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April 21, 2010

BY EMAIL & COURIER

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge St, Suite 2701  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Board File No. EB-2009-0140**  
**Veridian Connections Inc. – 2010 Cost of Service Application**  
**Energy Probe – Comments on Draft Rate Order**

Pursuant to Procedural Order No. 4, issued by the Board on April 9, 2010, please find attached two hard copies of Comments of Energy Probe Research Foundation (Energy Probe) in respect of the Draft Rate Order in the EB-2009-0140 proceeding for the consideration of the Board. An electronic version of this communication will be forwarded in PDF format.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh  
Case Manager

cc: George Armstrong, Veridian Connections Inc. (By email)  
Andrew Taylor, Ogilvy Renault LLP (By email)  
Randy Aiken, Aiken & Associates (By email)  
Intervenors of Record (By email)

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**Ontario Energy Board**

**IN THE MATTER OF** the *Ontario Energy Board Act*,  
1998, S.O. 1998, c. 15, Schedule B;

**AND IN THE MATTER OF** an Application by Veridian  
Connections Inc. for an order approving just and reasonable  
rates and other charges for electricity distribution to be  
effective May 1, 2010.

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**COMMENTS ON THE DRAFT RATE ORDER  
ENERGY PROBE RESEARCH FOUNDATION  
("ENERGY PROBE")**

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**April 21, 2010**

**VERIDIAN CONNECTIONS INC.  
2010 RATES**

**EB-2009-0140**

**COMMENTS ON DRAFT RATE ORDER**

As part of the Decision dated March 31, 2010, the Board ordered Veridian to file with the Board and forward to intervenors a draft Rate Order within 14 days of the date of the Decision. The draft Rate Order was to provide detailed supporting information showing the calculation of the final rates including the Revenue Requirement Work Form.

The Board further ordered that intervenors should file any comments on the draft Rate Order with the Board and forward to Veridian within 7 days of the date of the filing of the draft Rate Order.

On April 7, 2010 Veridian wrote to the Board requesting an extension to the filing date for the draft Rate Order. On April 9, 2010 the Board issued Procedural Order No. 4 granting Veridian an extension to April 21, 2010.

Veridian filed the draft Rate Order on April 19, 2010. Energy Probe has had the opportunity to review the draft Rate Order and believes that further clarification is required in the areas addressed below.

**a) Inconsistencies in Appendices**

There appear to be a number of inconsistencies between the figures shown in Appendix I - Revenue Requirement Work Form and some of the other appendices included in the draft Rate Order.

For example, under the As Filed section of Appendix E - Base Distribution Revenue Requirement the service revenue requirement shown is \$51,866,572 while the corresponding figure shown in the Work Form on the Revenue Requirement page is \$51,896,594, or more than \$30,000 higher. There is a similar difference, albeit smaller, under the Board Decision section where the figure in Appendix E is \$50,747,110 while in Appendix I it is 50,749,856. These differences appear to be driven by differences in the cost of capital calculation and in the calculation of PILS amount, with the PILS differential driving most of the difference in the As Filed section.

Energy Probe further notes that Appendix D appears to be consistent with Appendix E and is, therefore, not consistent with Appendix I. Energy Probe requests that Veridian either explain the differences or provide any necessary adjustments.

#### **b) PILs Calculation - Appendix F**

Energy Probe believes that the calculation of PILs shown in Appendix F of the draft Rate Order yields the correct Total Income Taxes figure of \$2,224,990 under the Decision column, but believes the calculations shown should be made more transparent with respect to the reduction associated with the provincial small business deduction of \$18,750.

In particular, the calculation currently shows taxable income of \$7,237,870 and a combined effective income tax rate of 31.0%. The product of these figures is \$2,243,740, not the \$2,224,990 shown in Appendix F. The difference is \$18,750. Veridian has reduced the total income tax to reflect the reduction related to the provincial small business deduction but this reduction is not explicitly shown.

Further, the 31.0% shown for the combined effective income tax rate is not correct. It is actually 30.74% ( $\$2,224,990 / \$7,237,870$ ). Energy Probe submits that Veridian should reflect this revised combined effective income tax rate and that it should be used in the calculation of the Grossed-Up Income Tax.

**c) Variance Account for the Ajax Building Expansion Project**

Veridian states that the above noted variance account will be established to be in effect for the Test Year and the subsequent IRM period until their next cost of service rebasing period. However, there is not a draft accounting order included in the draft Rate Order.

Energy Probe submits that Veridian should consult with Board Staff to determine as to whether or not an appropriate accounting order should be included as part of the draft Rate Order.