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February 10, 2010

Via RESS e-filing – signed original to follow by courier

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: 2010 Electricity Distribution Rate Application
Board File No.: EB-2009-0140

Please find enclosed two paper copies and one electronic version (in searchable/unrestricted PDF format) of the following documents:

- Responses to Undertaking numbers 1 through 9, as recorded during the Technical Conference held on February 8th

- Responses to the following interrogatories received pursuant to Procedural Order number 2, but for which written responses were incomplete at the time of the Technical Conference:
  - Energy Probe interrogatories numbers 46, 47, 49(b) and 57
  - School Energy Coalition interrogatory number 9

- Response to the 'reworked' version of Vulnerable Energy Consumers' Coalition interrogatory number 57, as received on February 9th

At this time, Veridian is unable to provide an updated response to Energy Probe interrogatory number 45. Efforts to obtain the requested data continue, and Veridian will attempt to provide a response prior to the Settlement Conference on a best efforts basis.

Finally, Veridian would like to take this opportunity to apprise the participants in this proceeding of its recent decision to terminate its lease for garage and storage space at 5 Mill Street in Port Hope. The Operations Centre at this location will be consolidated within the larger Operations Centre located in nearby Clarington. The lease termination will take effect May 1st. The test year revenue requirement impact is a decrease of $20,000 due to reduced OM&A costs.

Yours truly,

Original signed by

George Armstrong
Manager of Regulatory Affairs and Key Projects

cc Intervenors of Record for EB-2009-0140

Veridian Connections Inc.

EB-2009-0140

Responses to Technical Conference Undertakings

TCU- 1

To provide rates for demand facility at 5, 10 and 20 years.

Response:

Interest rates for 5, 10 and 20 year maturities are not available for the demand facility with Toronto Dominion. The credit facility was put in place for working capital and liquidity purposes and is not designed to be used for longer maturity credit draw downs.

TCU-2

To provide details of large allocation differences in various accounts for 2006 actual restates.

Response:

Veridian has reviewed account allocation differences between 2006 actuals, 2006 restatement and 2007 actuals – 2010 actuals within the information provided in Attachment 1 in response to SEC Interrogatory 23.

Line items within each of the main categories of Operations, Maintenance, Billing and Collecting, Community Relations and Administrative and General expenses were examined and significant changes in allocations are noted below.

<u>Operations:</u>

Account 5090-Undeground Distribution Lines and Feeders-Rental Paid and Account 5095-Overhead Distribution Lines and Feeders-Rental Paid. In 2006 Actuals and 2006 Restatement, costs were incorrectly allocated to account 5090. In subsequent years, these costs were correctly allocated to account 5095.

An inquiry had been made as to whether the forecasted increase in Account 5035-Overhead Distribution Transformers-Operation in 2010 of $239,865 over 2009 levels was due to a change in allocation. This increase is not due to changes in allocation, but rather is due to costs associated with Veridian's PCB 2010-2013 PCB compliance program. Details of the program and costs are provided at Exhibit 4, Tab 4, Schedule 2, page 7.

<u>Maintenance:</u>

For Account 5175-Maintenance of Meters, the 2006 Restatement results in a decrease of $278,357 from 2006 Actuals. The 2006 Actuals are fully allocated transfer prices whereas the 2006 Restatement costs include only the direct costs of those activities. The difference is allocated in the 2006 Restatement costs to the various general and administrative costs used in the full allocation methodology.

<u>Billing and Collecting:</u>

For Accounts 5315-Customer Billing and 5340-Miscellaneous Customer Accounts Expense, the 2006 Restatement results in a decrease of $3,347,260 from 2006 Actuals.
The 2006 Actuals are a combination of fully allocated transfer prices and market based transfer prices where as the 2006 Restatement costs include only the direct costs of those activities.
The difference between fully allocated transfer prices and direct costs of those activities is allocated in the 2006 Restatement costs to the various general and administrative costs used in the full allocation methodology, primarily account 5615-General Administrative Salaries and Expenses and Account 5665-Miscellaneous General Expenses.

Administrative and General:

The 2006 Restatement for Account 5615-General and Administrative Salaries and Expenses ($3,482,706) includes amounts which were allocated to Account 5630-Outside Services Employed in 2006 Actuals. They also include amounts which in 2007 were reallocated to 5605 – Executive Salaries and Expenses.

The sum of the 2006 Restatement for Accounts 5615 and Account 5605 is $3,771,967. The sum of these two accounts for 2007 Actuals is $3,861,325.

The 2006 Restatement for Account 5675-Maintenance of General Plant ($1,120,249) includes amounts which were allocated to Account 5670-Rent in 2006 Actuals ($1,056,032).

TCU-3

To advise the key drivers for the reduction in 2007 OM&A expenses.

Response:

For clarification purposes, Veridian understands the undertaking to be: To advise of the top four or five key drivers for the calculated ROE of 12.55%.

Veridian has reviewed its 2007 audited financial statements, from which the above ROE was calculated. As approved in Veridian's 2006 Cost of Service application, Veridian's approved regulated return on equity for 2007 was 9.0% and its deemed capital structure was 45% debt and 55% equity. On this basis, the calculated ROE can be stated as 3.55% above the approved regulated rate for Veridian's deemed capital structure.

The calculation below shows that the primary driver for the calculated ROE higher being higher than the approved regulated rate is the difference in actual capital structure from that of the deemed capital structure.

	Actual Capital Structure			
214,362,203	Total Assets			
142,759,148	Total Debt		66.60%	
71,603,055	Total Equity		33.40%	
8,983,338	Net Income	ROE		12.55%
	Premium above allowed ROE			3.55%
	Deemed Capital Structure			
214,362,203	Total Assets			
117,899,212	Deemed Debt		55.00%	
96,462,991	Deemed Equity		45.00%	
8,983,338	Net Income	ROE on deemed equity		9.31%
		Difference due to actual capital structure differing from deemed		3.23%

As Veridian's actual equity ratio was 33.4% or 11.6% below the deemed ratio, the calculated ROE is much higher than would result using the deemed equity values. The ROE as calculated on the deemed equity values is 9.31% as shown above. On this basis, the remaining difference is 0.31%.

TCU-4

Provide cost per vehicle under account 5605.

Response:

The total cost forecast within the 2010 revenue requirement allocated to account 5605 related to the leasing and operations of the CEO's hybrid vehicle is $20,640. This includes all operating expenses forecast for leasing, repairs and fuel.

TCU-5

To provide 2009 actual project spend for Smart Grid.

Response:

The 2009 project referenced in the response to CCC Interrogatory 2 was the South Ajax Feeder Automation project – Phase 1. Detailed information on this project can be found at Exhibit 2, Tab 5, Schedule 2, page 14.

The forecast capital expenditure was $1,100,000. Actual 2009 in-service spending is $759,731. The amount pertains to Phase 1 of the project and was used and useful in 2009. The difference between forecast and actual in-service spending of approximately $340,000 is for work which could not be completed by year end 2009 and is to be completed in 2010, in addition to the work involved in the 2nd phase of the project, originally forecast at $775,000.

TCU-6

To advise what cost spent is on per-customer basis and also forecast as add-on for 2010.

Response:

Below is a table showing capital and operating expenses related to Veridian's smart metering program for the years 2006 – 2010 (2006 – 2009 are actuals and 2010 is forecast). A per customer cost is calculated using the 2010 forecast of metered customers.

	2006 Actual Costs	2007 Actual Costs	2008 Actual Costs	2009 Actual Costs	2010 Forecast	Total
Capital Spend	$ 46,179	$ 4,604,472	$ 3,168,497	$ 3,841,673	$ 2,571,678	$ 14,232,498
Operating Expense	$ -	$ 156,399	$ 448,562	$ 1,084,274	$ 889,653	$ 2,578,889
Total	$ 46,179	$ 4,760,872	$ 3,617,059	$ 4,925,947	$ 3,461,331	$ 16,811,387
2010 Forecast Metered Customers						110,348
Total Cost Per Customer						$ 152.35

TCU-7

To provide the increase in the revenue requirement for moving to 9.75 return on equity versus the return on equity that was filed in the application.

Response:

Please see the calculation below:

Revenue Requirement using 9.75% ROE (as per response to CCC interrogatory #20)

$49,569,387

Revenue Requirement using 8.01% as filed in Veridian's Application Update (January 11th)

$47,648,472

Difference or Increase in Revenue Requirement **-** $1,920,915

TCU-8

Provide breakdown of $186,000 for consulting fees.

Response:

Following is a breakdown of the consulting fees related to Veridian's 2010 Cost of Service proceeding, as incurred to November 30th 2009:

Description	Cost
Modeling support: Provision of electronic rates model, training in use of model, and model customization to accommodate Veridian's multiple rate zone requirements.	$21,448
Project management: Project planning and assistance in the development and review of evidence.	132,518
Load forecast: Weather normalization and load forecasting services.	15,261
Cost allocation: Prepare Veridian's 2010 Cost Allocation Study (Exhibit 7/Tab 2/Schedule 2/Attach 3).	8,901
Interrogatory support: None.	0
Taxes	8,770
Total	$186,898

TCU-9

To provide adjustments to capital and operating costs to reflect reduction in revenue requirement for compensation.

Response:

Veridian has reviewed the updated 2009 and 2010 hiring schedule as provided in its response to VECC Interrogatory #59 where a total compensation reduction in 2010 was estimated at $337,000.

The positions affected by the delays in the hiring plan were to support both operating and capital plans in 2010. Veridian has determined that the deferral in hiring of the staff associated with capital plans in 2010 will have no reduction on the total capital spend in 2010 Projects that were anticipated to be started with staff that have not yet been hired will still be completed during 2010. Projects that have experienced delays related to the delayed hires will be completed on schedule through the use of additional overtime hours by existing staffing or through contracted work.

Veridian has determined that operating expenses in 2010 will be reduced by $155,000 or 46% of the estimated $337,000 reduction in compensation. Many of the operating programs planned for 2010 will still be executed regardless of the change in hiring plans. Those operating programs can and will be completed through the use of additional contracted services not currently included within the 2010 level of forecast OM&A.

The $155,000 reduction in operating expenses cited above is the net impact of reduced compensation costs related to delays in the hiring plan and increased costs for contract support to complete the required planned activities.

Veridian Connections Inc.

EB-2009-0140

Responses to Technical Conference Interrogatories

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:

Please see the updated table below.

Table 8 - Weather Actual Use Per Customer – VCI Main

Year	Residential	GS<50	GS>50	Intermed.	Large Use	Street	Sentinel	USL
2003	10,016	38,080	1,002,672	17,039,304	46,624,685	730	1,158	6,064
2004	9,990	39,275	968,237	18,606,227	44,041,823	603	1,052	6,542
2005	10,451	38,005	1,009,902	18,512,534	47,448,383	824	1,485	9,011
2006	9,763	38,882	971,854	18,482,305	48,908,843	751	1,226	8,642
2007	9,864	38,349	947,885	18,528,268	43,156,344	719	1,272	6,804
2008	9,854	38,687	897,520	18,220,606	38,154,609	722	1,160	6,560
2009	***9,366***	***41,807***	***911,417***	***15,380,079***	***34,987,381***	***722***	***1,175***	***6,516***

Weather Normal Use Per Customer – VCI Main

Year	Residential	GS<50	GS>50	Intermed.	Large Use	Street	Sentinel	USL
2003	10,075	38,305	1,008,602	17,039,304	46,624,685	730	1,158	6,064
2004	10,208	40,134	989,401	18,606,227	44,041,823	603	1,052	6,542
2005	10,175	37,001	983,242	18,512,534	47,448,383	824	1,485	9,011
2006	9,626	38,335	958,189	18,482,305	48,908,843	751	1,226	8,642
2007	9,834	38,229	944,918	18,528,268	43,156,344	719	1,272	6,804
2008	10,045	39,437	914,926	18,220,606	38,154,609	722	1,160	6,560
2009	9,665	38,124	890,360	16,034,133	33,194,509	722	1,160	6,370
2010	9,623	38,023	893,942	16,098,269	33,327,288	722	1,160	6,187
2009R[1]	**9,512**	**42,460**	**925,656**	**15,380,079**	**34,987,381**	**722**	**1,175**	**6,516**

[1] Revised to incorporate actual 2009 shares and customer numbers.

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:

Table 9 – Average Use - Gravenhurst

Year	Res-Urban	Res-Suburban	Res-Seasonal	GS < 50	GS > 50	Street	Sentinel
2003	10114	14,350	6,382	22,643	511,213	682	654
2004	9,930	13,929	6,031	21,680	523,283	617	653
2005	9,587	13,567	5,824	22,892	539,487	617	886
2006	9,550	13,158	5,441	20,907	509,173	617	971
2007	9,491	12,087	5,692	21,841	562,082	621	872
2008	9,475	13,241	5,998	21,444	582,141	623	825
2009	***9,058***	***12,994***	***6,054***	***21,022***	***643,496***	***630***	***541***

Year	Res-Urban	Res-Suburban	Res-Seasonal	GS < 50	GS > 50	Street	Sentinel
2003	9,881	14,020	6,112	22,121	499,438	682	654
2004	9,836	13,797	6,112	21,476	518,355	617	653
2005	9,458	13,384	6,112	22,583	532,197	617	886
2006	9,858	13,582	6,112	21,581	525,590	621	971
2007	9,514	12,116	6,112	21,893	563,418	623	872
2008	9,413	13,154	6,112	21,303	578,319	632	825
2009	9,225	12,725	6,112	20,650	572,411	632	825
2010	9,178	12,494	6,112	20,315	573,639	632	825
2009R[1]	**8,765**	**12,574**	**6,112**	**20,342**	**622,684**	**630**	**541**

[1] Revised to incorporate actual 2009 shares and customer numbers.

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) If the depreciation was calculated using the full year approach in 2009, the incremental depreciation expense for 2009 would be $547,143.

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.

Please see the responses to Energy Probe Interrogatories 46 and 47.

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:

In Veridian's response to SEC IR 15 (a) it referenced the response to EP IR 4 where it provided a list of the 2009 projects over the materiality threshold of $240k and a projection of their year-end status as to whether they would be in-service or not.

Veridian also provided in its response to EP #3 a table of the forecasted 2009 projects by Investment Category, updated to include 2009 year-end projected expenditures. The table has been updated to include actual in-service, unaudited year-end capital expenditures in total and provided below. A breakdown by category was not possible to complete within the timelines provided for response.

Investment Category	2009 Forecast as filed	2009 YTD Actual Expenditures @ 10/31/2009	2009 Year-end Projected Expenditures	2009 Year-end Actual in-service Expenditures @ 12/31/2009
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**	**19,778**
Contributed Capital included in above	3,301	3,256	3,835	3,553
Total Increase in Net Fixed Assets (net of capital contributions)	**16,576**	**9,997**	**15,812**	**16,225**

Only in-service capital expenditures have been included in the 2009 Year End Actual column.

As can be seen the total for the 2009 in-service capital expenditures is $351k lower than the forecast used for the purposes of calculating rate base. Depending on the values by asset grouping of the actual spend in 2009 and resulting impacts on amortization, the impact on the 2010 revenue requirement is estimated at a reduction of approximately $40k.

As explained in its response to SEC IR #15 (a), although two capital projects have been deferred beyond 2010, the forecast level of 2010 capital expenditures remains unchanged, due to the carryover of projects from 2009 as identified in the table provided in Veridian's response to EP IR #4.

Veridian is unable at this time to provide an updated rate base continuity schedule within the time provided as detailed information on spending within asset class is being prepared but not yet completed. Veridian expects to be able to provide the updated rate base continuity schedule prior to the scheduled settlement conference of February 16th.

57 (Re-worked). Ref: Exhibit 3 Tab 5 Schedule 1 Page 1
Exhibit 3 Tab 6 S1 Page 1 Line 8:
Exhibit 3 Tab 7 Table 10

Preamble:
The evidence (second reference line 8) states “As noted previously, in 2006 two customers that were previously classified as GS > 50 were reclassified; one to Intermediate and one to Large Use. <u>For the purpose of customer class forecasting, these customers have been allocated to their current rate class for the entire time series</u>.” (emphasis added)

(a) Please provide an explanation why this assumption is appropriate for VC Main forecast purposes?
(b) Reconcile the 2010 consumption forecast and transformer allowances for the VC Main Intermediate and Large Use classes in Exhibit 3 Tab 5 Schedule 1 Page 1 Table 1
(c) For the VCI Main Intermediate and Large Use classes provide the 2009 average use actuals and explain the significant forecast reduction in average use and consumption for these customers in 2010.

<u>Response:</u>

(a) Veridian can clarify the provided evidence extract by re-wording the last sentence as “For the purposes of historic comparisons, these customers have been allocated to their current rate class for the entire time series.”
It was Veridian’s intention that class kWh and kW data for the GS > 50, Intermediate and Large Use rate classes be consistent across the entire time series provided for the purposes of trend analysis, not specifically for any use in forecasting loads for 2010. As these customers were interval metered over the entire time series, the customer specific data was known and accurate reclassification could be done on the historic data.

(b) The kW volumes used for transformer allowance purposes for the VC Main Intermediate and Large Use class within Exhibit 3, Tab 5, Schedule 1, page 1, Table 1 are equal to the forecasted 2010 kW volumes for these rate classes and can be found at Exhibit 3, Tab 7, Schedule 3, page 13, Table 11. The forecast 2010 kW for the Intermediate and Large Use rate class is based on the average of the class kW to class kWh ratio in 2008.

(c) The table below provides 2008 and 2009 average use actuals for VCI Main Intermediate and Large Use classes:

Avg Actual Use per Customer

	Intermediate	Large Use
2008	18,220,606	38,154,609
2009	15,380,079	34,987,381
%age change	-15.59%	-8.30%

The 2010 forecast reduction in average use per customer and consumption for these customers was based on a comparison of the actual consumption in the 4 month period of Nov 2008 – February 2009 to actual consumption in the 4 month period of July ’08 to October ’08. For the Intermediate class this showed a decrease in consumption of 12.2% and a decrease of 12.9% for the Large use class. Details of the data can be found at Exhibit 3, Tab 7, Schedule 3, page 11, table 10.

As can be seen from the comparison above on 2008 and 2009 annual average use per customer, the actual decrease year over year is higher in the Intermediate class at 15.59% decrease and slightly less than prior comparison for the Large Use class of 8.30% decrease.