1. Ref: Exhibit 2
Exhibit 4

The provincial government has announced plans to harmonize the provincial retail sales tax (RST) with the goods and services tax (GST) effective July 1, 2010 to create harmonized sales tax (HST). Based on the proposed elimination of the RST effective July 1, 2010:

Request

(a) Please confirm that Veridian Connections has not made any adjustments to the OM&A forecasts shown in Exhibit 4 to reflect the elimination of the 8% provincial sales tax.

(b) Please provide the estimated costs of the provincial sales tax included in the OM&A forecast for 2010.

(c) Please provide the amount of provincial sales tax paid by Veridian Connections in each of 2006, 2007, 2008 and 2009 on OM&A expenses.

(d) Is there any reduction in compliance costs that will result from the reduction in the administrative burden on Veridian Connections to comply with two separate sets of tax rules?

(e) Please confirm that Veridian Connections has not made any adjustments to the capital expenditure forecasts shown in Exhibit 2 to reflect the elimination of the 8% provincial sales tax.

(f) Please provide the estimated costs of the provincial sales tax included in the capital expenditures included in rate base forecast for 2010.

(g) Please provide the amount of provincial sales tax paid by Veridian Connections on capital expenditures included in rate base in each of 2006, 2007, 2008 and 2009.

(h) If Veridian Connections is unable to quantify the impact of the removal of the provincial sales tax, is Veridian Connections agreeable to the creation of a deferral account into which the resulting savings would be placed and rebated to customers in the future? If not, why not?

Response:

(a) Confirmed.

(b) No detail calculations of provincial sales tax included in forecast 2010 OM&A expenses is available. Based on the 3-year average of 2007 – 2009 (noting that 2009 is to October 31st), the provincial sales tax included in the full year forecast 2010 OM&A is $48,475. This amount however cannot be considered the avoided cost in the 2010 Test Year due to the July 1st proposed harmonized sales tax.

Assuming purchases occur evenly over the 12 month period, Veridian Connections would incur one half of this estimate of provincial sales tax. The estimated avoided cost of provincial sales tax in the 2010 forecast of OM&A expenses is calculated as $24,237.

(c) The following table provides estimates of provincial sales tax paid by Veridian Connections on OM&A expenses in each of the years requested. Amounts for 2009 are to October 31st.

Year	PST on OM&A
2006	21,422
2007	40,104
2008	48,489
2009	47,361

(d) No, there is no reduction in compliance costs that will result from the reduction in the administrative burden on Veridian Connections to comply with two separate sets of tax rules.

(e) Confirmed.

(f) No detail calculations of provincial sales tax included in forecast 2010 capital expenditures expenses is available. Based on the 3-year average of 2007 – 2009 (noting that 2009 is to October 31st), the provincial sales tax included in the full year forecast 2010 capital expenditures is $599,799. This amount however cannot be considered the avoided capital expenditure costs in the 2010 Test Year due to the July 1st proposed harmonized sales tax.

Assuming purchases occur evenly over the 12 month period, Veridian Connections would incur one half of this estimate of provincial sales tax in its capital expenditures. The estimated avoided cost of provincial sales tax in the 2010 forecast of capital expenditures is calculated as $299,890.

(g) The following table provides estimates of provincial sales tax paid by Veridian Connections on capital expenditures in each of the years requested. Amounts for 2009 are to October 31st.

Year	PST on Capex
2006	254,489
2007	557,818
2008	434,806
2009	672,261

(h) Please see the response to Board Staff Interrogatory #32.

2. Ref: Exhibit 1 / Tab 1 / Schedule 11

Request

(a) Are any of the costs associated with the Board of Directors of Veridian Corporation and/or Veridian Energy Inc. included in the costs included in the filing by Veridian Connections for recovery through the revenue requirement? If yes, please identify and quantify these costs.

(b) Please explain why no services are forecast to be exchanged between Veridian Connections and Veridian Energy Inc. in the test year when it appears that services were exchanged in 2009.

(c) Please quantify the costs related to the services exchanged between Veridian Connections and Veridian Energy Inc. in each of 2006 through 2009.

(d) Has Veridian Energy Inc. terminated the Transitional Services Agreement with Veridian Connections? If yes, please provide a copy of the termination agreement and the effective date of the termination.

Response:

(a) Costs associated with the Boards of Directors of Veridian's affiliates are not included in Veridian's proposed revenue requirement.

(b) Veridian's plan to eliminate all shared services by the end of the bridge year is explained in Exhibit 4/Tab 6/Schedule 3/Pages 2 and 3. For convenience, the relevant reference in this Exhibit is as follows:

> *"By the end of the bridge year, Veridian plans to eliminate all shared services with its energy services affiliate. This will be facilitated through Veridian Energy Inc.'s sale of its fibre optic communications assets, and its retention of unaffiliated third party support for the operation of its rental equipment business. Veridian Energy Inc. will also instate a new President and CEO, thereby eliminating the current sharing arrangements with Veridian."*

An update on the status of this plan is provided in response to School Energy Coalition Interrogatory number 3.

(c) The costs related to services exchanged between Veridian and Veridian Energy Inc. for each of these years is provided in Appendix 2-M which can be found at Exhibit 4/Tab 6/Schedule 5/Attachment 1.

(d) The Transitional Services Agreement has not been terminated. Please refer to the response to School Energy Coalition Interrogatory number 3 for further information.

3. Ref: Exhibit 2 / Tab 4 / Schedule 1 / Table 1

Request

(a) How many months of actual spending and how many months of forecasted spending are included in the 2009 forecast shown in Table 1: 2009 Forecast Projects?

(b) Please provide an updated Table 1 reflecting the most recent year-to-date actual expenditures along with a projection of expenditures that will be made in the remainder of 2009.

Response:

(a) Table 1 as filed was based entirely on forecasted spending.

(b) Table 1: 2009 Forecast Projects ($000's)

Investment Category	**2009 Forecast as filed**	**2009 YTD Actual Expenditures @ 10/31/2009**	**2009 Year end Projected Expenditures**
Development	8,157	5,325	7,868
Sustainment	6,713	5,800	7,961
Fleet	1,310	786	1,086
Facilities	1,141	553	695
IT	2,454	744	1,934
Miscellaneous	103	45	103
Total Gross Investment	**19,877**	**13,253**	**19,647**
Contributed Capital included in above	3,301	3,256	3,835

Veridian's 2009 Total Investment remains on plan despite the carry-over of some planned projects to 2010. The costs of the carry-over projects, no longer included in the 2009 total, are largely offset by some projects unexpectedly carried over from 2008 and completed in 2009, as well as by some unplanned projects. The 2008 projects which extended into 2009 were not included in the original filing due to oversight. The 2009 planned projects carried over to 2010 have been disclosed in our response to Energy Probe Interrogatory #4.

The unexpected carry-overs into 2009 and the 2009 unplanned activity includes only two projects that have exceeded Veridian's materiality threshold of $240K – the details of these two projects are as follows:

Project # 1 – Trinity Intervivos Development (carry-over) – this is an expansion to Veridian's system as a result of a large big box store development in the Gravenhurst area. This development is now in-service and system expansion represents 2009 Capital Spending in the amount of $257K.

Project #2 – Gravenhurst Storm – August 20, 2009 (unplanned) – this represents the replacement of assets resulting from a severe storm. The assets are in-service and this work represents 2009 Capital Spending in the amount of $268K.

4. Ref: Exhibit 2 / Tab 4 / Schedule 2

Request

For each project with an in service date in 2009 shown in each of Tables 1, 2, 3, 4 & 5, please confirm whether or not the project is still expected to be in service before the end of 2009.

Response:

The following table addresses this interrogatory. It should be noted that although some projects continue past 2009, the portions completed in 2009 were used and useful in that year. Therefore there was no work in progress.

In Service Date Updates to Table 1: DEVELOPMENT

Year	Project Name	Planned In Service Date	In Service by end of 2009? (Yes/No/Partial)	Reference
2009	2009 New Residential Developments	January - December 2009	Yes	Ex 2, Tab 5, Schedule 1, Page 9
	Bell Boulevard, Belleville, Extension and Line Relocation to suit Road Work	October 2009	Yes	Ex 2, Tab 5, Schedule 1, Page 10
	Transformers for General Service	January - December 2009	Yes	Ex 2, Tab 5, Schedule 1, Page 12
	Altona Road, Pickering, Line Relocation	November 2009	Partial in service in 2009, balance carried over to 2010	Ex 2, Tab 5, Schedule 1, Page 13
	Jane Forrester Park Phase 2, Belleville	September 2009	Yes	Ex 2, Tab 5, Schedule 1, Page 14
	Whitby TS #2 - 27.6kV System Switching	November 2009	Yes	Ex 2, Tab 5, Schedule 1, Page 16
	Duffin Creek WPCP, Pickering, 44kV Cct. Part 2, Phase 1	October 2009	No	Ex 2, Tab 5, Schedule 1, Page 17

Year	Project Name	Planned In Service Date	In Service by end of 2009? (Yes/No/Partial)	Reference
	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	September 2009	Yes	Ex 2, Tab 5, Schedule 1, Page 19
	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.	December 2009	Yes	Ex 2, Tab 5, Schedule 1, Page 21
	Brock St. W., Uxbridge, Road Reconstruction	December 2009	Yes	Ex 2, Tab 5, Schedule 1, Page 23

In Service Date Updates to Table 2: SUSTAINMENT

Year	Project Name	Planned In Service Date	In Service by end of 2009? (Yes/No/Partial)	Reference
2009	South Ajax Feeder Automation - Phase 1 (SARP)	October 2009	Yes	Ex 2, Tab 5, Schedule 2, Page 14
	Bowmanville Adapti-Volt Program	August 2009	Yes	Ex 2, Tab 5, Schedule 2, Page 21
	Sidney SS T1, Belleville, Rebuild following forced removal from service	July 2009	Yes	Ex 2, Tab 5, Schedule 2, Page 23
	LIS Installation - Belleville	November 2009	No	Ex 2, Tab 5, Schedule 2, Page 24
	Whitby TS 44kV System Capacitors	October 2009	No	Ex 2, Tab 5, Schedule 2, Page 25
	Harwood Avenue, Ajax, Cable Replacement	October 2009	No	Ex 2, Tab 5, Schedule 2, Page 27
	2009 Pole Replacements	January - December 2009	Yes	Ex 2, Tab 5, Schedule 2, Page 28

Year	Project Name	Planned In Service Date	In Service by end of 2009? (Yes/No/Partial)	Reference
	Retail Meters (excluding Smart Meters)	January - December 2009	Yes	Ex 2, Tab 5, Schedule 2, Page 30
	2009 Substation Oil Containment	December 2009	Yes	Ex 2, Tab 5, Schedule 2, Page 32
	Cavan Street North, Port Hope, Rebuild	August 2009	Yes	Ex 2, Tab 5, Schedule 2, Page 34
	LIS Installation - Gravenhurst	July 2009	Yes	Ex 2, Tab 5, Schedule 2, Page 35

In Service Date Updates to Table 3: Fleet

Year	Project Name	Planned In Service Date	In Service by end of 2009? (Yes/No/Partial)	Reference
2009	2009 Fleet Program	Jan 2009 - Dec 2009	Partial: Off-Road utility and Ajax Forklift carried over to 2010	Ex 2, Tab 5, Schedule 3, Page 1

In Service Date Updates to Table 4: Facilities

Year	Project Name	Planned In Service Date	In Service by end of 2009? (Yes/No/Partial)	Reference
2009	Ajax - General Renovations	Jan 2009 - Dec 2009	Partial: Metering move and Linesman office move carried over to 2010	Ex 2, Tab 5, Schedule 4
	Ajax - Yard - General Improvements	Jan 2009 - Dec 2009	Partial: Garage and Storage shed carried over to 2010.	Ex 2, Tab 5, Schedule 4
	Pickering - 1st Floor Expansion	Jan 2009 - Dec 2009	Yes	Ex 2, Tab 5, Schedule 4
	All Facilities - PCB Containment	Jan 2009 - Dec 2009	Partial: Gravenhurst and Ajax locations carried over to 2010.	Ex 2, Tab 5, Schedule 4
	Metering - Leasehold Improvements	Jan 2009 - Dec 2009	No	Ex 2, Tab 5, Schedule 4

Year	Project Name	Planned In Service Date	In Service by end of 2009? (Yes/No/Partial)	Reference
	Gravenhurst – Generator/ General Renovations	Jan 2009 - Dec 2009	Yes	Ex 2, Tab 5, Schedule 4

In Service Date Updates to Table 5: Information Technologies

Year	Project Name	Planned In Service Date	In Service by end of 2009? (Yes/No/Partial)	Reference
2009	Outage Management System	October 2009	Yes	Ex 2, Tab 5, Schedule 5, Page 8
	GIS - Data Conversion - Gravenhurst and Programming Enhancements	December 2009	No	Ex 2, Tab 5, Schedule 5, Page 12
	Server and Storage and Virtualization	September - December 2009	Yes	Ex 2, Tab 5, Schedule 5, Page 16
	Control Room Systems Upgrade	January - December 2009	Yes	Ex 2, Tab 5, Schedule 5, Page 18
	2009 Computing Replacements and Additions	January - December 2009	Yes	Ex 2, Tab 5, Schedule 5, Page 20
	Mobile Computing	December 2009	No	Ex 2, Tab 5, Schedule 5, Page 22
	IFRS Modifications/Customizations	December 2009	No	Ex 2, Tab 5, Schedule 5, Page 23

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

Request

(a) Please provide the most recent year-to-date number of new residential connections for 2009.

(b) What is the relationship between the number of new residential connections and the number of new residential building lots?

(c) Please explain how the capital contribution from the municipality has determined for the Bell Boulevard project shown on page 10. Please also indicate the total cost associated with the relocation only.

(d) How many new General Service customers have Veridian Connections connected in 2009, as compared to the forecast of 20 shown on page 12?

(e) Please explain how the capital contribution from the municipality for the Altona Road project shown on page 13 has been derived. In particular, why is the capital contribution only equal to 25% of the total cost?

(f) Please explain how the capital contribution from the municipality for the Jane Forrester Park project shown on page 14 has been derived. In particular, why is the capital contribution equal to 77.5% of the total cost?

(g) Please explain how the municipal capital contribution of $116,000 or 40% of the total cost has been determined for the Brock Street West project shown on page 23.

(h) Based on the best information now available, will all of the 2010 projects shown on pages 24 through 39 be in service by the end of 2010? If not, please provide details.

(i) Does Veridian Connections have any more recent forecasts for the number of new residential lots to be serviced in 2010 (page 27)? If so, please provide the most recent projection for 2010 lots.

(j) Please explain how the capital contribution from the municipality for the Bayly Street Rebuild project shown on page 34 and the Westney Road Rebuild project shown on page 35 have been derived. In particular, why is the capital contribution equal to 25% of the total cost?

Response:

(a) As of November 30, 2009 the number of new residential connections in 2009 is 903.

(b) The number in (a) is "new residential connections" and indicates new homes that have been physically connected to the power system (taking or capable of taking power). "New residential building lots" are simply lots available to be serviced – more specifically those that have been created by plan of subdivision or similar legal property creation process, where the land owner has applied for or intends to apply for an Offer to Connect, and that have a municipal address. In any given period, there is no set relationship between the number of new lots and the number of new connections.

(c) The Public Service Works on Highways Act Section 2 (2), sets out the methodology for apportionment of costs. The capital contribution from the municipality is based on this methodology with the usual cost sharing arrangement being as follows:

50%/50% between the municipality / Veridian for labour, vehicles, and contractors costs and,

0%/100% between the municipality / Veridian for material costs.

Typically, the labour, vehicles, and contractor costs in a project are approximately 50% of the total project cost, with the material costs being the other 50%. Thus the typical net result is that the municipality pays approximately 25% (50% of 50%) of the total project cost. The capital contribution from the municipality for the Bell Boulevard (Belleville) was based on the fact that the municipality will contribute to the relocation costs only. The project included an extension of underground primary cable that was not part of the relocation costs. The total cost of the project was $717,500, the amount for the underground extension $178,400, and the relocation portion $539,100. The cost sharing, based on allowable costs in the relocation portion only, amounted to $196,000.

(d) As of November 30, 2009, Veridian connected 34 General Service customers in 2009.

(e) The methodology noted in c) above applies also to the Altona Road project. Based on that, the municipality's cost is therefore approximately 25% of the total project cost.

(f) The cost sharing arrangement noted in (c) applies when it is a like-for-like replacement or reconstruction. A typical example would be when existing overhead plant is replaced by new overhead plant that is constructed in an alternate location to clear the way for a new road or to accommodate a road widening. The cost sharing arrangement does not apply when it is not a like-for-like replacement or reconstruction. A typical example would be when existing overhead plant must be replaced by underground plant. In these cases, it is usually the municipality that requests that the new relocated plant be placed underground. The municipality's request is made for community or aesthetic reasons rather than for technical reasons. In such cases an agreement would be reached with the municipality to have them absorb a higher proportion of the costs to cover the additional costs of placing the new plant underground. This is the case for the Jane Forrester Park project, where a significant amount of high voltage cable and associated equipment was installed as part of the work to accommodate a new road.

(g) The cost sharing arrangement explained in (f) also applies to the Brock Street West project. With this project however, only low voltage cable was placed underground so the additional cost is significantly less with a resulting lower allocation percentage to the municipality.

(h) Please refer to our response to Consumers Council of Canada Interrogatory #6.

(i) Veridian does not have an update to the forecast of 830 lots for 2010.

(j) See (c) above.

6. Ref: Exhibit 2 / Tab 5 / Schedule 3

Request

(a) What is the scrap value of the vehicles scheduled to be replaced in 2010 (pages 4 & 5)?

(b) Please indicate where in the evidence the revenue associated with the scrap value is shown in 2010.

Response:

(a) The estimated scrap value of the pickup trucks to be replaced in 2010 is $1,000. The estimated scrap value of the bucket trucks to be replaced in 2010 is $15,000 each. The estimated scrap value of the digger/derrick trucks to be replaced in 2010 is $25,000 each.

(b) The revenue associated with the scrap value is not referenced in the evidence. The vehicles being replaced within the test year are not owned by Veridian Connections. They are owned by the affiliate, Veridian Corporation. Since the corporate restructuring in 2007, Veridian Connections was given use of the vehicles free of charge while Veridian Corporation retained title of the vehicles. This arrangement was put in place in 2007 due to the additional costs that would have been incurred in license transfers and sales tax involved with changing of title and was considered the least cost arrangement for Veridian Connections. As Veridian Corporation owns the vehicles to be replaced, revenues associated with scrap value upon sale will accrue to Veridian Corporation.

7. Ref: Exhibit 2 / Tab 5 / Schedule 4

Request

(a) Please provide the detailed cost breakdown for the Ajax building expansion referred to on page 4. Please explain any variance from the total cost of $2,230,000 forecast.

(b) Will the building expansion project be completed before the end of 2010?

Response:

(a) See amended Application Update – Amended Building Expansion

(b) The building expansion project is forecast to be completed before the end of 2010. The Application Update provides an Implementation Schedule that outlines milestones to be achieved to meet a project completion date by or before December, 2010.

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

Request

(a) Please explain why Veridian Connections has included the IFRS related costs shown on page 23 in the revenue requirement, rather than in the deferral account that will be established by the Board as indicated in the July 28, 2009 Report of the Board – Transition to International Financial Report Standards.

(b) Are there any capital costs in 2010 related to IFRS? If yes, please identify.

(c) Does Veridian Connections agree that if the IFRS related costs are included in the revenue requirement there should be a variance account established around this amount? If not, why not?

Response:

(a) Veridian had included 2009 capital costs related to IFRS of $100,000, however this project has been delayed and the total amount of the capital expenditure and timing are uncertain at this time. Veridian will record the capital costs spent on this project to the established deferral account. As can be seen in the response to Energy Probe Interrogatory #3, although some originally planned 2009 projects have been deferred to 2010, total capital expenditures in 2009 are expected to be at original planned levels and rate base values will be unaffected by the change in treatment for the IFRS project.

(b) No, there are no capital costs in 2010 related to IFRS.

(c) In its report, the Board identified three types of IFRS related costs, one-time transition costs, ongoing administrative costs, and impacts/costs resulting from changes in accounting.

The Board indicated that one-time transition costs related to IFRS should be recorded in a variance account. Veridian agrees with this treatment of one-time transition costs and has indicated in its evidence that it has complied with this treatment (Ref: Exhibit 4, Tab 3, Schedule 4, pages 2 and 3, Exhibit 4, Tab 4, Schedule 4, page 11). As outlined in part a) above, Veridian will record the cost of the one-time capital project related to transition to IFRS in the variance account.

On page 28 of its report the Board indicated that ongoing administrative costs for IFRS are to be forecast in a distributors' cost of service application and that the Board declined to establish a deferral account for these types of costs. Veridian agrees with this treatment and has forecast its ongoing IFRS administrative costs related to IFRS within its 2010 cost of service application (Ref: Exhibit 4, Tab 4, Schedule 4, pages 11 and 16).

Veridian notes that the Report of the Board does not reference the establishment of a variance account around any amounts related to ongoing IFRS administrative costs as forecast within a distributors cost of service application. Veridian therefore does not agree that if ongoing IFRS related administrative costs are included in revenue requirement, there should be a variance account established around this amount.

9. Ref: Exhibit 2 / Tab 6

Request

(a) Has Veridian Connections included the required fixed asset continuity schedules in its evidence in the form shown in Appendix 2-C of the Chapter 2 of the Filing Requirements for Transmission and Distribution Applications dated May 27, 2009?

(b) If the response to part (a) is yes, please indicate where this information has been provided for the historical, bridge and test years. If the response to part (a) is no, please provide the schedules for each of the years 2006 through 2010.

Response:

(a) Yes.

(b) The information has been provided for the historic, bridge and test years at Exhibit 10, Tab 1, Schedule 1, Attachment 2, - RateMaker Model-Overall, pages 60-88.

10. Ref: Exhibit 2 / Tab 10 / Schedule 2 / Page 4
Exhibit 10 / Tab 1 / Schedule 1 / Attachment 3 / Page 33
Exhibit 10 / Tab 1 / Schedule 1 / Attachment 4 / Page 32

Request

(a) Please update the cost of power component of the working capital allowance to reflect the October 15, 2009 OEB RPP Report that has a cost of power of $.06215 per kWh.

(b) Has Veridian Connections reflected the different rates applicable to RPP and non-RPP customers in the cost of power calculation? If not, why not?

(c) Based on the information provided at Exhibit 9, Tab 3, Schedule 4, please provide the non RPP kWh as a percentage of the total kWh in 2008. Based on this figure and the addition volumes that have migrated to non RPP status as of November 1, 2009, please estimate the percentage of volumes for 2010 that would be non RPP volumes.

(d) Please calculate the cost of power and the related impact on the working capital allowance to reflect the RPP and non RPP volumes (as provided in the response to part (c) above using the RPP price of $0.06215 per kWh and a price of $0.05820 per kWh for the non RPP volumes (being the sum of the forecasted average HOEP price of $0.03326 per kWh and the forecasted global adjustment of $0.02494 per kWh for the RPP year).

(e) Are the kWh's associated with any market participants served by the distributor included in the kWh's used to calculate the cost of power? If yes, please recalculate the cost of power component of the working capital allowance removing any such volumes.

(f) Does the distributor intend to update the transmission related cost of power to reflect 2010 transmission rates when they are approved by the Board?

Response:

(a) Updating the cost of power component of the working capital allowance as requested increases cost of power by $3,709,587 to $200,990,963 and increases working capital allowance by $556,438 to $30,148,645.

(b) No, Veridian has not reflected the different rates applicable to RPP and non-RPP customers in the cost of power calculation. Veridian has followed the direction of Chapter 2 of the Filing Requirements for Transmission and Distribution Applications issued by the Ontario Energy Board, dated May 27, 2009. As stated on page 4 in section 2.1.2 – General Requirements, *"The most recent Board approved RPP (at the time of filing) is to be used for the electricity commodity price."*.

(c) For VCI_Main:

Based on the information provided at Exhibit 9, Tab 3, Schedule 4, the non RPP kWh as a percentage of the total kWh in 2008 was 50.06%. Based on this figure and the additional volumes that have migrated to non RPP status as of November 1st, 2009 the estimated percentage of volumes for 2010 that would be non RPP volumes is 53.21%.

For VCI_Gravenhurst:

Based on the information provided at Exhibit 9, Tab 3, Schedule 4, the non RPP kWh as a percentage of the total kWh in 2008 was 35.7%. Based on this figure and the additional volumes that have migrated to non RPP status as of November 1st, 2009 the estimated percentage of volumes for 2010 that would be non RPP volumes is 38.0%.

(d) Based on the changes as requested, there would be a reduction in cost of power of $1,367,019 to $195,914,357 and a reduction in working capital allowance of $761,491 to $29,387,153.

(e) No.

(f) If Veridian is requested by the Board to update the transmission related cost of power to reflect 2010 transmission rates when they are approved it will do so.

11. Ref: Exhibit 3, Tab 3, Schedule 1, Attachment 1 & 2

Request

(a) Please explain how Veridian Connections has calculated normalized residential and GS < 50 kW volumes

(b) Please provide the calculations and assumptions used to normalize the 2008 residential volumes for Veridian Main.

Response:

(a) A detailed discussion of the weather normalization process is contained in Exhibit 3, Tab 7, Schedule 3. This schedule explains in detail how wholesale volumes are normalized using a regression equation. The normalized wholesale volumes are then allocated to individual weather sensitive classes based each class' historical share of wholesale consumption (weather actual).

(b) Please see response to Board Staff IR 14 for a detailed calculation.

12. Ref: Exhibit 3, Tab 4, Schedule 2

At page 2, the evidence indicates that the allocation of the forecasted wholesale kWh to customer classes for weather sensitive classes is based on their share of the 2008 wholesale kWh total exclusive of distribution losses.

Request

(a) Was the allocation done based on actual volume 2008 shares or based on normalized volume 2008 shares? If based on actual volumes, please explain why this is an appropriate allocation methodology for normalized forecast volumes.

(b) If the allocation was based on actual 2008 volumes, please allocate the volumes based on normalized 2008 volumes and provide a table showing the impact for each rate class that shows the actual volumes based on the two different approaches.

Response:

(a) Allocation of forecast normalized wholesale kWh to individual weather sensitive classes is based on each class' actual kWh consumption share in actual wholesale kWh in 2008. As outlined in Exhibit 3, Tab 7, Schedule 3 at page 2, while it may be desirable to determine weather normal consumption using a regression equation for each weather sensitive class (so allocation of weather normalized wholesale volumes would not be necessary), this is not possible with the current data that Veridian has. As outlined in the application, Veridian does not have monthly retail class volumes. Therefore, the adopted approach is a compromise that we understand has been used by other LDC applicants in the past and approved by the Board.

(b) This is not possible as normalized class specific volumes are determined using the allocation methodology described above. Normalized 2008 volumes must be calculated in some manner.

13. Ref: Exhibit 3 / Tab 4 / Schedule 3

Request

Please update Table 1 to reflect the most recent information available.

Response:

Please see response to Board Staff IR 15 (a) for an updated version of Table 1.

14. Ref: Exhibit 3 / Tab 6 / Schedule 1 & Schedule 2

Request

(a) Please update Table 6 to reflect the most recent information available for 2009.

(b) Please update Table 7 to reflect the most recent information available for 2009.

Response:

(a) and (b) Please see response to Board Staff IR 19.

15. Ref: Exhibit 3 / Tab 7 / Schedule 1

Request

(a) Please explain why there is a significant reduction in the forecast for residential average use for 2009 and 2010 when the average use over the 2003 through 2008 period averages nearly 10,000 kWh and the average annual decrease over this period is less than 0.1% per year.

(b) Please explain the significant reduction in the forecasted average use in 2009 and 2010 in the GS < 50 kW class when average use has actually increased from 2003 to 2008.

Response:

(a) Veridian would like to point out that residential normalized average use in 2008 has declined by 1.6% compared to 2004. If one compares the three year average use per customer for the 2006 to 2008 period versus the 2003 to 2005 period, average use has declined by 3.1% (9,835 compared to 10,153). Declining use per customer in the residential class is seen in jurisdictions across the province. There are several reasons for this. One reason is economic: as the total electric bill increases, households do what they can to reduce consumption in order to limit the increase in their bills. This is compounded by economic circumstances seen in the last year where some customers have been laid off, lost jobs, or fear for losing their jobs. In addition, programs to encourage customers to be more energy conscious, replace or retire older appliances, and install energy efficient lighting may have also contributed. Newer housing units being added are more energy efficient and are smaller. For example, information from the 2009 CMHC Housing Observer indicates that the ratio of single family homes to multiples (town homes, row houses, apartments and condominiums) has declined.

(b) When comparing the three year average 2003 to 2005 with 2006 to 2008, weather normalized GS<50 kW consumption has been relatively constant, increasing approximately one-half of one per cent (38,480 versus 38,667). The forecasted decline is likely due to economic conditions that see increased small commercial vacancy rates and therefore lower average use per customer.

16. Ref: Exhibit 3 / Tab 7 / Schedule 2

Request

Please explain the accelerated reduction forecast for 2009 and 2010 from that shown historically for the Res – Urban, Res – Suburban and GS < 50 kW classes.

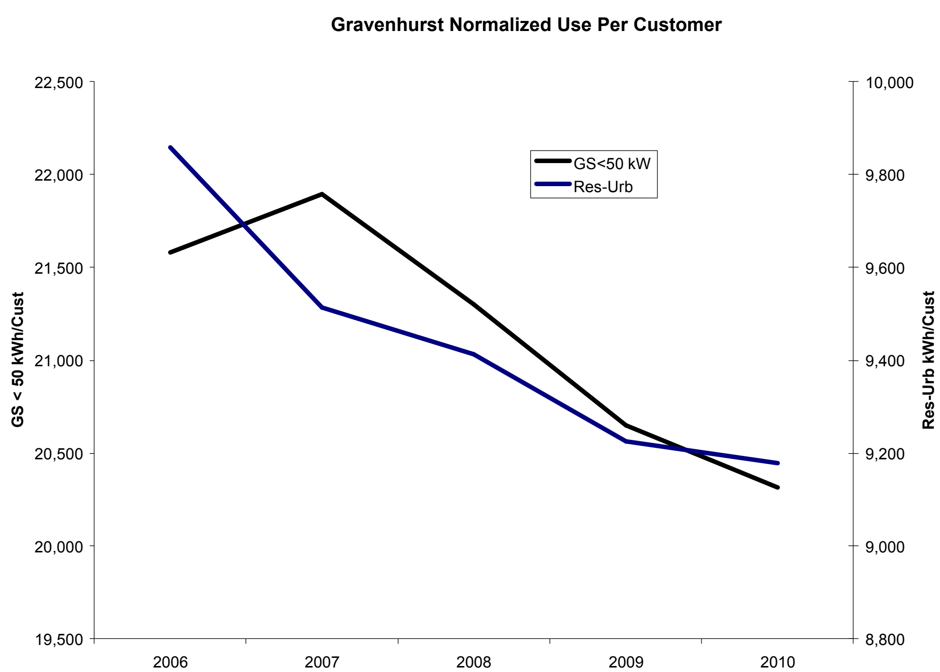
Response:

As can be seen from the table below, consumption for the Res – Urban, Res – Suburban and GS < 50 kW classes has declined by 1.3%, 5.7% and 2.1%, respectively, when comparing the average of the 2006 – 2008 three year period with the average of the 2003 – 2005 three year period.

Gravenhurst Normalized Use Per Cust

	Res-Urb	Res-Sub	GS<50
2003-2005	9,725	13,734	22,060
2006-2008	9,595	12,951	21,592
	-1.3%	-5.7%	-2.1%

A graph with recent year history and forecast values does not indicate any trend in the forecast values that is out of line with the recent historical trend.



17. Ref: Exhibit 3 / Tab 7 / Schedule 3

Request

(a) Other than monthly full-time employment levels for Ontario, what other data series were examined to measure the change in economic activity? Please provide the statistical results associated with the use of these other variables in the same manner as shown in Table 3.

(b) Was any attempt made to include the number of customers as an explanatory variable in the equation shown in Table 3? If not, why not. If yes, please provide the regression statistics.

(c) Please update Table 6 to reflect the most recent employment forecasts from each of the four chartered banks shown. Please use this updated employment forecast to recalculate the 2009 and 2010 forecast figures shown in Table 7.

(d) Please provide a comparison in the same format as Table 10, but showing a comparison of the period Nov 08 through Oct 09 to Nov 07 through Oct 08.

Response:

(a) Due to the large geographical area over which the Veridian service territory stretches, it was decided that Ontario full-time employment would be appropriate as a data series to capture economic activity. Given the performance of the regression equation with this data series incorporated, no further data series were investigated.

(b) No, the number of customers was not considered as an explanatory variable. It has been Veridian's consultant's experience that employment serves as a better variable for economic activity than customer count in most cases. Inclusion of customer count often yields counter-intuitive results (such as the wrong sign on the coefficient), statistically insignificant estimates, and less accurate within sample forecasts. For example, see Case Number EB-2008-0221, Bluewater Power Distribution Corporation Response to VECC Interrogatories 16 (e), pp.52-53, December 22, 2008, provided as Attachment 1.

(c) Below, please find an updated Table 6. The table contains a forecast for 2010 only, as 2009 is essentially actual (with only the month of December missing). Year-over-year, full-time employment in Ontario declined by 3.0 per cent for 2009 (a table with data is also presented below).

Employment Forecast – Ontario
(figures in annual percentage change)

	BMO *(Dec 4, 2009)*	RBC *(Sep 2009)*	Scotia *(July 30, 2009)*	TD *(Nov 3 ,2009)*	Avg
2010	0.8	1.0	0.5	0.8	0.8

Ontario Full-time Employment
(v2054816)

	2009	2008
Dec (prev yr)	5393.6	5409.3
Jan	5301.3	5356.9
Feb	5229.5	5335.7
Mar	5156.1	5310.9
Apr	5153.2	5341.6
May	5191.2	5399.9
Jun	5248.3	5485.7
Jul	5324.6	5559.3
Aug	5377.4	5616.2
Sep	5380.5	5580.3
Oct	5347	5537.1
Nov	5295.5	5433.4
Avg	5283.2	5447.2
% chg	-3.0%	

An updated Table 7, using the revised employment figures is presented below.

	Actual kWh	*% change*	Weather Normal	*% change*
2003	2,373,316,465		2,387,353,064	
2004	2,393,015,080	*0.8%*	2,445,322,210	*2.4%*
2005	2,538,717,128	*6.1%*	2,471,699,134	*1.1%*
2006	2,558,350,419	*0.8%*	2,522,378,121	*2.1%*
2007	2,562,505,950	*0.2%*	2,554,484,574	*1.3%*
2008	2,526,783,479	*-1.4%*	2,575,788,571	*0.8%*
2009			2,496,836,482	*-3.1%*
2010			2,516,947,940	*0.8%*

(d) Please see response to Board Staff IR 15 (a) (iii).

Question 16 (e)

Please develop alternative equations for the Residential, GS<50 and GS 50-999 classes that include the number of customers as an "explanatory variable". If monthly customer counts are not available please make reasonable interpolations using existing data. Please provide the statistical results for the resulting equations and compare them with those for the equations developed by ERA.

16 (e) Response:

The following equations have been prepared as requested by VECC:

(1) Residential:

Res kWh = ƒ(Res Cust, HDD, CDD, FT_EmpWin_Sarn) + const
OLS estimates using the 55 observations 2003:06-2007:12
Unadjusted R^2 = 0.79062
Adjusted R^2 = 0.77387
F-statistic (4, 50) = 47.1996 (p-value < 0.00001)
Durbin-Watson statistic = 1.47526

Variable Name	Estimated Coeff.	T-Ratio	P-Value
const	17.1878	20.867	<0.00001
Res Cust	-4.42457E-05	-1.847	0.07060
HDD	0.000577822	9.580	<0.00001
CDD	0.00484991	13.033	<0.00001
FT_EmpWin_Sarn	0.00312993	2.093	0.04147

In the above regression equation results, the coefficient for the number of customers is statistically significant at the 10% level but has an intuitively incorrect sign (negative).

(2) GS<50KW

GS<50 kWh = ƒ(GS<50 Cust, HDD, CDD, d_FT_EmpWin_Sarn_1) + const
OLS estimates using the 48 observations 2004:01-2007:12
Unadjusted R^2 = 0.83106
Adjusted R^2 = 0.81534
F-statistic (4, 43) = 52.8809 (p-value < 0.00001)
Durbin-Watson statistic = 1.98389

Variable Name	Estimated Coeff.	T-Ratio	P-Value
const	1.01431E+07	2.905	0.00578
GS<50 Cust	-667.531	-0.715	0.47855
HDD	5033.76	11.446	<0.00001
CDD	31338.8	13.094	<0.00001
D_FT_EmpWin_Sarn_1	60262.4	2.176	0.03506

In the above regression equation results, the coefficient for number of customers is statistically insignificant and has an intuitively incorrect sign (negative).

(3) GS>50KW

GS>50 kWh = ƒ(GS>50 Cust, HDD, CDD, Peak days, FT_EmpWin_Sarn) + const
OLS estimates using the 48 observations 2004:01-2007:12
Unadjusted R^2 = 0.70038
Adjusted R^2 = 0.66471
F-statistic (5, 42) = 19.6352 (p-value < 0.00001)
Durbin-Watson statistic = 2.43947

Variable Name	Estimated Coeff.	T-Ratio	P-Value
const	15.6485	55.150	<0.00001
GS<50 Cust	0.000776258	1.237	0.22312
HDD	0.000329201	8.440	<0.00001
CDD	0.00198548	8.314	<0.00001
Peak days	0.0133629	2.353	0.02338
FT_EmpWin_Sarn	0.00142450	1.373	0.17715

In the above regression equation results, the coefficient for the number of customers is statistically insignificant at the 10% level. Inclusion of the number of customers also causes the coefficient on employment to become insignificant.

18. Ref: Exhibit 3 / Tab 8 / Schedule 1

Request

Please provide the most recent year-to-date figures for 2009 in the same level of detail as shown in Table 10. Please provide the corresponding figures for the same year-to-date period in 2008.

Response:

The table below provides the most year-to-date (September 30th) figures for 2009 in the same level of detail as shown in Table 10 and includes the corresponding figures for the same year-to-date period in 2008.

Updated Table 10 – Summary Other Revenue

Other Revenue	**2008 to Sep 30th**	**2009 to Sep 30th**
Specific Service Charges	1,289,885	1,334,350
Late Payment	459,017	398,313
Pole Rentals	318,663	337,642
Other Distribution Revenue	126,076	132,087
Standard Supply Service-Admin Charge	281,646	273,932
Other Income and Deductions	1,162,565	1,179,961
Total	**$3,637,852**	**$3,656,285**

19. Ref: Exhibit 3 / Tab 8 / Schedule 3 / Page 4
Exhibit 3 / Tab 8 / Schedule 4

Request

(a) Are interest credits and debits associated with deferral and variance accounts and other regulatory assets included in the interest revenue forecast for 2010 and/or included in the Other Income and Expenses line shown in Schedule 4 for 2006 through 2010?

(b) If the response to (a) is yes, please provide a breakdown of the 2006 through 2010 figures in Other Income and Expenses into each of its components, including interest related to deferral/variance/regulatory asset accounts separate from other interest revenue.

Response:

(a) No.

(b) Not applicable.

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

The evidence indicates that Veridian Connections has used an inflation factor of 2% for when year-specific increases on various goods and services were not known.

Request

(a) Was this 2% increase used for both 2009 and 2010? If not, what inflation factor was used for each of 2009 and 2010?

(b) What is the basis for the 2.0% forecast?

(c) What is the impact on the 2010 revenue requirement for a change of 0.25% in the inflation rate (i.e. if the inflation rate were 1.75% rather than 2.0%)?

(d) Would Veridian Connections agree that the Board could use the GDP-IPI price factor that will be used for the 2010 IRM adjustments as a proxy for the 2% used? If not, why not?

Response:

(a) Yes, the 2% inflation factor was used for both 2009 and 2010.

(b) Please see response to Board Staff Interrogatory 21.

(c) The impact on the 2010 revenue requirement for a change of 0.25% in the inflation factor would be a reduction of $21,103.

(d) There is no requirement for the Board to use a proxy for inflation factors within cost of service applications. The proposed revenue requirement encompasses the applicant's forecasted level of OM&A expenditures and capital expenditures and within those forecasts, the applicant's forecast of the appropriate inflation factor. Use of the GDP-IPI price factor is appropriate for IRM adjustments, but is not appropriate as a 'deemed' component of an applicant's revenue requirement calculation in a cost of service distribution rate application.

21. Ref: Exhibit 4 / Tab 2 / Schedule 1

Request

(a) At page 3, reference is made to additional resources related to IFRS. Are any of these additional resources temporary in nature and related to the conversion of IFRS rather than the ongoing compliance with IFRS? If yes, please provide details including the cost included in the 2010 revenue requirement associated with the conversion to IFRS.

(b) Please confirm that the figures shown in Table 3 are cumulative in nature. For example, Maintenance –Fault Repairs/Tree Trimming costs in 2010 are $529,000 higher than in 2007.

(c) Does Veridian Connections have OEB approval to put the 2009 testing costs associated with the PCB Compliance Program into a deferral account? What is the projected total to be assigned to the deferral account in 2009?

(d) Why is Veridian Connections moving to bi-monthly billing rather than to monthly billing?

Response:

(a) Additional resources referenced on page 3 are not temporary in nature or related to the conversion of IFRS rather than the ongoing compliance with IFRS. Veridian's treatment of one-time administrative costs related to the conversion of IFRS is provided at Exhibit 4, Tab 3, Schedule 4, page 2 and Exhibit 4, Tab 4, Schedule 4 page 11.

(b) The figures shown in Table 3 are year-over-year changes (both increases and decreases) for particular activities or categories of cost identified as year-over-year cost drivers. For a particular activity or category of cost with multi-year changes, Veridian confirms that the figures are cumulative in nature but may not quantify the complete change in costs for a category as only key cost drivers have been identified. Other changes in quantum and direction of costs may have occurred that have not been identified in this summary table of key cost drivers. On this basis, it may not be accurate to state that Maintenance – Fault Repairs/Tree Trimming costs in 2010 are $529,000 higher than in 2007.

(c) Veridian Connections has neither sought nor received OEB approval to put the 2009 testing costs associated with the PCB Compliance program into a deferral account. The projected total to be assigned to the deferral account in 2009 is $352,000.

(d) Veridian considered several factors in its decision to adopt bi-monthly billing.

These included such factors as billing costs (including labour, postage, bill stock, contractor fees) meter data acquisition costs (both traditional and interval technology) and forecasted impacts on bad debt costs at bi-monthly and monthly billing frequencies. Analysis showed that monthly billing resulted in a higher total cost based on these factors than bi-monthly. Bi-monthly billing was chosen on the basis of lowest total customer cost.

22. Ref: Exhibit 4 / Tab 2 / Schedule 1 / Attachment 1

Request

Please provide the most recent year-to-date figures for 2009 in the same level of detail as shown in Appendix 2-F. Please also provide the year-to-date figures for the corresponding period in 2008.

<u>Response:</u>

The table below provides the most recent year-to-date figures for 2009 in the same level of details as shown in Appendix 2-F and provides the year-to-date figures for the corresponding period in 2008. The YTD figures are shown as of September 30th.

	2009 YTD Sep 30	2008 YTD Sep 30
Operations	$ 2,884,450	$ 2,618,625
Maintenance	$ 1,647,405	$ 1,349,148
Billing and Collecting	$ 4,106,842	$ 4,578,616
Community Relations	$ 223,221	$ 197,798
Administrative and General	$ 5,920,740	$ 5,693,747
Total OM&A	$ 14,782,659	$ 14,437,933
Percent Change (Year over Year)	2.39%	

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

Request

(a) Please explain the inclusion of $60,000 in the 2010 revenue requirement related to account 6205 Donations.

(b) How much of the $60,000 in account 6205 is related to LEAP?

Response:

(a) The $60,000 amount is for "LEAP Emergency Financial Assistance for Bill Payment". Please refer to the response to Board Staff interrogatory number 33 for details.

(b) The entire amount relates to LEAP.

24. Ref: Exhibit 4 / Tab 2 / Schedule 1 / Attachment 4

Request

(a) Please indicate which line items are included in the $100,000 cost included in 2010 for the 2010 cost of service applications. If these line items do not add up to $100,000 please indicate what portion of each line item is included in the $100,000.

(b) Please provide a breakdown of the $400,000 forecasted cost associated with the 2010 cost of service rate application into its component parts such as legal, consulting, intervenors, newspaper notices, OEB costs, etc.

(c) How much of the $400,000 is related to an oral component (technical conference and/or oral hearing)?

(d) Please explain the significant increase forecast for 2009 in the OEB Annual Assessment. What is the actual cost associated with this line item in 2009?

Response:

(a) The $100,000 cost is comprised of the 2010 test year amounts presented in rows 5 and 6 of the Regulatory Cost Schedule. The amounts add up to $100,000.

As stated in note 1 at the bottom of the Schedule, the $100,000 provision provides for recovery of Veridian's projected 2010 cost of service application costs during the test year and the subsequent three year IRM period. For the purposes of presentment in the Schedule, the test year provision has been equally split between legal costs and consultants costs. This does not accurately reflect the categorization of the costs to be recovered. A more accurate and detailed breakdown of these costs is provided in response to request (b).

(b) Details of Veridian's $400,000 forecast cost associated with its 2010 cost of service application is provided in the following table. The table also include actual costs incurred to the end of November, 2009.

Cost Component	Budget	Actual Costs *(as at Nov 30, 2009)*	Basis for Cost Projection
Legal Fees	$ 125,000 - $150,000	$ 125,473	Projected cost range provided by legal counsel. Costs relate to services provided for evidence review, interrogatory response review, representation at a technical conference, settlement conference and oral hearing as required, assistance with preparation and filing of all submissions and preparation of a final rate order. Competing proposals were obtained for these services.
Consulting Fees	$ 200,000	$ 186,898	Projected costs as provided by Veridian's chosen service provider for modeling support, project management, load forecast and interrogatory support services. Competing proposals were obtained for these services.
Intervenor Cost Awards	$ 50,000	$ -	Determined through a review of cost award data for 2008 cost of service proceedings. Budget was developed using an average of cost awards weighted by distributor customer counts.
Newspaper Notices	$ 15,000	$ 24,078	Typical costs for past purchases of advertising space.
OEB Costs	$ -	$ -	No provision was made.
Total	**$390,000 - $415,000**	**$ 336,449**	

(c) Veridian's forecast costs did not include separate provisions for a technical conference and/or oral hearing.

(d) The OEB Annual Assessment amounts presented in row 1 for the years 2006 to 2008 are incorrect. A corrected version of Appendix 2-I is appended with changes from the prior version shown.

Veridian's actual 2009 OEB Annual Assessments total $301,404; slightly higher than the bridge year forecast provided in the Schedule.

Amended Appendix 2-I - Regulatory Cost Schedule - Jan 4, 2010

REGULATORY COST CATEGORY	USoA Account	USoA Account Balance	Ongoing or One-Time Cost?	2006 Actuals	2007 Actuals	2008 Actuals	2009 Bridge Year	% Change in bridge year vs. last year actuals	2010 Test Year Forecast	% Change in Test Year vs. Bridge Year
1. OEB Annual Assessment	5655		Ongoing	~~170,551~~ 266,567	~~115,438~~ 291,390	~~109,088~~ 287,267	297,725	~~172.9%~~ 3.6%	304,573	2.3%
2. OEB Hearing Assessments (applicant initiated) *(See Note 1)*	5655		Ongoing	0	2,196	0	0	N/A	0	N/A
3. OEB Section 30 Costs (OEB initiated)	5655		Ongoing	0	2,164	11,540	3,755	-67.5%	7,648	103.6%
4. Expert Witness cost for regulatory matters	5655		Ongoing	5,025	0	15,922	10,000	-37.2%	12,961	29.6%
5. Legal costs for regulatory matters *(See Note 1)*	5655		One-Time	14,823	26,389	0	0	N/A	50,000	N/A
6. Consultants costs for regulatory matters *(applications and hearings)* *(See Note 1)*	5655		One-Time	0	0	29,394	8,938	-69.6%	50,000	459.4%
7. Operating expenses associated with staff resources allocated to regulatory matters	Labour costs and related operating expenses for staff resources allocated to regulatory matters are applied to USoA account 5615 (General Administrative Salaries and Expenses).									
8. Operating expenses associated with other resources allocated to regulatory matters										
9. Other regulatory agency fees or assessments - ESA	5655		Ongoing	38,857	41,975	44,113	44,887	1.8%	45,919	2.3%
10. Any other costs for regulatory matters (please define)	5655		Ongoing	1,575	15,369	86,768	64,818	-25.3%	76,195	17.6%
-legal and consulting services on regulatory matters				*1,575*	*7,873*	*75,276*	*53,062*	*-29.5%*	64,169	*20.9%*
-newspaper notices for rate applications				*0*	*7,496*	*11,492*	*11,756*	*2.3%*	*12,027*	*2.3%*
11. Intervenor Costs	5655		Ongoing	2,642	20,404	9,984	7,269	-27.2%	8,626	18.7%

Note 1: Veridian estimates that the total incremental costs related to its 2010 cost of service rate application will be $400k. It is proposed that recovery of these costs be acheived during the 2010 test year and the subsequent three year IRM period. Therefore, a $100k provision has been included in the 2010 regulatory cost forecast (sum of 2010 test year forecast amounts shown in rows 5 and 6). The provision also provides for OEB Hearing Assessments (row 2) related to Veridian's 2010 rate application.

25. Ref: Exhibit 4 / Tab 3 / Schedule 4

At page 4 reference is made to the new positions of Corporate Secretary and an Executive Assistant at a test year cost of $130,000.

Request

(a) Is the $130,000 cost inclusive of benefits? If not, what is the total cost associated with these positions?

(b) Please provide a forecast of the external costs that would be incurred if these positions were not added.

Response:

(a) The test year estimated cost of $130,000 for the Corporate Secretary and an Executive Assistant includes the cost of benefits.

(b) Veridian estimates that it would require 300 more hours of external legal counsel services and 250 more hours of external legal assistant hours if these positions were not added. At an average cost of $350/hr for legal counsel and $150/hr for a legal assistant, this equates to $142,500.

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

Request

As of the current time, how many FTEE's does Veridian Connections have in 2009? How many of these positions are currently filled?

Response:

Actual hires for 2009 were not completed as quickly as planned and projected within the pre-filed evidence. The calculated actual FTEE count for 2009 is 197.5, down from the 205.2 projected for 2009 within the pre-filed evidence.

As at December 31, 2009, there are 212 full time and part time active positions on staff.

Hiring efforts continue and positions that were planned to be filled in 2009 that are not yet filled will be filled in 2010. See response to Vulnerable Energy Consumer Coalition Interrogatory 29 a) for a schedule that updates the Bridge and Test Year Hiring Schedule for actual 2009 hires and the revised hiring schedule plan for 2010.

27. Ref: Exhibit 4 / Tab 5 / Schedule 3

Request

What is the impact on the 2010 revenue requirement in 2010 if the management and non union staff were limited to 1.5%?

Response:

Veridian can calculate the difference in total compensation in 2010 should the wage increase for management and non-union staff be limited to 1.5% but cannot accurately assess the impact on 2010 revenue requirement within the time allotted to provide this response.
Labour costs associated with management and non-union staff are attributable to both OM&A expenses as well as capitalized labour and detailed calculations would be required to calculate the allocation and resulting impacts between these categories.

Veridian has calculated the decrease in 2010 base compensation that would result as approximately $88,000.

28. Ref: Exhibit 4 / Tab 5 / Schedule 6

Request

Please provide the most recent year-to-date figure for 2009 for the cost related to total annual overtime. Please also provide the corresponding figure for 2008 for the same period.

Response:

Year-to-date overtime dollars for 2009 (December 18) is $997,439

Annual overtime dollars for 2008 (December 31) is $1,254,846

29. Ref: Exhibit 4 / Tab 5 / Schedule 8
Exhibit 4 / Tab 5 / Schedule 1

Request

(a) Please update this schedule to reflect hires through to the end of 2009.

(b) Please reconcile the number of hires shown in Schedule 8 with the number of FTEEs shown in Table 1 of Exhibit 4, Tab 5, Schedule 1. For example, Schedule 1 shows the addition of 30.3 FTEEs in 2010 as compared to 2009, while Schedule 8 shows the hire of only 14.

Response:

(a) See response to Vulnerable Energy Consumer Coalition Interrogatory 29 a) for a schedule that updates the Bridge and Test Year Hiring Schedule for actual 2009 hires and the revised hiring schedule plan for 2010.

(b) The 30.3 increase in FTEEs in 2010 is the sum of the FTEE impact of the projected year 2010 hires of 14 employees plus the increase in FTEE impact in 2010 of the 36.4 year 2009 hires.

		2009 FTEE Impact	2010 FTEE Impact
2009 hires -	36.4	18.2	18.2
2010 hires -	14	0	10.9
Net position changes*		.5	1.2
Total		18.7	30.3

* - existing positions vacant for a portion of the proceeding year result in an increase to FTEE for the subsequent year.

30. Ref: Exhibit 4 / Tab 5 / Schedule 9

Request

(a) What is the total cost associated with the incentive compensation in the test year?

(b) For each of 2006 through 2008, and for 2009 if available, please indicate what percentage of the maximum incentive payments was actually paid out.

(c) What percentage of the maximum incentive payments available in 2010 has Veridian Connections included in the 2010 forecast?

Response:

(a) The total cost associated with incentive compensation in the test year is $471,639.

(b) Percentage of actual incentive paid to maximum
2009 – 66.8%
2008 - 78.0 %
2007 – 77.2%
2006 - 83.1%

(c) Veridian Connections has included 66.8% of maximum incentive payments available in 2010.

31. Ref: Exhibit 4 / Tab 6 / Schedule 5 / Pages 3-4

Request

(a) Please provide the number of FTEEs committed to provision of services to the affiliates in 2009.

(b) Please provide the corresponding number of FTEEs committed to the provision of services to the affiliates in 2010.

Response:

(a) The total number of FTEEs committed to provision of services to the affiliates in 2009 is 1.65 FTEEs.

(b) The total number of FTEEs committed to provision of services to the affiliates in 2010 is 1.0 FTEEs.

32. Ref: Exhibit 4 / Tab 6 / Schedule 5 / Attachment 1 / Page 3

Request

(a) Please provide a listing of all the fully allocated costs associated with the governance, financial and facilities services that total $228,838 to be recovered from Veridian Corporation in 2010.

(b) Please explain for each component of the allocation what the allocation was based on.

Response:

(a) and (b)

The amount of Veridian's forecast revenue offsets 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.

The table below provides a listing of all the fully allocated costs associated with the governance, financial and facilities services to be recovered from Veridian Corporation in 2010 and the basis of the allocation for each component.

The total annual charge by Veridian Connections Inc. to Veridian Corporation for governance, financial and facilities services will be $205,812. The $228,838 amount referenced 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.

	Costs	**Basis of Allocation**
(A)	Direct Salary & Incentive Expenses	Direct Allocation by FTE – within positions
(B)	Benefits and Labour Overheads*	Direct Allocation by FTE – within positions
	Space Charges – calculated as full costs for office space (operating expenses, depreciation and return**)	Allocated by FTE based on total of (A+B) for each FTE as percentage of total (A+B) for all FTE's – only applicable to those FTEs in 'office grouping'
	IT Charges – hardware & software –capital cost of hardware & software – depreciation and return**	Allocated equally to applicable FTE's
	Office Equipment –capital cost including depreciation and return**	Allocated equally to applicable FTE's
	General Admin Costs – non-departmental specific – examples: office supplies, general corporate services	Same as Space Charges
	Direct Departmental Expenses - Other than Labour , those expenses directly attributable to provision of that departments' services – examples: Contractor charges	Allocated by FTE within each department based on total of (A+B) as percentage of total (A+B) for all FTEs in that department

*Benefits and Labour Overheads include EI, CPP, EHT, OMERS, Life Insurance, LTD, ADD, Dental and Extended Health Insurance, WSIB, EAP, professional dues where applicable.

** The return on invested capital was calculated in accordance with the OEB definitions of "rate base", "approved rate of return", "deemed debt/equity ratio" and "deemed debt costs".

33. Ref: Exhibit 4 / Tab 8 / Schedule 3

Request

Please show how the opening balance shown for 2010 of $289,661,801 is related to the 2009 figures shown for net for depreciation of $264,720,572 and the 2009 additions of $16,575,272. In addition to the additions in 2010 for smart meters ($6,449,036), computer hardware SM ($118,717) and computer software SM ($77,068), what else is driving the difference?

Response:

The amounts in Appendix 2-N-Depreciation Expense Detail for 2010 Test Year have changed as a result of Veridian's Application Update. An updated version of Appendix 2-N is attached. None of the amounts referenced above in this interrogatory are changed due to the application update.

Veridian calculates the suggested difference as $1,721,137

	$289,661,801
-	$264,720,572
-	$ 6,440,036
-	$ 118,717
-	$ 77,068
	$ 1,7,21,137

The opening balance shown for 2010 of $289,661,801 includes accounts 1800-Land ($685,406) and 1905-Land ($1,035,731) which are not included in the 2009 figures shown for net for depreciation of $264,720,572.

VCI Application Update -Appendix 2-N **Depreciation Expense Detail for 2009 Bridge Year**

Account	Description	Opening Balance	Less Fully Depreciated	Net for Depreciation	Additions	Total for Depreciation	Years	Depreciation Expense	Less: Adj for depreciation related to FMV write-up	Adjusted Depreciation Expense
1800	Land	$ 685,406	N/A	N/A	N/A	N/A	N/A	N/A		
1806	Land Rights	$ 523,959	$ -	$ 523,959	$ 18,000	$ 532,959	50	$ 10,659		$ 10,659
1808	Bldg & Fixtures	$ 668,106		$ 668,106	$ -	$ 668,106	50	$ 13,362		$ 13,362
1815	TS	$ 176,775		$ 176,775	$ -	$ 176,775	40	$ 4,419		$ 4,419
1820	Substations	$ 23,782,603	$ (548,935)	$ 23,233,668	$ 2,030,000	$ 24,248,668	30	$ 808,289	$ (2,018)	$ 806,271
1830	Dist Poles	$ 32,580,906	$ (277,739)	$ 32,303,167	$ 2,012,700	$ 33,309,517	25	$ 1,332,381	$ (18,035)	$ 1,314,346
1835	Dist Wire	$ 44,320,795	$ (704,354)	$ 43,616,442	$ 3,631,400	$ 45,432,142	25	$ 1,817,286	$ -	$ 1,817,286
1840	Dist Duct	$ 55,583,855	$ (250,991)	$ 55,332,864	$ 1,232,300	$ 55,949,014	25	$ 2,237,961	$ 6,319	$ 2,244,280
1845	Dist Cable	$ 25,952,464	$ (128,895)	$ 25,823,569	$ 2,420,900	$ 27,034,019	25	$ 1,081,361	$ -	$ 1,081,361
1850	Transformer	$ 61,956,694	$ (162,834)	$ 61,793,860	$ 1,612,800	$ 62,600,260	25	$ 2,504,010	$ 3,261	$ 2,507,271
1855	Services	$ 26,526,006	$ (531,214)	$ 25,994,792	$ 1,010,400	$ 26,499,992	25	$ 1,060,000	$ (40,170)	$ 1,019,830
1860	Meters	$ 12,329,845	$ (71,676)	$ 12,258,169	$ 356,000	$ 12,436,169	25	$ 497,447		$ 497,447
1901	Land Rights	$ 151,444	$ -	$ 151,444	$ -	$ 151,444	50	$ 3,029		$ 3,029
1905	Land	$ 1,035,731	N/A	N/A	N/A	N/A	N/A	N/A		N/A
1908	Servc Centre Bldgs	$ 9,419,504	$ -	$ 9,419,504	0	$ 9,419,504	50	$ 188,390		$ 188,390
1908	Servc Centre Bldgs-Renos/	$ -	$ -	$ -	$ 703,500	$ 351,750	25	$ 14,070		$ 14,070
1910	Leasehold Improv	$ 736,880	$ (35,412)	$ 701,468	$ 267,000	$ 834,968	5	$ 166,994		$ 166,994
1915	Offc Furn & Equip	$ 1,696,319	$ (200,399)	$ 1,495,920	$ 170,000	$ 1,580,920	10	$ 158,092		$ 158,092
1920	Comp Hdrwre	$ 1,460,102	$ (328,932)	$ 1,131,170	$ 901,000	$ 1,581,670	5	$ 316,334		$ 316,334
1925	Comp Sftwre	$ 6,013,733	$ (884,328)	$ 5,129,405	$ 1,317,800	$ 5,788,305	5	$ 1,157,661		$ 1,157,661
1930	Vehicles	$ 3,983,027	$ (292,292)	$ 3,690,735	$ 1,310,000	$ 4,345,735	8	$ 543,217		$ 543,217
1935	Stores Equip	$ 4,887		$ 4,887	$ -	$ 4,887	10	$ 489		$ 489
1940	Tools & Equip	$ 534,774	$ (83,154)	$ 451,619	$ 102,900	$ 503,069	10	$ 50,307		$ 50,307
1945	Test Equip	$ 75,265		$ 75,265	$ -	$ 75,265	10	$ 7,526		$ 7,526
1955	Comm. Equip	$ 192,270	$ (30,625)	$ 161,644	$ -	$ 161,644	10	$ 16,164		$ 16,164
1960	Misc Equip	$ 159,178	$ (18,862)	$ 140,317	$ -	$ 140,317	10	$ 14,032		$ 14,032
1980	SCADA	$ 4,417,544	$ (41,654)	$ 4,375,890	$ 545,000	$ 4,648,390	15	$ 309,893	$ (576)	$ 309,317
1990	Misc Intang Plant	$ 233,343	$ (61,544)	$ 171,799	$ 235,000	$ 289,299	3	$ 96,433		$ 96,433
1995	Contributions	$ (44,105,867)	$ -	$ (44,105,867)	$ (3,301,428)	$ (45,756,581)	25	$ (1,830,263)		$ (1,830,263)
		$ 271,095,549	$ (4,653,841)	$ 264,720,572	$ 16,575,272	$ 273,008,208		$ 12,579,541	$ (51,219)	$ 12,528,322
							Less: Amortiztion for Vehicles (capitalized)			$ (543,217)
										$ 11,985,105

VCI Application Update -Appendix 2-N **Depreciation Expense Detail for 2010 Test Year**

Account	Description	Opening Balance	Less Fully Depreciated	Net for Depreciation	Additions	Total for Depreciation	Years	Depreciation Expense	Less: Adj for depreciation related to FMV write-up	Adjusted Depreciation Expense
1800	Land	$ 685,406	N/A	N/A	N/A	N/A	N/A	N/A		
1806	Land Rights	$ 541,959		$ 541,959	$ -	$ 541,959	50	$ 10,839		$ 10,839
1808	Bldg & Fixtures	$ 668,106		$ 668,106	$ -	$ 668,106	50	$ 13,362		$ 13,362
1815	TS	$ 176,775		$ 176,775	$ -	$ 176,775	25	$ 7,071		$ 7,071
1820	Substations	$ 25,263,668	$ (99,200)	$ 25,164,468	$ 5,370,000	$ 27,849,468	40	$ 696,237	$ (1,952)	$ 694,285
1830	Dist Poles	$ 34,315,867	$ (192,642)	$ 34,123,225	$ 4,497,500	$ 36,371,975	25	$ 1,454,879	$ (17,313)	$ 1,437,566
1835	Dist Wire	$ 47,247,842	$ (763,403)	$ 46,484,439	$ 2,995,000	$ 47,981,939	25	$ 1,919,278	$ -	$ 1,919,278
1840	Dist Duct	$ 56,565,164	$ (2,548,878)	$ 54,016,285	$ 710,000	$ 54,371,285	25	$ 2,174,851	$ 6,067	$ 2,180,918
1845	Dist Cable	$ 28,244,469	$ (153,961)	$ 28,090,509	$ 2,209,000	$ 29,195,009	25	$ 1,167,800	$ -	$ 1,167,800
1850	Transformer	$ 63,406,660	$ (1,322,995)	$ 62,083,665	$ 2,128,000	$ 63,147,665	25	$ 2,525,907	$ 3,130	$ 2,529,037
1855	Services	$ 27,005,192	$ (353,825)	$ 26,651,367	$ 853,000	$ 27,077,867	25	$ 1,083,115	$ (38,564)	$ 1,044,551
1860	Meters	$ 12,614,169	$ (169,264)	$ 12,444,905	$ 509,000	$ 12,699,405	25	$ 507,976		$ 507,976
1860	Smart Meters	$ 6,449,036	$ -	$ 6,449,036	$ -	$ 6,449,036	15	$ 429,936		$ 429,936
1901	Land Rights	$ 151,444		$ 151,444	$ -	$ 151,444	50	$ 3,029		$ 3,029
1905	Land	$ 1,035,731	N/A	N/A	N/A	N/A	N/A	N/A		N/A
1908	Servc Centre Bldgs	$ 9,419,504	$ -	$ 9,419,504		$ 9,419,504	50	$ 188,390		$ 188,390
1908	Servc Centre Bldgs-Renos	$ 703,500	$ -	$ 703,500		$ 703,500	25	***$ 28,140***		***$ 28,140***
1908	Servc Centre Bldgs-Renos/Add'ns				***$ 5,289,482***	$ 2,644,741	32	***$ 82,648***		***$ 82,648***
1910	Leasehold Improv	$ 968,468	$ (3,188)	$ 965,280	***$ 70,000***	$ 1,000,280	5	***$ 200,056***		***$ 200,056***
1915	Offc Furn & Equip	$ 1,665,920	$ (97,656)	$ 1,568,264	***$ 790,518***	$ 1,963,523	10	***$ 196,352***		***$ 196,352***
1920	Comp Hdrwre-from SM	$ 118,717	0	$ 118,717	$ -	$ 118,717	5	$ 23,743		$ 23,743
1920	Comp Hdrwre	$ 2,032,170	$ (351,820)	$ 2,032,170	$ 563,100	$ 2,595,270	5	$ 519,054		$ 519,054
1925	Comp Sftwre - SM	$ 77,068		$ 77,068	$ -	$ 77,068	3	$ 25,689		$ 25,689
1925	Comp Sftwre	$ 6,447,205	$ (1,110,320)	$ 5,336,885	$ 835,000	$ 5,754,385	5	$ 1,150,877		$ 1,150,877
1930	Vehicles	$ 5,000,735	$ (274,277)	$ 4,726,458	$ 1,770,000	$ 5,611,458	8	$ 701,432		$ 701,432
1935	Stores Equip	$ 4,887		$ 4,887	$ -	$ 4,887	10	$ 489		$ 489
1940	Tools & Equip	$ 554,519	$ (17,975)	$ 536,545	$ 136,000	$ 604,545	10	$ 60,454		$ 60,454
1945	Test Equip	$ 75,265	$ (26,608)	$ 48,657	$ -	$ 48,657	10	$ 4,866		$ 4,866
1955	Comm. Equip	$ 161,644	$ (36,923)	$ 124,721	$ -	$ 124,721	10	$ 12,472		$ 12,472
1960	Misc Equip	$ 140,317	$ (2,255)	$ 138,062	$ -	$ 138,062	10	$ 13,806		$ 13,806
1980	SCADA	$ 4,920,890	$ (95,942)	$ 4,824,948	$ 345,000	$ 4,997,448	15	$ 333,163	$ (538)	$ 332,625
1990	Misc Intang Plant	$ 406,799	$ (118,980)	$ 287,819	$ 200,000	$ 387,819	3	$ 129,273		$ 129,273
1995	Contributions	$ (47,407,295)	$ -	$ (47,407,295)	$ (3,527,375)	$ (49,170,982)	25	$ (1,966,839)		$ (1,966,839)
										$ -
		$ 289,661,801	$ (7,740,111)	$ 280,552,373	***$ 25,743,225***	$ 293,705,536		***$ 13,698,346***	$ (49,170)	***$ 13,649,176***
								Less: Amortiztion for Vehicles (capitalized)		$ (701,432)
										$ 12,947,744

34. Ref: Exhibit 4 / Tab 9 / Schedule 3 / Attachment 2 / Sheet Y1

Request

(a) Please update the capital taxes payable to reflect the elimination of the Ontario Capital Tax effective July 1, 2010. In other words, please calculate the capital tax using a rate of 0.075%.

(b) Please update the income tax expense to reflect a provincial tax rate of 13% on taxable income in excess of $500,000.

(c) Please confirm that the 2009 provincial budget reduced the small business tax rate from 5.5% to 4.5% effective July 1, 2010 on the first $500,000 of taxable income and eliminated the 4.25% surtax on taxable income over $500,000, also effective July 1, 2010.

(d) Please confirm that the 2010 provincial tax savings resulting from the above change noted in part (c) is $18,750, the difference between the following calculations on the first $1,500,000 of taxable income:

* 13% x $1,500,000 = $195,000 and

*

5% x $500,000	=	$25,000
13% x $1,000,000	=	$130,000
2.125% x $1,000,000	=	$21,250
Total	=	$176,250

If these calculations cannot be confirmed, please provide the calculations that show the reduction in the provincial income tax and provide the rationale for the rates and numbers used.

Response:

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) Please see the response to Board Staff interrogatory 31.

(b) Please see the response to Board Staff interrogatory 31.

(c) Confirmed.

(d) Veridian cannot confirm the calculations provided. The changes in provincial tax rates as notes in section (c) do not apply to the calculation of Veridian Connections income tax payable in 2010 as only the income tax rates for taxable incomes exceeding $1,500,000 are applicable.

35. Ref: Exhibit 4 / Tab 9 / Schedule 3

Request

(a) Please explain what is meant by the statement at lines 13-15 of page 3 with respect to tax credits.

(b) Please provide the calculations associated with any apprenticeship tax credit and/or cooperative education tax credit claimed for 2010.

Response:

(a) The reference to use of 2008 levels for tax credits for apprenticeship programs and for Scientific Research and Development Credits means that no detailed forecast calculations for the 2009 and 2010 values of these tax credits has been completed, rather the 2008 actuals are used as proxies for 2009 and 2010.

(b) See response to (a) above.

36. Ref: Exhibit 4 / Tab 9 / Schedule 3 / Attachment 2
Exhibit 4 / Tab 8 / Schedule 3

Request

(a) Please explain why the additions shown for the 2009 CCA calculation do not match the additions shown in Exhibit 4, Tab 8, Schedule 3, Attachment 1, page 2.

(b) Please explain why the half year rule has been applied to the CCA related to the transfer of the smart meters to rate base in 2010 when a full year of depreciation has been taken on these assets in the 2010 test year.

(c) Does the calculation of rate base assume that the smart meter assets that are being transferred to rate base are in rate base as part of the opening balance in 2010?

(d) Please explain why the half year rule has not been applied to CCA Class 12 (computer software) in either 2009 or 2010.

(e) Why were no additions related to computer hardware added to CCA Class 50 in 2009?

(f) Is Veridian Connections aware that a new CCA class (Class 52) has been established for computer hardware and systems software purchased after January 27, 2009 and prior to February, 2011 that has a rate of 100% and removes the half year rule that effectively allows the write-off of the full amount of the capital addition in the year that the addition was made?

(g) Please revise the CCA calculations to reflect the CCA Class 52 described in part (f) above and the movement of the computer hardware additions in 2009 and 2010 into this CCA Class. Please also provide the impact on income taxes resulting from this change.

Response:

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 calculates the difference between the two referenced values to be $18,000. In 2009, forecasted additions to account 1806-Land Rights are $18,000. Veridian has not included these in the 2009 projected additions for undepreciated capital costs as it understands that no capital cost allowance is permitted on Land Rights.

(b) For ratemaking purposes full year amortization is appropriate for the smart meter investments as they are investments made in prior years (2007 and 2008). For tax purposes, these assets will be first year additions to UCC, therefore invoking the half-year rule for CCA calculations.

(c) Yes.

(d) Veridian has revised its CCA and PILs calculations based on its Application Update and has corrected errors discovered in its 2009 and 2010 projected additions to UCC. The revised sheet P1.UCC of the updated Tax Model is provided as Attachment 1. The half year rule has been applied to Class 12 for the 2009 and 2010 software additions.

(e) The additions related to computer hardware in 2009 were incorrectly classified in the original calculations. The additions related to computer hardware in 2009 have been reclassified to Class 52 in the revised PILs calculations provided within Veridian's application update.

(f) Yes.

(g) The revised PILs calculations include the movement of computer hardware additions in 2009 and 2010 into Class 52.

The revised total 2009 CCA amount is $12,209,633. The revised total 2010 CCA amount is $12,775,726.
The revised 2010 income tax payable is $1,930,773, $2,839,372 on a grossed-up basis.
These revised totals reflect all changes to the PILs calculations as part of Veridian's application update related to its Ajax Facility Expansion Project.

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

Class	Description	UCC Balance 31 Dec/08 [1]	Less: Non-Distribution Portion	Less: Disallowed FMV Increment	UCC 2009 Opening Balance
1	Distribution System - post 1987	120,250,612			**120,250,612**
2	Distribution System - pre 1988				
8	General Office/Stores Equip	2,110,944			**2,110,944**
10	Computer Hardware/ Vehicles	1,948,046			**1,948,046**
10.1	Certain Automobiles				
12	Computer Software	999,770			**999,770**
13.1	Leasehold Improvement # 1	345,147			**345,147**
13.2	Leasehold Improvement # 2				
13.3	Leasehold Improvement # 3				
13.4	Leasehold Improvement # 4				
14	Franchise				
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs				
43.1	Certain Energy-Efficient Electrical Generating Equipment				
45	Computers & Systems Software acq'd post Mar 22/04	232,042			**232,042**
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)				
47		33,820,886			**33,820,886**
50	Hardware	313,091			**313,091**
42		72,363			**72,363**
52	Hardware and System Software- purchased after Jan 27, 2009 prior to Feb, 2011				
		160,092,901			**160,092,901**

[1] per Schedule 8 of 2008 corporate tax return

Veridian Connections Inc. (ED-2002-0503)

PILs Calculations for 2010 EDR Application (EB-2009-014(

January 11, 2010

REVISION BASED ON APPLICATION UPDATE - JANUARY 11TH, 2010

Class	Description	2009 Projected Additions	2009 Projected Retirements	UCC Before 1/2 Yr Adjustment	1/2 Year Reduction	Reduced UCC	Rate %	2009 CCA
1	Distribution System - post 1987			120,250,612		120,250,612	4.0%	4,810,024
2	Distribution System - pre 1988						6.0%	
8	General Office/Stores Equip	817,900		2,928,844	408,950	2,519,894	20.0%	503,979
10	Computer Hardware/ Vehicles	1,310,000		3,258,046	655,000	2,603,046	30.0%	780,914
10.1	Certain Automobiles						30.0%	
12	Computer Software	1,317,800		2,317,570	658,900	1,658,670	100.0%	1,658,670
13.1	Leasehold Improvement # 1	267,000		612,147	133,500	478,647	5 years	95,729
13.2	Leasehold Improvement # 2						4 years	
13.3	Leasehold Improvement # 3							
13.4	Leasehold Improvement # 4							
14	Franchise						6 years	
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs						8.0%	
43.1	Certain Energy-Efficient Electrical Generating Equipment						30.0%	
45	Computers & Systems Software acq'd post Mar 22/04			232,042		232,042	45.0%	104,419
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)						30.0%	
47		11,708,572		45,529,458	5,854,286	39,675,172	8.0%	3,174,014
50	Hardware			313,091		313,091	55.0%	172,200
42				72,363		72,363	12.0%	8,684
52	Hardware and System Software- purchased after Jan 27, 2009 prior to Feb, 2011	901,000		901,000		901,000	100.0%	901,000
		16,322,272		**176,415,173**	**7,710,636**	**168,704,537**		**12,209,633**

[1] per Schedule 8 of 2008 corporate tax return

Veridian Connections Inc. (ED-2002-0503)

PILs Calculations for 2010 EDR Application (EB-2009-014(

January 11, 2010

REVISION BASED ON APPLICATION UPDATE - JANUARY 11TH, 2010

Class	Description	UCC □ 31 Dec/09
1	Distribution System - post 1987	115,440,588
2	Distribution System - pre 1988	
8	General Office/Stores Equip	2,424,865
10	Computer Hardware/ Vehicles	2,477,132
10.1	Certain Automobiles	
12	Computer Software	658,900
13.1	Leasehold Improvement # 1	516,418
13.2	Leasehold Improvement # 2	
13.3	Leasehold Improvement # 3	
13.4	Leasehold Improvement # 4	
14	Franchise	
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	
43.1	Certain Energy-Efficient Electrical Generating Equipment	
45	Computers & Systems Software acq'd post Mar 22/04	127,623
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	
47		42,355,444
50	Hardware	140,891
42		63,679
52	Hardware and System Software- purchased after Jan 27, 2009 prior to Feb, 2011	
		164,205,540

¹ per Schedule 8 of 2008 corporate tax return

Veridian Connections Inc. (ED-2002-0503)

PILs Calculations for 2010 EDR Application (EB-2009-014(

January 11, 2010

REVISION BASED ON APPLICATION UPDATE - JANUARY 11TH, 2010

Class	Description	2010 Projected Additions	2010 Projected Retirements	UCC Before 1/2 Yr Adjustment	1/2 Year Reduction	Reduced UCC	Rate %	2010 CCA
1	Distribution System - post 1987			115,440,588		115,440,588	4.0%	4,617,624
2	Distribution System - pre 1988						6.0%	
8	General Office/Stores Equip	1,271,518		3,696,383	635,759	3,060,624	20.0%	612,125
10	Computer Hardware/ Vehicles	1,770,000		4,247,132	885,000	3,362,132	30.0%	1,008,640
10.1	Certain Automobiles						30.0%	
12	Computer Software	912,068		1,570,968	456,034	1,114,934	100.0%	1,114,934
13.1	Leasehold Improvement # 1	70,000		586,418	35,000	551,418	5 years	110,284
13.2	Leasehold Improvement # 2							
13.3	Leasehold Improvement # 3							
13.4	Leasehold Improvement # 4							
14	Franchise							
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs						8.0%	
43.1	Certain Energy-Efficient Electrical Generating Equipment						30.0%	
45	Computers & Systems Software acq'd post Mar 22/04			127,623		127,623	45.0%	57,430
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)						30.0%	
47		27,482,643		69,838,087	13,741,322	56,096,766	8.0%	4,487,741
50	Hardware			140,891		140,891	55.0%	77,490
42				63,679		63,679	12.0%	7,642
52	Hardware and System Software- purchased after Jan 27, 2009 prior to Feb, 2011	681,817		681,817		681,817	100.0%	681,817
		32,188,046		**196,393,586**	**15,753,115**	**180,640,472**		**12,775,726**

¹ per Schedule 8 of 2008 corporate tax return

Veridian Connections Inc. (ED-2002-0503)

PILs Calculations for 2010 EDR Application (EB-2009-014(

January 11, 2010

REVISION BASED ON APPLICATION UPDATE - JANUARY 11TH, 2010

Class	Description	UCC 31 Dec/10
1	Distribution System - post 1987	110,822,964
2	Distribution System - pre 1988	
8	General Office/Stores Equip	3,084,258
10	Computer Hardware/ Vehicles	3,238,493
10.1	Certain Automobiles	
12	Computer Software	456,034
13.1	Leasehold Improvement # 1	476,134
13.2	Leasehold Improvement # 2	
13.3	Leasehold Improvement # 3	
13.4	Leasehold Improvement # 4	
14	Franchise	
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs	
43.1	Certain Energy-Efficient Electrical Generating Equipment	
45	Computers & Systems Software acq'd post Mar 22/04	70,193
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	
47		65,350,346
50	Hardware	63,401
42		56,038
52	Hardware and System Software- purchased after Jan 27, 2009 prior to Feb, 2011	
		183,617,861

¹ per Schedule 8 of 2008 corporate tax return

37. Ref: Exhibit 4 / Tab 9 / Schedule 3 / Attachment 2
Exhibit 4 / Tab 8 / Schedule 3

There appears to be a mismatch between the CCA additions shown for 2009 in Exhibit 4, Tab 9, Schedule 3, Attachment 2 and the additions to gross assets shown in Exhibit 4, Tab 8, Schedule 3. For example, the CCA addition shown for computer software (Class 12) is $901,000 and for computer equipment and transportation equipment (Class 10) is $1,317,800. However, as shown in the gross asset additions, the $1,317,800 is for computer software and the $901,000 is for computer hardware.

Request

(a) Please provide a mapping from the gross asset accounts shown in Exhibit 4, Tab 8, Schedule 3 to the CCA classes shown in Exhibit 4, Tab 9, Schedule 3, Attachment 2 for 2009.

(b) Please provide a similar mapping for the 2010 additions as that provided in (a) above.

(c) Please explain why no CCA is calculated in either 2009 or 2010 for CCA Class 13.1 (Leasehold Improvements) and CCA Class 14 (Franchises). Please provide a description of the intangible assets included in Class 14.

(d) Please provide revised UCC schedules for 2009 and 2010 (sheet P1 in the RateMaker model) reflecting all changes that Veridian Connections believes are required based on the response to this interrogatory and to Energy Probe Interrogatory # 36

Response:

The amount of Veridian's forecast capital expenditures 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) As a result of Veridian's application update related to its Ajax Facility Expansion Project, the values in both evidence references have changed.
A revision to Sheet P1.UCC of the updated Tax Model (Exhibit 4, Tab 9, Schedule 3, Attachment 2 was provided as Attachment 1 in Veridian's response to Energy Probe interrogatory #36.
Provided here, as Attachment 1, is a revised version of Exhibit 4, Tab 8, Schedule 3, Attachment 1 – Appendix 2-N.
Provided here, as Attachment 2, is a mapping as requested for 2009.

(b) Provided here, as Attachment 3, is a mapping as requested for 2010.

(c) The CCA calculation for Class 13.1 (Leasehold Improvements) for 2009 and 2010 was incorrect in the original calculations. The Class 13.1 CCA calculation has been corrected in Attachment 1 to Veridian's response to Energy Probe interrogatory #37. The amounts attributed for Class 14 Franchise are not eligible for CCA and were recorded in the calculation in error. The assets relate to intellectual engineering information purchased or acquired by Veridian.

(d) Please see Attachment 1 to Veridian's response to Energy Probe interrogatory 36.

VCI Application Update -Appendix 2-N **Depreciation Expense Detail for 2009 Bridge Year**

Account	Description	Opening Balance	Less Fully Depreciated	Net for Depreciation	Additions	Total for Depreciation	Years	Depreciation Expense	Less: Adj for depreciation related to FMV write-up	Adjusted Depreciation Expense
1800	Land	$ 685,406	N/A	N/A	N/A	N/A	N/A	N/A		
1806	Land Rights	$ 523,959	$ -	$ 523,959	$ 18,000	$ 532,959	50	$ 10,659		$ 10,659
1808	Bldg & Fixtures	$ 668,106		$ 668,106	$ -	$ 668,106	50	$ 13,362		$ 13,362
1815	TS	$ 176,775		$ 176,775	$ -	$ 176,775	40	$ 4,419		$ 4,419
1820	Substations	$ 23,782,603	$ (548,935)	$ 23,233,668	$ 2,030,000	$ 24,248,668	30	$ 808,289	$ (2,018)	$ 806,271
1830	Dist Poles	$ 32,580,906	$ (277,739)	$ 32,303,167	$ 2,012,700	$ 33,309,517	25	$ 1,332,381	$ (18,035)	$ 1,314,346
1835	Dist Wire	$ 44,320,795	$ (704,354)	$ 43,616,442	$ 3,631,400	$ 45,432,142	25	$ 1,817,286	$ -	$ 1,817,286
1840	Dist Duct	$ 55,583,855	$ (250,991)	$ 55,332,864	$ 1,232,300	$ 55,949,014	25	$ 2,237,961	$ 6,319	$ 2,244,280
1845	Dist Cable	$ 25,952,464	$ (128,895)	$ 25,823,569	$ 2,420,900	$ 27,034,019	25	$ 1,081,361	$ -	$ 1,081,361
1850	Transformer	$ 61,956,694	$ (162,834)	$ 61,793,860	$ 1,612,800	$ 62,600,260	25	$ 2,504,010	$ 3,261	$ 2,507,271
1855	Services	$ 26,526,006	$ (531,214)	$ 25,994,792	$ 1,010,400	$ 26,499,992	25	$ 1,060,000	$ (40,170)	$ 1,019,830
1860	Meters	$ 12,329,845	$ (71,676)	$ 12,258,169	$ 356,000	$ 12,436,169	25	$ 497,447		$ 497,447
1901	Land Rights	$ 151,444	$ -	$ 151,444	$ -	$ 151,444	50	$ 3,029		$ 3,029
1905	Land	$ 1,035,731	N/A	N/A	N/A	N/A	N/A	N/A		N/A
1908	Servc Centre Bldgs	$ 9,419,504	$ -	$ 9,419,504	0	$ 9,419,504	50	$ 188,390		$ 188,390
1908	Servc Centre Bldgs-Renos/	$ -	$ -	$ -	$ 703,500	$ 351,750	25	$ 14,070		$ 14,070
1910	Leasehold Improv	$ 736,880	$ (35,412)	$ 701,468	$ 267,000	$ 834,968	5	$ 166,994		$ 166,994
1915	Offc Furn & Equip	$ 1,696,319	$ (200,399)	$ 1,495,920	$ 170,000	$ 1,580,920	10	$ 158,092		$ 158,092
1920	Comp Hdrwre	$ 1,460,102	$ (328,932)	$ 1,131,170	$ 901,000	$ 1,581,670	5	$ 316,334		$ 316,334
1925	Comp Sftwre	$ 6,013,733	$ (884,328)	$ 5,129,405	$ 1,317,800	$ 5,788,305	5	$ 1,157,661		$ 1,157,661
1930	Vehicles	$ 3,983,027	$ (292,292)	$ 3,690,735	$ 1,310,000	$ 4,345,735	8	$ 543,217		$ 543,217
1935	Stores Equip	$ 4,887		$ 4,887	$ -	$ 4,887	10	$ 489		$ 489
1940	Tools & Equip	$ 534,774	$ (83,154)	$ 451,619	$ 102,900	$ 503,069	10	$ 50,307		$ 50,307
1945	Test Equip	$ 75,265		$ 75,265	$ -	$ 75,265	10	$ 7,526		$ 7,526
1955	Comm. Equip	$ 192,270	$ (30,625)	$ 161,644	$ -	$ 161,644	10	$ 16,164		$ 16,164
1960	Misc Equip	$ 159,178	$ (18,862)	$ 140,317	$ -	$ 140,317	10	$ 14,032		$ 14,032
1980	SCADA	$ 4,417,544	$ (41,654)	$ 4,375,890	$ 545,000	$ 4,648,390	15	$ 309,893	$ (576)	$ 309,317
1990	Misc Intang Plant	$ 233,343	$ (61,544)	$ 171,799	$ 235,000	$ 289,299	3	$ 96,433		$ 96,433
1995	Contributions	$ (44,105,867)	$ -	$ (44,105,867)	$ (3,301,428)	$ (45,756,581)	25	$ (1,830,263)		$ (1,830,263)
		$ 271,095,549	$ (4,653,841)	$ 264,720,572	$ 16,575,272	$ 273,008,208		$ 12,579,541	$ (51,219)	$ 12,528,322
								Less: Amortiztion for Vehicles (capitalized)		$ (543,217)
										$ 11,985,105

VCI Application Update -Appendix 2-N **Depreciation Expense Detail for 2010 Test Year**

Account	Description	Opening Balance	Less Fully Depreciated	Net for Depreciation	Additions	Total for Depreciation	Years	Depreciation Expense	Less: Adj for depreciation related to FMV write-up	Adjusted Depreciation Expense
1800	Land	$ 685,406	N/A	N/A	N/A	N/A	N/A	N/A		
1806	Land Rights	$ 541,959		$ 541,959	$ -	$ 541,959	50	$ 10,839		$ 10,839
1808	Bldg & Fixtures	$ 668,106		$ 668,106	$ -	$ 668,106	50	$ 13,362		$ 13,362
1815	TS	$ 176,775		$ 176,775	$ -	$ 176,775	25	$ 7,071		$ 7,071
1820	Substations	$ 25,263,668	$ (99,200)	$ 25,164,468	$ 5,370,000	$ 27,849,468	40	$ 696,237	$ (1,952)	$ 694,285
1830	Dist Poles	$ 34,315,867	$ (192,642)	$ 34,123,225	$ 4,497,500	$ 36,371,975	25	$ 1,454,879	$ (17,313)	$ 1,437,566
1835	Dist Wire	$ 47,247,842	$ (763,403)	$ 46,484,439	$ 2,995,000	$ 47,981,939	25	$ 1,919,278	$ -	$ 1,919,278
1840	Dist Duct	$ 56,565,164	$ (2,548,878)	$ 54,016,285	$ 710,000	$ 54,371,285	25	$ 2,174,851	$ 6,067	$ 2,180,918
1845	Dist Cable	$ 28,244,469	$ (153,961)	$ 28,090,509	$ 2,209,000	$ 29,195,009	25	$ 1,167,800	$ -	$ 1,167,800
1850	Transformer	$ 63,406,660	$ (1,322,995)	$ 62,083,665	$ 2,128,000	$ 63,147,665	25	$ 2,525,907	$ 3,130	$ 2,529,037
1855	Services	$ 27,005,192	$ (353,825)	$ 26,651,367	$ 853,000	$ 27,077,867	25	$ 1,083,115	$ (38,564)	$ 1,044,551
1860	Meters	$ 12,614,169	$ (169,264)	$ 12,444,905	$ 509,000	$ 12,699,405	25	$ 507,976		$ 507,976
1860	Smart Meters	$ 6,449,036	$ -	$ 6,449,036	$ -	$ 6,449,036	15	$ 429,936		$ 429,936
1901	Land Rights	$ 151,444		$ 151,444	$ -	$ 151,444	50	$ 3,029		$ 3,029
1905	Land	$ 1,035,731	N/A	N/A	N/A	N/A	N/A	N/A		N/A
1908	Servc Centre Bldgs	$ 9,419,504	$ -	$ 9,419,504		$ 9,419,504	50	$ 188,390		$ 188,390
1908	Servc Centre Bldgs-Renos	$ 703,500	$ -	$ 703,500		$ 703,500	25	***$ 28,140***		***$ 28,140***
1908	Servc Centre Bldgs-Renos/Add'ns				***$ 5,289,482***	$ 2,644,741	32	***$ 82,648***		***$ 82,648***
1910	Leasehold Improv	$ 968,468	$ (3,188)	$ 965,280	***$ 70,000***	$ 1,000,280	5	***$ 200,056***		***$ 200,056***
1915	Offc Furn & Equip	$ 1,665,920	$ (97,656)	$ 1,568,264	***$ 790,518***	$ 1,963,523	10	***$ 196,352***		***$ 196,352***
1920	Comp Hdrwre-from SM	$ 118,717	0	$ 118,717	$ -	$ 118,717	5	$ 23,743		$ 23,743
1920	Comp Hdrwre	$ 2,032,170	$ (351,820)	$ 2,032,170	$ 563,100	$ 2,595,270	5	$ 519,054		$ 519,054
1925	Comp Sftwre - SM	$ 77,068		$ 77,068	$ -	$ 77,068	3	$ 25,689		$ 25,689
1925	Comp Sftwre	$ 6,447,205	$ (1,110,320)	$ 5,336,885	$ 835,000	$ 5,754,385	5	$ 1,150,877		$ 1,150,877
1930	Vehicles	$ 5,000,735	$ (274,277)	$ 4,726,458	$ 1,770,000	$ 5,611,458	8	$ 701,432		$ 701,432
1935	Stores Equip	$ 4,887		$ 4,887	$ -	$ 4,887	10	$ 489		$ 489
1940	Tools & Equip	$ 554,519	$ (17,975)	$ 536,545	$ 136,000	$ 604,545	10	$ 60,454		$ 60,454
1945	Test Equip	$ 75,265	$ (26,608)	$ 48,657	$ -	$ 48,657	10	$ 4,866		$ 4,866
1955	Comm. Equip	$ 161,644	$ (36,923)	$ 124,721	$ -	$ 124,721	10	$ 12,472		$ 12,472
1960	Misc Equip	$ 140,317	$ (2,255)	$ 138,062	$ -	$ 138,062	10	$ 13,806		$ 13,806
1980	SCADA	$ 4,920,890	$ (95,942)	$ 4,824,948	$ 345,000	$ 4,997,448	15	$ 333,163	$ (538)	$ 332,625
1990	Misc Intang Plant	$ 406,799	$ (118,980)	$ 287,819	$ 200,000	$ 387,819	3	$ 129,273		$ 129,273
1995	Contributions	$ (47,407,295)	$ -	$ (47,407,295)	$ (3,527,375)	$ (49,170,982)	25	$ (1,966,839)		$ (1,966,839)
										$ -
		$ 289,661,801	$ (7,740,111)	$ 280,552,373	***$ 25,743,225***	$ 293,705,536		***$ 13,698,346***	$ (49,170)	***$ 13,649,176***
									Less: Amortiztion for Vehicles (capitalized)	$ (701,432)
										$ 12,947,744

Capital Cost Allowance
Account Mapping to Class
Connections - January 1 to December 31, 2009

OEB Account Grouping by G/L Detail	CCA Class	Account Description	2009 Additions
30.000.1808.001	47	Distribution Building & Fixtures	0
30.000.1815.001	47	Transformer Station Equipment	0
30.000.1820.001	47	Substations	2,030,000
30.000.1830.001	47	Poles, Towers & Fixtures	2,012,700
30.000.1835.001	47	O/H Conductors & Devices	3,631,400
30.000.1840.001	47	Underground Conduit	1,232,300
30.000.1845.001	47	U/G Conductors & Devices	2,420,900
30.000.1850.001	47	Line Transformers	1,612,800
30.000.1855	47	Services Overhead & Underground	1,010,400
30.000.1860	47	Meters (All)	356,000
30.000.1908.001	47	Service Centre Buildings	703,500
30.000.1995	47	Contributions in Aid of Construction	(3,301,428)
	47 Total	Distribution Plant	11,708,572
30.000.1915.001	8	Office Furniture & Equipment	170,000
30.000.1935.001	8	Stores Equipment	0
30.000.1940.001	8	Tools & Equipment	102,900
30.000.1945.001	8	Measure & Test Equipment	0
30.000.1955.001	8	Communication Equipment	-
30.000.1960.001	8	Miscellaneous Equipment	-
30.000.1980.001	8	S.C.A.D.A.	545,000
	8 Total	General Office/Stores Equip	817,900
30.000.1930.002	10	Vehicles	1,310,000
	10 Total	Vehicles	1,310,000
30.000.1925.001	12	Computer Software	1,317,800
	12 Total	ComputerSoftware	1,317,800
30.000.1910.002	13	Leasehold Improvements -	267,000
	13 Total	Leasehold Improvements -	267,000
30.000.1981.001	42	Fibre Optics	-
	42 Total		-
30.000.1920.001	52	Computer Hardware	901,000
	52 Total	Hardware	901,000
		Not allowed for CCA purposes	
30.000.1800.001	-	Land - Distribution	0
30.000.1806.001	-	Land Rights	18,000
30.000.1901.001	-	Land Rights	-
30.000.1905.001	-	Land	0
30.000.1990.001		Misc Intangible Plant -	235,000
30.000.2060.001	-	Elec Plant Acquisition Adj - Uxbridge	
30.000.2060.002	-	Elec Plant Acquisition Adj - Port Hope	
30.000.2060.003	-	Elec Plant Acquisition Adj - Brock	
	- Total	**(Not allowed for CCA purposes)**	253,000

Capital Cost Allowance
Account Mapping to Class
Connections - January 1 to December 31, 2010

OEB Account Grouping by G/L Detail	CCA Class	Account Description	2010 Additions
30.000.1725.001	47	Sub Trans Poles & Fixtures	
30.000.1730.001	47	Sub Trans Conduct Etc. - O/H	
30.000.1735.001	47	Sub Trans Conduit U/G	
30.000.1740.001	47	Sub Trans Cond & Dev	
30.000.1808.001	47	Distribution Building & Fixtures	0
30.000.1815.001	47	Transformer Station Equipment	0
30.000.1820.001	47	Substations	5,370,000
30.000.1830.001	47	Poles, Towers & Fixtures	4,497,500
30.000.1835.001	47	O/H Conductors & Devices	2,995,000
30.000.1840.001	47	Underground Conduit	710,000
30.000.1845.001	47	U/G Conductors & Devices	2,209,000
30.000.1850.001	47	Line Transformers	2,128,000
30.000.1855	47	Services Overhead & Underground	853,000
30.000.1860	47	Meters (All)	509,000
30.000.1861.001	47	Smart Meters	6,449,036
30.000.1908.001	47	Service Centre Buildings	5,289,482
30.000.1995	47	Contributions in Aid of Construction	(3,527,375)
	47 Total	Distribution Plan	27,482,643
30.000.1915.001	8	Office Furniture & Equipment	790,518
30.000.1935.001	8	Stores Equipment	0
30.000.1940.001	8	Tools & Equipment	136,000
30.000.1945.001	8	Measure & Test Equipment	0
30.000.1955.001	8	Communication Equipment	-
30.000.1960.001	8	Miscellaneous Equipment	-
30.000.1980.001	8	S.C.A.D.A.	345,000
	8 Total	General Office/Tools	1,271,518
30.000.1930.002	10	Vehicles	1,770,000
	10 Total	Vehicles	1,770,000
30.000.1925.001	12	Computer Software	912,068
	12 Total	Software	912,068
30.000.1910.002	13	Leasehold Improvements -	70,000
	13 Total	Leasehold Improvements -	70,000
30.000.1981.001	42	Fibre Optics	-
	42 Total		-
30.000.1920.001	52	Computer Hardware	681,817
	52 Total	Hardware	681,817
		Not allowed for CCA purposes	
30.000.1800.001	-	Land - Distribution	0
30.000.1806.001	-	Land Rights	0
30.000.1901.001	-	Land Rights	-
30.000.1905.001	-	Land	0
30.000.1990.001	14	Misc Intangible Plant -	200,000
30.000.2060.001	-	Elec Plant Acquisition Adj - Uxbridge	
30.000.2060.002	-	Elec Plant Acquisition Adj - Port Hope	
30.000.2060.003	-	Elec Plant Acquisition Adj - Brock	
	- Total		200,000
	Grand Total		32,388,046

38. Ref: Exhibit 4 / Tab 9 / Schedule 3 / Attachment 2

Request

(a) Please explain why the $60,000 associated with charitable donations is added back into the tax calculation (page 12 of 21).

(b) Is Veridian Connections including this $60,000 in its 2010 revenue requirement as shown in Exhibit 4, Tab 2, Schedule 1, Attachment 2, page 3?

(c) Please explain how the Ontario Specified Tax Credits of $17,168 shown on page 13 have been calculated.

(d) Please explain how the investment & miscellaneous tax credits of $19,506 shown on page 17 have been calculated.

(e) Where are the tax credits associated with the apprenticeship training tax credit and the co-operative education tax credit shown?

(f) Please calculate the impact on taxes and on the revenue requirement of including the Apprenticeship Training Tax Credit, as modified in the 2009 provincial budget to 35% of qualifying wages to a maximum of $10,000 per position, and extending the eligibility period from 36 months to 48 months.

(g) Has Veridian Connections included any tax credits related to the Co-operative Education Tax Credit? If not, why not? If yes, please provide the calculations used to calculate this credit and indicate where in the calculation of income taxes it can be found. Please indicate if the calculation reflects the 2009 provincial budget changes that increased the credit to 25% of qualifying wages to a maximum of $3,000.

(h) Has Veridian Connections included the $2,000 federal training tax credit available for the first 24 months of apprentice positions in its tax calculations for 2010? If not, why not? Please provide the number of positions eligible for this credit in 2010 and indicate where in the tax calculation this figure can be found.

<u>Response:</u>

(a) Veridian understands this to be the proper tax treatment for charitable donations.

(b) Yes.

(c) No detailed forecast calculations for the 2009 and 2010 values the Ontario Tax Specified Tax Credits has been completed, rather the 2008 actuals are used as proxies for 2009 and 2010.

(d) No detailed forecast calculations for the 2009 and 2010 values the investment and miscellaneous tax credits has been completed, rather the 2008 actuals are used as proxies for 2009 and 2010.

(e) The tax credits associated with the apprenticeship training tax credit is included in the proxy amounts for investment and miscellaneous tax credits and the Ontario Tax Specified Tax Credits.

(f) As no forecast detailed calculations were completed, Veridian is not able to perform the requested calculation.

(g) As Veridian has used the 2008 actual tax credits as a proxy for 2009 and 2010 and Veridian did not claim tax credits related to the Co-Operative Education Tax Credit in 2008, they are not included.

(h) Veridian has used the 2008 actual tax credits (including those related to apprenticeship training) as the proxy for 2009 and 2010 tax credits as the projected number of eligible positions is expected to be the same. By use of the 2008 proxy, Veridian has provided for the credits. The number of positions eligible for this credit in 2010 is 2. The credits are included in the 'Investment & Miscellaneous Tax Credits' amount on Sheet P8. Total PILs.

39. Ref: Exhibit 5 / Tab 2 / Schedule 1

Request

(a) Please explain why Veridian Connections did not seek third party financing to replace the loans from the municipal corporations shown on page 1 that matured at the end of October, 2009.

(b) Please explain why Veridian Connections decided to borrow the incremental $21 million of long term debt from its parent company, Veridian Corporation. Was this decision made by Veridian Connections or by Veridian Corporation?

(c) Please explain why the new notes payable to municipal shareholders that have an issue date of October 31, 2009 and maturity dates of November 1, 2012 should be costed at an interest rate that reflects long-term (30 year) debt costs.

(d) Did Veridian Connections obtain any interest rate quotes for a principle amount of $43,588,000 for a three year loan from any third party sources? If not, why not?

(e) What was the 5 year Infrastructure Ontario debt rate on October 31, 2009?

(f) What is the current 5 year, 10 year and 30 year Infrastructure Ontario debt rate that is currently available to local distribution companies?

(g) Has Veridian Connections entered into the $21 million note payable to Veridian Corporation shown in Table 1 with an issue date of December 9, 2009? If yes, please provide a copy of the loan agreement.

(h) Please explain why this $21 million note, which has a maturity date of December 17, 2019, should attract a long term debt rate that is based on a 30 year loan arrangement?

(i) With respect to the existing note payable to Veridian Corporation with an issue date of June 1, 2007 at a rate of 5.56%, please provide a calculation (based on the information contained Attachment 3 to Exhibit 5, Tab 2, Schedule 2) showing the average outstanding principle associated with this loan.

<u>Response:</u>

(a) Please see the appended Veridian Financing Strategy (attachment 1).

(b) The decision was made by Veridian Connections Inc. Please see the appended Veridian Financing Strategy.

(c) Please see the appended Veridian Financing Strategy.

(d) No, Veridian did not obtain quotes from third parties. Please see the appended Veridian Financing Strategy.

(e) Veridian does not have a record of the 5 year Infrastructure Ontario debt rates on October 31, 2009.

(f) The indicative lending rates for Local Distribution Companies as of December 31, 2009 as posted on the Infrastructure Ontario website are:
   5 year – between 2.86% and 2.96%
   10 year – between 3.94% and 4.04%
   30 year – between 5.2% and 5.3%

(g) The term promissory note with Veridian Corporation was entered into on December 17, 2009. A copy is attached to this response.

(h) Please see the appended Veridian Financing Strategy (attachment 2).

(i) The question does not indicate whether the calculation is for the bridge year, the test year or for the term of the loan. An amortization schedule showing the principal balance by period is appended as attachment 3.

VERIDIAN FINANCING STRATEGY

Veridian's current level of long term debt is $85.9 M or 48.4% of Veridian's forecast for rate base in 2009.

Veridian developed a 2009 financing strategy driven by a number of factors impacting 2009 and 2010.

1. The $43.6 million in notes (held by Veridian Corporation shareholders) reached maturity on November 1, 2009
2. Cash flows from operations projected for 2009 and 2010 were not sufficient to fund expected capital expenditure requirements.
3. $21 million in regulatory liability balances were expected to be repaid to customers commencing in 2010.
4. Up to $15 million in short term advances for Veridian Connections Inc. were provided by Veridian Corporation during 2009 to cover Veridian Connections Inc.'s periodic cash deficits.

These factors lead to the development of a financing strategy that would extend the $43.6 million in promissory notes and to put in place new long term debt of $21 million to support Veridian's cash and debt financing requirements.

Extension of $43.6 million Promissory Notes held by Veridian Corporation Shareholders

The promissory notes were initially issued in 1999. These promissory notes were amended and restated to extend the maturity dates to November 1, 2012. The notes provide a number of benefits to Veridian.

1. The notes are subordinated to debt that may be incurred with other financial lenders. As such, the notes do not encumber the assets of Veridian. Lenders exclude the subordinate debt instruments from debt when calculating debt to capitalization ratios. This feature allows Veridian to put in place debt financing while not impinging on the corporation's ability to raise senior level debt. This is important to Veridian. Veridian believes that there would be significant benefit to customers to consolidate by acquiring service areas that lie between Veridian's non-contiguous service areas. Should an opportunity arise to acquire these service areas, Veridian will need to have financing capacity to finance such acquisitions.
2. The notes have the option for the noteholders to convert debt to equity. This is also a feature that provides Veridian with additional debt financing capacity. Should there be an opportunity for a large acquisition, the noteholders could enable Veridian to secure debt by agreeing to convert notes to equity.

3. The notes do not contain covenants or borrowing restrictions on Veridian. This again provides borrowing flexibility for Veridian and expands options for either future Veridian debt or equity. For example, Infrastructure Ontario requires that borrowers maintain a 100% municipal ownership. This limitation is viewed by Veridian as a significant restriction. Veridian does not wish to restrict its ability to consider growth opportunities that might be available that involve equity participation by privately owned investors.

New Additional Debt - $21 million from Veridian Corporation

This promissory note was issued on December 17, 2009 to supply the incremental debt required to meet Veridian's financing requirements. The note also has features similar to the VC shareholder promissory notes discussed above.

1. The notes are also subordinated providing Veridian with the flexibility as described above.
2. The notes also do not contain covenants or borrowing restrictions and therefore extend Veridian the benefits as outlined above.

Interest Rates for the Shareholder Notes

Veridian assessed the benefits of obtaining the debt financing from its related parties as listed above. The noteholders wished to extend the promissory notes and wished to continue to earn an appropriate return on their investment. Therefore, the parties worked together to determine reasonable interest rates for extending the notes.

The promissory notes that matured on November 1, 2009 had an interest rate of 7.6%. This rate of interest was established when the notes were first put in place in 1999. Veridian consulted with the note-holder representatives for the purpose of determining the appropriate interest rate for the notes during the extension period. The factors that were considered were:

1. Interest rates of other financing options that were not subordinated or had less favorable borrowing covenants or restrictions. It was observed and agreed that interest rates for these options were less than 7.6%
2. The 2009 deemed long term debt cost as prescribed by the Ontario Energy Board was set at 7.62%
3. The notes are subordinated and are therefore higher risk to the noteholders than senior debt.
4. Given that the notes gave the noteholders the right to amend the interest rate from time to time, the notes could be viewed as having the characteristics of a variable rate loan. The Board's 2006 Cost of Capital Report identified specific treatment for

variable rate loans in that the interest rate on variable rate loans would be set at the deemed debt rate for the purpose of calculating revenue requirement

The parties concurred that an interest rate set to vary annually with the Ontario Energy Board deemed debt rate would be a reasonable approach. Linking the interest rate paid on the notes to the deemed debt rate was a means of paying the investors a rate that would be viewed by the Board as reflective of market rates and fair to customers.

VERIDIAN FINANCING STRATEGY

Veridian's current level of long term debt is $85.9 M or 48.4% of Veridian's forecast for rate base in 2009.

Veridian developed a 2009 financing strategy driven by a number of factors impacting 2009 and 2010.

5. The $43.6 million in notes (held by Veridian Corporation shareholders) reached maturity on November 1, 2009
6. Cash flows from operations projected for 2009 and 2010 were not sufficient to fund expected capital expenditure requirements.
7. $21 million in regulatory liability balances were expected to be repaid to customers commencing in 2010.
8. Up to $15 million in short term advances for Veridian Connections Inc. were provided by Veridian Corporation during 2009 to cover Veridian Connections Inc.'s periodic cash deficits.

These factors lead to the development of a financing strategy that would extend the $43.6 million in promissory notes and to put in place new long term debt of $21 million to support Veridian's cash and debt financing requirements.

Extension of $43.6 million Promissory Notes held by Veridian Corporation Shareholders

The promissory notes were initially issued in 1999. These promissory notes were amended and restated to extend the maturity dates to November 1, 2012. The notes provide a number of benefits to Veridian.

4. The notes are subordinated to debt that may be incurred with other financial lenders. As such, the notes do not encumber the assets of Veridian. Lenders exclude the subordinate debt instruments from debt when calculating debt to capitalization ratios. This feature allows Veridian to put in place debt financing while not impinging on the corporation's ability to raise senior level debt. This is important to Veridian. Veridian believes that there would be significant benefit to customers to consolidate by acquiring service areas that lie between Veridian's non-contiguous service areas. Should an opportunity arise to acquire these service areas, Veridian will need to have financing capacity to finance such acquisitions.
5. The notes have the option for the noteholders to convert debt to equity. This is also a feature that provides Veridian with additional debt financing capacity. Should there be an opportunity for a large acquisition, the noteholders could enable Veridian to secure debt by agreeing to convert notes to equity.
6. The notes do not contain covenants or borrowing restrictions on Veridian. This again provides borrowing flexibility for Veridian and expands options for either

future Veridian debt or equity. For example, Infrastructure Ontario requires that borrowers maintain a 100% municipal ownership. This limitation is viewed by Veridian as a significant restriction. Veridian does not wish to restrict its ability to consider growth opportunities that might be available that involve equity participation by privately owned investors.

New Additional Debt - $21 million from Veridian Corporation

This promissory note was issued on December 17, 2009 to supply the incremental debt required to meet Veridian's financing requirements. The note also has features similar to the VC shareholder promissory notes discussed above.

3. The notes are also subordinated providing Veridian with the flexibility as described above.
4. The notes also do not contain covenants or borrowing restrictions and therefore extend Veridian the benefits as outlined above.

Interest Rates for the Shareholder Notes

Veridian assessed the benefits of obtaining the debt financing from its related parties as listed above. The noteholders wished to extend the promissory notes and wished to continue to earn an appropriate return on their investment. Therefore, the parties worked together to determine reasonable interest rates for extending the notes.

The promissory notes that matured on November 1, 2009 had an interest rate of 7.6%. This rate of interest was established when the notes were first put in place in 1999. Veridian consulted with the note-holder representatives for the purpose of determining the appropriate interest rate for the notes during the extension period. The factors that were considered were:

5. Interest rates of other financing options that were not subordinated or had less favorable borrowing covenants or restrictions. It was observed and agreed that interest rates for these options were less than 7.6%
6. The 2009 deemed long term debt cost as prescribed by the Ontario Energy Board was set at 7.62%
7. The notes are subordinated and are therefore higher risk to the noteholders than senior debt.
8. Given that the notes gave the noteholders the right to amend the interest rate from time to time, the notes could be viewed as having the characteristics of a variable rate loan. The Board's 2006 Cost of Capital Report identified specific treatment for variable rate loans in that the interest rate on variable rate loans would be set at the deemed debt rate for the purpose of calculating revenue requirement

The parties concurred that an interest rate set to vary annually with the Ontario Energy Board deemed debt rate would be a reasonable approach. Linking the interest rate paid on the notes to the deemed debt rate was a means of paying the investors a rate that would be viewed by the Board as reflective of market rates and fair to customers.

Term Promissory Note

Maturity Date: December 17, 2019 Principal Amount: $21,000,000.00

FOR VALUE RECEIVED, Veridian Connections Inc. (the "Corporation"), hereby promises to pay to or to the order of Veridian Corporation (the "Holder"), in lawful money of Canada, at the principal office of the Holder, the principal amount of TWENTY-ONE MILLION dollars ($21,000,000) (the "Principal Amount") together with interest on the unpaid Principal Amount and the ***Principal*** in equal installments of TWO MILLION, ONE HUNDRED THOUSAND dollars ($2,100,000) each from December 17, 2010 and including December 17, 2019.

1. Interest Rate. Interest on the Principal Amount shall be calculated annually, not in advance, for the period from December 17, 2009 until the Maturity Date, at a rate equal to the Ontario Energy Board ("**OEB**") deemed long-term debt rate as set forth on an annual basis in the OEB's Cost of Capital Parameter Updates for Cost of Service Applications, or as the deemed long-term debt rate may otherwise be established by the OEB (the **"Interest Rate"**). Interest at the Interest Rate shall be payable on December 17 in each year up to and including the Maturity Date. The Corporation acknowledges that the Interest Rate payable pursuant to this note shall be automatically amended from time to time to reflect the deemed rate established by the OEB from time to time and this note shall be automatically amended from time to time to reflect any change to the Interest Rate as determined by the OEB. Notwithstanding that the Interest Rate pursuant to this note shall be amended, the effective date of any change in the Interest Rate pursuant to this note will be as of May 1st each year with interest payable on the previous Interest Rate from December 17 of the previous year to April 30th of the next year, and interest payable at the amended Interest Rate from May 1st to December 16th of the current year.

2. Acceleration on Default

   Upon the occurrence of the following defaults:

   (a) the failure to make payment when due of any principal or interest due hereunder,

   (b) the undersigned shall become insolvent or bankrupt or make a proposal in bankruptcy,

   (c) the undersigned breaches the terms of its operating licenses or if a license is materially amended, cancelled, suspended or revoked or if the undersigned receives notice from the Ontario Energy Board of default under such licenses;

   (d) the undersigned ceases or threatens to cease to carry on its business as a regulated electricity distributor or any substantial part thereof;

   (e) the undersigned fails to adhere to the Affiliate Relationship Code restrictions set by the Ontario Energy Board, as applicable;

(f) the undersigned fails to file its Ontario Energy Board rate submissions as outlined in its annual business plan forecast;

the entire unpaid indebtedness owing by the undersigned to the Holder evidenced hereby and all interest accrued thereon to the date of payment shall forthwith become due and payable upon demand by the Holder subject to any subordination and postponement to any other financial institution or lender.

3. Ranking of this Note

This note shall rank equally in all respects as to the payment of principal and interest hereunder with the promissory notes issued to the Corporation of the City of Pickering, to the Corporation of the Town of Ajax, to the Corporation of the Municipality of Clarington and to the Corporation of the City of Belleville (collectively the **"Municipalities"**) described in Schedule "A" hereto (together the **"Other Notes"**).

4. Note Non-negotiable and Non-assignable

The Note shall be non-negotiable and non-assignable. Notwithstanding the foregoing, the Note may be assigned by the Holder to a financial institution or lender as security for its obligations to such financial institution or lender.

IN WITNESS WHEREOF Veridian Connections Inc. has caused this Note to be signed under its corporate seal by its duly authorized officers as of this 17th day of December, 2009.

VERIDIAN CONNECTIONS INC

Per:________________________________
Name: Glenn Rainbird
Title: Chair

Per:________________________________
Name: Michael Angemeer
Title: President and CEO

Interest Rate	5.56%
Loan	$ 30,000,000.00
Quarterly Payment	$982,792.00

	Payments			Principal Outstanding	Accrued Interest Quarter End
	Principal	Interest	Total		
1-Jun-07				$ 30,000,000.00	$ 139,000.00
1-Sep-07	$ 565,792.00	$ 417,000.00	$982,792.00	$ 29,434,208.00	$ 136,378.33
1-Dec-07	$ 573,657.00	$ 409,135.00	$982,792.00	$ 28,860,551.00	$ 133,720.67
1-Mar-08	$ 581,630.00	$ 401,162.00	$982,792.00	$ 28,278,921.00	$ 131,025.67
1-Jun-08	$ 589,715.00	$ 393,077.00	$982,792.00	$ 27,689,206.00	$ 128,293.33
1-Sep-08	$ 597,912.00	$ 384,880.00	$982,792.00	$ 27,091,294.00	$ 125,523.00
1-Dec-08	$ 606,223.00	$ 376,569.00	$982,792.00	$ 26,485,071.00	$ 122,714.00
1-Mar-09	$ 614,650.00	$ 368,142.00	$982,792.00	$ 25,870,421.00	$ 119,866.33
1-Jun-09	$ 623,193.00	$ 359,599.00	$982,792.00	$ 25,247,228.00	$ 116,978.67
1-Sep-09	$ 631,856.00	$ 350,936.00	$982,792.00	$ 24,615,372.00	$ 114,051.33
1-Dec-09	$ 640,638.00	$ 342,154.00	$982,792.00	$ 23,974,734.00	$ 111,083.00
1-Mar-10	$ 649,543.00	$ 333,249.00	$982,792.00	$ 23,325,191.00	$ 108,073.33
1-Jun-10	$ 658,572.00	$ 324,220.00	$982,792.00	$ 22,666,619.00	$ 105,022.00
1-Sep-10	$ 667,726.00	$ 315,066.00	$982,792.00	$ 21,998,893.00	$ 101,928.33
1-Dec-10	$ 677,007.00	$ 305,785.00	$982,792.00	$ 21,321,886.00	$ 98,791.33
1-Mar-11	$ 686,418.00	$ 296,374.00	$982,792.00	$ 20,635,468.00	$ 95,611.00
1-Jun-11	$ 695,959.00	$ 286,833.00	$982,792.00	$ 19,939,509.00	$ 92,386.33
1-Sep-11	$ 705,633.00	$ 277,159.00	$982,792.00	$ 19,233,876.00	$ 89,117.00
1-Dec-11	$ 715,441.00	$ 267,351.00	$982,792.00	$ 18,518,435.00	$ 85,802.00
1-Mar-12	$ 725,386.00	$ 257,406.00	$982,792.00	$ 17,793,049.00	$ 82,441.00
1-Jun-12	$ 735,469.00	$ 247,323.00	$982,792.00	$ 17,057,580.00	$ 79,033.33
1-Sep-12	$ 745,692.00	$ 237,100.00	$982,792.00	$ 16,311,888.00	$ 75,578.33
1-Dec-12	$ 756,057.00	$ 226,735.00	$982,792.00	$ 15,555,831.00	$ 72,075.33
1-Mar-13	$ 766,566.00	$ 216,226.00	$982,792.00	$ 14,789,265.00	$ 68,523.67
1-Jun-13	$ 777,221.00	$ 205,571.00	$982,792.00	$ 14,012,044.00	$ 64,922.33
1-Sep-13	$ 788,025.00	$ 194,767.00	$982,792.00	$ 13,224,019.00	$ 61,271.33
1-Dec-13	$ 798,978.00	$ 183,814.00	$982,792.00	$ 12,425,041.00	$ 57,569.33
1-Mar-14	$ 810,084.00	$ 172,708.00	$982,792.00	$ 11,614,957.00	$ 53,816.00
1-Jun-14	$ 821,344.00	$ 161,448.00	$982,792.00	$ 10,793,613.00	$ 50,010.33
1-Sep-14	$ 832,761.00	$ 150,031.00	$982,792.00	$ 9,960,852.00	$ 46,152.00
1-Dec-14	$ 844,336.00	$ 138,456.00	$982,792.00	$ 9,116,516.00	$ 42,240.00
1-Mar-15	$ 856,072.00	$ 126,720.00	$982,792.00	$ 8,260,444.00	$ 38,273.33
1-Jun-15	$ 867,972.00	$ 114,820.00	$982,792.00	$ 7,392,472.00	$ 34,251.67
1-Sep-15	$ 880,037.00	$ 102,755.00	$982,792.00	$ 6,512,435.00	$ 30,174.33
1-Dec-15	$ 892,269.00	$ 90,523.00	$982,792.00	$ 5,620,166.00	$ 26,040.00
1-Mar-16	$ 904,672.00	$ 78,120.00	$982,792.00	$ 4,715,494.00	$ 21,848.33
1-Jun-16	$ 917,247.00	$ 65,545.00	$982,792.00	$ 3,798,247.00	$ 17,598.67
1-Sep-16	$ 929,996.00	$ 52,796.00	$982,792.00	$ 2,868,251.00	$ 13,289.67
1-Dec-16	$ 942,923.00	$ 39,869.00	$982,792.00	$ 1,925,328.00	$ 8,920.67
1-Mar-17	$ 956,030.00	$ 26,762.00	$982,792.00	$ 969,298.00	$ 4,491.00
1-Jun-17	$ 969,298.00	$ 13,473.00	$ 982,771.00	$ -	

40. Ref: Exhibit 7 / Tab 2 / Schedule 2

Request

(a) Please confirm that in addition to highlighted values, the large use class in Veridian_Main is also outside of the Board Target Range.

(b) Please explain why the Board Target Range shown on page 18 of the Elenchus report (Attachment 3) is different from that shown on page 1 for the GS < 50, GS > 50, Intermediate and Large Use customer classes. Which set of figures is the actual Board Target Range?

Response:

(a) Confirmed.

(b) The Board Target Ranges shown on page 18 of the Elenchus Report for the GS < 50, GS > 50, Intermediate and Large Use customer classes are incorrect. The Board Target Ranges shown on page 1 of Exhibit 7, Tab 2, Schedule 2 are correct.

41. Ref: Exhibit 7 / Tab 3 / Schedule 1 / Table 1

Request

(a) Please explain why Veridian is proposing to increase the revenue to cost ratio for the residential, street lighting and USL customer classes even though they are already within the Board approved ranges.

(b) Please explain why Veridian is proposing to increase the revenue to cost ratios for the intermediate and large use customers to levels above the floor of the Board approved ranges.

(c) What would be the impact on the GS < 50 revenue to cost ratio if Veridian maintained the revenue to cost ratios for the residential, GS > 50, Streetlighting and USL classes at the ratios based on existing rates, increased the sentinel lighting ratio as proposed and moved the intermediate and large use customers to the floor on the Board approved ranges?

(d) If the result from part (c) above results in a revenue to cost ratio of more than 120% for the GS < 50 class, please adjust the GS < 50 class down to 120% by increasing the ratios for the intermediate and large use customers upwards by the same amount relative to the bottom of the Board approved ranges (i.e. increase the revenue to cost ratios for these 2 rate classes by the same amount). What is the result revenue to cost ratios under this scenario for the intermediate and large use customer classes?

Response:

(a) Veridian is proposing to increase the revenue to cost ratios for the referenced classes as the changes are small in magnitude, do not result in significant bill impacts, assist in achieving decreases in revenue to cost ratios required in other classes and contribute to the overall long term goal of unity for revenue to cost ratios.

(b) The proposed revenue to cost ratios for the Intermediate and Large Use customer classes are not significantly higher than the floor of the Board approved ranges. The ratio for the Intermediate class is less than 2% above the floor and the ratio for the Large Use class, less than 3%. Increases in the revenue to cost ratios for these classes do not result in significant bill impacts, assist in achieving decreases in revenue to cost ratios required in other classes and contribute to the overall long term goal of unity.

(c) The impact would be to raise the revenue to cost ratio for the GS < 50 kW class from the proposed level of 114.78% to 117.89%.

(d) Not applicable.

42. Ref: Exhibit 8 / Tab 7 / Schedule 2

The total bill impacts shown do not include an adjustment for the increase in the GST from 5% to an HST of 13% effective July 1, 2010 and also do not reflect the increase in return on equity as a result of the outcome of EB-2009-0084.

Request

(a) Please update the figures in Attachment 1 and Attachment 2 to reflect a return on equity of 9.75% and average GST/HST tax rate of 9% for 2010.

(b) Are any changes required to rate mitigation impacts as a result of these changes? If yes, please indicate what Veridian Connections is proposing.

(c) The HST will increase to an effective rate of 13% in 2011. Will this impact on any of the 2011 rate proposals?

Response:

(a) and (b)
Veridian interprets this as a request to quantify, apart from the effect of changes in cost of capital as a result of the outcome of EB-2009-0084, total bill impacts as a result of the proposed HST for the purpose of determining whether rate mitigation is necessary. Veridian proposes that bill impacts resulting from changes in retail sales tax rates are not relevant for determining whether rate mitigation measures are necessary in the context of Veridian's application. There are many factors that are exogenous to the distribution of electricity that cause overall bill increases. However, Veridian does not believe that it is responsible for mitigating its rates as a result of those factors. Veridian has quantified bill impacts and provided details on rate mitigation measures related to any changes proposed by it in its cost of service application. For updated values for Attachment 1 and 2 which reflect a return on equity of 9.75%, please see the response to SEC Interrogatory #36.

(b) Veridian has made no 2011 rate proposals.

43. Ref: Exhibit 9 / Tab 4 / Schedule 3

Veridian Connections has indicated that it has continued to include the net book value of stranded meters in rate base.

Request

(a) What is the estimated remaining life of these stranded meters? In other words, when will they be fully depreciated under the approach of leaving them in rate base?

(b) What would be the impact on the 2010 revenue requirement if the stranded meters were removed from rate base at the end of 2009?

(c) What would be the impact on the rate riders calculated for the clearance of the deferral and variance accounts if the net book value were to be recovered over the same period as the other accounts?

Response:

The amount of Veridian's smart meter variance account disposition rate rider has changed as a result of Veridian's application update. This interrogatory has been answered on the basis of the updated values.

(a) The remaining life of the stranded meters depend upon when the original meters were installed and range from 1 – 21 years with the majority of the value of the meters having a remaining life between 11 – 21 years.

(b) If the stranded meters were removed from rate base at the end of 2009, there would be an estimated reduction in the 2010 service revenue requirement of $338,000.

(c) Veridian estimates that the rate rider would increase from $0.61 per month to $3.45 per month.

44. Ref: Exhibit 4 / Tab 9 / Schedule 3 / Page 3

Request

Please provide the actual property taxes paid in 2006, 2007 and 2008, along with the forecast for 2009 and 2010. Please provide the actual 2009 property tax payable if this information is available.

Response:

Property taxes paid by Veridian Connections Inc. are as follows:

2006 (actual) - $251,968
2007 (actual) - $406,092 *
2008 (actual) - $405,908
2009 (actual) - $410,979
2010 (forecast) - $415,089

* - property taxes increased significantly in 2007. Property owned by Veridian Corporation and leased to Veridian Connections Inc. was transferred to Veridian Connections in 2007. Veridian Connections Inc. as owner of the property in 2007 was responsible for taxes in 2007 and beyond.