMG concluded that Ontario's utilities were operating appropriately and were focused on the right issues in their asset management planning. As noted on page 5 of E2 T3 S1, Veridian's asset management processes fully or partially meet over 80 percent of the requirements canvassed in Board staff's Review of Asset Management Practices. Approximately 71 percent of the surveyed processes are already in place and another 9 percent are at completion or provided by alternate means.

(c) Veridian plans to develop an asset management plan that best meets the needs of its utility distribution system and the customers it serves. This will be accomplished in a cost-effective manner that addresses the areas where improvement will lead to enhanced services and improved system reliability for its customers. The KPMG Report does not recommend a specific asset management plan or provide detailed guidance on assets management practices that require improvement. On the contrary, it notes that even with a high degree of variability between utility practises, the general principles indentified in the PAS-55 standard can still be met. Veridian plans to focus its asset planning efforts on the practices identified in the Board staff survey where the company believes there may be room for improvement in its Capital Investment Process. These include: better documentation of the condition of its assets and its asset management policy, procedures and objectives; completion of the data process work that is underway to integrate the inspection and maintenance records with the GIS to ensure electronic access to asset information and facilitate more efficient data management and optimal (life cycle) asset replacement analysis; broader monitoring and assessment of faults and service disruptions to improve risk assessment, mitigation and response times; and improved coordination between its functional business units and the capital, financing and operational plans.

9. Ref: Exhibit 2 / Tab 5 / Schedule 6 / Pages 1-4

After discussing smart meter investments, on page 3 and 4 the Applicant addresses "Investments during the Incentive Term" during which it discusses significant capital projects including a new $16 million transformer station. The juxtaposition of smart meter and transformer station investments is confusing.

Request

(a) Please provide the rationale for combining these two investment categories.

(b) Please explain the "incentive period" being referenced in the discussion on the new transformer station, etc.

(c) Please confirm that any non-smart meter investments within the Applicant's planning horizon and identified in this schedule, are included in the Applicant's long-term investments which are summarized, for the 2010 to 2012 period, in Exhibit 2 / 2 / 3 / p5 / Table 1.

<u>Response:</u>

(a) Information on smart meter investments and investments during the incentive term were combined in a single schedule for expediency only as the information provided for each was not considered large enough in volume to warrant separate schedules.

(b) The "incentive period" being referenced in the discussion on the new transformer station is the period of 2011- 2014, when it is anticipated that Veridian's rates will be set under 3rd Generation Incentive Regulation Mechanism.

(c) Table 1 in Exhibit 2, Tab 2, Schedule 3, page 5 includes long-term investments planned within the period up to and including 2012. The most significant non-smart meter investments within Veridian's planning horizon and identified in the schedule Exhibit 2, Tab 5, Schedule 6 – Investments during the Incentive Term, are those for the building of a new transformer station estimated at $16M for the station, $3.5M for land acquisition and preparation and $925,000 for new feeders. As provided in the pre-filed evidence at Exhibit 2, Tab 5, Schedule 6, Page 3, "Spending on these items is currently expected to begin in 2013 continuing into 2014." As this spending is anticipated past 2012, it is not included in Table 1, Exhibit 2, Tab 2, Schedule 3, page 5. Known or anticipated spending up to 2012, related to Asset Condition Assessment, the development of an Asset management Plan and spending due to the effect of the Green Energy Act and maturing of Smart Grid planning directives has been included in Table 1.

10. Ref: Exhibit 2 / Tab 6 / Schedule 14 / Page 1

In Table 1, the Applicant shows the accumulated amortization for the 2006 to 2010 period.

Request

> Please confirm that the Applicant has followed the Board's guidance regarding the half-year depreciation rule in all aspects of the preparation of this application, or, if not, please provide an explanation for not doing so.

Response:

Veridian confirms that it has followed the Board's guidance regarding the half-year depreciation rule in all aspects of the preparation of this application.

11. Ref: Exhibit 2 / Tab 10 / Schedule 2 / Attachment 1
Exhibit 3 / Tab 4 / Schedule 3 / Page 1
Exhibit 3 / Tab 4 / Schedule 5 / Page 1
Exhibit 10 / Tab 1 / Schedule 1 / Attachments 3-4

In Attachment 1, page 3, the Applicant shows the calculation of the cost of power and notes that the total energy purchased is 2,596,333,483 kWh.

In Exhibit 3 / 4 / 3 /p1 and Exhibit 3 / 4 / 5 / p1 for the Main and Gravenhurst tariff zones respectively, the Applicant states the total wholesale kWh deliveries in 2010 are 2,516,710,137 kWh and 99,133,900 kWh which, Board staff notes, sums to 2,615,844,037 kWh.

In Exhibit 10 / 1 / 1 / Attachment 3, page 33 and Attachment 4, page 33, for the Main and Gravenhurst tariff zones respectively, the Applicant shows the electricity commodity to be 2,495,436,595 kWh and 98,680,535 kWh which, Board staff notes, sums to 2,594,117,130 kWh.

Request

(a) Please reconcile the 2,596,333,483 kWh, 2,615,844,037 kWh and 2,594,117,130 kWh values.

(b) Please confirm the value on which the Applicant is relying.

Response:

(a) The value of 2,596,333,483 is incorrect, the correct value for the 2010 Forecast of total energy purchased for the purposes of the working capital allowance calculation should be 2,594,117,130.

The detailed calculations of the cost of power is provided, as referenced, at Exhibit 10, Tab 1, Schedule 1, Attachment 3, page 33 and Attachment 4, page 33. The cost of power calculations rely on the electricity commodity volumes of 2,495,436,595 kWh for Veridian_Main and 98,680,535 for Veridian_Gravenhurst, totalling 2,594,117,130.

These volumes are derived by multiplying the forecast 2010 kWh retail volumes for each class by the 2009 Board Approved total loss factors applicable to each class. Forecast 2010 kWh retail volumes can be found at Exhibit 3, Tab 7, Schedule 3, page 15, Table 13 – VCI Main Load Forecast and page 23, Table 24 – Gravenhurst Load Forecast. The calculations for these commodity volumes can be seen in the electronic version of the models submitted as RateMaker Model – Veridian_Main and RateMaker Model – Veridian_Gravenhurst on Sheet C2.PassthruRates.

The calculations are also provided in the tables below.

Table 1 – Veridian_Main – Calculation of electricity commodities for use in 2010 Cost of Power Calculations

Rate Class	2010 Forecast Retail kWh	2009 TLF	Wholesale kWh
Residential	927,385,803	1.0540	977,464,636
GS < 50 kW	294,966,007	1.0540	310,894,171
GS > 50 kW	928,060,437	1.0540	978,175,701
Intermediate Use	32,196,539	1.0145	32,663,389
Large Use	166,636,438	1.0145	169,052,666,
Unmetered Scattered Load	5,413,534	1.0540	5,705,865
Sentinel Lighting	846,470	1.0540	892,179
Street Lighting	19,533,195	1.0540	20,587,988
Total	**2,375,038,423**		**2,495,436,595**

Table 2 – Veridian_Gravenhurst – Calculation of electricity commodities for use in 2010 Cost of Power Calculations

Rate Class	2010 Forecast Retail kWh	2009 TLF	Wholesale kWh
Residential-Urban	27,397,075	1.0884	29,818,976
Residential-Suburban	9,458,013	1.0884	10,294,101
Residential-Seasonal	9,730,721	1.0884	10,590,917
GS < 50 kW	14,769,007	1.0884	16,074,587
GS > 50 kW	28,668,436	1.0884	31,202,726
Sentinel Lighting	43,727	1.0884	47,592
Street Lighting	598,709	1.0884	651,635
Total	**90,665,688**		**98,680,535**

The total of 2,615,844,037 kWh as referenced from Exhibit 3, Tab 4, Schedule 3, page 1 (2,516,710,137 kWh for Veridian_Main) and Exhibit 3, Tab 4, Schedule 5, page 1 (99,133,900 kWh for Veridian_Gravenhurst) is the total 2010 forecasted wholesale kWh for purposes of developing a 2010 retail forecast of kWh and is relied upon for load forecasting purposes.

(b) Veridian is relying upon the total 2010 forecasted wholesale kWh of 2,594,117,130 for the purposes of calculating cost of power and working capital allowance. Veridian is relying upon the total 2010 forecasted wholesale kWh of 2,615,844,037 kWh for the purposes of developing its 2010 forecasted retail kWh load forecast and retail volumes.

12. Ref: Exhibit 2 / Tab 12 / Schedule 1
Exhibit 2 / Tab 12 / Schedule 2

Schedule 1, page 1, provides a summary of the Applicant's service quality statistics for 2006 to 2008 for "Including failure of supply" and for 2007 and 2008 for "Excluding failure of supply". In Schedule 2, page 2, the Applicant provides the 2009 to 2013 annual targets for service quality; on page 3, it notes that there is "an apparent increase in severe weather events and more weather exposure on the system…"; and on page 4, provides a plot of SAIDI and SAIFI from January 2005 to April 2009 by quarter.

Request

(a) Please confirm that the service quality statistics are consistent with the Applicant's RRR filings.

(b) Where the information is available, please expand the SAIDI, SAIFI and CAIDI elements of the table in Schedule 1, page 2, for the years 2003 to 2009 year to date.

(c) Please confirm that the data in the table in Schedule 2, page 2, includes failure of supply.

(d) Please file a copy of the Applicant's plan that it is pursuing to bring about the targeted improvement values shown in Schedule 2, page 2.

(e) Please describe the additional contingency measures that the Applicant put in place when it recognized the apparent increase in severe weather events and more weather exposure on the system.

(f) For each of the graphs in Schedule 2, page 4, please calculate the straight line trend (in the form: Hours = Intercept + Value multiplied by Time) and plot the line on the respective graph.

<u>Response:</u>

(a) Confirmed.

(b) Our response is the chart below:

Measure	Description	2003	2004	2005	2009
					(to Nov 09
SAIDI	Including failure of supply	1.63	1.31	1.30	4.04
SAIFI	"	2.19	2.03	2.40	2.45
CAIDI	"	0.75	0.65	0.54	1.65
SAIDI	Excluding failure of supply	1.59	1.09	1.29	2.39
SAIFI	"	2.09	1.70	2.33	1.76
CAIDI	"	0.76	0.64	0.55	1.36

Note: 2006, 2007, and 2008 statistics included in rate application

(c) Confirmed.

(d) Response:

Veridian does not have a stand-alone reliability improvement plan. Rather, Veridian's reliability improvement goals are embedded in the routine and annual activities around Capital and O & M. Both Veridian's Capital plans and ongoing Maintenance plans include significant considerations for reliability improvement.

As noted in Ex 2/12/2/Pg 2, the table shown is an indicative display only of how a year over year realization of improvements in system reliability will achieve a targeted number within a set time period. The targets are for internal purposes to maintain a regular focus on performance improvement in these metrics, and it is recognized that uncontrollable causes of power system interruptions such as storms, foreign contacts, etc. may affect results.

One of the five drivers of capital investments cited in Ex 2/3/1/Pg 6-7 is Performance, which includes among others projects geared specifically at improving reliability. A Capital Plan without attention to this driver is deemed incomplete.

Veridian relies on an analysis of outage information Ex 2/3/1/Pg 10 to identify parts of the delivery system that are performing below expectations as well as aid in identifying other specific problem issues that could be targeted by an investment in new or refurbished plant. This type of analysis will be enhanced through the Outage Management System now underway.

The current Capital Investment Selection Criteria Ex 2/11/1/Pg 6-7 includes a reliability test "Reliability – to what extent does the project impact the power system reliability and customer service?" and this assigns increased weighting to potential projects that will generate improvements.

The Operations programs Ex 4/4/2 include a number of cases where inspection activity has been increased from previous levels, in order to among other things reduce the chances of equipment failure due to undetected incipient problems.

The Maintenance programs Ex 4/4/3 include a number of cases where cost increase have been reflected due to additional work or more detailed scope of work standards, again aimed at preventing equipment failures. In addition vegetation management cost increases are noted due to additional and more thorough tree trimming activity being undertaken and planned.

In part to support a greater emphasis on reliability improvement, there are staff additions in Planning, Maintenance Management, and Supervision Ex 4/4/3 etc. included in 2009 and in 2010 plans, to add another degree of focus and thoroughness.

Specific Capital projects, in the 2009 activity and in the 2010 plan, which feature reliability improvement as a feature or main purpose, include the following:

Year	Project Name	Reference	Related to Reliability?
2009	Bell Boulevard, Belleville, Extension and Line Relocation to suit Road Work	Ex 2, Tab 5, Schedule 1, Page 10	Y
	Whitby TS #2 - 27.6kV System Switching	Ex 2, Tab 5, Schedule 1, Page 16	Y
2010	First Street SS #2, Gravenhurst	Ex 2, Tab 5, Schedule 1, Page 28	Y
	Liberty North SS, Bowmanville	Ex 2, Tab 5, Schedule 1, Page 31	Y
	Dixie Road, Pickering, Add 13.8kV Feeder to Existing Pole Line, Finch Avenue to Kingston Road, 1.7 km	Ex 2, Tab 5, Schedule 1, Page 36	Y
2009	South Ajax Feeder Automation - Phase 1 (SARP)	Ex 2, Tab 5, Schedule 2, Page 14	Y
	Bowmanville Adapti-Volt Program	Ex 2, Tab 5, Schedule 2, Page 21	Y

Year	Project Name	Reference	Related to Reliability?
	Sidney SS T1, Belleville, Rebuild following forced removal from service	Ex 2, Tab 5, Schedule 2, Page 23	Y
	LIS Installation - Belleville	Ex 2, Tab 5, Schedule 2, Page 24	Y
	Harwood Avenue, Ajax, Cable Replacement	Ex 2, Tab 5, Schedule 2, Page 27	Y
	2009 Pole Replacements	Ex 2, Tab 5, Schedule 2, Page 28	Y
	Cavan Street North, Port Hope, Rebuild	Ex 2, Tab 5, Schedule 2, Page 34	Y
	LIS Installation - Gravenhurst	Ex 2, Tab 5, Schedule 2, Page 35	Y
2010	South Ajax Feeder Automation - Phase 2	Ex 2, Tab 5, Schedule 2, Page 36	Y
	Gravenhurst 4.16kV Voltage Conversion	Ex 2, Tab 5, Schedule 2, Page 37	Y
	2010 Pole Replacements	Ex 2, Tab 5, Schedule 2, Page 39	Y
	Pickering South East Area - Insulator Replacement Program	Ex 2, Tab 5, Schedule 2, Page 41	Y
	Bay Ridges Area, Pickering - Rear Lot Pole Line Conversion	Ex 2, Tab 5, Schedule 2, Page 45	Y
	Reclosers (2) - Port Hope	Ex 2, Tab 5, Schedule 2, Page 51	Y
	Reclosers (2) - Gravenhurst	Ex 2, Tab 5, Schedule 2, Page 53	Y

(e) Response:

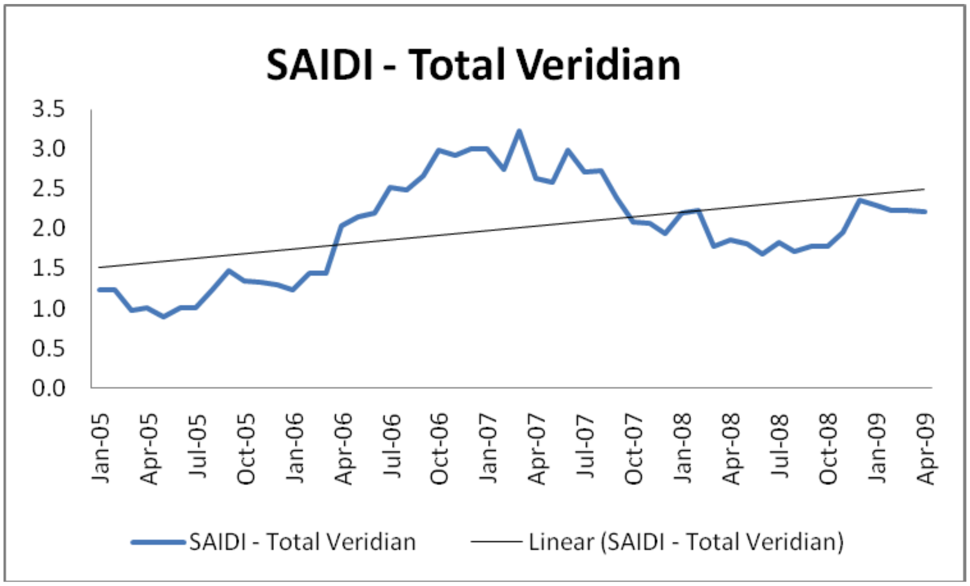
The view that there is an apparent increase in significant weather events was again reinforced by an F1 tornado in Gravenhurst in August, 2009, which generated substantial system damage and generated substantial customer-hours of outage statistics.

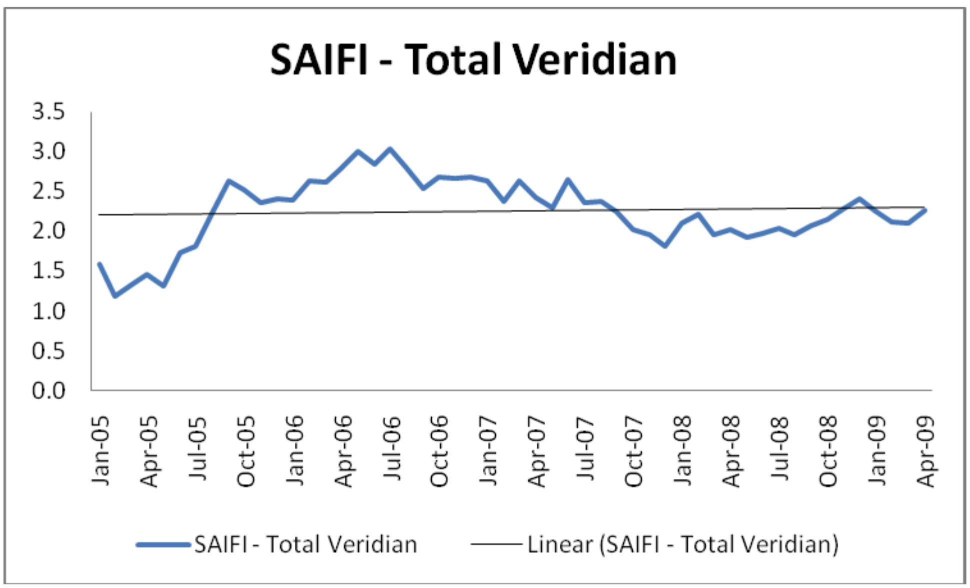
There are specific increases in O & M programs noted within Ex 4, which are or will be sustained activities, designed to counteract some of the adverse effects of weather, and there are Capital efforts planned which will have as an end result, older plant being replaced with newer plant – this constitutes a hardening of the system and would be expected to produce an asset more likely to withstand weather.

Veridian has undertaken other contingency measures to enable effective and efficient responses to system emergencies. In addition to the normal measure in place, these include:

- A stand-by agreement with a large Ontario line contractor to ensure adequate resources are available on a sustained basis;
- Review and definition of Emergency procedures, hours of work arrangements, Ministry of Labour and Ministry of Transport rules, and IBEW engagement to ensure staff are properly and safely available for work in sustained continuous duty conditions;
- Review and engagement with miscellaneous support services and agencies;
- Engagement with neighbour utilities to ensure mutual aid agreements are up to date;
- Establishment of emergency material and service arrangements with providers and vendors;
- Equip all sites with stand-by power and communications services;
- Review of internal processes for staff movement to damaged areas;
- Integrated Voice Response (IVR) and 24-hour Call Centre capability to off-load Control Centre duties.

(f) Please see graphs below showing the linear trend:





13. Ref: Exhibit 3 / Tab 1 / Schedule 1 / Page 1
Exhibit 3 / Tab 2 / Schedule 1 / Pages 1
Exhibit 3 / Tab 2 / Schedule 1 / Attachments 1-2

The Applicant appears to variously quote the same item as Base Distribution Revenue and Distribution Revenue but the values reported are not quite the same. Specifically:

Exhibit Reference	Veridian_Main	Veridian_Gravenhurst
Exhibit 3 /2 /1 /p1	$45,089,996	$2,854,936
Exhibit 3 /2 / 1 / Attachment 1-2	$45,083,915	$2,853,198

In Exhibit 3 / 1 / 1 / p1, the Applicant states the Base Revenue Requirement for the utility to be $47,915,320.

Request

(a) Please confirm that Base Distribution Revenue and Distribution Revenue represent the same item, or explain the difference.

(b) If the same item, please identify which amount the Applicant is relying on in its application.

(c) Noting that the (Base) Distribution Revenue for the utility is, according to the table above, either $47,944,932 or $47,937,113 (i.e. $ 21,793 or $29,612 more than the Base Revenue Requirement), please consider if an adjustment in the requested rates can be made to close the gap and, if so, identify the change in proposed rates.

Response:

The amount of Veridian's revenue requirement for the 2010 Test Year has changed as a result of Veridian's application update. This interrogatory has been answered on the basis of the updated values.

(a) Base Distribution Revenue, Base Revenue Requirement and Distribution Revenue represent the same item, calculated as Service Revenue Requirement less Total Revenue Offsets.

(b) The amount Veridian is relying on in its application is $47,648,472 as provided in the Application Update. The base distribution revenue requirement is allocated to the two rate zones as follows:

a. Veridian_Main $44,808,623
b. Veridian_Gravenhurst $2,839,849

(c) Attached is an updated version of Exhibit 3 /2 / 1 / Attachment 1-2, net of LV charges, showing the 2010 projected distribution revenues for each of VCI_Main and VCI_Gravenhurst. The values show are based on fixed rates calculated to 2 decimals and variable rates to 4 decimals. The difference of $25,573 for VCI_Main and $297 for VCI_Gravenhurst is due to rounding of the volumetric rates to 4 decimals. Rounding volumetric rates to 5 decimals results in a difference of $4,410. Rounding volumetric rates to 6 decimals results in a difference of $3,081.

The following tables provide the newly calculated volumetric rates at 5 and 6 decimals respectively:

VC_Main – Volumetric Rates calculated to 5 decimal places

Residential	$0.01609 / kWh
General Service Less Than 50 kW	$0.01736 / kWh
General Service Greater than 50 kW	$3.10149/ kW
Intermediate Use	$1.47886/ kW
Large Use	$1.75814 / kW
Unmetered Scattered Load	$0.01903 / kWh
Sentinel Lighting	$9.10861 / kW
Street Lighting	$3.73655 / kW

VC_Gravenhurst – Volumetric Rates calculated to 5 decimal places

Residential – Urban	$0.01980 / kWh
Residential – Suburban	$0.02076 / kWh
Residential – Suburban Seasonal	$0.03363 / kWh
General Service Less Than 50 kW	$0.02011 / kWh
General Service Greater than 50 kW	$ 4.22661/ kW
Sentinel Lighting	$3.08725/ kW
Street Lighting	$0.43304/ kW

VC_Main – Volumetric Rates calculated to 6 decimal places

Residential	$0.016090 / kWh
General Service Less Than 50 kW	$0.017355 / kWh
General Service Greater than 50 kW	$3.101487 / kW
Intermediate Use	$1.478863 / kW
Large Use	$1.758140 / kW
Unmetered Scattered Load	$0.019033 / kWh

Sentinel Lighting	$9.108614 / kW
Street Lighting	$3.736555 / kW

VC_Gravenhurst – Volumetric Rates calculated to 6 decimal places

Residential – Urban	$0.019805 / kWh
Residential – Suburban	$0.020762 / kWh
Residential – Suburban Seasonal	$0.033628 / kWh
General Service Less Than 50 kW	$0.020110 / kWh
General Service Greater than 50 kW	$ 4.256608/ kW
Sentinel Lighting	$3.087250 kW
Street Lighting	$0.433037/ kW

Veridian_Board Staff Interrogatory #13 - Attachment 1

VCI_Main

2010 PROJECTED DISTRIBUTION REVENUE

Customer Class Name	Fixed Charge			Variable Charge					
	Rate	Volume	Revenue	Rate	Volume	Revenue	Sub-Total	Transf. Allow	Base Distribution Revenue
Residential	$11.38	1,156,440	13,160,287	$0.0161	927,385,803	14,930,911	28,091,199	0	28,091,199
General Service Less Than 5(	$14.08	93,096	1,310,792	$0.0174	294,966,007	5,132,409	6,443,200	0	6,443,200
General Service 50 to 2,999	$138.20	12,456	1,721,419	$3.1015	2,408,247	7,469,178	9,190,597	(589,045)	8,601,552
General Service 3,000 to 4,9	$5,333.07	24	127,994	$1.4789	86,111	127,350	255,343	(51,461)	203,882
Large Use	$8,011.37	60	480,682	$1.7581	311,685	547,973	1,028,656	(186,266)	842,390
Unmetered Scattered Load	$7.68	10,500	80,640	$0.0190	5,413,534	102,857	183,497	0	183,497
Sentinel Lighting	$2.92	8,760	25,579	$9.1086	2,353	21,433	47,012	0	47,012
Street Lighting	$0.67	324,540	217,442	$3.7366	54,601	204,022	421,464	0	421,464
TOTAL			**17,124,835**			**28,536,133**	**45,660,968**	**(826,772)**	**44,834,196**

VCI_Gravenhurst

2010 PROJECTED DISTRIBUTION REVENUE

Customer Class Name	Fixed Charge			Variable Charge					
	Rate	Volume	Revenue	Rate	Volume	Revenue	Sub-Total	Transf. Allow	Base Distribution Revenue
Residential Urban Year-Rour	$10.22	35,820	366,080	$0.0198	27,397,075	542,462	908,542	0	908,542
Residential Suburban Year-R	$14.96	9,084	135,897	$0.0208	9,458,013	196,727	332,623	0	332,623
Residential Suburban Seaso	$27.19	19,104	519,438	$0.0336	9,730,721	326,952	846,390	0	846,390
General Service Less Than 5(	$11.78	8,724	102,769	$0.0201	14,769,007	296,857	399,626	0	399,626
General Service 50 to 4,999	$110.62	600	66,372	$4.2266	68,687	290,312	356,684	(11,457)	345,227
Sentinel Lighting	$1.62	636	1,030	$3.0873	127	392	1,422	0	1,422
Street Lighting	$0.44	11,364	5,000	$0.4330	1,664	721	5,721	0	5,721
TOTAL			**1,196,586**			**1,654,423**	**2,851,009**	**(11,457)**	**2,839,552**

14. Ref: Exhibit 3 / Tab 4 / Schedule 2 / Page 2
Exhibit 3 / Tab 7 / Schedule 3 / Page 9

The Applicant explains that the forecasted kWhs for 2009 and 2010 are allocated to certain customer classes "based on their share of the 2008 wholesale kWh total exclusive of distribution losses".

Request

Please provide a more detailed explanation including a step-by-step calculation that *utilizes distribution losses* for one example class.

Response:

Below, Veridian will provide a step-by-step calculation showing how kWh for 2009 and 2010 are allocated to the residential class for Veridian Main. However, this will be *exclusive* of distribution losses, as indicated in the above two cited references. It is inappropriate to include distribution system losses in load estimates for distribution rate making purposes, as retail load measured at the customer meter to which the distribution rate is applied is exclusive of distribution system losses. System losses and the costs associated with them are settled outside of the class specific distribution rate.

Step-by-step calculation

In Table 8 of Exhibit 3, Tab 7, Schedule 3, page 10, actual residential kWh, exclusive of losses, is 931,097,742 kWh. This represents approximately 36.8 per cent (0.3684913) of total actual wholesale quantity delivered, which is 2,526,783,479 kWh (e.g., 931,097,742 / 2,526,783,479). This residential "share" of wholesale is then applied to the forecast "weather normal" wholesale amounts in 2009 and 2010: 2,506,626,643 and 2,516,710,137, respectively. Therefore, the allocation of forecast weather normal wholesale kWh to the residential class is (931,097,742 / 2,526,783,479) x 2,506,626,643 = 923,670,123 for 2009; and, (931,097,742 / 2,526,783,479) x 2,516,710,137 = 927,385,803 for 2010.

It is clear that the class specific consumption is exclusive of losses if one compares the total actual retail kWh for 2008 of 2,411,629,986 reported in Table 13 of Exhibit 3, Tab 7, Schedule 3 with the total actual wholesale kWh of 2,526,783,479 reported in Table 1 of Exhibit 3, Tab 7, Schedule 3. The difference is the distribution system loss.

15. Ref: Exhibit 3 / Tab 4 / Schedule 3 / Page 2
Exhibit 3 / Tab 7 / Schedule 3 / Pages 8, 12-14

In Exhibit 3 / 4 / 3 / p2 / Table 1, the Applicant shows the kWh and kW consumption for two four-month periods.
In Exhibit 3 / 7 / 3 / p8, the Applicant develops a wholesale load forecast by utilizing an employment forecast that is a reflection of the load change expected across all customer classes; that is, the expected economic strengths and weaknesses of individual classes are combined into a single economic forecast. In Exhibit 3 / 7 / 3 / pp12-14, for the Intermediate and Large Use customer classes, the Applicant uses a separate economic forecast for these two classes which suggests their expected economic impact is being counted twice .

Request

(a) With respect to Exhibit 3 / 4 / 3 / p2 / Table 1, please: (i) clarify if the table refers to purchased or billed (retail) quantities; (ii) clarify if the values shown are the totals for the referenced four-month periods or a monthly average; and (iii) update the table by including a third four-month period: i.e. July 2009 to October 2009.

(b) Please confirm that the employment forecast used in Exhibit 3 / 7 / 3 / p8 already includes the downturn expected in the Intermediate and Large Use customer classes and hence their expected downturn is spread over *all* the classes.

(c) Please calculate the 2009 and 2010 forecasts for the Intermediate and Large Use customer classes utilizing the average expected changes in load as calculated by the Applicant and displayed in Exhibit 3 / 7 / 3 / pp8-9 / Table 7.

Response:

(a)

i. Table 1 at Exhibit 3, Tab 4, Schedule 3, p.2 refers to retail quantities as measured at these customers' meters. Each of these customers is interval metered; therefore, the retail quantities accurately reflect consumption, exclusive of losses.
ii. The quantities shown reflect the actual total consumption for the four-month period.
iii.

Intermediate and Large User kWh and kW
Updated for Board Staff IR 15 (a)

	Int kWh	% chg	Int kW	% chg	LU kWh	% chg	LU kW	% chg
Jul'08-Oct'08	12,241,842		30,421		67,943,391		118,175	
Nov'08-Feb'09	10,749,920	-12.2%	28,832	-5.2%	59,188,981	-12.9%	110,172	-6.8%
		% chg[1]		% chg[1]		% chg[1]		% chg[1]
Jul'09-Oct'09	10,321,857	-15.7%	32,053	5.4%	75,465,188	11.1%	134,223	13.6%
Nov'07-Oct'08	37,142,405		90,903		191,003,799		329,687	
Nov'08-Oct'09	31,002,423	-16.5%	91,087	0.2%	193,696,678	1.4%	356,549	8.1%

[1] Jul'09-Oct'09 compared to Jul'08-Oct'08

(b) No, this is incorrect. The employment forecast referenced at Exhibit 3, Tab 7, Schedule 3, p. 8 is utilized in the weather normal wholesale forecast which is then applied to the weather normalized classes (residential, GS<50 kW, GS>50 kW). Intermediate and large use customers are not generally weather sensitive and consumption in these classes has not been weather normalized. Therefore, the weather normal wholesale forecast referenced in section 2.2 of Exhibit 3, Tab 7, Schedule 3 has not been used to determine consumption of the intermediate and large use classes. There is no double counting in using the employment forecast to inform the expected growth in non-weather sensitive class consumption that is subject to cyclical economic conditions such as manufacturing sector customers in the intermediate and large use categories.

.

(c) In light of our response in (b), Veridian believes this request is not required.

16. Ref: Exhibit 3 / Tab 7 / Schedule 1 / Page 1
Exhibit 3 / Tab 7 / Schedule 2 / Page 1
Exhibit 3 / Tab 7 / Schedule 3 / Pages 3, 21

The Applicant calculates and displays various Normalized Average Consumption (NAC) tables in these exhibits. It also explains its rationale for using the NAC values in the determination of the load forecast for Gravenhurst's Residential Seasonal customers. In Exhibit 3 / 7 / 3 / p20, when referring to Gravenhurst's Residential Seasonal customers, the Applicant notes: "Our understanding is that the class throughput calculated for this process is on a "purchased" or wholesale basis, rather than a retail or metered basis."

Request

(a) Please confirm that while NAC values are calculated and displayed for various customer classes, the NAC value is only actually *used* in calculating the load for Gravenhurst's Residential Seasonal customers, or explain.

(b) Please explain how the weather-normalized average consumption was determined for Gravenhurst's Residential Seasonal customers for the years 2005 to 2008 when, it would appear, 2004 was the only year for which weather-normalization calculations were performed by Hydro One.

(c) Please explain how, in Exhibit 3 / 7 / 3 / p20, the Applicant is uncertain if its own data is wholesale or retail, and clarify if that uncertainty exists regarding any other data used in the application.

Response:

(a) Confirmed.

(b) As outlined in Exhibit 3, Tab 7, Schedule 3, pp20-21, weather normalized average consumption for the residential seasonal class for Gravenhurst was determined only for 2004 using data calculated by Hydro One for the cost allocation informational filing. NAC was not determined for this class for any other year as only data for 2004 was available on a weather-normal basis.

(c) The data referenced in Exhibit 3, Tab 7, Schedule 3, p.20 is data derived by Hydro One, not Veridian Connections- Gravenhurst. In the process of contracting Hydro One to develop utility-specific load profiles for its Cost Allocation Information Filing (CAIF), Veridian Connections-Gravenhurst provided Hydro One with retail kWh data by class which Hydro One then converted to wholesale and proceeded to use as input to its weather normalization process. The result is then weather normalized throughput by class on a "purchased" or wholesale basis. Veridian's understanding is that the NAC by class provided by Hydro One in its output file for the CAIF is on a wholesale basis.

There is no uncertainty regarding any of Veridian's data used in the application.

17. Ref: Exhibit 3 / Tab 7 / Schedule 2 / Pages 6, 18

In Tables 4 and 17, the Applicant provides a comparison of the actual and predicted kWh deliveries for the Main and Gravenhurst tariff zones respectively.

Request

(a) Please clarify if any manual adjustments were made in developing the predicted values; i.e. if any value(s) developed by the model was/were subsequently modified by the Applicant in light of their forecasting expertise and experience.

(b) If any manual adjustments were made, please (i) provide details and (ii) calculate the 2009 and 2010 kWh load forecasts without including any manual adjustments in the forecasting model.

Response:

(a) Veridian believes the reference should read Exhibit 3, Tab 7, Schedule 3. All predicted values are determined using the regression model without adjustment.

(b) N/A.

18. Ref: Exhibit 3 / Tab 7 / Schedule 3 / Pages 1-25

On pages 9 and 15 for Veridian_Main and on pages 19 and 23 for Veridian_Gravenhurst, the Applicant shows the 2010 wholesale and billed kWh for the respective zones.

Request

Please calculate the two implied loss factors and compare these with the matching loss factors requested for approval in the application.

Response:

Tables 1 and 2 below show the calculation of the two implied loss factors.

Table 1- Veridian_Main – Reference Exhibit 3, Tab 7, Schedule 3, pages 9 and 15

2010 Wholesale kWh	**2010 Retail kWh**	**Implied Losses kWh**	**Implied Loss Factor**
2,516,710,137	2,375,038,423	141,671,714	5.63%

Table 1- Veridian_Gravenhurst – Reference Exhibit 3, Tab 7, Schedule 3, pages 19 and 23

2010 Wholesale kWh	**2010 Retail kWh**	**Implied Losses kWh**	**Implied Loss Factor**
99,133,900	90,665,687	8,468,213	8.54%

For Veridian_Main, the 2010 proposed Total Loss Factor is 4.581% (Reference: Exhibit 8, Tab 6, Schedule 3, page 1)
For Veridian_Gravenhurst, the 2010 proposed Total Loss Factor is 10.125% (Reference: Exhibit 8, Tab 6, Schedule 3, page 1)

19. Ref: Exhibit 3 / Tab 6 / Schedule 1 / Page 1
Exhibit 3 / Tab 6 / Schedule 2 / Page 1

For each of the tariff zones, the Applicant provides its customer count forecast by customer class for 2009 and 2010.

Request

Please provide in the same format as currently filed (i.e. Tables 6 and 7), the 2009 year-to-date customer connections and state the applicable 2009 period.

Response:

Tables 1 and 2 provide the 2009 year-to-date customer connections in the same format as currently filed in tables 6 and 7 as per the evidence references.

Table 1 – Veridian_Main

Customer Class	2009 YTD to Nov 30, 2009	Average (Dec 2008 - Nov 2009)
Residential	96,054	95,596
GS < 50 kW	7,759	7,696
GS > 50 kW	1,003	1,022
Intermediate	2	2
Large Use	5	5
Street Lighting	26,611	26,503
Sentinel Lighting	691	700
Unmetered Scattered Load	897	887

Table 2 – Veridian_Gravenhurst

Customer Class	2009 YTD to Nov 30, 2009	Average (Dec 2008 - Nov 2009)
Residential-Urban	3,023	2,989
Residential-Suburban	751	749
Residential-Seasonal	1,603	1,608
GS < 50 kW	721	719
GS > 50 kW	48	48
Street Lighting	947	947
Sentinel Lighting	78	76

20. Ref: Exhibit 3 / Tab 8 / Schedule 1 / Page 1
Exhibit 3 / Tab 4 / Schedule 2 / Page 1
Exhibit 3 / Tab 8 / Schedule 3 / Pages 4

The Applicant provides the 2006 to 2010 values for "Other Income and Deductions".

Request

Please provide further details of the expected decrease in this revenue offset that decreases from a 2008 value of $2.2 million to a 2010 value of $0.9 million.

Response:

The amount of Veridian's revenue offsets for the 2010 Test Year has been updated as part of Veridian's Application Update. This interrogatory has been answered on the basis of the updated values.

Veridian notes that it is unable to find any details related to "Other Income and Deductions" at the reference of Exhibit 3, Tab 4, Schedule 2, page 1.

As described at Exhibit 3, Tab 8, Schedule 2, page 3, "Other Income and Deductions" can be grouped largely into three categories: interest income, property rental income and work for others.

Veridian has provided a breakout of the "Other Income and Deductions" grouping for the period 2006 Actuals – 2010 Forecast by these categories in the table below.

	2006 Actual	**2007 Actual**	**2008 Actual**	**2009 Forecast**	**2010 Forecast**
Interest Income	817,291	754,415	736,374	385,000	250,000
Property Rental Income		47,790	31,538		
Work for Others					
Shared Services Affiliates	14,883	311,980	423,891	284,500	206,000
Collections from Third Parties	658,377	763,650	1,034,723	388,150	388,150
	1,490,551	**1,877,835**	**2,226,526**	**1,057,650**	**844,150**

Interest Income:

This income relates to interest earned on cash balances. Veridian is forecasting much lower interest income on cash balances due to the combination of expected lower levels of cash balances in the test year and the expected continuation of low interest rates payable on cash balances. Increases in capital investments and disposition of large credit balances ($21M over 2 years) in variance and deferral accounts will suppress cash balances in the test year. Veridian has recorded interest income to September 30th, 2009 of only $89K.

Property Rental Income:

In 2007 and 2008 Veridian rented unused space at its Clarington facility to a third party. This lease was discontinued in 2009 and plans are for the space to be fully utilized in the 2010 Test Year. No property rental income is forecast in 2010.

Shared Services-Affiliates:

Income from Shared Services to affiliates is forecasted to decrease in 2010 as Veridian continues to implement a regulatory compliance initiative which will continue to reduce the scope of its shared services. Full details of historic and forecast levels of shared services are provided in Exhibit 4, Tab 6, Schedules 2 - 4. The total monthly charge by Veridian Connections Inc. to Veridian Corporation for shared corporate services will be $17,151 for an annual cost of $205,812. The $228,838 amount original provided in Exhibit 4/Tab 6/Schedule 5/Attachment 1/Appendix 2M is in error, as it reflected a full year of shared costs related to the new Corporate Secretary and the Executive Assistant to the Corporate Secretary. These positions are scheduled to be filled mid-year 2010.

Collections from Others:

This income is the net revenues of various charges collected for services performed for others and examples of these services is provided at Exhibit 3, Tab 8, Schedule 2, pages 3 and 4 and include minor over recoveries where fixed fees charged exceed actual costs for items such as recovery of costs for damaged plant or dig-ins.

In the years 2006 – 2008 Veridian was engaged in engineering, distribution construction and maintenance service offerings. In 2008, Veridian reviewed these practices as part of a regulatory compliance initiative and interpretation of the Ontario Energy Board’s Chief Compliance Officers Compliance Bulletin 200605. Based on this review, Veridian exited the provision of these service offerings. A significant portion of $1.0M recorded in 2008 was attributable to these services. As Veridian has exited the provision of these services in 2009 and 2010, the income with respect to ‘collections from others’ is forecasted at much lower levels in 2009 and 2010.

21. Ref: Exhibit 1 / Tab 2 / Schedule 1 / Pages 1-19
Exhibit 1 / Tab 2 / Schedule 2 / Pages 1-3
Exhibit 4 / Tab 2 / Schedule 1 / Pages 1-7
Exhibit 4 / Tab 4 / Schedule 4 / Pages 1-16
Exhibit 4 / Tab 5 / Schedule 3 / Pages 1-2

The Applicant makes a number of references to its inflation assumptions.

Request

Please identify the inflation rate(s) used for the 2010 OM&A forecast and the source documents for the inflation assumptions.

Response:

As provided in Exhibit 1, Tab 2, Schedule 2, page 3, lines 13 – 15, *"Where year-specific increases were known for contracted purchased and services, those specific amounts were used. Otherwise an inflation factor of 2% was applied."*

This rate was management's forecast for inflation, based on a review of publicly available forecasts of inflation in Ontario at the time the 2010 OM&A forecast was initially developed.

The forecast was subsequently compared to the inflation forecast as published in the 2008 Ontario Economic Outlook and Fiscal review, published in October 2008. The CPI inflation forecast for 2009 as published in Annex II – Economic Outlook of that publication was 2.0 %.

22. Ref: Exhibit 4 / Tab 2 / Schedule 1 / Page 3

On page 3, the Applicant shows "Additional resources will be required for:" and provides a list of the activities driving the increases.

Request

Please provide a table for 2008, 2009 and 2010 that shows the FTEs (both the base numbers and annual increases) for each of the categories and sub-categories identified by the Applicant in the above reference, i.e.:

- IFRS
- Regulatory compliance and reporting
- Smart Grid
- Green Energy Act
- Low Income Energy Assistance
- Proposed code changes to customer service requirements
- Standards and changes in billing frequency
- Asset Management
- Distribution equipment maintenance
- Vegetation management programs
- PCB compliance

Response:

As described within Exhibit 4 / Tab 2 / Schedule 1 of the pre-filed evidence, additional resources are required to support the named activities. Additional planned staff would support the activities but so too would current staff. We believe that Board Staff's question is asking to quantify the FTEs that are related to these activities, attributable to current or base staff and the FTEs that are attributable to new planned additional hires.

Veridian is unable to provide an accurate estimate of the FTEs of both current and proposed additional staff that are required to support these activities as Veridian does not keep activity based costing for all employees.

23. Ref: Exhibit 4 / Tab 2 / Schedule 1 / Attachment 5 / Page 1

In the table referenced as Appendix 2-J, the Applicant shows:

- The OM&A Cost per Customer as increasing from $177 in 2008 to $198 in 2010, and
- The Customer/FTEE as decreasing from 594 in 2008 to 480 in 2010.

Request

(a) Please confirm that the above data indicates the OM&A cost per customer is increasing at approximately 5.9% per year in the 2008-10 period, and that the number of customers supported by each FTEE is decreasing by approximately 9.6% per year in the 2008-10 period.

(b) Please comment on the change in performance level suggested by these data.

Response:

(a) Veridian confirms Board Staff's calculations that OM&A cost per customer is increasing at approximately 5.9% per year in the 2008-10 period and customers supported by FTEE is decreasing by approximately 9.6% per year in the 2008-10 period.

(b) Veridian's projected 2009 and 2010 OM&A costs and reduction in customers supported by each FTEE are not attributable to degradation in performance levels. The changes are attributable to new programs and initiatives that are outlined within Veridian's rate application. Variance analysis on the changes in OM&A expenses between 2008 and 2010 are outlined at Exhibit 4, Tab 4. Increases in staffing required to support incremental OM&A programs and initiatives are outlined at Exhibit 4, Tab 5, Schedule 2.

24. Ref: Exhibit 4 / Tab 4 / Schedule 4 / Page 12

The Applicant discusses the transition from quarterly to bi-monthly billing.

Request

Please clarify if, by "bi-monthly", the Applicant is referring to billing that occurs once every two months or twice per month.

Response:

Within the context of Veridian's rate application, 'bi-monthly billing' means billing that occurs once every two months.

25. Ref: Exhibit 4 / Tab 4 / Schedule 1 / Page 1
Exhibit 4 / Tab 5 / Schedule 1 / Page 1

In Exhibit 4 / 4 / 1 / p1 / Table 1, the Applicant shows, for the years 2006 to 2010, the Total OM&A expenses. In Exhibit 4 / 5 / 1 / p1 / Table 1, the Applicant shows, for the years 2006 to 2010, the total compensation per employee group and the average compensation per employee across all employee groups.

Request

(a) Please confirm the cost summary extracted from the two referenced tables:

	2006 Actual	2008 Actual	2010 Projected
Total OM&A	$19.413M	$19.589M	$22.399M
Total Compensation	$14.414M	$17.088M	$21.331M
Total OM&A less Total Compensation	$4.999M	$2.501M	$1.068M

and that the equivalent annual increases are approximately:

	2006 Actual – 2008 Actual	2008 Actual – 2010 Projected
Total OM&A	0.5% p.a.	7.2% p.a.
Total Compensation	9.3% p.a.	12.4% p.a.
Total OM&A less Total Compensation	-25.0% p.a.	-28.6% p.a.

(b) Please explain the expenses that were cut to bring about the 25%-29% annual reductions in “Total OM&A less Total Compensation”.

(c) Please reproduce Exhibit 4 / 5 / 1 / p1 / Table 1, to show the compensation *per employee* for each employee group rather than total compensation for each employee group.

Response:

(a) Board staff’s cost summary is extracted accurately. However, having reviewed part (b) of this interrogatory, it is Veridian’s understanding that Board staff’s intent was to identify non-compensation related OM&A cost trends during the two time periods. If our understanding is correct, Board staff’s summary does not use the correct data required to complete this analysis, as Total Compensation data includes compensation charged to OM&A and Capital.

(b) The amount of Veridian's forecast OM&A for the 2010 Test Year has changed as a result of Veridian's application update. This interrogatory has been answered on the basis of the updated values. Total OM&A is found at Exhibit 4/Tab 4/Schedule 1. Total Compensation charged to OM&A can be found at Exhibit 4, Tab 5, Schedule 9. As outlined within the response to part c) of this interrogatory below, there is an error that impacts the 2008 total compensation charged to OM&A Veridian has recalculated Board Staff's table to use the correct values and the result is as follows:

	2006 Actual	**2008 Actual**	**2010 Projected**
Total OM&A	$ 19.413 M	$ 19.589 M	$ 22.236 M
Total Compensation charged to OM&A	$ 9.417 M	$ 10.136 M	$ 12.463 M
Total OM&A less Total Compensation charged to OM&A	$ 9.996 M	$ 9.453 M	$ 9.773 M

	2006 Actual – 2008 Actual	**2008 Actual – 2010 Projected**
Total OM&A	0.5% p.a.	6.5% p.a.
Total Compensation charged to OM&A	3.7% p.a.	10.9% p.a.
Total OM&A less Total Compensation charged to OM&A	-2.8% p.a.	1.7% p.a.

It is incorrect to conclude that non-compensation OM&A expenses were cut by 25% to 29% . Board Staff's calculation of Total OM&A less Total Compensation deducts capital related compensation that is not included in Total OM&A.

The revised table shows Total OM&A less Total Compensation charged to OM&A decreased by an average of 2.8% per annum between 2006 and 2008. The decrease in this period is attributable to the corporate restructuring that occurred in 2007. Total Veridian OM&A in 2006 included labour amounts charged from affiliates that were burdened with overheads including affiliate depreciation, interest and return on assets. Assets supporting regulated company activities within affiliates were transferred to Veridian Connections in 2007. After this transfer, Veridian OM&A no longer included affiliate burdens and is a primary reason for the decrease in the period between 2006 and 2008.

The revised table shows that Total OM&A less Total Compensation charged to OM&A increased by an average of 1.7% per annum between 2008 and 2010. Explanations for OM&Avariances are listed within the application within Exhibit 4, Tab 4, Schedule 1, 2, 3 and 4. The 1.7% per annum increase for OM&A without compensation is consistent with this variance analysis.

c) Exhibit 4 / 5 / 1 / p1 / Table 1 is re-stated below to show average compensation per employee for each employee group. The table has been re-stated to include the impact of the 2008 error that is further described below.

Average Compensation (Salary, Wages & Benefits)	2006 (Actual) Veridian & Affiliates	2007 (Actual)	2008 (Actual)	2009 (Projected)	2010 (Projected)
Executive	222,034	229,798	238,769	233,049	233,918
Management	106,446	106,148	111,880	110,286	113,791
Non-Union	71,976	66,314	69,029	71,048	73,686
Union	81,165	80,431	86,755	84,362	84,672

In preparing the IR response, errors were detected in the values for 2008 management and non-union compensation. 2008 compensation had been overstated for two employees. One employee's compensation had been allocated to management and should have been allocated to non-union. Table 1 found at Exhibit 4, Tab 5, Schedule 1, page 1 of 3 and Appendix 2 – L found at Exhibit 4, Tab 5, Schedule 9, Attachment 2, page 1 of 2 were affected by these errors. These errors did not affect other data contained with the pre-filed evidence. The revised tables follow:

Table 1 (revised): Total and Average Compensation Costs (Salary, Wages & Benefits):

	2006 (Actual Veridian & Affiliates)	2007 (Actual)	2008 (Actual)		2009 (Projected)	2010 (Projected)
Executive	810,424	838,763	871,506		881,626	1,017,542
Management	2,917,677	2,990,002	3,427,146	R	4,122,929	4,528,875
Non-Unionized	1,222,871	1,397,159	1,849,250	R	2,203,915	2,800,798
Unionized	9,462,952	9,782,770	10,884,852		11,220,792	12,983,672
Total Compensation	14,413,923	15,008,693	17,032,754	R	18,429,263	21,330,886
Number of FTEEs	164.7	174.5	186.5		205.2	235.5
Average Compensation per FTEE	87,516	86,010	91,328	R	89,811	90,577

R= Revised - December 30.
2009

Appendix 2-L - Employee Costs (revised)

	2006 EDR	Last Rebasing Year	2006 VCI + Affiliates	2007	Historical Year (Bridge Year - 1)		Bridge Year	Test Year
Number of Employees (FTEs including Part-Time)								
Executive	4.0		3.7	3.7	3.7		3.8	4.4
Management	25.0	12.0	27.4	28.2	30.6		37.4	39.8
Non-Union	20.0	6.2	17.0	21.1	26.8		31.0	38.0
Union	107.0	66.2	116.6	121.6	125.5		133.0	153.3
Total	**156.0**	**84.4**	**164.7**	**174.5**	**186.5**		**205.2**	**235.5**
Total of Part-Time Employees								
Executive								
Management								
Non-Union	0.0	0.3	1.9	2.5	5.8		4.7	7.5
Union								
Total	**0.0**	**0.3**	**1.9**	**2.5**	**4.8**		**4.7**	**7.5**
Total Salary and Wages								
Executive	571,512		577,543	608,018	629,305		670,072	788,481
Management	1,847,800	1,153,803	2,228,959	2,327,612	2,805,008		3,311,500	3,639,853
Non-Union	1,085,344	229,921	912,853	1,014,424	1,304,864		1,663,679	2,127,138
Union	5,710,964	4,259,249	6,623,251	7,101,465	7,646,356		8,217,640	9,747,851
Total	**9,215,620**	**5,642,972**	**10,342,606**	**11,051,519**	**12,385,533**		**13,862,892**	**16,303,323**
Total Benefits								
Executive	53,252		60,797	62,757	62,994		63,379	76,440
Management	235,525	177,404	400,236	426,856	465,141		557,340	617,839
Non-Union	240,728	91,659	248,322	319,385	407,379		461,966	589,896
Union	1,037,407	1,015,942	1,741,961	1,878,269	1,940,114		2,019,485	2,424,288
Total	**1,566,912**	**1,285,005**	**2,451,316**	**2,687,267**	**2,875,628**		**3,102,170**	**3,708,463**
Total Compensation (Salary, Wages & Benefits)								
Executive	681,180	0	810,424	838,763	871,506		881,626	1,017,542
Management	2,256,775	1,522,694	2,917,677	2,990,002	3,427,147	R	4,122,929	4,528,875
Non-Union	1,371,512	336,287	1,222,871	1,397,159	1,849,249	R	2,203,916	2,800,797
Union	7,561,167	6,278,149	9,462,952	9,782,770	10,884,852		11,220,792	12,983,672
Total	**11,870,634**	**8,137,130**	**14,413,923**	**15,008,693**	**17,032,754**	**R**	**18,429,263**	**21,330,886**

R= Revised - December 30. 2009

	2006 EDR	Last Rebasing Year	2006 VCI + Affiliates	2007	Historical Year (Bridge Year - 1)		Bridge Year	Test Year
Compensation - Average Yearly Base Wages								
Executive	142,878	0	158,231	166,580	172,412		177,127	181,260
Management	73,912	96,150	81,319	82,633	91,570		88,581	91,454
Non-Union	54,267	36,965	53,729	48,418	48,708		53,632	55,963
Union	53,373	64,378	56,808	58,386	60,944		61,784	63,570
Total	**59,074**	**66,876**	**62,820**	**63,326**	**66,397**		**67,560**	**69,229**
Compensation - Average Yearly Overtime								
Executive								
Management	1,416	4,308	1,886	596	654		493	715
Non-Union	20	104	350	89	244		136	197
Union	7,100	14,620	8,931	6,076	9,790		7,396	5,292
Total	**5,099**	**12,083**	**6,675**	**4,342**	**6,727**		**4,904**	**3,599**
Compensation - Average Yearly Incentive Pay								
Executive	14,104		47,146	46,024	49,098		39,169	35,085
Management	5,522	11,650	8,639	7,766	8,814		6,304	6,099
Non-Union	3,754	2,260	3,240	2,912	1,950		2,387	2,007
Union	516	540	484	526	564			0
Total	**1,876**	**2,246**	**3,165**	**2,935**	**3,067**		**2,232**	**2,003**
Compensation - Average Yearly Benefits								
Executive	13,313		16,657	17,194	17,259		16,754	17,572
Management	9,421	14,784	14,602	15,154	15,185		14,909	15,524
Non-Union	12,036	14,736	14,616	15,159	15,207		14,893	15,519
Union	9,695	15,356	14,941	15,443	15,463		15,183	15,810
Total	**10,044**	**15,229**	**14,889**	**15,391**	**15,411**		**15,118**	**15,747**
Total Compensation	11,870,634	8,132,601	14,415,136	15,008,693	17,032,754	R	18,429,263	21,330,886
Total Compensation Charged to OM&A		4,447,422	9,416,555	9,029,985	10,136,474	R	11,159,969	12,463,525
Total Compensation Capitalized		3,685,179	3,685,179	4,358,047	5,171,756		5,481,294	6,809,239
Total 'Other' Compensation			1,313,402	1,620,661	1,724,524		1,788,000	2,058,122

Notes:

1) 2006 EDR column provides 2004 historical test year data.

2) Total compensation includes all salaries, wages and benefits.

3) Other Compensation - Labour not charged to OM&A nor Capitalized such as Recoverable labour

4) 2006 EDR and Last Rebasing Year have categories with three or fewer FTEE's in a category. Compensation information has been aggregated with the category to which it is most closely related

R= Revised December 30, 2009

26. Ref: Exhibit 4 / Tab 5 / Schedule 2 / Page 1

In Table 1, the Applicant shows, for the years 2006 to 2010, the number of employees by employee group and in total for all groups combined.

Request

(a) Please confirm the increase in total headcount from 2006 to 2008 is approximately 6.6% per year and from 2008 to 2010 is approximately 13.1% per year.

(b) Please explain the key changes in the Applicant's operations that have driven these changes.

(c) Please comment if, to the best of the Applicant's knowledge, the changes in the Applicant's operations are unique to the Applicant or are being experienced by peer utilities.

(d) With reference to Board staff interrogatory No. 6 where the observation was made that, based on the Applicant's pre-filed evidence for 2010, approximately 63% of the proposed capital spending is discretionary and 37% is non-discretionary, please provide a breakdown of the 2008-2009 and 2009-2010 employee increases by employee class that are discretionary vs. non-discretionary and provide the supporting rationale for same.

(e) Again with reference to Board staff interrogatory No.6 please state the number of additional employees the Applicant would require in each of 2009 and 2010 if the Applicant were only to acquire the capital items that it has already identified as non-discretionary and not acquire those capital items it has already identified as discretionary, and provide the supporting rationale.

<u>Response:</u>

(a) Veridian confirms that the increase in total headcount from 2006 to 2008 is approximately 6.6% per year and from 2008 to 2010 is 13.1% per year, both calculated on non-compounded basis.
(b) Veridian identifies key changes that explain the growth in employee headcount at Exhibit 4 Tab 5 Schedule 2, page 1 through 12.
(c) The changes in Veridian's operations that may be unique relative to peer utilities include:
    - Service Improvements – Veridian operated with an employee complement in 2006 that was insufficient to maintain adequate service levels. Peer utilities operated with lower customer to employee ratios than Veridian in 2006.

- Customer Growth – Veridian believes that its customer growth may be higher than many peer utilities.
- Overtime – Veridian believes that previous levels of overtime were higher than overtime paid by peer utilities.
- Smart Meters – Veridian projects that 90% of its customers will be equipped with smart meters by the end of the bridge year. This level of smart meter conversions is higher than many peer utilities.
- Distributed Work Force – Veridian grew rapidly from 1999 to 2005 through mergers and acquisitions. The company continues to gain experience with the requirements of operating a distributed work force across non-contiguous service areas, and its business operations have been evolving with this experience.

Changes in Veridian's operations related to the following business drivers may be held in common with peer utilities:

- Change to International Financial Reporting Standards
- Increased requirement for Internal Audit and Governance
- Changes to Customer Service Standards related to Board consultations EB – 2008 – 0150 and EB 2007 – 022.
- Increased regulatory reporting, record keeping and regulatory consultations

(d) Please refer to our response to Board Staff Interrogatory #6 for clarification on the terms discretionary and non-discretionary. Veridian does not distinguish staff and new hires by specific projects and is therefore unable to answer the question.

(e) See response to d) above.

27. Ref: Exhibit 4 / Tab 5 / Schedule 8 / Page 1

In Table 1, the Applicant shows a detailed breakdown of the employee additions by position.

Request

Please summarize the data by the grouping the positions into Operations, Maintenance or Administration.

Response:

Employee additions are summarized by grouping into Operations, Maintenance, Administration and Capital. Please note that the schedule is a count of the 50.4 net employee increase planned for 2009 and 2010. Because of timing of the hires, the FTEE impact in each of year for the additions is 18.15 for 2009 and 29.05 for 2010.

	Planned No. of Hires by Cost Category				
Position	Operations	Maintenance	Administration	Capital, Variance Accounts, other non O,M&A activities	Total
Accounting Analyst			1		1
Accounting Associate			1		1
Administration Clerk			1		1
Adminitrative Assistant			-1		-1
AMI Settlement Data Supervisor			1		1
Apprentice Lineperson	1	1		2	4
Corporate Planning Analyst			1		1
Corporate Plng Supervisor			1		1
Corporate Secretary			1		1
Customer Care Associate FT			1		1

Position	Operations	Maintenance	Administration	Capital, Variance Accounts, other non O,M&A activities	Total
Customer Care Associate PT			-0.4		-0.4
Customer Care Associate PT			1		1
Customer Care Rep. (Full time)			5.94	0.06	6
Customer Care Rep. (Part time)				1.8	1.8
Engineering Supervisor				1	1
Engineering Technician		1		4	5
Executive Assistant			1		1
Field Supervisor	1	1			2
Financial Analyst			1		1
Financial Reporting Analyst			1		1
GIS Technician	0.6	0.6	0.8		2
IFRS Contract					0
Inspector				1	1
IT Analyst			1		1
Key Accounts Representative			1		1
Lineperson		1		2	3
Manager, Grid Operations	1				1
Manager, Northern District	-1				-1
Manager, Planning & Maintenance		0.3		0.7	1
Meter Technician		1.2	0.2	0.6	2
Meter Technician Apprentice		0.6	0.1	0.3	1
Metering Clerk			0.75	0.25	1

Position	Operations	Maintenance	Administration	Capital, Variance Accounts, other non O,M&A activities	Total
Operations Supervisor	1				1
Project Engineer					0
Public Relations Representative			2		2
Settlements Analyst			1		1
Substation Technician		0.6		0.4	1
System Operations Technician	1				1
System Operator Apprentice	2				2
Total Hires	6.6	7.3	22.39	14.11	50.4

28. Ref: Exhibit 4 / Tab 5 / Schedule 9 / Page 1

The Applicant provides incentive compensation data in Table1. The data in the table appears to be, for each year, the total incentive compensation paid to all employees in that employee group divided by the number of employees in the group.

Request

(a) Please confirm Board staff's interpretation, or explain.

(b) If Board staff's interpretation is incorrect, please recalculate the table with the values calculated using the dollars-per-FTE interpretation noted above.

Response:

(a) Board staff's interpretation is correct. The average yearly incentive pay values in Appendix 2-L Employee Costs, (Exhibit 4, Tab5, Schedule 9, Attachment Page 2 of 2) showing average yearly incentive pay is calculated by dividing the total incentive pay paid to each employee group by the FTEE count for that employee group.

(b) Not required.

29. Ref: Exhibit 4 / Tab 6 / Schedule 3 / Page 1

The Applicant notes that in the 2007 corporate realignment, 84 employees were transferred to itself.

Request

Please provide details and state how many of the 84 employees were allocated to the Operations, Maintenance or Administration categories respectively.

Response:

Of the 84 employees transferred to Veridian Connections Inc., 74 were active employees on the date of transfer. The other ten were temporary employees, listed on the 2006 payroll listing. The ten employees worked temporarily during 2006 but were not active employees on December 31, 2006. On January 1, 2007, 74 active employees and 10 inactive employees were transferred to Veridian Connections Inc.

The 74 active employees transferred are estimated to be allocated as follows:

Administration	60.0
Capital	5.6
Operations	4.2
Maintenance	4.2
Total	74.0

30. Ref: Exhibit 4 / Tab 7 / Schedule 1 / Pages 1-3

In Tables 1 to 5, the Applicant shows for the respective year and for each non-affiliate company, the "Forecasted Annual Total OM&A Purchase of Services exceeding $240k".

Request

(a) Please clarify if the "Annual Dollar Amount" shown for each company in the table is (i) the annual total for only those services that individually exceed $240k or (ii) the annual total for *all* services of *any* value from the respective company where at least one purchase exceeds $240k.

(b) Please provide a table in a similar format for 2010 that shows the top six non-affiliate companies by total dollar purchases in the year whether or not any of the purchases exceed $240k.

Response:

(a) The "Annual Dollar Amount" shown for each company in the table is (ii) the annual total for *all* services of *any* value from the respective company where at least one purchase exceeds $240k.

(b) The table below lists the top six non-affiliate companies by total dollar purchases for the forecast year of 2010 whether or not any of the purchases exceed $240k (where purchases pertain to OM&A expenditures).

Name of Company	**Product or Service**	**Annual Dollar Amount**	**Vendor Selection Methodology**
OMERS	Employee Pension Plan	$1,081k	Single Source
Claimsecure	Employee Health & Dental Benefit Premiums	$835k	RFP
Olameter	Meter Reading, Notice Delivery, Print & Mail Services	$487k	RFP
MEARIE Management	Liability Insurance	$377k	RFP
Canada Post	Postage	$332k	Single Source
Ontario Energy Board	Regulatory Assessment Fees	$307k	Single Source

31. Ref: Exhibit 4 / Tab 9 / Schedule 2 / Pages 1-2

Effective July 1, 2010, the Ontario Small Business Income Rate will drop for companies that have income greater than $1.5 million from 14% to 12% (i.e. the 2010 effective Ontario Small Business Income Rate will be 13%), the surtax and the Capital Tax will be eliminated. The 2010 effective annual Capital Tax rate can be expressed as 0.075%. Also, effective July 1, 2010, the combined federal and Ontario Corporate Income Tax Rate for companies that have income greater than $1.5 million will drop from 32% to 30% (i.e. the 2010 effective annual tax rate will be 31%).

Request

(a) Please explain whether the Applicant has included these changes in tax rate in its PILs calculations and how it has interpreted the capital tax and income tax changes that will become effective on July 1, 2010 with respect to proration in 2010.

(b) Please show the calculations and explain how the Applicant selected the tax rates used in the application.

(c) If the Applicant has not already included the July 1, 2010 tax rate changes, please repeat the PILs tax proxy allowance calculations including these changes and submit them in reply to this interrogatory.

<u>Response:</u>

The amount of Veridian's forecast revenue requirement and PILs calculations for the 2010 Test Year have changed as a result of Veridian's Application Update. This interrogatory has been answered on the basis of the updated values.

(a) Veridian has not included these changes in tax rates in its PILs calculations. Veridian had not made any interpretation of the capital tax and income tax changes that will become effective on July 1, 2010 with respect to proration in 2010.

(b) Veridian's original tax calculations were filed at Exhibit 4, Tab 9, Schedule 3, Attachment 2, page 17. The updated PILs calculations are included in the Application Update. Veridian selected the combined federal and Ontario Corporate Income Tax Rate of 32% based on government publications available at the time of preparing the calculation.

(c) Veridian has repeated the PILs tax proxy allowance calculations including the July 1, 2010 tax rate changes. On this basis, Veridian's total PILs expense on a grossed-up basis is $2,839,401. The revised calculations are provided as Attachment 1.

Veridian Connections Inc. (ED-2002-0503)

PILs Calculations for 2010 EDR Application (EB-2009-0140) version: v0.1

January 11, 2010

REVISION BASED ON APPLICATION UPDATE - JANUARY 11TH, 2010

	T2 S1 line #	2006 EDR Approved Total Entity	2006 EDR Approved Less: Non-Distribution Portion	2006 EDR Approved Utility Only	2009 Projection	2010 @ existing rates	2010 @ new dist. rates
Income/(Loss) before PILs/Taxes (Accounting) ¹		5,875,571		5,875,571	9,825,222	25,872,668	6,013,124
Additions:							
Interest and penalties on taxes	103						
Amortization of tangible assets	104	8,764,518		8,764,518	11,985,107	12,947,743	12,947,743
Amortization of intangible assets	106						
Recapture of capital cost allowance from Schedule 8	107						
Gain on sale of eligible capital property from Schedule 10	108						
Income or loss for tax purposes- joint ventures or partnerships	109						
Loss in equity of subsidiaries and affiliates	110						
Loss on disposal of assets	111						
Charitable donations	112				55,000	60,000	60,000
Taxable Capital Gains	113						
Political Donations	114						
Deferred and prepaid expenses							
Scientific research expenditures deducted on financial statements							
Capitalized interest							
Non-deductible club dues and fees		3,373		3,373			
Non-deductible meals and entertainment expense					25,771	26,287	26,287
Non-deductible automobile expenses							
Non-deductible life insurance premiums							
Non-deductible company pension plans							
Tax reserves beginning of year							
Reserves from financial statements- balance at end of year		672,436		672,436	1,410,320	1,534,242	1,534,242

Veridian Connections Inc. (ED-2002-0503)

PILs Calculations for 2010 EDR Application (EB-2009-0140) version: v0.1

January 11, 2010

REVISION BASED ON APPLICATION UPDATE - JANUARY 11TH, 2010

	T2 S1 line #	2006 EDR Approved Total Entity	2006 EDR Approved Less: Non-Distribution Portion	2006 EDR Approved Utility Only	2009 Projection	2010 @ existing rates	2010 @ new dist. rates
Income/(Loss) before PILs/Taxes (Accounting) [1]		5,875,571		5,875,571	9,825,222	25,872,668	6,013,124
Soft costs on construction and renovation of buildings							
Book loss on joint ventures or partnerships							
Capital items expensed							
Debt issue expense							
Development expenses claimed in current year							
Financing fees deducted in books							
Gain on settlement of debt							
Non-deductible advertising	226						
Non-deductible interest	227						
Non-deductible legal and accounting fees	228						
Recapture of SR&ED expenditures	231				64,124	64,124	64,124
Share issue expense	235						
Write down of capital property	236						
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237						
Ontario Specified Tax Credits	603.2				17,168	17,168	17,168
Add back for disallowed bad debt expense		101,317		101,317			
Add back for disallowed advertising expense		2,115		2,115			
Total Additions		**9,543,759**		**9,543,759**	**13,557,490**	**14,649,564**	**14,649,564**

Veridian Connections Inc. (ED-2002-0503)

PILs Calculations for 2010 EDR Application (EB-2009-0140) version: v0.1

January 11, 2010

REVISION BASED ON APPLICATION UPDATE - JANUARY 11TH, 2010

	T2 S1 line #	2006 EDR Approved Total Entity	2006 EDR Approved Less: Non-Distribution Portion	2006 EDR Approved Utility Only	2009 Projection	2010 @ existing rates	2010 @ new dist. rates
Income/(Loss) before PILs/Taxes (Accounting) [1]		5,875,571		5,875,571	9,825,222	25,872,668	6,013,124
Deductions:							
Gain on disposal of assets per financial statements	401						
Dividends not taxable under section 83	402						
Capital cost allowance from Schedule 8	403	6,491,863		6,491,863	12,209,633	12,775,726	12,775,726
Terminal loss from Schedule 8	404						
Cumulative eligible capital deduction from Schedule 10 CEC	405	328,389		328,389	231,424	215,224	215,224
Allowable business investment loss	406						
Deferred and prepaid expenses	409						
Scientific research expenses claimed in year	411						
Tax reserves end of year	413						
Reserves from financial statements - balance at beginning of year	414	672,436		672,436	1,391,286	1,410,320	1,410,320
Contributions to deferred income plans	416						
Book income of joint venture or partnership	305						
Equity in income from subsidiary or affiliates	306						
Allowance for Funds used during Construction	390	154,479		154,479	166,796	166,796	166,796
Capital Lease Payments		21,200		21,200			
Excess Interest (from Tab "Schedule 7-3")		45,797		45,797			
Total Deductions		**7,714,165**		**7,714,165**	**13,999,139**	**14,568,066**	**14,568,066**

Veridian Connections Inc. (ED-2002-0503)

PILs Calculations for 2010 EDR Application (EB-2009-0140) version: v0.1

January 11, 2010

REVISION BASED ON APPLICATION UPDATE - JANUARY 11TH, 2010

	T2 S1 line #	2006 EDR Approved Total Entity	2006 EDR Approved Less: Non-Distribution Portion	2006 EDR Approved Utility Only	2009 Projection	2010 @ existing rates	2010 @ new dist. rates
Income/(Loss) before PILs/Taxes (Accounting) [1]		5,875,571		5,875,571	9,825,222	25,872,668	6,013,124
NET INCOME (LOSS) FOR TAX PURPOSES		**7,705,164**		**7,705,164**	**9,383,574**	**25,954,166**	**6,094,622**
Charitable donations from Schedule 2							
Taxable dividends deductible under section 112 or 113, from Schedule 3 (item 82)							
Non-capital losses of preceding taxation years from Schedule 4							
Net-capital losses of preceding taxation years from Schedule 4							
Limited partnership losses of preceding taxation years from Schedule 4							
TAXABLE INCOME (LOSS)		**7,705,164**		**7,705,164**	**9,383,574**	**25,954,166**	**6,094,622**

[1] 2009 Projection = "Earnings before Tax' (sheet E1); 2010 @ existing rates = "Earnings before Tax' (sheet E2); 2010 @ new dist. rates = "Deemed Return On Equity' (sheet E3)
Note: 2006 EDR Approved is the addition of 2006 EDR Approved for Gravenhurst Hydro and 2006 EDR Approved for VCI_Scugog Harmonized

Veridian Connections Inc. (ED-2002-0503)

PILs Calculations for 2010 EDR Application (EB-2009-0140) version: v0.1

January 11, 2010

REVISION BASED ON APPLICATION UPDATE - JANUARY 11TH, 2010

Rates and exemptions from sheet Y1

	2009	2010	
OCT (Ontario Capital Tax):			
Rate Base	175,703,563	187,675,529	*'Calculated Value' from sheet E3*
Less: Exemption	15,000,000	15,000,000	
Deemed Taxable Capital	160,703,563	172,675,529	
Tax Rate	0.225%	0.075%	
OCT payable	**361,583**	**129,507**	
Federal LCT (Large Corporations Tax):			
Rate Base	175,703,563	187,675,529	
Less: Exemption	50,000,000	50,000,000	
Deemed Taxable Capital	125,703,563	137,675,529	
Tax Rate			
LCT payable			

Veridian Connections Inc. (ED-2002-0503)

PILs Calculations for 2010 EDR Application (EB-2009-0140) version: v0.1

January 11, 2010

REVISION BASED ON APPLICATION UPDATE - JANUARY 11TH, 2010

	2009 Projection	2010 Projection [1]	2010 Test [1]	
Regulatory Taxable Income/(Loss)	9,383,574	25,954,166	6,094,622	*from sheet P6*
Combined Income Tax Rate	33.00%	31.00%	31.00%	*"t" (from sheet Y1)*
Total Income Taxes	3,096,579	8,045,791	1,889,333	
Investment & Miscellaneous Tax Credits	19,506	19,506	19,506	*Input amounts*
Income Tax Payable	**3,077,073**	**8,026,285**	**1,869,827**	*"i"*
Large Corporations Tax (LCT)				*from sheet P7*
Ontario Capital Tax (OCT)	361,583	129,507	129,507	*from sheet P7*
Grossed-up Income Tax			2,709,894	*= i / (1 - t)*
Grossed-up LCT				*= LCT / (1 - t)*
Total PILs Expense	**3,438,656**	**8,155,792**	**2,839,401**	***Enter these results on sheet E4***

[1] 'Projection' per existing rates; 'Test' based on proposed revenue requirement

32. Ref: Exhibit 4 / Tab 9 / Schedule 2 / Pages 1-2

It is expected that the PST and GST will be harmonized effective July 1, 2010.

Request

In the event that PST and GST are harmonized effective July 1, 2010:

(a) Would the Applicant agree to the establishment of a variance account to capture the reductions in OM&A and capital expenditures?

(b) Are there other alternatives the Applicant would suggest that the Board might consider to reflect the reductions in OM&A and capital expenditures if this bill is enacted?

<u>Response:</u>

(a) Veridian does not currently have sufficient information on the application and potential impacts of the planned adoption of a Harmonized Sales Tax (HST) to agree to the establishment of a variance account. In particular:

   a. Veridian is concerned that it may be difficult to accurately identify the tax variances that would accrue to such an account. It is not clear that all HST related tax savings enjoyed by suppliers of goods and services will be immediately passed on to customers.

   b. Veridian is also concerned with the potential complexity and degree of judgement that may be required in determining HST related tax variances. Clear variance accounting guidelines would be required to provide distributors with regulatory certainty concerning the variances being recorded and carried.

(b) As stated above, Veridian has not yet fully assessed the impacts of the planned implementation of the HST and is therefore not in a position to offer alternatives for the regulatory treatment of resultant changes in distributors' costs. Veridian suggests that this is a generic industry issue that would best be addressed through a Board-led consultation process involving all stakeholders. In the interim, it would be appropriate to establish distribution rates on the basis of costs under the current tax regime.

33. Ref: Exhibit 4 / Tab 4 / Schedule 4 / Page 11

In this exhibit, the Applicant makes reference to both $30k and $55k Low Income Energy Assistance Program (LEAP) donations.

Request

(a) Please clarify the amount included in the application for LEAP activities.

(b) Please clarify whether these are existing or new programs

Response:

(a) Veridian understands that the clarification being sought relates to the test year LEAP donation amount, as referenced in the preamble to the question.

Veridian has included in its test year revenue requirement, a $60k contribution for "LEAP Emergency Financial Assistance for Bill Payment". This amount was calculated by use of a funding guideline contained within the March 10th 2009 "Report of the Board: Low-Income Energy Assistance Program" (EB-2008-0150). This guideline is stated on page 10 of the Board report, as follows:

> *"The Board has determined that the greater of 0.12% of a distributor's Board-approved distribution revenue requirement, or $2,000, is a reasonable commitment of distributors to LEAP. A funding level of 0.12% is approximately twice the average currently being provided by electricity distributors. This would represent the maximum amount that distributors would be permitted to recover through rates."*

(b) Veridian understands that the Board intended that the bill assistance component of LEAP would build upon existing emergency assistance programs such as Winter Warmth (a program that Veridian currently supports). However, in a letter dated September 28th 2009 the Board Secretary provided a LEAP update to all electricity distributors announcing that the Minster of Energy and Infrastructure had advised the Board of the government's plan to develop a province-wide integrated program for low-income energy consumers, and that the Board would not be proceeding with the implementation of new support programs in advance of ministerial direction. Therefore, details of the program(s) that would be funded by distributor contributions are not known at this time.

34. Ref: Exhibit 2

In this exhibit, the Applicant makes numerous references to its Conservation and Demand Management (CDM) program.

Request

Please provide a summary of the Applicant's CDM initiatives and compare the reduction expected by the Applicant against the CDM assumptions included in the IESO 18-Month outlook.

Response:

Veridian currently promotes or delivers the following Ontario Power Authority (OPA) CDM programs:

1. Small Commercial Direct Install (Power Savings Blitz)
    - A conservation program for general service class < 50 kW customers and with a focus on energy efficient lighting retrofits

2. Residential & Small Commercial Demand Response (*peaksaver*)
    - A demand response program for residential and small business customers focussing on central air conditioning load control

3. Electricity Retrofit Incentive Program (ERIP)
    - A conservation program for general service class > 50 kW customers that provides financial incentives for a wide variety of energy efficient retrofit measures

4. Appliance Retirement Program (The Great Refrigerator Roundup)
    - A conservation program that encourages residential customers to retire old inefficient refrigerators and other designated appliances

These programs are delivered under the terms of a multi-year master agreement held with the OPA. The agreement requires annual program registration. Registration for 2010 programs (which are the same as the 2009 programs listed above) commenced in December 2009 and closes on January 15th 2010. Veridian had not registered for the 2010 programs at the time of preparing this interrogatory response. However, it is expected that this will be done by the registration deadline date.

Veridian calculates that achievement of OPA performance targets for each of the 2010 CDM programs will yield summer peak demand reductions as outlined in the following table:

2010 CDM Program	Projected Incremental Summer Peak Demand Reduction (MWs)	
	Conservation	Demand Response
Power Savings Blitz	.021	-
peaksaver	-	1.566
ERIP	.125	-
The Great Refrigerator Roundup	.070	-
Total	.216	1.566

Note: Projected MW demand reductions are based on achievement of OPA program participant targets for 2010 and average program participant savings for 2008 as derived from the OPA's 2008 Program Results Report for Veridian Connections Inc.

Veridian has reviewed the IESO 18-Month Outlook for the forecast period of December 2009 to June 2011. It projects that conservation initiatives such as energy efficiency programs, conservation behaviour, fuel switching and the impacts of smart meters will contribute to savings that will grow by 132 MWs (at the time of peak) by the end of the forecast period. It further projects that demand management programs such as the OPA's demand response programs and the IESO's Dispatchable Loads program will provide for a 414 MW increase in demand response capacity (from 699 MWs to 1,114 MWs) over the forecast period. Both projections were provided to the IESO by the OPA.

It is difficult to draw meaningful comparisons between Veridian's forecast 2010 results and the IESO's 18-Month Outlook for a number of reasons:

1. Differing time periods

   The IESO forecast extends to June 2011. Veridian's role in the delivery of CDM programs following the end of 2010 is subject to yet-to-be clarified provisions of the province's Green Energy Act. Veridian is not able to project savings associated with its role in CDM out to June 2011.

2. The CDM programs underpinning the two projections are not comparable

   Veridian has a role in only a sub-set of programs included in the IESO forecast. The IESO's forecast includes savings related to many programs that are either delivered directly by the OPA, or through other delivery channels (i.e. gas distributors, retailers, etc.).

3. No formal allotment of OPA savings projections to distributors

   There is currently no formal mechanism to allot province wide conservation projections/goals to electricity distributors. Such a mechanism is expected to be put into place under provisions of the Green Energy Act.

35. Ref: Exhibit 5 / Tab 2 / Schedule 1 / Page 1

The Applicant explains that it is contemplating, for the long-term promissory notes totalling $43.6 million it holds with the four separate municipal shareholders, changing the interest rate on the notes from 7.6% to a variable rate. It explains that this would better balance ratepayer and shareholder concerns.

Request

Please elaborate on the proposed change including how the change would better balance ratepayer and shareholder concerns.

Response:

(a) Please see the Veridian Financing Strategy appended to the response to Energy Probe interrogatory #39 for a description of the process involved with renewing the Second Amended and Restated Promissory notes.

36. Ref: Exhibit 5 / Tab 2 / Schedule 1 / Page 2

On page 2, the Applicant explains that as well as the existing $43.6 million municipal debt, it requires an additional $21 million of long-term debt to finance capital projects. The explanation in the pre-filed evidence is provided in the future tense; i.e. "the additional debt will be provided by parent company, Veridian Corporation."

Request

(a) Please confirm that the Applicant does not yet hold the referenced $21 million debt

(b) Please provide full details of the $21 million debt including when the additional debt is expected to be acquired.

(c) Please explain why this amount of additional debt is being acquired.

(d) Please explain how capital projects were financed during the past few years.

(e) Given that the Applicant's plan shows historical and future capital expenditures remaining steady at about $20 million per year, please explain why it is necessary to acquire the additional debt at this time when it apparently was not required in the recent past.

Response:

(a) The Applicant does hold the $21 million debt.

(b) The Debt was issued on December 17th, 2009.

(c) Additional debt is required as cash provided from operations is not sufficient to fund current and future capital expenditures. The disposition of large credit balances ($21M over 2 years) in variance and deferral accounts will also suppress cash balances in the test year.

(d) Please refer to the 2007 and 2008 audited financial statements at Tab 1 Schedule 16 and Schedule 17. The Statement of Cash Flows for the year ended December 31, 2006 shows that cash decreased in 2006 by $23.7 million. In 2007, cash increased by $14.7M. However, Veridian Connections incurred $28.9 million in new debt ($30 million, less principal payments made in the year). Therefore, in 2007, cash from operations was $14.2 million short of financing capital expenditures and other financing and investing activities. Cash shortfalls have persisted in 2009. Veridian Connections has been advanced $17.5 million from affiliates to fund Veridian

Connections cash deficits incurred during 2009. The $21 million in new debt provided funds to allow Veridian to repay affiliate advances.

(e) See answer to (d) above.

37. Ref: Exhibit 5 / Tab 2 / Schedule 1 / Page 2
Exhibit 5 / Tab 2 / Schedule 2 / Attachment 3

The Applicant explains that, in addition to its other debts, it holds a $21.322 million long-term debt payable to its parent, Veridian Corporation, at the rate of 5.56%, issued in 2007 and directs the reader to Attachment 3 for further details. Attachment 3 is entitled "Term Promissory Note", has been signed by both the Chair and President-and-CEO, is dated 1st June, 2007, and bears an interest rate of 5.56% p.a. However, the Principal Amount is shown as $30 million.

Request

Please provide a full explanation for the discrepancy.

Response:

The $30 million Term Promissory Note issued on June 1, 2007 and owing to parent company Veridian Corporation provides for quarterly blended principal and interest payments. The principal outstanding on the loan as at December 31, 2009, after deducting principal payments made since 2007, will be $21.322 million.

38. Ref: Exhibit 6 / Tab 2 / Schedule 2 / Page 2

On page 2, the Applicant states: "Veridian proposes that the 2010 Base Revenue Requirement be apportioned to the two rate zones in the same proportion as the 2006 Approved Base Revenue Requirement for the rate zones."

Request

(a) Please explain the process that the Applicant used to establish the 2006 apportionment of Base Revenue Requirement for the two rate zones.

(b) Please identify any changes that may have occurred since the 2006 apportionment and, in light of those changes, assess the risk of error that may now exist in assuming the 2006 apportionment is applicable to the current 2010 test year application.

Response:

(a) No apportionment process was used to establish the 2006 Base Revenue Requirement for the two rate zones.

Veridian acquired the service area of Scugog Hydro in June, 2005 and the service area of Gravenhurst Hydro in November 2005. In 2005, Veridian Connections Inc, Scugog Hydro and Gravenhurst Hydro each filed separate applications for 2006 distribution rate adjustments on the basis of a 2004 historic test year, each on a standalone entity basis. A Base Revenue Requirement was developed for each utility as part of those applications. The Board approved Base Revenue Requirements and separate 2006 distribution rate tariffs for each service area.

Veridian maintained these three rate zones until proposing and receiving approval for rate harmonization of its Veridian_Main and Veridian_Scugog service areas as part of its 2008 Incentive Regulation Mechanism rate application. As part of its harmonization methodology, a 2006 Base Revenue Requirement for the combined rate zone of Veridian_Main and Veridian_Scugog was developed, referred to afterwards as Veridian_Main.

(b) As explained above, no apportionment of Base Revenue Requirement was made in 2006, rather the 2006 Base Revenue Requirement was underpinned by the value of each rate zone's 2004 components of revenue requirement calculations.
Many changes have occurred to the underlying cost structure for each rate zone since 2004. Centralization of most administrative functions between the Gravenhurst and Main service areas has occurred. Increased distribution asset investments in the Gravenhurst service area specifically as well as in centralized distribution assets has also occurred. Increased spending on operations and maintenance activities in the

Gravenhurst service area to enhance outage restoration and increase reliability has occurred. The deemed capital structure of Veridian Connections, relative to that of each of the rate zones in 2004 has changed. The calculation of and level of PILs payable by Veridian Connections as a single entity has changed, relative to that of each of the rate zones in 2004. It is not feasible to determine the magnitude, direction and resulting revenue requirement impact on each rate zone for all of these changes as detailed information on costs and assets is not always available or cannot be accurately allocated to each rate zone.

In order to assess the risk of error in its revenue apportionment methodology, Veridian compared the resulting apportionment to an alternative methodology. As distribution expenses are the largest component of Base Revenue Requirement, an alternative methodology was developed to allocate the 2010 forecast distribution expenses to each rate zone and compare the resulting proportions to Veridian's proposed apportionment methodology.

Some distribution expense, such as Operations and Maintenance, are directly identified and recorded by rate zone. As such, they can be directly allocated. Other common costs such as administrative costs and billing and collecting are not tracked separately. In the case of these costs, 2010 forecast customer count was deemed the appropriate allocator, on the basis that these costs are generally directly proportional to customers served.

The table below shows the allocation and the resulting proportions to each rate zone and compares them with the 2006 proportions, used as the basis for the revenue apportionment.

Table 1: Summary of allocation of 2010 forecast distribution expenses
O&M directly allocated, Administration allocated on customer count

2010 Forecasted OM&A	Main	%age	Gravenhurst	%age	Total	%age
Operations	$3,887,566	92.77%	$302,950	7.23%	$4,190,516	100.00%
Maintenance	$2,456,426	86.54%	$382,016	13.46%	$2,838,442	100.00%
O&M Total	$6,343,992	90.26%	$684,966	9.74%	$7,028,958	100.00%
Admin	$14,530,520	94.54%	$839,998	5.46%	$15,370,518	100.00%
Total OM&A	**$20,874,512**	**93.19%**	**$1,524,964**	**6.81%**	**$22,399,476**	**100.00%**
2006 Proportions		**94.04%**		**5.96%**		

This comparison shows less than 1% (0.84%) difference between the two methodologies.

Table 2: Customer Count Allocator for Administration Expenses

	2010 YE Forecast Customer Count	%age
Veridian_Main	106,765	94.54%
Veridian_Gravenhurst	6,172	5.46%

39. Ref: Exhibit 7 / Tab 2 / Schedule 1 / Pages 1-3

On page 1, when referencing the 2010 test year the Applicant states: "Given the information available, the proposed methodology had to be developed without detailed rate zone asset and cost information or allocators for non-rate zone specific components of revenue requirement such as Regulated Return and PILs." On page 3, Table 1, as part of the changes to the VM-2010 model, the Applicant states: "adjusted for 3, 4 and 5 above." However, it is unclear what adjustment is being made since the model being referred is only the 4^{th} model.

Request

(a) Please identify the magnitude of the errors that may exist in view of the absence of the detailed information referenced.

(b) Please restate Table 1 as necessary to remove confusion.

Response:

(a) The magnitude of errors that may exist in view of the absence of the detailed information referenced cannot reasonably be calculated or estimated.
Errors could exist in the allocation of any of the cost components between the two rate zones. However, as explained on page 5 of the ERA Cost Allocation Report, filed as Exhibit 7, Tab 2, Schedule 2, Attachment 3, *"For purposes of determining separate revenue requirements for the two service areas, Veridian has therefore determined a single revenue requirement and has apportioned it between Veridian man and Gravenhurst in the same proportion as prevailed in the most recent pre-merger fiscal year (2004). It is appropriate to adopt a consistent approach for purposes of the Veridian cost allocation."*

(b) As requested, Table 1 has been restated to remove confusion and is provided below.

Table 1: Versions of the Cost Allocation Models

Veridian_Main

Models	**Applicable Adjustments**
VM-2006	Original Main 2006 Model
VM-2006C1	Main 2006 Model adjusted for 1. above
VM-2006C2	Main 2006 Model adjusted for 1 and 2 above
VM-2010	VM-2006C2 adjusted for 3, 4 and 5 above

Note: All adjustments refer to items 1 through 5 as explained on the preceding page (Exhibit 7, Tab 2, Schedule 1, page 2)

Veridian_Gravenhurst

Models	**Applicable Adjustments**
VG-2006	Original Gravenhurst 2006 Model
VG-2006C	Gravenhurst 2006 Model adjusted for 1. above
VG-2010	VG-2006C adjusted for 4 above

Note: adjustments 2, 3 and 4 apply only to Main

40. Ref: Exhibit 7 / Tab 3 / Schedule 1 / Pages 1-4

On page 1, Table 1, the Applicant shows the revenue-to-cost ratios for the Main tariff zone. The Applicant then states: “Adjustments required to reach a 100% revenue to cost ratio for all customers is not being recommended at this time as this would result in some customers experiencing rate shock.” On Page 4, Table 3, similar information is presented for the Gravenhurst tariff zone.

Request

(a) Please provide in quantitative terms, the Applicant’s definition of “rate shock”.

(b) Please recalculate both Table 1 and Table 3 so that each class is moved as close to the 100% target as soon as possible but without experiencing rate shock.

Response:

The amount of Veridian’s forecast revenue requirement and proposed Tariff of Rates and Charges for the 2010 Test Year have changed as a result of Veridian’s Application Update. This interrogatory has been answered on the basis of the updated values.

(a) Veridian’s definition of “rate shock” within this context is where total bill impacts exceed 10%.

(b) As movement of any single class’s revenue to cost ratio must affect at least one or more other class’s revenue to cost ratio, Veridian understands the request to be to recalculate Table 1 and Table 3 so that classes are moved as close to the 100% target as soon as possible so that no class experiences rate shock.

Under this interpretation Table 3 requires no recalculation as the Residential Seasonal rate class is just below the 10% threshold (9.9% at 800 kWh volumes) under the proposed revenue to cost ratios for Veridian_Gravenhurst.

Under this interpretation Table 1 requires no recalculation as the Sentinel Light rate class is already above the 10% threshold (9.2% at 180 kWh, 1kW volumes) under the proposed revenue to cost ratios for Veridian_Main.

41. Ref: Exhibit 7 / Tab 3 / Schedule 1 / Attachment 1 / Page 1

In Appendix 2-P, for the Main tariff zone, the Applicant shows the proposed revenue-to-cost ratios for Residential and GS<50kW classes to be 98.55% and 114.78% respectively.

Request

> Assuming no changes were made to any of the other classes, please calculate the resulting GS<50kW class ratio if the Residential class ratio were moved to 100%

Response:

Assuming no changes were made to any of the other classes, the resulting GS < 50 kW class ratio would be 107.38% if the Residential class ratio were moved to 100%.

42. Ref: Exhibit 8 / Tab 2 / Schedule 1 / Page 1
Exhibit 8 / Tab 2 / Schedule 2 / Page 1

In the above exhibits for the Main and Gravenhurst tariff zones respectively, the Applicant displays the proposed fixed and variable percentages.

Request

By referencing the pre-filed exhibit, please confirm the load forecasts used in the calculations.

Response:

In the referenced tables (Exhibit 8, Tab 2, Schedule 1, page 1, Table 1 and Exhibit 8, Tab 2, Schedule 2, page 1, Table 1), Veridian displays the proposed Monthly Fixed Service Charge Rates for each rate zone and the resulting fixed and variable percentages of total revenues for each class.

The total distribution revenue to be collected under the proposed Monthly Fixed Service Charge Rates is calculated by multiplying the proposed Monthly Fixed Service Charge by the forecast of customer connections and multiplying by 12. A fixed percentage is then calculated by dividing the total fixed revenue by the total revenue allocated to the rate class through the proposed cost allocation.

The 2010 forecast of customer connections used can be found at Exhibit 3, Tab 6, Schedule 1, page 1 (for Veridian_Main) and Exhibit 3, Tab 6, Schedule 3, page 1 (for Veridian_Gravenhurst)

The resulting variable percentage is not calculated using load forecasts but rather by subtracting the fixed percentage from 100.

These calculations can be verified by checking the formulas on sheets F5. RateDesign in the electronic versions of the submitted models – RateMaker Model – Veridian_Main and RateMaker Model – Veridian_Gravenhurst.

43. Ref: Exhibit 8 / Tab 4 / Schedule 3 / Page 1
Exhibit 8 / Tab 4 / Schedule 3 / Attachment 1/ Pages 1-2

In the exhibit, the Applicant provides network and connection charges, together with variances, for the January 2007 to May 2009 period and suggests the May 2009 increase to retail rates will correct the under recovery trend.

Request

(a) Please provide an expansion of both the Network and Connection tables showing the anticipated changes until the end of 2010.

(b) Please provide a graph covering the January 2007 to December 2010 period showing the cumulative monthly under/over recovery for the total of the network and connection charges for the Main tariff zone.

Response:

(a) The forecast data required to respond to this request is not readily available. Obtaining the requested information would require significant effort, and could not be provided within the time provided.

(b) The forecast data required to respond to this request is not readily available. Obtaining the requested information would require significant effort, and could not be provided within the time provided.

Veridian would be happy to discuss alternative ways to address Board Staff's concern.

44. Ref: Exhibit 8 / Tab 5 / Schedule 2 / Page 2

The Applicant states: "As Veridian is forecasting LV charges that are appropriate not only for the Test Year of 2010 but for the subsequent 3-year IRM period, a forecast based strictly on the approved rates including the rate rider would understate the LV charges past April 2011 and result in a significant under recovery for the subsequent period before Veridian's next Cost of Service rebasing." The Applicant notes that this expected under-recovery is its rationale for averaging the Low Voltage (LV) charges over the entire 4-year period of May 2010 to April 2014.

Request

(a) Please provide a table for the May 2010 to April 2014 period showing the anticipated cumulative under/over recovery of the Applicant's LV charges if the proposed change in methodology were not included.

(b) Please calculate the LV charges that would apply in each of the four years if the LV charges were not averaged as proposed.

Response:

(a) Below is a table for the May 2010 to April 2014 period showing the anticipated cumulative under/over recovery of Veridian's LV charges if the proposed change in methodology were not included.

VCI_Main

Period	Forecast LV Charges from Hydro One	Forecast LV Recoveries	Cumulative Under/(Over) Recovery
May 2010 - April 2011	$ 777,215	$ 777,215	$ -
May 2011 - April 2012	$ 1,637,675	$ 777,215	$ 860,460
May 2012 - April 2013	$ 1,637,675	$ 777,215	$ 1,720,919
May 2013 - April 2014	$ 1,637,675	$ 777,215	$ 2,581,379

VCI_Gravenhurst

Period	Forecast LV Charges from Hydro One	Forecast LV Recoveries	Cumulative Under/(Over) Recovery
May 2010 - April 2011	$ 170,007	$ 170,007	$ -
May 2011 - April 2012	$ 265,608	$ 170,007	$ 95,601
May 2012 - April 2013	$ 265,608	$ 170,007	$ 191,203
May 2013 - April 2014	$ 265,608	$ 170,007	$ 286,804

(b) Below is a table showing the LV charges that would apply in each of the four years if the LV charges were not averaged as proposed.

VCI_Main

Period		**Forecast LV Charges from Hydro One**
May 2010 - April 2011	$	777,215
May 2011 - April 2012	$	1,637,675
May 2012 - April 2013	$	1,637,675
May 2013 - April 2014	$	1,637,675

VCI_Gravenhurst

Period		**Forecast LV Charges from Hydro One**
May 2010 - April 2011	$	170,007
May 2011 - April 2012	$	265,608
May 2012 - April 2013	$	265,608
May 2013 - April 2014	$	265,608

45. Ref: Exhibit 8 / Tab 5 / Schedule 5 / Pages 1-4

On page 1, the Applicant states that it has employed the same methodology for allocating the forecast LV charges as it used in the 2006 EDR Model. Tables 1 and 4 for the Main and Gravenhurst tariff zones respectively, show the Test Year Revenues for Transmission – Connection. In the same tables, the superscripts used do not appear to be defined.

Request

(a) Please discuss the alternate methodologies that were considered for the allocation of LV charges, explain their relative strengths and weaknesses, and rationalize the selection made.

(b) Please show the calculations for the Test Year Revenues for Transmission – Connection as displayed in Tables 1 and 4.

(c) Please define the superscripts used in Tables 1 and 4.

Response:

(a) No alternate methodologies were considered for the allocation of LV charges. The methodology of allocating the forecast LV charges as it was used in the 2006 EDR Model was chosen as this was a Board established and approved methodology and Veridian is unaware of any subsequent report or guidance published by the Board on allocation of LV charges.

(b) Please refer to Exhibit 10, Tab 1, Schedule 1, Attachment 3, page 35 and Exhibit 10, Tab 1, Schedule 1, Attachment 4, page 33.

(c) The superscripts used in Tables 1 and 4 can be disregarded for the purposes of this exhibit. These tables are extracts from the RateMaker Models where the superscripts are relevant.

46. Ref: Exhibit 8 / Tab 6 / Schedule 2 / Pages 1-2
Exhibit 8 / Tab 6 / Schedule 4 / Page 1

In Exhibit 8 / 6 / 2 / p1, the Applicant proposes a Distribution Loss Factor (DLF), a Supply Facility Loss Factor (SFLF) and a Total Loss Factor (TLF) of 2.995%, 1.54% and 4.581% respectively. In Exhibit 8 / 6 / 4 / p1, the Applicant shows the 3-year average for the loss factors to be the same as those just quoted.
However, also in Exhibit 8 / 6 / 2 / p1, the Applicant states: "As of May 1, 2009 loss factors applied at 6 of the 31 IESO delivery points have increased from 3.4% to 4.4%. The SFLF proposed for the test year uses these new factors for those delivery points."

Request

(a) Please confirm that the loss factors that the Applicant is applying for in 2010 are 2.995%, 1.54% and 4.581% as noted.

(b) Please explain how the higher loss factors at 6 of the 31 IESO delivery points and effective May 1, 2009, are also part of the Applicant's 2010 proposal which is numerically the average of the three *historical* years 2006, 2007 and 2008.

Response:

(a) Confirmed.

(b) As stated at Exhibit 8, Tab 6, Schedule 2, page 1, a Veridian_Main specific SFLF has been calculated based on a weighted average of losses applied at each delivery point by the supplier, either the IESO or Hydro One. The specific SFLF was calculated for 2009 using the most recent values of applied losses and the most recent metering configuration for the Veridian_Main service area, which included the increase for 6 of the 31 IESO delivery points as referenced above.

The 2009 Veridian_Main specific SFLF was calculated as 1.54%. This service area specific SFLF was then used in line H of Appendix 2-Q (Exhibit 8, Tab 6, Schedule 4, page1) for each of the years 2006 – 2008 to calculate the 3-year average for TLF. Veridian believes that it is appropriate to use the most recent values for SFLF, rather than a 3-year historic average as it is most representative of the losses that Veridian will have applied from suppliers in the Test Year.

47. Ref: Exhibit 8 / Tab 6 / Schedule 2 / Pages 1-2
Exhibit 8 / Tab 6 / Schedule 4 / Page 2

In Exhibit 8 / 6 / 3 / p1, the Applicant proposes a Distribution Loss Factor (DLF), a Supply Facility Loss Factor (SFLF) and a Total Loss Factor (TLF) of 6.504%, 3.4% and 10.125% respectively. In Exhibit 8 / 6 / 4 / p2, the Applicant shows the 3-year average for the loss factors to be the same as those just quoted. In Exhibit 8 / 6 / 3 / p1, the Applicant states that its three currently-approved loss factors are 8.354%, 0.045% and 8.884% and that these factors were calculated as part of the 2006 EDR application which used a different methodology.

Request

(a) In order to differentiate between loss factor changes that were the result of a different methodology versus a change in base data, please determine what the 2006 approved loss factors would have been if the current methodology had been used.

(b) If the newly-calculated 2006 DLF and/or SFLF are different from the historical values in Exhibit 8 / 6 / 4 / p2, please explain fully the physical changes that occurred in the Applicant's distribution system during the past few years.

Response:

(a) The 2006 Approved loss factors for Gravenhurst Hydro were calculated based on a 3-year average of data from 2002 - 2004. A copy of Schedule 10-5 of Gravenhurst Hydro's 2006 Distribution Rate Application (RP-2005-0020, DB-2005-0368) is attached.

The table below recalculates the 2006 loss factors using the format and calculations as prescribed in Appendix 2-Q.

Recalculation of 2006 Loss Factors-using calculations of Appendix 2-Q **Loss Factors - Veridian_Gravenhurst**

		2002	2003	2004	3 Year Average
	LOSSES in Distributor's System				
A-1	"Wholesale" kWh delivered to distributor (higher value)	98,402,812	100,814,897	100,741,566	
A-2	"Wholesale" kWh delivered to distributor (lower value)	95,167,130	97,499,900	97,428,981	
B	Portion of "Wholesale" kWh delivered to distributor for Large Use Customers	-	-	-	
C	Net "Wholesale" kWh delivered to distributor (A-2) - (B)	95,167,130	97,499,900	97,428,981	
D	"Retail" kWh delivered by Distributor	91,827,152	93,218,478	91,791,286	
E	Portion of 'Retail" kWh delivered by distributor for Large Use Customer	-	-	-	
F	Net "Retail: kWh delivered by distributor (D) - (E)	91,827,152	93,218,478	91,791,286	
G	Loss Factor in distributor's system [C / F]	***1.03637***	***1.04593***	***1.06142***	***1.0479***
	Losses Upstream of Distributor's System				
H	Supply Facility Loss Factor	***1.03400***	***1.03400***	***1.03400***	
	Total Losses				
	Total Loss Factor [G X H]	***1.07161***	***1.08149***	***1.09751***	***1.0835***

In this calculation, the losses applied at supply by Hydro One of 3.4% are included in the SFLF, rather than in the DLF (line G-Loss Factor in distributor's system).

(b) The newly-calculated 2006 DLF is different from the historical values in Exhibit 8, Tab 6, Schedule 4, page2.

Veridian is not aware of any physical changes within its distribution system in the Gravenhurst service area that would directly account for or contribute to this increase in system losses. However, as described in Exhibit 8, Tab 6, Schedule 3, page 1, lines 13-17, a change did occur in the wholesale metering configuration in November 2006. This change occurred as a result of the de-registration of Hydro One meters previously used by the IESO for commodity settlement purposes. Subsequently, Veridian settles directly with the IESO for volumes that include deliveries for Hydro One service area. Veridian then bills Hydro One directly for their metered volumes. Veridian applies the Hydro One supply loss factor of 3.4% on the charges to Hydro

One, but should the actual technical and non-technical losses for the Hydro One load be higher than 3.4%, the residual losses would be included in Veridian's distribution loss factor. Veridian has not conducted any engineering studies or tests to determine if this change in wholesale metering configuration is contributing to the increased losses but notes that the timing of the changes is coincident with the increase in calculated losses.

48. Ref: Exhibit 1 / Tab 1 / Schedule 14 / Page 1
Exhibit 8 / Tab 6 / Schedule 3 / Page 2

In the above references, the Applicant describes the background to the 2006 action plan it was required to file with the Board. In Attachment A, it files a copy of the action plan and on page 3 of the plan after describing the study it intended to perform states: "Based on the above study, the first loss reduction targeted operating and capital provisions will appear in Veridian's 2008 budget."

Request

(a) Please file a copy of the completed study.

(b) Please identify the referenced capital provisions that were included in the Applicant's 2008 budget and any subsequent capital provisions included in the current application (including the upgrade to the First Street Substation in Gravenhurst) for 2009 and 2010.

Response:

(a) The study has not been done. A Loss Evaluation Study was to be carried out following the gathering of GIS data, and subsequent preparation of system models. GIS data collection has been delayed due to resource constraints and difficulties with a vendor and has only recently begun, with an expected completion date of mid-2010. The Loss Evaluation Study will be completed by late 2010 and would guide 2011 and subsequent plans.

There are loss reduction effects attendant with some of the current Capital plans. Loss reduction is considered as a criterion in project selection. For example, conversion of the distribution system to a higher voltage will result in lower delivery losses.

(b) There were no referenced capital provisions included in the 2008 budget or in 2009. The first earmarked projects are in the 2010 plan:
- 2010 - First Street Sub – Conversion of old 5 MVA, 4.16 kV unit to 15 MVA 12.47 x 27.6 kV unit, $1,500,000
- 2010 - 4.16KV Voltage Conversion, $750,000

49. Ref: Exhibit 8 / Tab 7 / Schedule 4 / Pages 1-2

The Applicant shows, for the Main and Gravenhurst tariff zones in turn, the calculation of the Fixed Charge, the Variable Charge and the Gross Revenue which, in the case of the last mentioned, would seem to be the total of the first two charges.

Request

(a) Please verify that the Gross Revenue is the total of the Fixed Charge and the Variable Charge, or explain.

(b) If a) is answered in the affirmative, please confirm that, for the Main Residential class, the sum of the revenues from the two charges (i.e. $13,229,674 and $15,023,650) is $28,253,324 and not $28,803,926 as shown in the table.

(c) Please recalculate the Main and Gravenhurst tables as necessary and show any follow-on changes needed in the application.

Response:

(a) As explained in Exhibit 8, Tab 7, Schedule 4, page 1 lines 5-10, the Gross Revenue column includes LV charges to be recovered for each class as well as the total of the Fixed Charge and the Variable Charge. The allocation of the 2010 LV charges to rate classes can be found in Exhibit 8, Tab 5, Schedule 5, page 1 (Table 1) and page 3 (Table 4).

(b) Not applicable as explained above.

(c) Not applicable as explained above.

50. Ref: Exhibit 9 / Tab 2 / Schedule 2 / Page 3

On October 15, 2009, the Board's Regulatory Audit & Accounting group issued a bulletin related to Regulatory Accounting & Reporting of Account 1588 RSVA Power and Account 1588 RSVA Power Sub-account Global Adjustment.

Request

> Please confirm whether or not the Applicant plans on making any changes to its filing with respect to Account 1588

Response:

Veridian confirms that it does not plan on making any changes to its filing with respect to Account 1588.

51. Ref: Exhibit 9 / Tab 2 / Schedule 1 / Page 1

The Applicant states that for common accounts, the balances have been allocated on the basis of each zone's forecasted test year customer count.

Request

Please explain the selection of this rationale and describe any alternate approaches that were considered and rejected – and why.

Response:

Veridian selected the use of forecasted test year customer count as the allocator for the total balance of common accounts between its rate zones on the basis that customer counts most accurately reflected the cost driver of the various balances within the group on common accounts.

No, Veridian did not consider any alternate approaches.

52. Ref: Exhibit 9 / Tab 2 / Schedule 2 / Pages 5-6

The Applicant explains how it intends to record its 2009 PCB compliance costs in account 1572, Extraordinary Event Costs and seek Z-factor disposition at a later date. It also explains that it has estimated its 2010 to 2013 PCB compliance costs and has amortized these costs in the application over the 2010 to 2013 period.

Request

Please explain the rationale for handling the two sets of costs in the ways described.

Response:

The stated intention to record 2009 compliance in account 1572 and later seek Z-factor disposition is based on Veridian's understanding of the Board's expectations for the treatment of such costs incurred during an IRM rate year. This understanding was reached through review of the Board's Z-factor guidelines as contained within Chapter 3 of the Board's Filing Requirements for Transmission and Distribution Applications (dated July 22, 2009).

The guidelines state that "*A Z-factor is intended to provide for an unexpected material event that is not within the distributor's control*." They also state that "*A distributor must notify the Board by letter to the Board Secretary of all Z-factor events*" and "*apply to the Board for any cost recovery of amounts recorded in the Board-approved deferral account claimed under Z-factor treatment*." Veridian included the required Board notice of the Z-factor event as part of its 2010 rate application, but was not in a position to apply for recovery of amounts in the deferral account as they had not yet been incurred at the time its application was filed.

PCB compliance activity and related costs will peak in the 2010 test year at a projected magnitude of $400,000. Inclusion of these costs in the test year revenue requirement would result in a substantial over-collection of costs incurred during the subsequent IRM period. The proposal to amortize the projected 2010 to 2013 PCB compliance costs over the test year and subsequent IRM period is intended to more accurately match costs and revenues during the four year period.

53. Ref: Exhibit 9 / Tab 3 / Schedule 2 / Pages 1-3

The Applicant explains how, apparently for the Gravenhurst zone, the credit balance in account 2425 was brought about by Bill 210 making the then-interim rates final at a level that was higher than required in the long term. On page 3, the Applicant states: "Because the December 31st, 2008 balance of $387,465 was recovered pursuant to a final rate order, Veridian proposes to reclassify the balance as distribution revenues from prior periods."

Request

(a) Please confirm that the credit balance is applicable to the Gravenhurst tariff zone only.

(b) Please explain the mechanism that the Applicant is proposing whereby its customers would receive the benefit of the over-recovery to which they had contributed; specifically, over what period would the rate adder/rider apply. Please give full details.

(c) Please explain why it is apparently not being proposed to include this over-recovery with the other deferral and variance accounts shown in Table 2 in Exhibit 9 / 3 / 1 / page 3 when to do so would have the impact of further mitigating the proposed rate increase.

Response:

(a) Confirmed.

(b) and (c)
The Applicant has not proposed a mechanism to transfer the balance to the benefit of its customers. The balance in account 2425 was recovered pursuant to a final rate order. Altering that final rate order would amount to retrospective ratemaking.

54. Ref: Exhibit 9 / Tab 3 / Schedule 4 / Page 5

Tables 5 and 6 show the proposed general rate riders for the Main and Gravenhurst zones respectively.

Request

For each zone, please provide a reconciliation of the proposed rate riders with the balances being disposed.

Response:

In preparing its response to this interrogatory, Veridian has determined that the values shown in Tables 5 and 6 as referenced are incorrect.

The corrected tables are shown below:

Corrected Table 5 – Veridian_Main – Proposed General Rate Rider

Rate Class	Billing Parameter	Proposed Rate Rider May 1, 2010 to April 30, 2012
Residential	kWh	($0.0045)
GS < 50 kW	kWh	($0.0046)
GS > 50 kW	kW	($1.8069)
Intermediate Use	kW	($1.7658)
Large Use	kW	($2.5329)
Unmetered Scattered Load	kWh	($0.0045)
Sentinel Lighting	kW	($1.6712)
Street Lighting	kW	($1.6256)

Corrected Table 6 – Veridian_Gravenhurst – Proposed General Rate Rider

Rate Class	Billing Parameter	Proposed Rate Rider May 1, 2010 to April 30, 2012
Residential-Urban Yr Round	kWh	$0.0030
Residential-Suburban Yr Round	kWh	$0.0030
Residential-Suburban Seasonal	kWh	$0.0033
GS < 50 kW	kWh	$0.0030
GS > 50 kW	kW	$1.2281
Sentinel Lighting	kW	$0.9363
Street Lighting	kW	$1.0537

The calculation of these rate riders is provided in Exhibit 9, Tab 3, Schedule 4, Attachments 3 and 4. These calculations show the amounts in the corrected tables above.

As well, the correct amounts were included in Veridian's 2010 Proposed Tariff of Rates and Charges.

A reconciliation of the proposed rate riders with the balances being disposed for Veridian_Main can be found at Exhibit 10, Tab 1, Schedule 1, Attachment 3, page 65.

A reconciliation of the proposed rate riders with the balances being disposed for Veridian_Gravenhurst can be found at Exhibit 10, Tab 1, Schedule 1, Attachment 4, page 63.

55. Ref: Exhibit 9 / Tab 2 / Schedule 1 / Page 2
Exhibit 9 / Tab 4 / Schedule 4 / Attachment 1/ Pages 1-7

In Exhibit 9 / 2 / 1 / p2 / Table 2, the Applicant shows its Smart Meter Variance Account Balances as of December 31, 2008 to be:

- o 1555-Smart Meter Capital Variance $9,214,519
- o 1556- Smart Meter OM&A Variance $1,286,562

In the attachment, the Applicant shows the calculation of the $0.54 monthly rate rider and begins that calculation on page 1 with the 2009 entry:

- o Smart Meter Related Fixed Assets Net Book Value – Dec 31: $6,644,822

Request

Please compare and reconcile the values for accounts 1555 and 1556 in Exhibit 9 / 2 / 1 / p2 with the values in Exhibit 9 / 4 / 4 / Attachment 1 / pp1-2 and, in particular, identify where in the calculation of the rate rider the values from accounts 1555 and 1556 are represented.

Response:

Veridian has compared and reconciled the values for accounts 1555 and 1556 in Exhibit 9, Tab 2, Schedule 1, page 2 with the values in Exhibit 9, Tab 4, Schedule 4, Attachment 1, pages 1-2 and has provided this information in the tables below.

Table 1 – Reconciliation of 1555-Smart Meter Capital Variance Account - $9,214,519

			Reference
Balance of Account 1555 Dec 31, 2008		9,214,519	Exhibit 9/2/2/1, page 2
Less:Stranded Meters		(3,793,726)	Exhibit 9/4/3, page 1
Less:Carrying Charges		(172,195)	See Note 1 below
	Total	**5,248,598**	
Smart Meters - 1860		6,909,681	NBV to December 31, 2008
Computer Hardware-1920		148,397	NBV to December 31, 2008
Computer Software-1925		115,603	NBV to December 31, 2008
	Sub-total	7,173,681	Exhibit 9/4/4/1, page 1
Recoveries		(1,925,083)	Exhibit 9/4/4/1, page 1
	Total	**5,248,598**	

Note 1: Veridian has been applying carrying charges to Account 1555 as per the Board's Accounting Guidance for the Smart Meter Variance Accounts dated June 13, 2006. This directed LDC's to apply carrying charges to the monthly opening principal balance at the

prescribed rates. At the time of receiving approval of disposition of the account in a rate order, Veridian plans to reverse these carrying charges and follow the accounting guidance as provided in the Board's APH FAQ issued August 2008.

Table 2 – Reconciliation of 1556 - Smart Meter Capital Variance Account - $1,286,562

		Reference
Balance of Account 1556 Dec 31, 2008	1,286,563	Exhibit 9/2/2/1, page 2
Less:Carrying Charges	(36,136)	See Note 1 below
	1,250,427	
Depreciation Expense	645,466	Exhibit 9/4/4/1, page 1
Incremental Operating Expense	517,208	Exhibit 9/4/4/1, page 1
	1,162,674	
Difference	**87,753**	

Note 1: Veridian has been applying carrying charges to Account 1555 as per the Board's Accounting Guidance for the Smart Meter Variance Accounts dated June 13, 2006. This directed LDC's to apply carrying charges to the monthly opening principal balance at the prescribed rates. At the time of receiving approval of disposition of the account in a rate order, Veridian plans to reverse these carrying charges and follow the accounting guidance as provided in the Board's APH FAQ issued August 2008.

The difference calculated above of $87,753 is due to an understatement of Incremental Operating Expenses used in the calculation of the disposition of the Smart Meter Variance account at Exhibit 9, Tab 4, Schedule 4, pages 1 – 7.

Through this reconciliation, Veridian has identified this discrepancy and has updated the calculations of its proposed Smart Meter Disposition Rate Rider. With the change in incremental operating expenses, the rate rider increases from $0.54 per month to $0.61 per month.

The revised calculation is provided as Attachment 1.

REVISED - Calculation of Disposition of Smart Meter Deferral Account for Balances as of December 31, 2008

	2006	2007	2008	2009	Total
Rate Base Additions					
Smart Meter Related Fixed Assets Net Book Value - Dec 31	45,253	4,474,250	7,173,681	6,644,822	
Smart Meters - 1860				*6,449,036*	
Computer Hardware - 1920				*118,717*	
Computer Software - 1925				*77,068*	
Rate Base Addition	45,253	4,428,997	2,699,431	-	
Return Calculation per Year	**2006**	**2007**	**2008**	**2009**	
Average Net Fixed Assets	22,627	2,259,751	5,823,965	6,909,251	
15% Working Capital Allowance	-	23,460	67,284	-	
Total Rate Base	22,627	2,283,211	5,891,250	6,909,251	
Debt Cost	885	89,285	240,849	294,749	
Return on Equity	916	92,470	225,340	248,733	
Total Return on Rate Base	**1,801**	**181,755**	**466,189**	**543,482**	
Smart Meter Expenses (2006 - 2008)					
Incremental Operating Expense	-	156,399	448,562	-	
Depreciation Expense	925	175,475	469,066		
Total Expenses	**925**	**331,875**	**917,628**	**-**	
Revenue Requirement before PILs	**2,727**	**513,630**	**1,383,817**	**543,482**	**2,443,655**
Calculation of Income for PILs Purposes					
Incremental Operating Expenses	-	156,399	448,562	-	
Depreciation Expense	925	175,475	469,066		
Interest Expense	885	89,285	240,849	294,749	
Income for PILs purposes	916	92,470	225,340	248,733	
Grossed up PILs	**133**	**35,134**	**79,579**	**137,461**	**252,306**
Revenue Requirement before PILs					2,443,655
Grossed up PILs					252,306
	2,859	548,763	1,463,396	680,943	2,695,961
Less: Smart Meter Adder Recovery	(246,213)	(697,640)	(981,229)		(1,925,083)
Difference under/(over) recovered	(243,354)	(148,877)	482,166	680,943	770,879
Carrying Charge on Under/(over)Recovery (See below for Calc)	-	7,394	24,077	6,881	38,353
Difference Under/(over) Recovered plus Carrying Charge					**809,231**
Recovery on 2010 Forecasted number of metered Customers/Connections					111,284
Charge per metered customer per month					**$ 0.61**

Calculation of Disposition of Smart Meter Deferral Account for Balances as of December 31, 2008

Cost of Capital Assumptions

Long Term Debt Rate	7.11%	7.11%	7.11%	7.11%
Equity Rate	9.00%	9.00%	9.00%	9.00%

Capital Structure Assumptions

Long Term Debt Portion	55%	55%	57.5%	60%
Short Term Debt Portion				
Equity Portion	45%	45%	42.5%	40%

Prescribed Interest Rates OEB - Average Per Year	2006	2007	2008	2009
Q1		0.0459	0.0514	0.0245
Q2	0.0414	0.0459	0.0408	0.010
Q3	0.0459	0.0459	0.0335	0.0055
Q4	0.0459	0.0514	0.0335	0.0055
Average	0.0444	0.047275	0.0398	0.011375

Summary of Smart Meter Actual vs Estimated Costs
Veridian Connections

Summary of Actual vs Estimated costs	2006 Actual	2007 Estimate	2007 Actual	Variance	2008 Estimate	2008 Actual	Variance
Capital Costs *(must be installed, and used and useful)*							
Smart Meters	$ 46,179	$ 4,648,120	$ 4,365,648	$ (282,472)	$ 4,648,120	$ 3,043,273	$ (1,604,847)
Computer Hardware		$ 220,000	$ 136,045	$ (83,955)	$ 220,000	$ 51,086	$ (168,914)
Computer Software		$ 18,500	$ 102,779	$ 84,279	$ 18,500	$ 74,137	$ 55,637
Tools & Equipment			$ -	$ -			$ -
Other Equipment				$ -			$ -
Total Capital Costs	$ 46,179	$ 4,886,620	$ 4,604,472	$ (282,148)	$ 4,886,620	$ 3,168,497	$ (1,718,123)

Note: Credit indicates Actual less than Estimate

	2006 Actual	2007 Estimate	2007 Actual	Variance	2008 Estimate	2008 Actual	Variance
O M & A							
2.1 Advanced metering communication device (AMCD)					$ -	$ -	
2.2 Advanced metering regional collector (AMRC) (includes LAN)					$ -		
2.3 Advanced metering control computer (AMCC)		$ 55,000	$ 9,965	$ (45,035)	$ 55,000	$ 50,975	$ (4,025)
2.4 Wide area network (WAN)		$ 122,000	$ 22,093	$ (99,907)	$ 122,000	$ 145,220	$ 23,220
2.5 Other AMI OM&A costs related to minimum functionality		$ 302,000	$ 124,342	$ (177,658)	$ 302,000	$ 252,366	$ (49,634)
Total O M & A Costs	$ -	$ 479,000	$ 156,399	$ (322,601)	$ 479,000	$ 448,562	$ (30,438)
Amortization Expenses							
Smart Meters	$ 925	$ 180,000	$ 148,054	$ (31,946)	$ 180,000	$ 396,440	$ 216,440
Computer Hardware			$ 11,189	$ 11,189		$ 27,546	$ 27,546
Computer Software			$ 16,233	$ 16,233		$ 45,081	$ 45,081
Tools & Equipment							$ -
Other Equipment							
Total Amortization Expenses	$ 925	$ 180,000	$ 175,475	$ (4,525)	$ 180,000	$ 469,066	$ 289,066

Note: Credit indicates Actual less than Estimate

LDC Amortization Policy:	Amortization		Amort %age	CCA Class	CCA Rate	
Smart Meter Amortization Rate *Enter Amortization Policy*	15	Years	6.7%	47	8	%
Computer Hardware Amortization Rate *Enter Amortizatio*	5	Years	20.0%	45	45	%
Computer Software Amortization Rate *Enter Amortization*	3	Years	33.3%	45	45	%
Tools & Equipment Amortization Rate *Enter Amortization*	10	Years	10.0%	8	20	%
Other Equipment Amortization Rate *Enter Amortization Po*	10	Years	10.0%	8	20	%

Disposition of Smart Meter Deferral Account for Balances as of December 31, 2008

PILs Calculation

	2006	2007	2008	2009
Income Tax				
Net Income	916	92,470	225,340	248,733
Amortization	925	175,475	469,066	0
CCA - from Nt Fix Ass & UCC	-1,847	-228,361	-568,478	
Change in taxable income	(5)	39,584	125,929	248,733
Tax Rate	36.12%	36.12%	33.50%	33.00%
Income Taxes Payable	**(2)**	**14,298**	**42,186**	**82,082**
Ontario Capital Tax				
Rate Base	45,253	4,474,250	7,173,681	6,644,822
Less: Exemption	-	-	-	-
Deemed Taxable Capital	45,253	4,474,250	7,173,681	6,644,822
Ontario Capital Tax Rate	0.3000%	0.2850%	0.2250%	0.2250%
Net OCT Amount	**136**	**12,752**	**16,141**	**14,951**
	PILs Payable	**PILs Payable**	**PILs Payable**	**PILs Payable**
Change in Income Taxes Payable	-2	14,298	42,186	82,082
Change in OCT	136	12,752	16,141	14,951
PILs	134	27,049	58,327	97,033
Gross Up	36.12%	36.12%	33.50%	33.00%
Grossed Up PILs				
Income Tax	-3	22,382	63,438	122,510
OCT	136	12,752	16,141	14,951
Total	133	35,134	79,579	137,461

Disposition of Smart Meter Deferral Account for Balances as of December 31, 2008

Net Fixed Assets and UCC

Smart Meter Average Net Fixed Assets

Net Fixed Assets - Smart Meters	2006	2007	2008	2009
Opening Capital Investment	$ -	$ 46,178.51	$ 4,411,826.81	$ 7,455,100.14
Capital Investment *(3. LDC Assumptions and Data)*	$ 46,178.51	$ 4,365,648.30	$ 3,043,273.33	$ -
Closing Capital Investment	$ 46,178.51	$ 4,411,826.81	$ 7,455,100.14	$ 7,455,100.14
Opening Accumulated Amortization	$ -	$ 925.49	$ 148,979.13	$ 545,418.81
Amortization Year 1 (15 Years Straight Line)	$ 925.49	$ 148,053.64	$ 396,439.68	$ 460,645.42
Closing Accumulated Amortization	$ 925.49	$ 148,979.13	$ 545,418.81	$ 1,006,064.23
Opening Net Fixed Assets	$ -	$ 45,253.02	$ 4,262,847.68	$ 6,909,681.34
Closing Net Fixed Assets	$ 45,253.02	$ 4,262,847.68	$ 6,909,681.34	$ 6,449,035.91
Average Net Fixed Assets	$ 22,626.51	$ 2,154,050.35	$ 5,586,264.51	$ 6,679,358.62

Net Fixed Assets - Computer Hardware	2006	2007	2008	2009
Opening Capital Investment	$ -	$ -	$ 136,045.20	$ 187,131.69
Capital Investment *(3. LDC Assumptions and Data)*	$ -	$ 136,045.20	$ 51,086.49	$ -
Closing Capital Investment	$ -	$ 136,045.20	$ 187,131.69	$ 187,131.69
Opening Accumulated Amortization	$ -	$ -	$ 11,188.97	$ 38,734.87
Amortization Year 1 (5 Years Straight Line)	$ -	$ 11,188.97	$ 27,545.91	$ 29,679.36
Closing Accumulated Amortization	$ -	$ 11,188.97	$ 38,734.87	$ 68,414.23
Opening Net Fixed Assets	$ -	$ -	$ 124,856.24	$ 148,396.82
Closing Net Fixed Assets	$ -	$ 124,856.24	$ 148,396.82	$ 118,717.46
Average Net Fixed Assets	$ -	$ 62,428.12	$ 136,626.53	$ 133,557.14

Net Fixed Assets - Computer Software	2006	2007	2008	2009
Opening Capital Investment	$ -	$ -	$ 102,778.61	$ 176,915.91
Capital Investment *(3. LDC Assumptions and Data)*	$ -	$ 102,778.61	$ 74,137.30	$ -
Closing Capital Investment	$ -	$ 102,778.61	$ 176,915.91	$ 176,915.91
Opening Accumulated Amortization	$ -	$ -	$ 16,232.57	$ 61,313.26
Amortization Year 1 (3 Years Straight Line)	$ -	$ 16,232.57	$ 45,080.69	$ 38,534.22
Closing Accumulated Amortization	$ -	$ 16,232.57	$ 61,313.26	$ 99,847.47
Opening Net Fixed Assets	$ -	$ -	$ 86,546.04	$ 115,602.66
Closing Net Fixed Assets	$ -	$ 86,546.04	$ 115,602.66	$ 77,068.44
Average Net Fixed Assets	$ -	$ 43,273.02	$ 101,074.35	$ 96,335.55

Disposition of Smart Meter Deferral Account for Balances as of December 31, 2008

Net Fixed Assets and UCC

Net Fixed Assets - Tools & Equipment	2006	2007	2008	2009
Opening Capital Investment	$ -	$ -	$ -	$ -
Capital Investment *(3. LDC Assumptions and Data)*	$ -	$ -	$ -	$ -
Closing Capital Investment	$ -	$ -	$ -	$ -
Opening Accumulated Amortization	$ -	$ -	$ -	$ -
Amortization Year 1 (10 Years Straight Line)	$ -	$ -	$ -	$ -
Closing Accumulated Amortization	$ -	$ -	$ -	$ -
Opening Net Fixed Assets	$ -	$ -	$ -	$ -
Closing Net Fixed Assets	$ -	$ -	$ -	$ -
Average Net Fixed Assets	$ -	$ -	$ -	$ -

Net Fixed Assets - Other Equipment	2006	2007	2008	2009
Opening Capital Investment	$ -	$ -	$ -	$ -
Capital Investment *(3. LDC Assumptions and Data)*	$ -	$ -	$ -	$ -
Closing Capital Investment	$ -	$ -	$ -	$ -
Opening Accumulated Amortization	$ -	$ -	$ -	$ -
Amortization Year 1 (10 Years Straight Line)	$ -	$ -	$ -	$ -
Closing Accumulated Amortization	$ -	$ -	$ -	$ -
Opening Net Fixed Assets	$ -	$ -	$ -	$ -
Closing Net Fixed Assets	$ -	$ -	$ -	$ -
Average Net Fixed Assets	$ -	$ -	$ -	$ -

Disposition of Smart Meter Deferral Account for Balances as of December 31, 2008

Net Fixed Assets and UCC

For PILs Calculation

UCC - Smart Meters

CCA Class 47 (8%)	2006	2007	2008	2009
Opening UCC	$ -	$ -	$ 4,191,022.37	$ 6,777,282.98
Capital Additions	$ 46,178.51	$ 4,365,648.30	$ 3,043,273.33	$ -
UCC Before Half Year Rule	$ 46,178.51	$ 4,365,648.30	$ 7,234,295.70	$ 6,777,282.98
Half Year Rule (1/2 Additions - Disposals)	$ 23,089.26	$ 2,182,824.15	$ 1,521,636.67	$ -
Reduced UCC	$ 23,089.26	$ 2,182,824.15	$ 5,712,659.03	$ 6,777,282.98
CCA Rate Class 47	8.0%	8.0%	8.0%	8.0%
CCA	$ 1,847.14	$ 174,625.93	$ 457,012.72	$ 542,182.64
Closing UCC	$ 44,331.37	$ 4,191,022.37	$ 6,777,282.98	$ 6,235,100.34

UCC - Computer Equipment

CCA Class 45 (45%)	2006	2007	2008	2009
Opening UCC	$ -	$ -	$ 185,088.45	$ 198,847.09
Capital Additions Computer Hardware	$ -	$ 136,045.20	$ 51,086.49	$ -
Capital Additions Computer Software	$ -	$ 102,778.61	$ 74,137.30	$ -
UCC Before Half Year Rule	$ -	$ 238,823.81	$ 310,312.24	$ 198,847.09
Half Year Rule (1/2 Additions - Disposals)	$ -	$ 119,411.91	$ 62,611.90	$ -
Reduced UCC	$ -	$ 119,411.91	$ 247,700.35	$ 198,847.09
CCA Rate Class 45	45%	45%	45%	45%
CCA	$ -	$ 53,735.36	$ 111,465.16	$ 89,481.19
Closing UCC	$ -	$ 185,088.45	$ 198,847.09	$ 109,365.90

UCC - General Equipment

CCA Class 8 (20%)	2006	2007	2008	2009
Opening UCC	$ -	$ -	$ -	$ -
Capital Additions Tools & Equipment	$ -	$ -	$ -	$ -
Capital Additions Other Equipment	$ -	$ -	$ -	$ -
UCC Before Half Year Rule	$ -	$ -	$ -	$ -
Half Year Rule (1/2 Additions - Disposals)	$ -	$ -	$ -	$ -
Reduced UCC	$ -	$ -	$ -	$ -
CCA Rate Class 8	20%	20%	20%	20%
CCA	$ -	$ -	$ -	$ -
Closing UCC	$ -	$ -	$ -	$ -

56. Ref: Exhibit 9 / Tab 4 / Schedule 3 / Page 1

The Applicant discusses stranded costs relating to the mechanical meters.

Request

(a) Please itemize and quantify the benefits and costs (e.g. reduced meter costs) associated with the deployment of smart meters included in this application.

(b) Please clarify if the Applicant has complied with all requirements of the OEB's "G-2008-0002 Guideline: Smart Meter Funding and Cost Recovery" including the interpretation of minimal functionality, the smart meter procurement process, etc. as listed on page 2 of the Guideline.

Response:

(a) OM&A costs incurred to December 31, 2008 associated with the deployment of smart meters have been itemized in its calculation of the smart meter disposition rate rider at Exhibit 9, Tab 4, Schedule 4, Attachment 1, page 3. A summary of smart meter actual vs. Estimated OM&A costs has been provided. Cost categories used are those from Appendix "A" of the Board's Decision and Order on EB-2007-0063, Smart Metering Combined Proceeding.

Veridian proposes recovery of the December 31, 2008 balances of Account 1556 through the disposition rate rider referenced above.

No OM&A costs or capital investments for 2009 and 2010 associated with the deployment of smart meters, are included in the calculation of the proposed 2010 Test Year revenue requirement. In accordance with the Guideline, Veridian will continue to record its smart meter expenditures and revenues in 2009 and 2010 in the appropriate variance accounts, and upon completion of its smart meter implementation plan will apply to the Board for disposition of the variance account.

The benefits associated with the deployment of smart meters included in this application are reduced meter reading costs in the 2010 Test Year revenue requirement. Please refer to Exhibit 4, Tab 4, Schedule 4, page 14 lines 6 – 12.

(b) Veridian believes it has complied with all the requirements of the OEBs "G-2008-0002 Guideline: Smart Meter Funding and Cost Recovery", including the interpretation of the items as listed on page 2 of the Guideline.

57. Ref: Exhibit 9 / Tab 3 / Schedule 1 / Pages 1-4

The Board has commenced a proceeding (EB-2008-0381) to review PILs. The Board has indicated that the results of this proceeding will inform its policies on the disposition of balances in the PILs accounts 1562, 1563 and 1592.

Request

> Please state why has the Applicant has applied to dispose of the balance in PILs account 1592 before the Board reaches its decision on the matters in case EB-2008-0381.

Response:

Veridian notes that this rebasing application is the first opportunity it has had to propose disposition of the balance of account 1592 since its inception.

Veridian notes that even with the clearance of account 1592 for the amounts up to December 31, 2008, amounts will continue to be booked to this account for future disposition. Any possible adjustments which may arise from the conclusion of the referenced proceeding can be booked to this account for disposition at a future date.

58. Ref: Exhibit 9 / Tab 3 / Schedule 3 / Page 1

According to the "Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)" (EB-2008-0046), disposition of account 1590 is to be allocated to rate classes in proportion to the recovery share as established when rate riders were implemented. The Applicant has used kWh.

Request

Please recalculate the rate rider using the default allocation factor as per the Board report EB-2008-0046.

Response:

In the "Report of the Board on Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)" – (EB-2008-0046), when referencing balances in Accounts 1590 and 1595, the Board states *"The Board expects that the residual balances in these Accounts would not be material. The Board is of the view that the approach set forth in the Phase 2 Decision should be maintained for the reasons outlined in that Decision. However, a distributor should identify in its application any circumstances that may warrant a different approach."*

Veridian believes that recalculation of the rate rider using the default allocation factor for Account 1590 would be a complex exercise that would not materially change the resulting general rate rider.

Account 1590 is used to record the difference between amounts previously approved by the Board for disposition and amounts actually collected or refunded from/to customers by means of a rate rider. In the case of Veridian's 2008 YE Account 1590 balances, this difference relates to amounts previously approved by the Board for disposition relating to those accounts included in the Board's combined Decision for the Recovery of Regulatory Assets – Phase 2 Decision dated December 9, 2004. The table below provides a list of these accounts, the original balances approved for recovery and the allocators used for the Veridian_Main service area.

Table 1: Accounts and balances approved for Final Recovery – Veridian_Main (EB-2005-0422/23/24/25)

Account	Amount	$$ - %age of Total	Allocator
WMS-1580	$7,140,046	-7.12%	kWh
WMS – 1582	$557,515	-0.56%	kWh
Network – 1584	$5,278,035	-5.26%	kWh
Connection-1586	($6,388,249)	6.37%	kWh
Power – 1588	($10,865,047)	10.84%	kWh
Other Reg Assets–1508	116,326	-0.12%	Dx Revenues
RCVA-1518	$152,684	-0.15%	# of Customers
RCVA-1548	$27,880	-0.03%	# of Customers
Rebate Cheques-1525	$105,821	-0.11%	# Cust/w rebate cheque
Hydro One – 1525	$62,452	-0.06%	Dx Revenues
Pre-Mkt Open Variance-1571	$2,157,514	-2.15%	kWh – non TOU Customer
Transition Costs – 1570	$652,338	-0.65%	# of Customers
Total	($1,002,685)		

Collectively, the accounts originally allocated on kWh make up the largest percentage of the dollar value originally approved for disposition. On this basis, Veridian believes that kWh is an appropriate allocator for the remaining balances on Account 1590.

Furthermore, Veridian believes that the balances of Account 1590, for both the Veridian_Main and Veridian_Gravenhurst rate zones, proposed for disposition are immaterial in relation to the total of the account balances being proposed for disposition and that such a change in the allocation of these amounts would not materially change the calculated general rate rider.

In Veridian_Main, the balance of Account 1590 is ($209,549) and is less than 1% of the total proposed for disposition, ($21,839,284) through a general rate rider.

On this basis, Veridian does not believe it is appropriate to recalculate the rate rider using the default allocation factor.