

**2008 Incentive Rate Mechanism Application
Ontario Energy Board Staff Interrogatories for
Veridian Connections Inc. — EB-2007-0879**

For each of the interrogatories below, please provide a complete explanation. Where applicable, clarify whether there were errors, confirming what the correct entry should have been, or justify the noted discrepancies. The format of the response should repeat the references and the interrogatories.

Veridian Connections Inc and Veridian Scugog

Harmonization of Distribution Rates

1. Please provide the advantages and disadvantages of proposing rate harmonization now taking into account that: rebasing will reflect in rates the effects of the merger on the revenue requirement; and where applicable, rates will be adjusted to follow the cost allocation policy set by the Board on November 28, 2007 (EB-2007-0667).

Ref.: Manager's summary

Section 3 of the Manager's summary states: "*harmonization of Veridian and Veridian Scugog service distribution rates will more fairly reflect cost of service to customers within this homogeneous service area and will serve to eliminate cross-subsidization across service areas*".

2. Please explain how cross-subsidization across service areas will be eliminated with the proposed rate harmonization methodology.

Revenue Requirement Calculation

Ref.: Appendix C – Harmonized Veridian Connections Inc and Veridian Scugog 2006 EDR model

3. In worksheet 2-2 Unadjusted Accounting data, for the calculation of the Working Capital, the Administrative and General Expenses in 2004 were reduced by \$43,449 while charitable contributions were increased by the same amount. Please explain:
 - a. The reason for this redefinition of charges
 - b. Are there tax implications related to this change? If so please provide the new tax calculation and how it was considered in the model

**Ref.: Appendix C -- Harmonized Veridian Connections Inc and Veridian Scugog
2006 OEB Tax model**

4. In the Test Year Tier 1&2 UCC and CEC worksheet, the value of the addition related to Tier 1 Adjustment for Meters excludes the addition for Scugog approved in 2006 (i.e. \$122,600). Please explain the reason for this exclusion.
5. In the worksheet "Test Year Schedule 8 CAA" no value for the Leasehold Improvement #1 was inputted in the test year CCA. Instead, the total amount of \$16,471 was imputed as UCC End of Test Year. Please explain why 20% of this value was not included in the Test Year CCA, as it was done in the 2006 Veridian Inc approved Tax model.
6. Why is the company applying to use the full \$192,799 non-capital loss carry-forward of December 31, 2004 to reduce taxable income in 2005, instead of using the 2006 Board approved schedule that resulted in zero taxable income in the test year of 2006 and therefore in zero PILs to be included in the 2006 revenue requirement?
7. For each of the years 2005 and 2006, please provide the following:
 - a. Actual signed Federal T2 tax returns and supporting schedules;
 - b. Actual signed Ontario CT23 tax returns and supporting schedules;
 - c. Financial statements that were submitted together with tax returns for each tax year to the Ministry of Finance;
 - d. Notices of Assessment and notices of Re-assessment, including Statements of Adjustments received from the Ministry of Finance for each tax year

Revenue allocation and Calculation of Fixed and Variable charges

**Ref.: Appendix C – Harmonized Veridian Connections Inc and Veridian Scugog
2006 EDR model**

8. In worksheet 6-2 Demand, rates (input), the applicant inputted combined rates of 2004 and 2005 that were used in worksheet 7-1 Allocation Base Revenue Requirement to determine the allocation of revenue and fixed and variable charges. Please provide the details (Excel spreadsheet) of the calculation of these combined rates for 2004 and 2005.

Calculation of 2007 harmonized rates

Ref.: 2007 model

9. Please confirm that the model used in the calculation of 2007 harmonized rates was the final decision model and not the initial version that was sent to distributors on January 29, 2007.
10. Why was the inflation escalator of 1.92% used, instead of the final approved amount of 1.90%?

Veridian Gravenhurst

Ref.: 2008 Model, Sheet 3 (2007 Tariff Sheet)

11. A review of your current 2007 Board approved Tariff of Rates and Charges indicates that the "Service Charge" for the Street Lighting class is applied on a "(per connection)" basis, however your 2008 model does not reflect this.
12. A review of your current 2007 Board approved Tariff of Rates and Charges indicates that the three Non-Payment of Account Charges of "Collection of account charge - no disconnection", "Disconnect/Reconnect at meter - during regular hours", and "Disconnect/Reconnect at meter - after regular hours" are applied on a "\$" basis, however your 2008 model does not reflect this.
13. A review of your current 2007 Board approved Tariff of Rates and Charges indicates that for Non-Payment of Account Charges there is a \$185, "Disconnect/Reconnect at meter - after regular hours" charge, however, your 2008 model does not reflect this. Instead, your 2008 model has selected "Collection of account charge - no disconnection - after regular hours" which does not appear in your 2007 Board approved Tariff of Rates and Charges.