1. Ref: Response to School Energy Coalition Interrogatory 3(b)

Request

Please provide details of any revenue requirement impact of the decision to renew the Transitional Services Agreement with Veridian Energy Inc.

Response:

Veridian recognizes that as a result of the decision to renew the Transitional Services Agreement with Veridian Energy Inc in 2010, there will be a one-time non-recurring shared services revenue in 2010.

Veridian proposes that similar to the treatment of one-time, non-recurring expenses in the test year, the appropriate treatment of these revenues is to amortize the amount over the 4 year period of the test year and the subsequent incentive regulation mechanism period (2010-2013).

This is consistent with Veridian's proposed treatment of forecast one-time, non-recurring expenses such as the costs for the 2010 cost of service rate application.

The table below shows the calculation of the proposed increase in 2010 Test Year revenue offsets of $18,690.

Description	Term	Monthly Charge	Total in 2010
Mgmt and Clerical Services - Rental Equipment	Jan- March 31st	$ 6,139	$ 18,417
Business Planning Support Services	Jan-May 31st	$ 7,104	$ 35,520
Financial Services - General Admin	Jan-May 31st	$ 2,448	$ 12,240
Billing/Collecting - Rental Equipment	Jan- March 31st	$ 2,397	$ 7,191
After Hours Telephone Dispatch	Jan- March 31st	$ 153	$ 459
Sentinel Light Maintenance	Jan- March 31st	$ 310	$ 930
			$ 74,757
Total One-Time Revenue Offsets in 2010			$ 74,757
Amortized over 4 year period (2010-2013)			
Increase in Test Year Revenue Offsets for renewal of Transitional Servic			**$ 18,689**

2. Ref: Response to School Energy Coalition Interrogatory 4(b)

Request

With respect to the Certified Resolution of Veridian Corporation dated December 13, 2007, please provide further explanation of the phrase "Dividend amounts shall be reviewed if promissory note interest decreases."

Response:

Veridian Corporation established dividend payment and promissory note interest payment projections to 2012. The projection assisted the municipal shareholders in establishing expectations for distributions from Veridian. The phrase means that the Veridian Corporation Board is to review and determine if additional dividends can be declared in the event that promissory note interest drops below the 7.6% interest rate. The promissory notes paid Veridian Corporation shareholders interest at the rate of 7.6% to November 1, 2009.

3. Ref: Response to School Energy Coalition Interrogatory 4(c)

Request

Please provide the document that was approved by the Veridian Board on May 28, 2009.

Response:

The relevant sections of the report that outline all of Veridian Connections Inc. Key Business Goals were provided.

The remainder of the report includes Key Business Goals for affiliated companies Veridian Corporation and Veridian Energy Inc. Respectfully, we submit that the Key Business Goals for Veridian Corporation and Veridian Energy Inc. is outside the scope of this proceeding.

4. Ref: Response to School Energy Coalition Interrogatory 5(a)

Request

With respect to the Certified Resolution of Veridian Connections dated December 17, 2009, please provide a sample calculation, and describe how this policy differs from the previous policy.

Response:

The dividend policy passed on December 17, 2009 provides for dividends to be calculated as follows:

1. The quarterly dividend paid by Veridian Connections Inc. to Veridian Corporation will be equal to the quarterly dividend paid by Veridian Corporation to its shareholders. In 2010, this is $1,150,000.

2. Prior to the payment of the last quarterly dividend paid by Veridian Connections Inc., a projection of the Veridian Connections Inc. debt to regulatory rate base will be reported to the Board of Veridian Corporation. The Board will determine whether there should be a reduction or increase made to the last scheduled quarterly dividend payment. A target of maintaining the debt level of Veridian Connections Inc. between 55% and 65% is the guideline for determining whether an adjustment to the planned dividend is required.

This policy differs from the previous dividend policy. The previous dividend policy provided for Veridian Connections to pay an annual dividend in an amount that would maintain Veridian Connections at approximately 60% debt and 40% equity, adjusted for intangible assets not included in regulatory rate base.

5. Ref: Response to School Energy Coalition Interrogatory 5(b)

Request

Please advise whether the accumulated depreciation in opening rate base for the Test Year was calculated on the basis of the half-year rule or not.

Response:

Veridian confirms that the accumulated depreciation in opening rate base for the Test Year was calculated on the basis of the half-year rule.

6. Ref: Response to School Energy Coalition Interrogatory 6

Request

With respect to the DBRS Rating Reports:

(a) Please provide details of any communications the Applicant has had with DBRS since February 19, 2009 with respect to changes to the ratings or the commentary, including but not limited to any changes related to the increase in ROE proposed in the Board's December 11, 2009 Report on the Cost of Capital.

(b) Please provide any DBRS Rating Reports, updates, or other similar documents received by or known to the Applicant after January 11, 2010.

(c) Please confirm that the $60.8 million of Subordinated Promissory Notes held by the four municipal shareholders matured on November 1, 2009. Please confirm that $17.21 million was debt of Veridian Corporation, and $43.59 million was debt of the Applicant. Please provide details of the negotiations with the lenders respecting new financing, and details of any subsequent renewal or other transactions. Please provide details of all actions, whether due diligence activities or otherwise, taken by Veridian Corporation or by the Applicant to identify lower cost long term financing that might be available from other sources.

Response:

(a) Veridian received the Press Release "DBRS Comments on the Ontario Energy Board Cost of Capital Decision" issued on December 11, 2009 and is appended to this response. There have been no other DBRS communications with respect to changes to ratings or the commentary.

(b) There have been no DBRS Rating Reports, updates or other similar documents received by or known by Veridian after January 11, 2010.

(c) The $60.8 million of Subordinated Promissory Notes held by the four municipal shareholders did not mature on November 1, 2009. On October 31, 2009, the notes were amended and restated and became the "Third Amended and Restated Term Promissory Notes" (See Exhibit 5, Schedule 2, Attachment 2). The maturity date was amended to November 1, 2012. Veridian confirms that $17.21 million was debt of Veridian Corporation and $43.59 million was debt of Veridian Connections Inc. Please refer to the attachment to Veridian's response to Energy Probe interrogatory

39 for an explanation regarding Veridian's financing stategy. Veridian did not pursue any actions to obtain financing from other sources to replace these notes.

Appended: DBRS Cost of Capital Press Release

Dave Clark

From:	DBRS [info.p3@dbrs.info]
Sent:	Friday, December 11, 2009 5:01 PM
To:	Dave Clark
Subject:	DBRS Comments on the Ontario Energy Board Cost of Capital Decision

DBRS® As It Happens
DECEMBER 11, 2009 04:56 PM
Press Releases

DBRS Comments on the Ontario Energy Board Cost of Capital Decision

DBRS notes that the Ontario Energy Board (OEB) today released a cost of capital decision (the Decision) that will affect Ontario-based regulated utilities starting in the 2010 rate year. The Decision maintains a formulaic approach to setting return on equity (ROE) levels; however, the existing formula will be reset to address the relatively low current ROE level, and refined to reduce its sensitivity to changes in government bond yields.

The current formula, which would have produced an estimated ROE of approximately 8.39% for use in 2010 Cost of Service Applications, will be reset to the forecast long-term Government of Canada bond yield plus a 5.50% equity risk premium. Using a forecast long-term Government of Canada yield of 4.25%, this would provide an initial ROE of 9.75% to be incorporated in 2010 Cost of Service Applications, for rates effective January 2010. While the initial ROE will be adjusted annually, the adjustment parameters are being refined to reduce the sensitivity to changes in government bond yields. As such, the government bond adjustment factor is being reduced to 0.50 from the current 0.75, and a corporate bond yield variable is being introduced into the formula. Thus, ROE levels will be adjusted annually by 50% of the change in the applicable forecast government bond yield, and 50% of the change in the spread of an A-rated bond index over the 30-year Canada bond yield. DBRS notes that the reset ROE level will be incorporated into 2010 Cost of Service Applications; therefore, if a utility does not file in 2010, the reset ROE would not be applicable. Furthermore, actual reset ROE levels will depend upon when a utility's rates come into effect.

To incorporate the utility credit spread measure, a utility bond spread based on the difference between the Bloomberg Fair Value Canada 30-year A-rated Utility Bond index yield and the long Canada bond yield will be used, subject to a 0.50 adjustment factor. While the inclusion of this factor introduces an additional area of potential volatility, the revised adjustment mechanism is viewed as favourable, given: 1) the reduction of the government bond adjustment factor from 0.75 to 0.50 reduces sensitivity to a single factor, and 2) on a long-term basis, the likely magnitude of absolute changes in the value of the utility bond spread factor is considerably less than changes that could occur in the level of government bond yields. These two adjustment factors combined would serve to dampen the negative impact on ROEs of market swings such as occurred earlier this year, when government yields declined while corporate spreads increased materially.

In addition, various changes were made to the way the cost of long-term and short-term debt is to be determined. Notably, the OEB stated its intention to have the method used to determine the long-term cost of debt for electricity distributors evolve over time to converge with the process used for natural gas distributors. Electricity distributors currently use an OEB-deemed long-term cost of debt regardless of a distributors' actual cost of debt, while natural gas distributors utilize a weighted cost of embedded debt.

The Decision deals only with ROE and cost of debt; the OEB stated that its current policies on capital structures continue to be appropriate. The OEB will review the cost of capital methodology every five years or earlier if the methods are viewed to be producing results that do not meet the OEB's Fair Return Standard. DBRS notes that when considering a specific utility's rate application, the OEB can deviate from the parameters as outlined in the Decision when justified by specific circumstances.

DBRS views the Decision as positive for the credit profile of Ontario utilities, in that the reset ROE level is expected to be approximately 135 basis points higher than under the status quo. It should also reduce volatility caused by fluctuating government yields through both the lower adjustment factor and the inclusion of the bond spread adjustment mechanism. While the Decision is viewed as supportive of current ratings, in general, it is not expected to materially reduce any utility's financial risk and, therefore, its implementation is not expected to directly result in any positive rating actions.

Notes:
The applicable methodology is Rating Utilities (Electric, Pipelines & Gas Distribution), which can be found on

the DBRS website under Methodologies.

Click here for the full document.

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Associated Documents

- Rating Utilities (Electric, Pipelines & Gas Distribution) - Methodology March 9, 2005

Recently Published Press Releases

- DBRS Confirms Enbridge Partners at BBB, BB (high), R-2 (mid), Trends Now Stable December 11, 2009
- DBRS Discontinues Rating of Ford Floorplan Auto Securitization Trust, Series 2006-2, Class A and Class B Notes December 11, 2009
- DBRS Releases Report on SVB Financial Group December 11, 2009
- DBRS Releases Commentary on Globealive December 11, 2009
- DBRS Releases U.S. Financial Institutions Weekly December 11, 2009

DBRS Industries

- Corporates
- Financial Institutions
- Public Finance
- Structured Finance

7. Ref: Response to School Energy Coalition Interrogatory 9(a)

Request

Please file the budgets presented to the Board of Directors and approved on December 17, 2009, as requested.

Response:

Please see attachments 1 and 2.

Veridian Connections Inc. - Projected Income Statement

	2008	2009 Plan	2009	2010 Plan	2011	2012	2013	2014
Service Revenue	185,991	194,422	194,422	*196,281*	204,132	212,297	220,789	229,621
Distribution Revenue	42,768	43,529	44,844	*51,049*	51,861	52,686	53,524	57,800
Pro-rate adjustment	-		-	*(1,623)*	(117)	(118)	(120)	(1,253)
Total Revenues	**228,759**	**237,951**	**239,266**	***245,707***	**255,876**	**264,865**	**274,193**	**286,167**
Cost of Power	185,991	194,422	194,422	*196,281*	204,132	212,297	220,789	229,621
Gross Margin	**42,768**	**43,529**	**44,844**	***49,426***	**51,744**	**52,568**	**53,404**	**56,547**
Operating	5,263	5,470	5,528	*6,750*	6,790	6,831	6,872	7,078
Billing and Collecting	5,910	5,752	5,324	*7,355*	7,510	7,668	7,830	7,995
Administration	8,456	8,464	9,289	*10,174*	10,235	10,297	10,358	10,421
Other	396	562	424	*562*	574	586	598	611
Depreciation - Regulated	11,755	11,957	12,714	*13,210*	13,691	14,432	15,902	16,494
Total Expenses	**31,779**	**32,205**	**33,279**	***38,051***	**38,800**	**39,813**	**41,561**	**42,599**
Other Income	5,359	4,039	4,017	*4,022*	4,046	4,070	4,095	4,119
EBIT	**16,348**	**15,363**	**15,583**	***15,397***	**16,990**	**16,824**	**15,938**	**18,067**
Interest Expense	5,401	5,289	5,037	*6,343*	8,253	8,551	10,505	8,323
EBT	**10,946**	**10,074**	**10,546**	***9,054***	**8,737**	**8,274**	**5,433**	**9,743**
Taxes	4,298	4,058	4,191	*3,067*	3,221	3,008	2,060	3,308
Net Income	**6,649**	**6,016**	**6,355**	***5,987***	**5,516**	**5,266**	**3,372**	**6,435**
ROE	9.4%	8.9%	9.2%	*8.5%*	7.8%	7.4%	4.8%	9.0%

Veridian Connections Inc.

Capital Expenditure Financial Plan

Capital Spend-Major Objectives

Capital Spending Driven By :

- Obligation to Connect
- Preservation of Existing Assets – managed end of life, condition based, adequacy to use
- Replacements – failure, safety
- Improvements in support of Company Goals

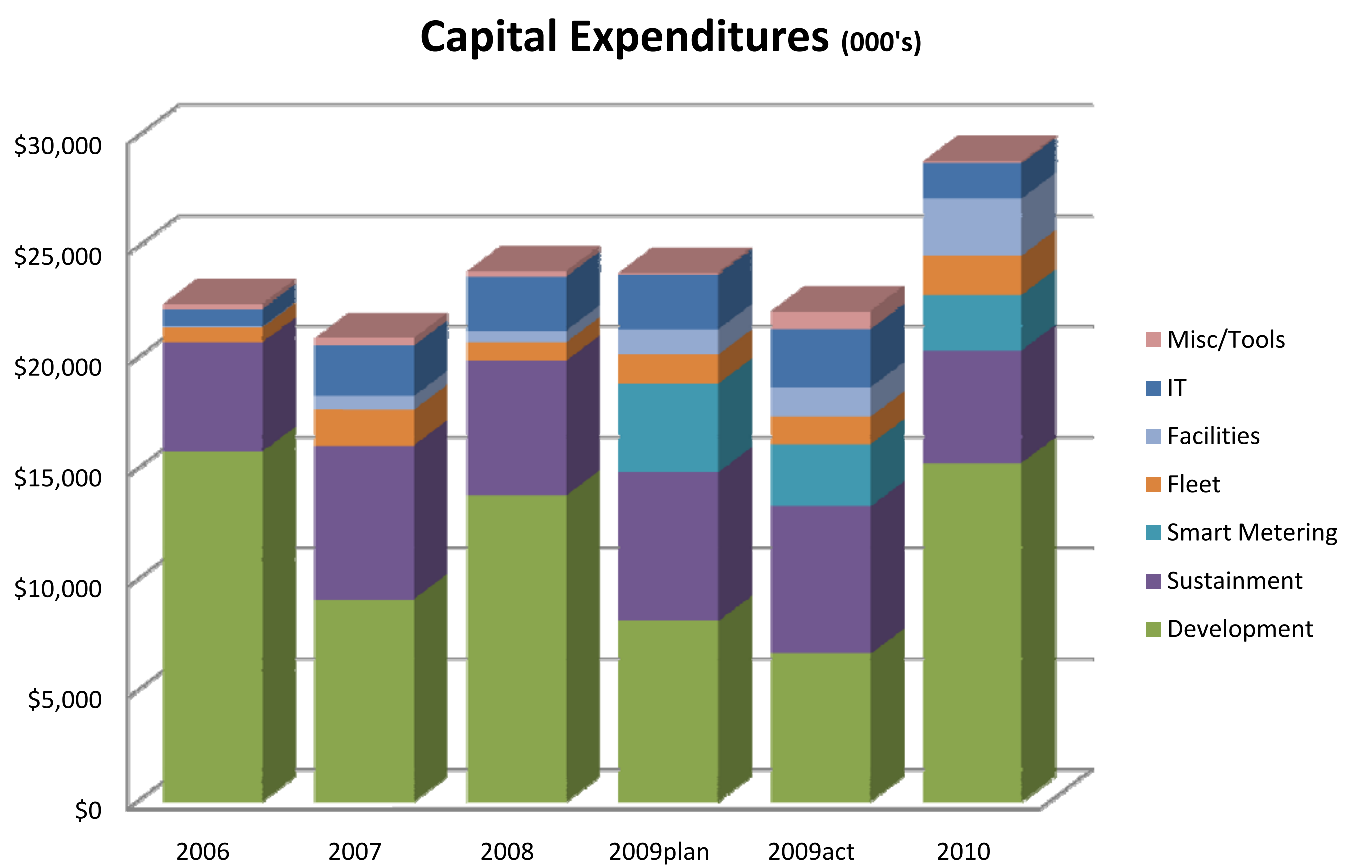
Capital Spending Vetted Against:

- OEB Prudence
- Public/Worker Safety
- Environment
- Reliability, Power Quality
- Customer Satisfaction/Perception
- End of Life
- Maintainability
- Operability

Capital Spend- Spending Categories

➢ Development-	Spending related to addition of new customers to the system, extension of the grid and enhancement of the grid to serve load
➢ Sustainment-	Investment into existing assets to maintain their usefulness
➢ Facilities-	Capital projects that will house and support company staff and equipment
➢ Fleet-	Vehicles of all sizes and rolling stock enabling delivery of services and completion of construction work
➢ IT-	All of Veridian's computer based hardware and software- including SCADA, CIS, Control room
➢ Misc/Tools-	Small equipment and tools, Continued Smart Metering

2010 Capital Expenditure Plan



2010 Capital Expenditure Plan

- **Development Work-** **$15.276M**
  - Substations- $5.0M
    - Applecroft SS, First SS, Liberty North SS
  - Feeder Rebuilds- $3.9M
    - Hwy 7 widening Brock to Lakeridge,
    - Bayly Street
    - Westney Rd N
    - Catharine Street (Belleville)
  - New Services- (inc metering) $3.7M
    - 830 New residential lots/ 28 new G.S
  - New Feeders- $2.2M
    - Seaton feeders (Church to Brock)**
    - Dixie Road, Brock Road, Duffin Creek WPCP
  - Other- $0.4M

**New since Rate Application filed due new timing information.

2010 Capital Expenditure Plan

- **Sustainment Work-** **$5.082M**
  - Reliability- $2.20M
    - Bay Ridges, Pickering back yard rebuild
    - SE Pickering- Insulator and Pole replacement
    - South Ajax Feeder Automation
    - 4 New Recloser on 27.6kV
    - LIS Automation, FCI installation- o/h and u/g
  - Regular Replacement of equipment- $1.30M
    - SCADA radios
    - substation minor upgrades,
    - pole replacement/ pole top upgrades
    - switch/TX/cable/switchgear replacement
  - Capacity $0.98M
    - Voltage Conversions- Gravenhurst, Cavan North
  - Other $0.55M
    - TX replacement due to PCB testing
    - Oil Containment for Substations

2010 Capital Expenditure Plan

Facilities Capital- **$2.58M**

- Ajax Building Expansion $2.23M
- Ajax Facility Improvements $0.13M
  - Parking and General Renovations
- Pickering Facility Improvements $0.21M
  - General Renovations
- Misc Furniture $0.02M

2010 Capital Expenditure Plan

Fleet Capital- **$1.77M**

- **Vehicle Purchases**
  - Large- $1.62M
    - 2 large hybrids
    - 2-50’ bucket trucks
    - 1 RBD
  - Small $0.15M
    - Replace 1 pickup, 1 small SUV
    - Purchase 1 new pickup- Clarington Field Supervisor

2010 Capital Expenditure Plan

IT Capital-		**$1.598M**
➢ Customer Service-	$0.56M	
➢ CIS upgrade to Northstar		
➢ Upgrade IVR for outbound calling		
➢ Enhanced Disaster Recovery Project		
➢ New Credit Module		
➢ Misc Software upgrades		
➢ Corporate Services-	$0.36M	
➢ Remote Workforce infrastructure		
➢ Network infrastructure replacement and upgrade		
➢ Desktop replacements		
➢ Misc Hardware/Software purchases		
➢ Mobile Computing-	$0.30M	
➢ Truck mounted equipment for line staff		
➢ Asset Management System- develop/acquire	$0.20M	
➢ GIS Development- data capture completion, software development	$0.18M	

2010 Capital Expenditure Plan

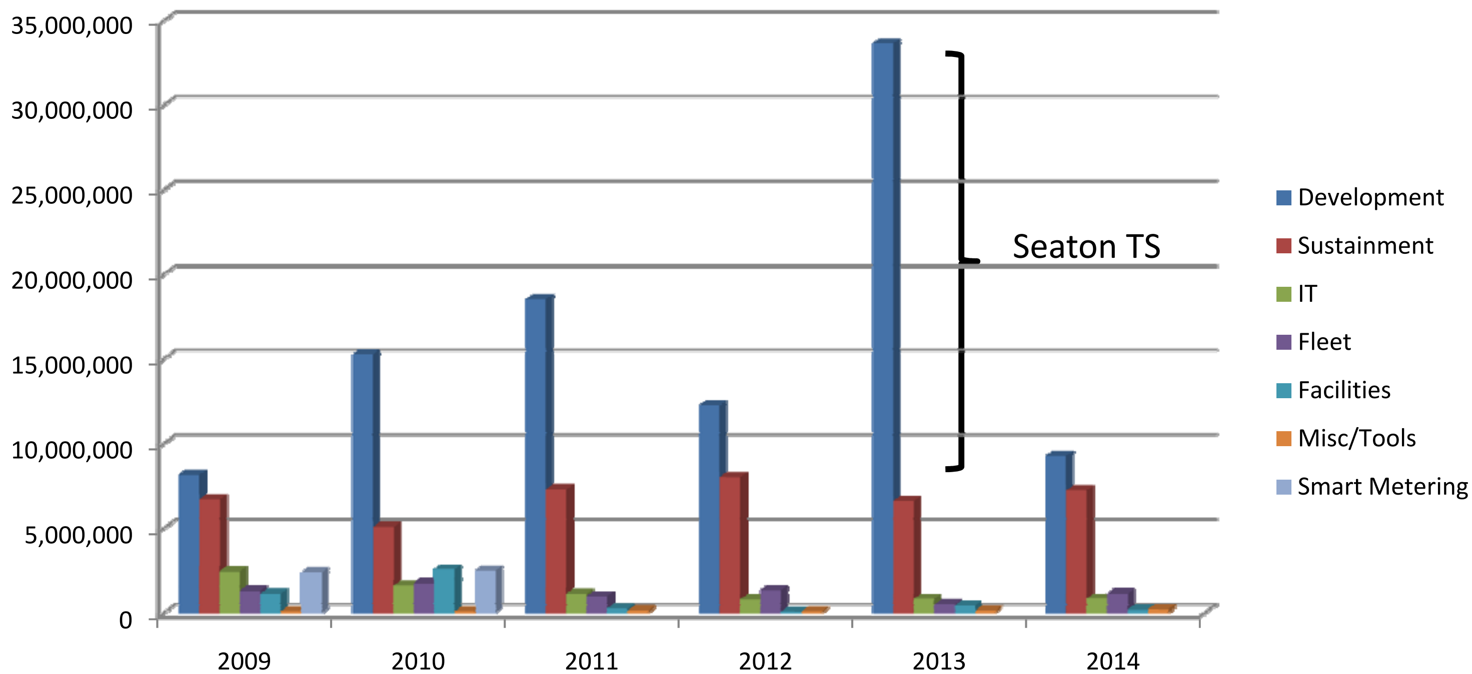
Miscellaneous Capital	**$2.6M**

- **Misc tools-**
  - Load limiters for Customer Service $0.02M
  - Major Tool Allowance- Line staff $0.08M
- **Smart Metering**
  - Completion of Gravenhurst Smart Metering
  - Completion of ‘back-office’ systems $2.50M

2010 Capital Expenditure Plan- Strategic Alignment

	2010 Spend	Capex Completion	Cost per Customer	Customer Satisfaction	Low Cost/ High Value	Reliability (Int/Ext)	Low Env Impact	Engaged Employees	Safety Excellence	Compliance Needs
New Substation Capacity	$5,000			X		X	X		X	X
Feeder Reconstruction	$3,900		X	X	X	X			X	X
New Customer Connections	$3,700		X	X				X		X
New Feeders	$2,200					X			X	X
Reliability Work	$2,200			X		X			X	
Regular Equip. Replacement	$1,300				X	X		X	X	
Facility Work	$2,580							X	X	
Fleet Vehicle Purchases	$1,770		X			X	X	X	X	
IT System Purchases	$1,598		X	X		X		X		
Smart Metering	$2,500				X	X	X			X

2009-2014 Five Year Capital Expenditure Outlook



Total ($M): 22.2 28.9 28.36 22.6 42.2 18.92 (Gross)

Key Points:

- 2009 & 2010 Include Smart Meter Investments
- 2011 Development work includes $3.5M allocation for land purchase for Seaton TS
- 2013 Development work includes $25M allocation for Seaton TS build
- 2013/2014 project listing still undergoing significant refinement

8. Ref: Response to School Energy Coalition Interrogatory 13(b)

Request

With respect to the rate base chart:

(a) Please confirm that the phrase "net additions to rate base" does not equate to "net increases to rate base". Please confirm that rate base was calculated using the average of opening and closing rate base in each year.

(b) Please confirm that, in that table, all capital spending in each year is closed to rate base in the same year, and there are no projects that carried over from one year to the next.

Response:

(a) Veridian understands the request to confirm that Veridian has calculated the net fixed assets portion of rate base by using the average of opening and closing net fixed assets in each year. On this basis, Veridian confirms this.

(b) In that table, for the years 2006 and 2007 all capital spending was included in the calculation of the net book value of assets used for calculating rate base. In 2008, only that capital spending that was considered in-service was included in the calculation of the net book value of assets used for calculating rate base. There were capital projects that carried over from 2008 to 2009 and were considered work-in-progress at 2008 year end that were not included in the 2008 year end net book value of assets. In 2009 and 2010, only capital spending that was forecast to be in-service by the end of those years were included in the year end net book value of assets used for calculating rate base. There are projects that fall below the materiality threshold that carry over from one year to the next and the carry-over values of those projects are not included in the calculation of the previous year end's net book value.

9. Ref: Response to School Energy Coalition Interrogatory 15(a)

Request

Please provide details of the rate base and revenue requirement implications of the various carryovers from 2009 to 2010, and from 2010 to later years. Please provide a new rate base continuity table.

Response:

Veridian is currently in the process of finalizing its 2009 YE capital expenditure amounts and seeks to include these figures in its response to this interrogatory. Veridian is working towards providing its response by Tuesday, February 9th with opportunities for further questions on Wednesday, February 10th.

10. Ref: Response to School Energy Coalition Interrogatory 15(b)

Request

> Please explain how projects that have not been completed can be considered "used and useful".

Response:

Our response to SEC 15 (b) refers to a list of projects in our response to EP 4, which identifies several projects which were considered "incomplete" but partially "used and useful". Those projects include power line projects, and projects which consist of numerous smaller discrete parts. Line projects are typically linear, from point A to point B, and often with one or more intermediate points that interconnect to the existing power grid (in other words, from point A to Point B to point C). They may be physically constructed in linear fashion, such that the portion from A to B is completed before the portion from B to C. That is the case in the projects cited. The portion completed is energized, placed in service, and used and useful. Projects that represent a grouped activity, such as an annual fleet program, will consist of the purchase or installation of several items, related only by common purpose, but not interdependent. Therefore, as each item is acquired or installed, it is used and useful.

11. Ref: Response to School Energy Coalition Interrogatory 17(c)

Request

Please describe the previous unwritten capitalization policy, and describe how it was implemented without documentation.

Response:

Veridian provides below an excerpt from its 2006 Electricity Distribution Rate Application (EB-2005-0422/EB-2005-0423/EB-2005-0424/EB-2005-425) which provided information on its capitalization policy.

As the case with many corporate practices, various elements of Veridian's capitalization practices existed within departmental policies and procedures and were implemented through them. In 2008 Veridian determined that it was appropriate to document these various elements in a single corporate policy.

Excerpt from VCI – 2006 EDR Rate Application:

Veridian does not currently have a documented capitalization policy. However, the following capitalization practices have been adopted and generally followed:

Asset Investment / Capitalization Strategy:

Veridian will invest capital in its operating plant and assets in accordance with the following principles. These are to be read as guidelines and not absolute criteria.

1. Identify a Performance Concern or Requirement

1.1. Capacity – an asset is operating in excess of, its rated capacity, or is forecast to be operating in excess of its rated capacity, and must therefore be upgraded, augmented, or retired and replaced.

1.2. Growth – an asset that must be installed directly to service new load.

1.3. Reliability – an investment in a new, upgraded, or retired/replaced asset which will address an issue of substandard or declining reliability, or result in an improvement in system reliability, for example by enabling alternate supply routes to an area.

1.4. Forced – an asset must be relocated or prematurely retired and replaced due to a municipal authority.

1.5. Miscellaneous – an asset, generally non-operating, which will sustain or enhance our ability to efficiently and effectively engineer, construct, and operate the distribution system. Examples include tools and work equipment, software, vehicles, and facilities.

2. Conduct a Preliminary Needs Assessment

2.1. Determine the magnitude of the concern or requirement.

2.2. Information gathering on quantifying the need and costs

2.3. Does the investment meet Board or Executive strategic directions?

3. Investment Review

3.1. Identify cause(s)

3.2. Generate solutions, options, alternatives

3.3. Consider funding by external parties

4. Investment Levels

4.1. Operating Assets – any expenditure that creates a physical betterment or achieves a lasting (> 1 to 3 yrs) value, improvement, or sustainment of the asset will be capitalized. All other expenditures will be expensed.

4.2. Other Assets – individual items or assemblies/systems with a life >1 to 3 yrs, and valued at >$1000 will be capitalized

12. Ref: Response to School Energy Coalition Interrogatory 21(c)

Request

Please file the report on the field audit of pole attachments.

Response:

There is no report per se. The joint use of poles audit was conducted with Rogers CATV over a two year period and completed in 2008. The audit involved a review of hundreds of individual joint use “permits”, beginning with bi-party surveys of poles along the various roadways involved, followed by an iterative process of individual and bi-party reviews of graphical and database records through emails and meetings. The end result is a new set of joint use permits, from which billing numbers are prepared.

13. Ref: Response to School Energy Coalition Interrogatory 22

Request

Please restate the table so that the 2009 figures total 12 months of either actual or forecast, depending on what is available.

Response:

As requested:

Specific Service Charge	2007 Actuals	2008 Actuals	2009 Actuals to December 31st	2010 Forecast
Change of Occupancy	$543,147	$508,194	$448,553	$500,000
Reconnection Charge	$230,302	$307,703	$307,010	$310,000
Dispute Meter Test Charges	Zero	$240	$420	$200
Lawyer's Letters	$3,051	$1,243	$1,866	$1,200
Collection Charges	$843,323	$837,038	$947,027	$950,000
Easement Letters	$1,228	$1,003	$780	$950
Account History	$166	Zero	Zero	$150
Credit Reference Checks	$7,725	$9,566	$8,632	$9,800
Total	$1,628,942	$1,664,987	$1,714,288	$1,773,300

14. Ref: Response to School Energy Coalition Interrogatory 23 / Attachment 1

Request

Please explain the significant increases in the effective costs of many functions from 2006 actual to 2010 budget.

Response:

Veridian's understanding of this request is to explain significant increases in costs from the restated values of 2006 actual, as provided in Attachment 1 to the response to SEC Interrogatory #23, to the 2010 forecast values.

The values in Attachment 1 for the years 2007 through to 2010 are unchanged from those contained in Veridian's pre-filed evidence. Veridian has provided detailed year over year variance analysis for the high level groupings of Operations, Maintenance and Administration expenses in Exhibit 4, Tab 4, Schedules 2, 3, and 4 and has provided information on key drivers of OM&A increases at Exhibit 4, Tab 2, Schedule 1.

Veridian provides here explanations for significant increases and decreases in costs from the restated 2006 values to the 2007 actuals.

Maintenance expenses decreased by 23.5% or $532k from the 2006 restated values to the 2007 actuals. Maintenance of meters decreased by $633 in 2007.

Billing and collecting expenses increased by approximately 24% from the 2006 restated values to the 2007 actual. This was due largely to an increase in bad debt expense in 2007 of $425k due to a spike in residential account write-offs and one significant bankruptcy that accounted for 62% of the total increase.

Community Relations expenses increased by $113k from the 2006 restated values to the 2007 actual. New in 2007 was the position of Key Account/Customer Relations Representative. With a focus on larger commercial, industrial and institutional customers, this key customer service resource has assisted with the development of positive customer relations related to billing, service quality and energy management.

Administrative and General expenses increased by 2.71% or $189k from the 2006 restated values to the 2007 actual. Labour costs are a large component of this expense grouping and the increase was driven largely by annual wage increases.

15. Ref: Response to School Energy Coalition Interrogatory 24(b)

Request

Please confirm that the number of calls is expected to drop to current levels after April 2011.

Response:

Veridian confirms that the number of calls is expected to drop to current levels after April 2011.

16. Ref: Response to School Energy Coalition Interrogatory 31

Request

Please file the requested material.

Response:

Veridian maintains its response to School Energy Coalition Interrogatory number 31.

17. Ref: Response to School Energy Coalition Interrogatory 32(a)

Request

Please file a copy of the "business plan forecast" referred to on page four of the attachment.

Response:

A business plan forecast has not been filed with the bank. A copy of the Veridian Connections Inc. Projected Income Statement is filed at Response to SEC Interrogatory 7.

18. Ref: Response to School Energy Coalition Interrogatory 32(f)

Request

With respect to the promissory note dated December 17, 2009,

(a) Please provide details of all actions taken by the Applicant to identify alternative sources of financing.

(b) Please confirm that the interest rate on the note for the period December 17, 2009 to April 30, 2010 is 7.62%.

(c) Please confirm that the Applicant is able to borrow from the bank for the same period to April 30, 2010 at the Prime Rate.

Response:

(a) Veridian is generally aware of alternative sources of financing such as bank financing or Infrastructure Ontario. Veridian did not compile information or take steps to obtain financing from third parties. Veridian provided commentary in the Financing Strategy document included in response to Energy Probe interrogatory 39.

(b) Confirmed.

(c) Veridian filed a Demand Operating Facility Agreement in response to SEC Interrogatory 32. The facility provides for a credit limit of $20 million. Borrowing Options for the facility include prime based loans at Prime rate.

19. Ref: Response to School Energy Coalition Interrogatory 32(i)

Request

Please reconcile this response with the statement in the DBRS Rating Reports that the convertibility feature represents the availability of additional equity support.

Response:

The DBRS statement is consistent with response to SEC interrogatory 32 (i).

The interrogatory gave a hypothetical situation where the Town of Ajax wished to convert its promissory notes into shares while the other shareholders did not wish to convert their promissory notes. That could not occur because the Shareholders Agreement would not allow a shareholder to convert promissory notes without the agreement of the other shareholders to also convert their promissory notes.

All shareholders acting in unison to convert their promissory notes to shares is allowed. It is this unanimous convertibility feature that DBRS refers to.