45. Ref: Response to Energy Probe Interrogatory 1

Request

Please update the response to provide the actual 2009 provincial sales tax for 2009 for both OM&A expenditures and capital expenditures.

Response:

Veridian is unable to provide an update to the response to provide the actual 2009 provincial sales tax figures at this time. An external resource was engaged to provide the data for the original response. Veridian has attempted to engage the resource for the purposes of an update but has not yet been successful.

46. Ref: Exhibit 3 / Tab 7 / Schedule 1 / Table 8
Response to Energy Probe Interrogatory 15

Request

Please update Table 8 to reflect actual and normalized actual data for 2009.

Response:

Veridian has not yet finalized its calculations of unbilled kWh by class for the 2009 YE and therefore is unable to update Table 8 to reflect actual and normalized actual data for 2009.

47. Ref: Exhibit 3 / Tab 7 / Schedule 2 / Table 9
Response to Energy Probe Interrogatory 16

Request

Please update Table 9 to reflect actual and normalized actual data for 2009.

Response:

Veridian has not yet finalized its calculations of unbilled kWh by class for the 2009 YE and therefore is unable to update Table 8 to reflect actual and normalized actual data for 2009.

48. Ref: Response to Energy Probe Interrogatory 20 (d)

Request

Based on the response provided, please comment on the following which is taken from the EB-2008-0226 Decision and Order for COLLUS Power Corp. dated April 17, 2009 (page 12):

“To be consistent with the Board’s findings in its December 20, 2006 Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors, the Board will approve the annual percent change in the Implicit Price Index for National Gross Domestic Product (GDP-IPI) for Final Domestic Demand. On March 2, 2009, Statistics Canada published the change for 2008 over 2007 as part of the National Economic Accounts. The percent change is 2.3%. The Board directs COLLUS to adjust its 2009 forecasted inflationary amount, excluding wages and benefits, to reflect this change.”

Response:

Veridian stands by its forecasted inflation rate.

49. Ref: Response to Energy Probe Interrogatory 33

Request

(a) Please confirm that Veridian Connections used the half year rule for calculation depreciation expense in the 2009 bridge year.

(b) If the depreciation was calculated using the full year approach in 2009, what would be the incremental depreciation expense for 2009?

Response:

(a) Confirmed.

(b) Not Applicable.

50. Ref: Response to Energy Probe Interrogatory 34 (d)

Request

Please provide support for the statement that only the income tax rates for taxable incomes exceeding $1.5 million are applicable to Veridian Connections.

Response:

Upon further review of the calculations Veridian withdraws the above referenced statement from its response to Energy Probe interrogatory 34.

Veridian can now confirm the calculation of the 2010 provincial tax savings resulting from the noted changes in the small business tax rate and the elimination of the 4.25% surtax (both effective July 1, 2010) as $18,750 as stated in part (d) of Energy Probe's interrogatory 34.

51. Ref: Response to Energy Probe Interrogatory 38

Request

(a) Does Veridian Connections agree that if rate payers are paying for the charitable contributions as part of the revenue requirement they should also get the reduction in the revenue requirement associated with these expenses? If not, why not?

(b) Please provide the number of apprenticeship positions that will be eligible for the apprenticeship training tax credits in 2010.

(c) Please reconcile the response to part (h) that indicates that the number of eligible apprenticeship positions in 2010 is 2 with the number of additions for apprentice positions shown in the response to VECC Interrogatory #29.

(d) Please provide the number of eligible apprentice positions added in each of 2007, 2008 and forecast for 2009 and 2010.

(e) Has Veridian Connections included the cost of any positions that would qualify for the co-op education tax credit in the 2010 revenue requirement? If yes, please provide details. If not, please reconcile with the 5.6 students shown in the response to CCC Interrogatory 18.

Response:

(a) Veridian believes it has properly accounted for charitable donations in the calculation of the 2010 revenue requirement.

(b) The number of apprenticeship positions that will be eligible for the apprenticeship training tax credits in 2010 is 2 apprentice linepersons.

(c) The response to VECC Interrogatory #29 within the revised 2010 test year hiring schedule indicated 4 'apprenticeship' positions being added. The 4 positions are 2 apprentice linepersons and 2 apprentice system operators. Veridian's understanding is that only the positions of apprentice linepersons are eligible under the apprenticeship Job Creation Tax Credit (ATJCTC) as no prescribed trade currently listed as a "Red Seal Trade" corresponds to Veridian's apprentice system operator positions.

(d) The number of eligible apprentice positions added in 2007 was 2. In 2008 the number was 3. In 2009 the forecast number is 3 and in 2010 the forecast number is 2.

(e) Veridian has included the costs for 3 co-op students within the 2010 revenue requirement. Veridian is not aware that any of these positions would qualify for the co-op education tax credit. Veridian has not sought this tax credit in the past and has never been issued a letter of certification from any educational institution as required by the Canada Revenue Agency to support a claim through the Ontario Co-operative Education Tax Credit. The 5.6 students listed in the response to CCC Interrogatory 18 are university/college summer students employed during the summer period but not in conjunction with a co-operative education work placement program.

52. Ref: Response to Energy Probe Interrogatory 39

Request

(a) The response to part (h) is not complete. Please explain why a loan with a 10 year term should attract a 30 year term interest rate.

(b) Please also indicate why a 3 year term loan should attract a 30 year term interest rate.

Response:

(a) and (b)

According to the Board's 2006 Cost of Capital Report, "short-term debt" normally denotes demand notes or debt that has a term of one-year or less. Since neither of these instruments has a term of one-year or less, the Board's long-term deemed debt rate would apply.

53. Ref: Response to School Energy Coalition Interrogatory 9

In the response it is stated that the 2010 operating and capital budgets were approved by Veridian's Board of Directors on December 17, 2009.

Request

> Please provide details of any differences in the operating and capital budgets approved by the Board of Directors and the information filed with the Board and intervenors in support of the 2010 revenue requirement.

Response:

Please see Veridian's response to SEC Interrogatory #7 for copies of the 2010 operating and capital budgets.

The OM&A and amortization amounts in the 2010 operating budget approved by the Board of Directors are higher than that filed within Veridian's 2010 Cost of Service rate application as they also include costs related to Veridian's smart metering program which are not included with Veridian's 2010 revenue requirement.

The 2010 capital budget approved by the Board of Directors also included smart metering capital expenditures which are not included within Veridian's 2010 rate base and revenue requirement calculations.

54. Ref: Response to VECC Interrogatory 26

Request

(a) Please provide the actual 2009 costs for cyclical tree trimming. Please explain any variance greater than 5% from the projected figure of $535,700.

(b) What was the average contract labour rate in 2008 and 2009 and what is the forecast for 2010?

<u>Response:</u>

(a) Our response:

	2009 Budget	2009 Actual	Variance (%)
Planned Cyclical Contract	$535,700	$473,400	$62,300 (-11.6%)
Misc. Reactive Contract	$135,000	$267,900	$132,900 (+98.5%)
Total Contract Costs	$670,700	$741,400	$70,700 (+10.5%)

The variance of $62,300 under budget is for specific planned work assigned to contractors. This is almost entirely attributable to costs in the City of Belleville. The City controls all tree trimming in Belleville and assigns costs to the utilities involved. Veridian's share was unexpectedly low for the streets trimmed in 2009. The variance of $132,900 over budget is for unplanned reactive work discovered to be necessary during the year. Isolated storm damage, customer complaints, and vegetation growth discovered in non-scheduled areas is dealt with in this item. The total annual Tree Trimming amounts for 2009 also include additional costs for work performed by Veridian staff, with a budget of $66,300 and an actual of $152,300. The 2009 totals are therefore $737,000 budget vs. $893,700 actual.

(b) Average contract labour rates in 2008, 2009 and 2010 (expected) are found in the following table. These averages are derived from RFQ (Request for Quote) responses of the contractors for miscellaneous tree trimming activities for each of the years shown.

	2008	2009	2010
Avg. labour rate ($ per hour)	109.77	143.78	150.00

55. Ref: Exhibit 5 / Tab 2 / Schedule 1 / Table 1
Response to Energy Probe Interrogatory 39 (i)
Response to VECC Interrogatory 33 (b)

The response to the VECC interrogatory indicates that the outstanding principal as of December 31, 2009 is $21.322 million. However, the response to the Energy Probe interrogatory shows this amount to be the outstanding principal as of December 21, 2010, and that the outstanding principal as of December 31, 2009 to be $23.975 million.

Request

(a) Please confirm which of the above figures was the amount of the outstanding principal as of December 31, 2009.

(b) If necessary, please revise Table 1 of Exhibit 5, Tab 2, Schedule 1 to reflect the December 31, 2009 outstanding principal balance in the calculation of the weighted average interest rate.

Response:

(a) The response to VECC interrogatory 33 (b) should be corrected and should read, "The principle outstanding on the loan as at December 31, 2009 will be $23.975 million. Of this amount outstanding, $21.322 million is not repayable within 12 months and will be classified as long term debt as at December 31, 2009.

(b) In its review of the data and in preparing its response to this interrogatory, Veridian has identified that incorrect principal balances for the notes payable to Veridian Corporation were used in the calculation of the weighted average interest rate. Veridian proposes that the correct values are the average principal balance outstanding for the Test Year. As a result the weighted average long term debt rate changes from 7.11% to 7.08%.

The average principal balance for the Note Payable due June 1st, 2017 is $22,648,300 (the average of the opening balance of $23,974,734 and the closing balance of $21,321,866). The average principal balance for the Note Payable due December 17, 2019 is $19,950,000 (the average of the opening balance of $21,000,000 and the closing balance of $18,900,000).

Below is a corrected version of Table 1 of Exhibit 5, Tab 2, Schedule 1.

Description	Amount (000's)	Issue Date	Term Date	Interest Rate	2010 Cost (000's)
Note Payable - Veridian Corporation	22,648.3	1-Jun-07	1-Jun-17	5.56%	1,259.2
Note Payable - Veridian Corporation	19,950.0	17-Dec-09	17-Dec-19	7.62%	1,520.2
Notes Payable - Municipal Shareholders	43,588	31-Oct-09	1-Nov-12	7.62%	3,321.4
Total	**86,186**			**7.08%**	**6,100.8**

56. Ref: Exhibit 3 / Tab 7 / Schedule 3
Response to Board Staff Interrogatory 15

Request

(a) Please confirm that the wholesale data used in the regression analysis includes wholesale purchases associated with the intermediate, large user, street lighting, sentinel lighting and USL classes.

(b) Please provide the kWh forecast for the intermediate and large use classes using the same methodology as used for the residential, GS < 50 and GS > 50 classes. That is, calculate the weather corrected class specific consumption as shown in Table 8 of Exhibit 3, Tab 7, Schedule 3 for both the intermediate and large use classes and apply the 2008 share to the 2009 and 2010 weather corrected wholesale kWh figures for 2009 and 2010 shown in Table 7.

(c) Based on the forecast provided in (b) above please update Table 13 in Exhibit 3, Tab 7, Schedule 3.

(d) Please provide the actual kWh and kW figures for 2009 for the large use and intermediate customer classes (i.e. update Table 11 in Exhibit 3, Tab 7, Schedule 3) to reflect actual data for 2009.

<u>Response:</u>

a) Confirmed.

b) The calculations as requested are provided below; however, Veridian notes the inapplicability of normalizing load that is not weather sensitive.

Year	Actual Int kWh	share	Normalized kWh
2003	34,078,609	1.4%	34,280,161
2004	37,212,454	1.6%	38,025,853
2005	37,025,068	1.5%	36,047,667
2006	36,964,611	1.4%	36,444,861
2007	37,056,537	1.4%	36,940,539
2008	36,441,211	1.4%	37,147,961
2009			36,150,510
2010			36,295,934

Year	Actual LU kWh	share	Normalized kWh
2003	233,123,423	9.8%	234,502,195
2004	220,209,114	9.2%	225,022,500
2005	237,241,914	9.3%	230,979,114
2006	244,544,213	9.6%	241,105,741

2007	215,781,718	8.4%	215,106,260
2008	190,773,043	7.6%	194,472,945
2009			189,251,195
2010			190,012,502

c)

Table 13 Updated for EP 56 (c) Using Normalized Forecast for Int and LU

	2008 Actual	2008 Normalized	2009f Normalized	2010f Normalized
Residential (kWh)	931,097,742	949,155,692	923,670,123	927,385,803
GS<50 (kWh)	296,146,633	301,890,178	293,784,191	294,966,007
GS>50 (kWh)	931,775,076	949,846,163	924,342,054	928,060,437
(kW)	2,417,886	2,464,779	2,398,598	2,408,247
Intermediate (kWh)	36,441,211	37,147,961	36,150,510	36,295,934
(kW)	90,282	92,033	89,561	89,922
Large Use (kWh)	190,773,043	194,472,945	189,251,195	190,012,502
(kW)	333,810	340,284	331,147	332,479
Street Lights (kWh)	18,811,565	18,811,565	19,168,984	19,533,195
(kW)	52,584	52,584	53,583	54,601
Sentinel Lights (kWh)	846,470	846,470	846,470	846,470
(kW)	2,353	2,353	2,353	2,353
USL (kWh)	5,738,246	5,738,246	5,573,526	5,413,534
Total Retail kWh	2,411,629,986	2,457,909,219	2,392,787,053	2,402,513,882

d)

VCI Main Updated Actual Intermediate and LU Consumption for EP 56 (d)

	Intermediate				*Large user*			
Year	kWh	%	kW	%	kWh	%	kW	%
2003	34,078,609		94,444		233,123,423		409,790	
2004	37,212,454	*9.2%*	94,712	*0.3%*	220,209,114	*-5.5%*	368,851	*-10.0%*
2005	37,025,068	*-0.5%*	97,817	*3.3%*	237,241,914	*7.7%*	412,936	*12.0%*
2006	36,964,611	*-0.2%*	93,531	*-4.4%*	244,544,213	*3.1%*	422,374	*2.3%*
2007	37,056,537	*0.2%*	93,248	*-0.3%*	215,781,718	*-11.8%*	382,076	*-9.5%*
2008	36,441,211	*-1.7%*	90,282	*-3.2%*	190,773,043	*-11.6%*	333,810	*-12.6%*
2009	32,505,340	*-10.80%*	91,030	*0.83%*	202,031,547	*5.9%*	364,842	*9.3%*

57. Ref: Exhibit 3 / Tab 7 / Schedule 1
Exhibit 3 / Tab 7 / Schedule 2
Response to Energy Probe Interrogatory 15

Request

The response provided does not explain the significant reduction forecast for 2009 and 2010. Please update Schedules 1 & 2 to reflect actual and normalized actual data for 2009

Response:

In its response to Energy Probe Interrogatory 15, Veridian took issue with the use of the term ‘significant’ and provided an explanation for the trend in reduction of average use per customer.

Veridian has not yet finalized its calculations of unbilled kWh by class for the 2009 YE and therefore is unable to update Schedules 1 and 2 to reflect actual and normalized actual data for 2009.

58. Ref: Exhibit 3 / Tab 7 / Schedule 1 / Table 7
Exhibit 3 / Tab 7 / Schedule 1 / Table 8
Response to Board Staff Interrogatory 14

Request

(a) Please confirm that the values in Table 7 reflect wholesale kWh's while the figures in Table 8 reflect billed kWh's.

(b) Please confirm the difference between the normalized and actual figures taken from Tables 7 & 8 for 2008 in the following table. If the figures cannot be confirmed, please provide a corrected table.

	Normalized	Actual	Difference
Wholesale kWh - Table 7	2,575,788,571	2,526,783,479	49,005,092
Residential - Table 8	949,155,692	931,097,742	18,057,950
GS < 50 - Table 8	301,890,178	296,146,633	5,743,545
GS > 50 - Table 8	949,846,163	931,775,076	18,071,087
Total - Table 8	2,200,892,033	2,159,019,451	41,872,582

(c) The total difference in Table 8 between the normalized figures and the actual figures is approximately 85% of the difference in the normalized and actual figure for 2008 in Table 7. Aside from the total loss factor difference, what accounts for the difference in these two figures in 2008?

Response:

a) Veridian believes the proper reference should be Exhibit 3, Tab 7, Schedule 3, Tables 7 & 8. With that clarification, Veridian can confirm that the figures in Table 7 are purchased wholesale kWhs and the figures in Table 8 are retail (billed) kWhs (adjusted for annual unbilled).

b) Veridian can confirm that the figures displayed above in part (b) are correct.

c) Veridian is of the opinion that Energy Probe is incorrect to suggest that any part of the difference between actual observed consumption in 2008 and weather normalized consumption in 2008 is due to losses, whether calculated on a wholesale kWh basis or a retail kWh basis. The difference between actual and weather normal consumption in 2008 is due to the difference between actual observed weather in 2008 and “normal” weather. However, the process used to estimate weather normal consumption is a regression equation, which is a stochastic process and has a random error term (with a mean value of zero) associated with it. As shown by Energy Probe in part (b) above, in 2008 the “difference between the differences” calculated on a wholesale versus retail basis is 7,132,510 kWh (e.g. 49,005,092 minus 41,872,582). This is less than 0.3 per cent of total actual wholesale kWh in 2008 and represents the stochastic random error associated with the Intermediate, Large Use, Street Light, Sentinel Light and USL classes that are not weather sensitive.

59. Ref: Exhibit 3 / Tab 7 / Schedule 3 / Table 7
Exhibit 3 / Tab 7 / Schedule 3 / Table 8
Response to Energy Probe Interrogatory 12

Request

(a) Based on the difference of 49,005,092 shown in Energy Probe Interrogatory #58 (b) as the difference between the actual and normalized wholesale kWh's for 2008, and the total loss factor for 2008 of 1.04879 shown in Exhibit 8, Tab 6, Schedule 4, does Veridian Connections agree that a reasonable estimate of the difference between actual and normalized billed kWh's is 46,725,362 kWh (49,005,092 / 1.04879)? If not, why not?

(b) Please consider the following approach to allocating the difference between the actual and normalized 2008 volumes of 46,725,362 kWh between the three weather sensitive classes (residential, GS < 50, GS > 50).

	Percent	kWh	Normalized	Share
Residential Share	43.13%	20,150,758	951,248,500	36.93%
GS < 50 Share	13.72%	6,409,187	302,555,820	11.75%
GS > 50 Share	43.16%	20,165,417	951,940,493	36.96%
Total	100.00%	46,725,362	2,205,744,813	85.63%

The percents shown are calculated based on the actual figures shown in Table 8 and then applied to the estimate of the difference between the actual and normalized billed kWh for 2008. For example, the residential percent of 43.13% is calculated as 931,097,742 divided by the sum of the actual figures for the weather sensitive classes shown in Table 8 (931,097,742 + 296,146,633 + 931,775,076) and then this percent is multiplied by the billed kWh difference of 46,725,362 kWh.

The normalized volume is then calculated as the actual figure for 2008 plus the normalized adjustment for the class. Again, using the residential class as an example, the residential 2008 normalized volume is 951,248,500 kWh (931,097,742 + 20,150,758).

Dividing the normalized billed kWh estimate for 2008 by the normalized 2008 wholesale figure provides the shares. The residential figure is 951,248,500 divided by 2,575,788,571, or 36.93%.

Please comment on this methodology as compared to the methodology used by Veridian Connections to calculate the shares for the residential, GS < 50 and GS > 50 classes for 2008.

(c) Please confirm that based on the shares calculated in (b) above and a 2010 wholesale forecast of 2,516,710,137 kWh, the following table accurately reflects the impact on the 2010 billed kWh forecast for the residential, GS < 50 and GS > 50 forecast relative to that shown in Table 8. If the numbers cannot be confirmed, please provide a corrected table.

	Normalized	Table 8	Difference
Residential - Calculated	929,430,610	927,385,803	2,044,807
GS < 50 - Calculated	295,616,382	294,966,007	650,375
GS > 50 - Calculated	930,106,731	928,060,437	2,046,294
Total	2,155,153,723	2,150,412,247	4,741,476

Response:

a) Veridian does not agree. The difference between normalized and actual retail kWh in 2008 for the Residential, GS < 50 and GS > 50 classes is 41,872,582 kWh. As is discussed in our response to Energy Probe IR #58 (c), the residual difference of 7,132,510 kWh (49,005 092 minus 41,872,582) represents the stochastic random error associated with the Intermediate, Large Use, Street Light, Sentinel Light and USL classes that are not weather sensitive. It is not correct to attribute this back to the Residential, GS<50 and GS>50 classes.

b) The Energy Probe proposal is based on an incorrect premise. The difference between normalized and actual retail kWh in 2008 is 41,872,582 kWh, not 46,725,362 kWh as Energy Probe suggests. The Energy Probe proposal is not applicable.

c) For the reasons discussed in the response to Energy Probe IR #58 (c), Veridian submits that the table does not correctly forecast 2010 billed kWh for the Residential, GS<50 and GS>50 classes. The correct table appears as Table 8 in Exhibit 3, Tab 7, Schedule 3.

60. Ref: Application Update / Manager's Summary / Page 3

Request

(a) Please confirm that Veridian Connections has only included a partial year cost in 2010 associated with the wages and benefits for the new Corporate Secretary and the Executive Assistant to the Corporate Secretary.

(b) Please quantify the amount included in the 2010 revenue requirement associated with these two positions.

(c) Please show the allocation of the costs associated with these two positions to Veridian Connections and to each of its affiliates and indicate what the allocation is based on.

(d) Please provide details on the costs of $234,000 associated with incremental maintenance expenses for the building expansion.

Response:

(a) Confirmed.

(b) As stated at page 4 of Exhibit 4, Tab 3, Schedule 4, the amount included in the 2010 revenue requirement associated with these two positions is $130,000.

(c) The direct costs associated with these two positions are included in total within the operating expenses of Veridian Connections. Recovery of 10% of the fully allocated costs associated with these positions is included in the revenue offset amount of $205,812 through shared services agreement with Veridian Connections' affiliate, Veridian Corporation. Details of the fully allocated costing methodology used, was provided in Veridian's response to EP IR #32.

The allocation of costs to Veridian Corporation is based on the result of a three-month time study conducted in 2009. Further details of the time study were provided in Veridian's response to VECC IR #30. The study results for the Executive Vice President and CFO were used as proxy.

(d) The cost of $234,000 for incremental maintenance expenses as outlined on page 3 of the Application Update/Manager's Summary is based upon an estimate of $9 per square foot for maintenance. At $9 for 26,000 square feet of additional space, the incremental cost extends to $234,000.

61. Ref: Application Update / Manager's Summary / Page 4

Request

Are the corrections to the capital cost allowance referred to here the same as those that were corrected in response to Energy Probe Interrogatories #36 & #37? Are there any additional changes from that filed in response to those interrogatories? If so, please explain the additional changes.

Response:

Yes, the corrections to the capital cost allowance referred to on Page 4 of the Manager's Summary of Veridian's Application Update are those referenced in Veridian's response to Energy Probe Interrogatories #36 and #37.

Other changes to the CCA calculations were those associated with the changes in planned capital expenditures in 2010 due to the Ajax Building Expansion project.

Total 2010 Projected Additions increased from $28,818,046 to $32,188,046 or $3,370,000 – details as follows:

Class 8 – General Office/Stores Equip – Increase of $710,518 (Office furniture and equipment associated with Ajax Building Expansion)
Class 13.1 - Leasehold Improvements – Decrease of $205,000 (removal of Pickering Parkway Leasehold Improvements in 2010)
Class 14 – Franchise – Decrease of $200,000 – correction of error as stated in response to Energy Probe IR 37
Class 47 – Increase of $3,064,482 (Ajax Building Expansion)

62. Ref: Application Update / Ajax Building Description – Project Description

Request

(a) The operational efficiencies are shown on pages 5 & 6. Please explain what is meant by staff meeting travel costs and show how the $13,000 figure was calculated.

(b) Please show how the $10,000 in maintenance savings was calculated.

(c) Please show how the other savings of $10,000 was estimated.

(d) Does the staff meeting travel costs of $13,000 include any provision for increased worker productivity due to less travel time? If not, why not and please quantify the increased productivity.

(e) Please reconcile the figure of $645,920 shown Table 3 on page 7 for furniture, fixtures & equipment with the increase of $710,518 shown in account 1915 in the response to Energy Probe Interrogatory #33 from that in Exhibit 4, Tab 8, Schedule 3, Attachment 1.

(f) Please explain why Veridian Connections requires space to accommodate 172 people (Option 2, page 5) when the number of people at the Pickering Parkway centre is only 65 plus a small team of finance staff (page 3), in addition to the 65 located at the Ajax facility.

(g) Please explain why it is appropriate to include the 10% contingency in the capital expenditure?

(h) Does the $6 million capital estimate include the costs associated with the provincial sales tax? If yes, please quantify the amount of the $6 million that is related to the provincial sales tax.

Response:

(a) Staff meeting travel is the estimated labour cost of time spent by staff traveling between the Veridian Pickering and Ajax locations to attend meetings. This travel time will be avoided when Pickering staff is relocated to the Ajax facility in December of 2010. The $13,000 was calculated assuming that employees make 40 round trips per month between Ajax and Pickering, trip times were assumed at 40 minutes, labour cost was assumed at $38/hr.

(b) Certain costs that are incurred at the Pickering location are not expected to be incurred at the Ajax facility after expansion. These include Security, Fire alarm monitoring, Elevator Maintenance, Exterior Window Cleaning, Snow Removal, Landscaping and Vehicle and total $10,381 per year.

(c) The Applicant considered all efficiency and cost savings by moving staff from the Pickering location to and expanded Ajax location and arrived at savings of $23,000 per year. Further to the identified savings, the Applicant provided for an additional $10,000 in unidentified savings.

(d) The $13,000 in savings is the estimate of improved worker productivity due to less travel time.

(e) Veridian notes that the amount shown in account 1915 in response to Energy Probe's Interrogatory #33 is $790,518, not $710,518. A reconciliation is provided below:

Reconciliation of Amounts for Furniture, Fixtures and Equipment

Exhibit 4, Tab 8, Schedule 3, Attach 1	$	80,000	2010 Furniture Equip - original value
From Table 3:	$	645,920	Increase due to Ajax Building Expansion
Add: Share of 10% Contingency	$	64,598	Project
	$	710,518	
Total	**$**	**790,518**	

(f) The facility expansion is sized to provide for additional employees that will be required as Veridian grows. The option 2 facility expansion is estimated to accommodate employee growth to the year 2028. Please refer to the response to Board Staff Interrrogatory12. The response provides an updated Table 2 which identifies the number of employees located at the Pickering and Ajax locations.

(g) The Applicant's design consultants recommend that a 10% contingency should be included in the capital expenditure estimate. It is their experience that projects like this will most often require this contingency to cover costs for unanticipated expenditures or changes in design that occur as the project is constructed.

(h) The $6 million capital estimate does not include provincial sales tax.

63. Ref: Application Update / Ajax Building Description – Project Description

With respect to Option 2B shown on page 7:

Request

(a) What assumptions did Veridian Connections use relative to the $210,000 cost associated with the Pickering Parkway center? In particular, how much of the 15,000 square feet currently leased (page 2) would need to be leased under Option 2B and what cost was included in the customer impact in the test year and NPV calculations? Assume that the space to be leased would accommodate staff growth through 2015.

(b) If Veridian Connections did not use a lower lease cost associated with the Pickering Parkway space, please provide the following based on the amount of space that would need to be leased as determined in (a) above:

i) the customer impact (revenue requirement in test year); and

ii) the customer impact (NPV revenue requirement).

(c) Please provide the discount rate used for the NPV calculations.

Response:

(a) Veridian Connections assumed that 15,000 square feet of Pickering Parkway space would be leased between the years 2010 and 2011. From 2012 to 2029, Veridian assumed that 12,000 square feet of Pickering Parkway space would be leased. A cost of $210,000 for Pickering Parkway lease cost was assumed in the test year and 2011. Lease costs of $168,000, $173,040, $178,231 and $183,578 were assumed for the years 2012, 2013, 2014 and 2015 respectively.

(b)

i. n/a - All of the 15,000 square feet of Pickering Parkway is required in the test year.

ii. n/a – Veridian did reduce the amount of leased space and lease cost in future years

(c) Veridian used a 3.9% discount rate for the NPV calculations.

64. Ref: Application Update / Ajax Building Description – Project Description

With respect to Option 6:

Request

(a) Please explain why there would be any impact on the 2010 test year revenue requirement if the new facility was not completed until after 2010?

(b) Would Veridian Connections require a new facility to accommodate 175 people if the people currently working at the Pickering facility are relocated to the existing Ajax facility? Could a new facility to accommodate approximately 100 people be built in place of that proposed? If not, why not?

Response:

(a) The estimated In Service date for Option 6 was 12 to 18 months (December 2010 to May, 2011). For the purpose of the options comparison, it was assumed that the Head Office would be completed in December 2010. The Applicant agrees with the observation that there would not be any impact on the 2010 test year revenue requirement if the Option 6 facility were constructed and not completed until after 2010.

(b) The existing Ajax facility does not have sufficient space to relocate the staff from the Pickering facility. The construction of a smaller head office facility was not considered as it was assessed that land costs and other fixed costs would lead to a facility with a higher cost per square foot and would not provide for future employee growth.