



May 1, 2012

By RESS and Courier

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
Suite 2700, P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Veridian Connections Inc., Disposition of Account 1562 – Deferred PILs
Board File No.: EB-2012-0061**

Veridian Connection Inc. (“Veridian”) is pleased to submit its stand-alone application for the disposition of Account 1562 – Deferred PILs. Veridian has prepared this Application in accordance with the direction of the Board issued in its Decision and Order for the combined proceeding on Account 1562 deferred PILs (EB-2008-0381), dated June 24, 2011. The hard copy submission of the application includes two paper copies and a CD containing the material in searchable PDF and Microsoft Excel formats.

Veridian respectfully requests an order or orders approving its proposed distribution rates with an effective date of September 1, 2012.

Please do not hesitate to contact me if you require further information. I can be reached at 905-427-9870, extension 2202 or by email at garmstrong@veridian.on.ca.

Yours truly,

Original signed by

George Armstrong
Vice President, Corporate Services

55 Taunton Road East

Ajax, ON L1T 3V3

TEL (905) 427-9870

TEL 1-888-445-2881

FAX (905) 619-0210

www.veridian.on.ca

The power to make your community better.

Veridian Connections is a wholly owned subsidiary of Veridian Corporation



VERIDIAN CONNECTIONS INC.

DISPOSITION OF ACCOUNT 1562 DEFERRED PILS

Rates Effective: September 1, 2012

EB-2012-0061

Submitted on: May 1, 2012

**Veridian Connections Inc.
55 Taunton Road East
Ajax, ON
L1T 3V3**



File Number:EB-2012-0061

Date Filed:May 01, 2012

Exhibit 1

DISPOSITION OF ACCOUNT 1562

DEFERRED PILS



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Exhibit 1

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Administration



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Disposition 1562 Deferred PILs	2	1	1	1	1
Updated SIMPILs Models	2	1	1	2	
2001 SIMPILs	2	1	1	2	1
2002 SIMPILs	2	1	1	2	2
2003 SIMPILs	2	1	1	2	3
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2005 SIMPILs	2	1	1	2	5
Historical Data	2	2			
Historical Data	2	2	1		
PILs Proxy Models	2	2	1	1	
Q4 2001 - Combined	2	2	1	1	1



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Q4 2001 - Veridian	2	2	1	1	5
2002 - Combined	2	2	1	1	6
2002 - Belleville	2	2	1	1	7
2002 - Brock	2	2	1	1	8
2002 - Port Hope	2	2	1	1	9
2002 - Veridian	2	2	1	1	10
2005 - Combined	2	2	1	1	11
2005 - Belleville	2	2	1	1	12
2005 - Brock	2	2	1	1	13
2005 - Port Hope	2	2	1	1	14
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OEB Board Decisions	2	2	1	2	
2002 Decision and Order	2	2	1	2	1
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2005 Rate Schedule - Brock	2	2	1	2	5
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2002 RAM - Brock	2	2	1	3	2
2002 RAM - Port Hope	2	2	1	3	3
2002 RAM - Veridian	2	2	1	3	4
2004 RAM - Belleville	2	2	1	3	5
2004 RAM - Brock	2	2	1	3	6
2004 RAM - Port Hope	2	2	1	3	7
2004 RAM - Veridian	2	2	1	3	8
2005 RAM - Belleville	2	2	1	3	9
2005 RAM - Brock	2	2	1	3	10
2005 RAM - Port Hope	2	2	1	3	11
2005 RAM - Veridian	2	2	1	3	12
Notices of Assessment	2	2	1	4	
2001 Notice of Assessment	2	2	1	4	1
2001 Statement of Adjustments	2	2	1	4	2
2002 Notice of Assessment	2	2	1	4	3
2003 Notice of Assessment	2	2	1	4	4
2004 Notice of Assessment	2	2	1	4	5
2005 Notice of Assessment	2	2	1	4	6
2005 Notice of Reassessment	2	2	1	4	7
2005 Notice of Reassessment	2	2	1	4	8
Tax Returns	2	2	1	5	
2001 Tax Returns T2	2	2	1	5	1



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2001 Tax Returns CT23	2	2	1	5	2
2002 Tax Returns T2	2	2	1	5	3
2002 Tax Returns CT23	2	2	1	5	4
2003 Tax Returns T2	2	2	1	5	5
2003 Tax Returns CT23	2	2	1	5	6
2004 Tax Returns T2	2	2	1	5	7
2004 Tax Returns CT23	2	2	1	5	8
2005 Tax Returns T2 - 08/08/05	2	2	1	5	9
2005 Tax Returns CT23 - 08/08/05	2	2	1	5	10
2005 Tax Returns T2 - 11/21/05	2	2	1	5	11
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Financial Statements	2	2	1	6	
2001 Financial Statements	2	2	1	6	1
Q4-2001 Financial Statements	2	2	1	6	2
2002 Financial Statements	2	2	1	6	3
2003 Financial Statements	2	2	1	6	4
2004 Financial Statements	2	2	1	6	5
2005 Financial Statements	2	2	1	6	6
2005 Financial Statements - 08/08/05	2	2	1	6	7
2005 Financial Statements - 11/21/05	2	2	1	6	8
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1562 Deferred PILs	3	1	1		
PILS 1562 Continuity Schedule	3	1	1	1	
Disposition 1562 Deferred PILs	3	1	1	1	1
Updated SIMPILs Models	3	1	1	2	
2001 SIMPILs	3	1	1	2	1
2002 SIMPILs	3	1	1	2	2
2003 SIMPILs	3	1	1	2	3
2004 SIMPILs	3	1	1	2	4
2005 SIMPILs	3	1	1	2	5
Historical Data	3	2			
Historical Data	3	2	1		
PILs Proxy Models	3	2	1	1	
Q4 2001	3	2	1	1	1
2002	3	2	1	1	2
2005	3	2	1	1	3
OEB Board Decisions	3	2	1	2	
2002 Decision and Order	3	2	1	2	1
2004 Decision and Order	3	2	1	2	2
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Original Board Approved RAMs	3	2	1	3	
2001 2002 RAM	3	2	1	3	1



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2004 RAM	3	2	1	3	2
2005 RAM	3	2	1	3	3
Notices of Assessment	3	2	1	4	
2005 Notice of Assessment - 31/10/05	3	2	1	4	1
2005 Notice of Assessment - 21/11/05	3	2	1	4	2
Tax Returns	3	2	1	5	
2001 Tax Returns T2	3	2	1	5	1
2001 Tax Returns CT23	3	2	1	5	2
2002 Tax Returns T2	3	2	1	5	3
2002 Tax Returns CT23	3	2	1	5	4
2003 Tax Returns T2	3	2	1	5	5
2003 Tax Returns CT23	3	2	1	5	6
2004 Tax Returns T2	3	2	1	5	7
2004 Tax Returns CT23	3	2	1	5	8
2005 Tax Returns T2 - 31/10/05	3	2	1	5	9
2005 Tax Returns CT23 - 31/10/05	3	2	1	5	10
2005 Tax Returns T2 - 21/11/05	3	2	1	5	11
2005 Tax Returns CT23 - 21/11/05	3	2	1	5	12
Financial Statements	3	2	1	6	
2002 Financial Statements	3	2	1	6	1
2003 Financial Statements	3	2	1	6	2
2004 Financial Statements	3	2	1	6	3
2005 Financial Statements - 31/10/05	3	2	1	6	4



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2005 Financial Statements - 21/11/05	3	2	1	6	5
SCUGOG PILS	4				
1562 Deferred PILs	4	1			
1562 Deferred PILs	4	1	1		
PILS 1562 Continuity Schedule	4	1	1	1	
Disposition 1562 Deferred PILs	4	1	1	1	1
Updated SIMPILs Models	4	1	1	2	
2001 SIMPILs	4	1	1	2	1
2002 SIMPILs	4	1	1	2	2
2003 SIMPILs	4	1	1	2	3
2004 SIMPILs	4	1	1	2	4
2005 SIMPILs	4	1	1	2	5
Historical Data	4	2			
Historical Data	4	2	1		
PILs Proxy Models	4	2	1	1	
Q4 2001	4	2	1	1	1
2002	4	2	1	1	2
2005	4	2	1	1	3
OEB Board Decisions	4	2	1	2	
2002 Decision and Order	4	2	1	2	1
2002 Revised Tariff	4	2	1	2	2
2004 Decision and Order	4	2	1	2	3
2005 Decision and Order	4	2	1	2	4



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Original Board Approved RAMs	4	2	1	3	
2001 2002 RAM	4	2	1	3	1
2002 RAM used for 2004 Rate Schedule Review	4	2	1	3	2
2004 RAM	4	2	1	3	3
2004 Interim RAM	4	2	1	3	4
2005 RAM	4	2	1	3	5
Notices of Assessment	4	2	1	4	
2002 Notice of Assessment	4	2	1	4	1
2003 Notice of Assessment	4	2	1	4	2
Tax Returns	4	2	1	5	
2001 Tax Returns	4	2	1	5	1
2002 Tax Returns	4	2	1	5	2
2003 Tax Returns	4	2	1	5	3
2004 Tax Returns	4	2	1	5	4
2005 Tax Returns - 30/06/05	4	2	1	5	5
2005 Tax Returns - 08/08/05	4	2	1	5	6
Financial Statements	4	2	1	6	
2002 Financial Statements	4	2	1	6	1
2003 Financial Statements	4	2	1	6	2
2004 Financial Statements	4	2	1	6	3
2005 Financial Statements - 30/06/05	4	2	1	6	4
2005 Financial Statements - 08/08/05	4	2	1	6	5

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act*,
1998, S.O.1998, c.15 (Sched. B)

AND IN THE MATTER OF an application by Veridian
Connections Inc. for an Order or Orders pursuant to section
78 of the *Ontario Energy Board Act*, 1998 approving rate
riders for the disposition of Account 1562-Deferred PILs
costs as of September 1st, 2012.

APPLICATION

The Applicant is Veridian Connections Inc. ("Veridian"). Veridian is a licensed electricity distributor operating pursuant to license ED-2002-0503. Veridian distributes electricity to approximately 114,200 customers in Ajax, Pickering, Belleville, Brock, Uxbridge, Scugog, Clarington, Port Hope and Gravenhurst.

Veridian hereby applies to the Ontario Energy Board (the "Board") for an order or orders made pursuant to Section 78 of the *Ontario Energy Board Act*, 1998, as amended, (the "OEB Act") for recovery of amounts recorded in Account 1562 – Deferred PILs.

In the Board's Decision in the Combined PILs proceeding (EB-2008-0381) ("Combined Proceeding"), the Board indicated that distributors would be expected to apply for final disposition of Account 1562 – Deferred PILs, with their next general rates application.

On October 14, 2011 Veridian filed its 2012 IRM rate application and advised the Board that the application did not include disposition of Account 1562 at that time as Veridian's circumstances relating to Account 1562 deviated from those addressed in the Combined Proceeding due to the impact of a corporate merger and a number of acquisitions during the period which Account 1562 was in effect.

The Board accepted Veridian's rationale for not proposing disposition of Account 1562 in its 2012 IRM application and ordered Veridian to address the disposition of Account 1562 in a stand-alone application to be filed no later than April 1st, 2012.

On February 9th, 2012 Veridian filed a letter with the Board requesting an extension of the filing deadline for its stand-alone application to May 1, 2012 on the basis of the complexities of preparing an application that spans the business operations of a number of predecessor utilities. In its letter of February 22nd, 2012, the Board granted the extension to May 1st, 2012.

In compliance, Veridian is submitting this stand-alone application to address the disposition of Account 1562. Specifically, Veridian is seeking a rate rider to recover amounts in Account 1562 effective September 1st, 2012.

The following Manager's Summary will address:

- (a) The calculation of the amounts included for disposition
- (b) Allocation of Account 1562 balances to existing tariff zones
- (c) The calculation of the rate riders
- (d) The methodology employed in the SIMPL true-ups for Veridian's corporate income tax returns to multiple rate tariffs in effect for some periods of the true up period

Veridian has prepared this Application in accordance with the direction of the Board issued in its Decision and Order for the combined proceeding on Account 1562 deferred PILs (EB-2008-0381), dated June 24, 2011.

Specifically, Veridian applies for:

- a) Disposition of Account 1562 Balances as outlined in the table below:

	Principal as of April 30, 2012	Interest as of August 31, 2012	Total
Veridian Main	\$ (28,604)	\$ 209,026	\$ 180,422
Gravenhurst	\$ 87,534	\$ 52,287	\$ 139,821

- b) Approval of a one-year PILS Disposition Rate Rider effective September 1st, 2012 through August 31st, 2013 as outlined in the table below:

Veridian-Main

Customer Class	Rate Rider for Disposition	Units
Residential	0.0001	\$/kWh
GS Less than 50 kW	0.0001	\$/kWh
GS 50 to 2,999 kW	0.0144	\$/kW
GS 3,000 to 4,999	0.0095	\$/kW
Large Use	0.0109	\$/kW
USL	0.0001	\$/kWh
Sentinel Lighting	0.0805	\$/kW
Street Lighting	0.0310	\$/kW

Gravenhurst

Customer Class	Rate Rider for Disposition	Units
Residential Urban Year Round	0.0016	\$/kWh
Residential Suburban Year Round	0.0017	\$/kWh
Residential Suburban Seasonal	0.0043	\$/kWh
GS Less than 50 kW	0.0013	\$/kWh
GS 50 to 4,999 kW	0.2557	\$/kW
Sentinel Lighting	0.0420	\$/kW
Street Lighting	2.2206	\$/kW

This Application is supported by written evidence. The written evidence will be pre-filed and may be amended from time to time, prior to the Board's final decision on this Application.

The Applicant requests that, pursuant to Section 34.01 of the Board's *Rules of Practice and Procedure*, this proceeding be conducted by way of written hearing.

The Applicant requests that a copy of all documents filed with the Board in this proceeding be served on the Applicant as follows:

The Applicant:

Mr. George Armstrong
Vice President – Corporate Services
Veridian Connections Inc.

Address for personal service: 55 Taunton Rd E
Ajax, ON
L1T 3V3

Mailing Address: 55 Taunton Rd E
Ajax, ON
L1T 3V3

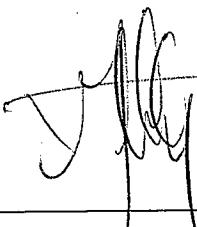
Telephone: (905)-427-9870, X2202

Fax:

Email Address: garmstrong@veridian.on.ca

DATED at Ajax, Ontario, this 30th day of April, 2012.

VERIDIAN CONNECTIONS INC.



George Armstrong

MANAGER'S SUMMARY

Introduction/Overview

Veridian Connections Inc. ("Veridian") is an electricity distributor as defined in the *Ontario Energy Board Act, 1998* (the "Act") and operates pursuant to license EB-2002-0503. Veridian distributes electricity to approximately 114,200 customers in Ajax, Pickering, Belleville, Brock, Uxbridge, Scugog, Clarington, Port Hope and Gravenhurst. Veridian currently has two distinct Tariffs of Rates and Charges. One for the Gravenhurst Service Area and another for "All Service Areas Except Gravenhurst".

The company was formed in the fall of 1999 through the merger of Ajax Hydro, Clarington Hydro and Pickering Hydro. Since that time, Veridian has merged with or acquired several utilities as follows:

- acquired Uxbridge Hydro on June 1, 2000
- acquired Port Hope Hydro on May 1, 2001
- acquired Brock Hydro on July 1, 2001
- merger with the electrical distribution business of Belleville Utilities on October 1, 2001
- acquired Scugog Hydro Energy Corporation on July 1, 2005
- acquired Gravenhurst Hydro Electric Inc. on November 1, 2005

Table 1 below provides a summary of the various business combinations and the status of separate or harmonized rate tariffs during the period of 2001 through to the present.

1 Table 1: Summary of Acquisition/Mergers and Rate Tariff Status 2001 - Present

Service Area	Acquisition/Merger Date	Harmonization/Tariff Status
VCI (Ajax, Pickering, Clarington, Uxbridge)	Original 1999 Merger & 2000 acquisition	Separate Rate Tariff 2001 - 2006
Port Hope	Acquired May 1, 2001	Separate Rate Tariff 2001 – 2006
Brock	Acquired July 1, 2001	Separate Rate Tariff 2001 – 2006
Belleville	Merger – Oct 1, 2001	Separate Rate Tariff 2001 – 2006
Scugog	Acquired – July 1 st , 2005	Separate Rate Tariff 2001 – 2007
Gravenhurst	Acquired – Nov 1 st , 2005	Separate Rate Tariff 2001 – present

2

3 Through 2001 to 2005 Veridian had four distinct tariffs of rates of charges;

- 4 • VCI (Ajax, Pickering, Clarington, Uxbridge)
- 5 • Port Hope
- 6 • Brock
- 7 • Belleville

8 In 2005, with the acquisitions of Scugog Hydro and Gravenhurst Hydro, Veridian then

9 had six distinct tariffs of rates and charges.

10 In 2006, the rates of VCI, Port Hope, Brock and Belleville were harmonized as Veridian,

11 leaving then three distinct tariffs in 2006 of Veridian-Main, Scugog and Gravenhurst.

1 In 2007, Scugog rates were harmonized with Veridian, leaving the 2 distinct tariffs of
2 Veridian-Main and Gravenhurst.

3 These two tariff zones have been maintained from 2007 to the present.
4
5

6 Disposition of Deferred PILs – Account 1562

7 In the Board's Decision in the Combined PILs proceeding (EB-2008-0381) ("Combined
8 Proceeding"), the Board indicated that distributors would be expected to apply for final
9 disposition of Account 1562 – Deferred PILs, with their next general rates application.

10 On October 14, 2011 Veridian filed its 2012 IRM rate application and advised the Board
11 that the application did not include disposition of Account 1562 at that time as Veridian's
12 circumstances relating to Account 1562 deviated from those addressed in the Combined
13 Proceeding due to the impact of a corporate merger and a number of acquisitions during
14 the period which Account 1562 was in effect.

15 In its determination of the Account 1562 balance and related carrying charges proposed
16 for disposition within this Application, Veridian has endeavoured to comply fully with
17 the EB-2008-0381 Decision and Order and the various settlements with respect to the
18 underlying Settlement Agreement. Veridian submits that this application has been filed
19 and that the supporting documentation has been prepared in a manner contemplated by
20 the decisions of the Board in the Combined Proceeding.

21 Veridian's stand-alone application for disposition of Account 1562 includes the amounts
22 applicable for Veridian Connections Inc ("Veridian"), Gravenhurst Hydro
23 ("Gravenhurst") and Scugog Hydro ("Scugog").

1 The balances related to Account 1562 were analyzed and prepared through a review of
2 the relevant information pertaining to each of these entities during the period which
3 Account 1562 was in effect and amounts were required to be recorded.

4 Each of Veridian, Gravenhurst and Scugog used Accounting Method 3 to record the
5 variances of PILs in Account 1562 as described in the *Ontario Energy Board Accounting*
6 *Procedures Handbook Frequently Asked Questions – April 2003*.

7 The updated model filed by Halton Hills (“Halton Hills Model”) has been used as the
8 basis for all SIMPIL models.

9 Veridian has provided detailed documentation supporting this application, including
10 historical records for all three entities. The application is structured such that Exhibit 2
11 contains all models and historical records for Veridian, Exhibit 3 contains all models and
12 historical records for Gravenhurst and Exhibit 4 contains all models and historical records
13 for Scugog.

14 Historical records for each entity include:

- 15 • Q42001, 2002 and 2005 Approved PILs Proxy Models
- 16 • 2002, 2004 and 2005 Board Decisions and Orders
- 17 • Board approved Rate Adjustment Models for each of 2001-2002, 2004 and 2005
- 18 • Corporate Tax Returns for 2001 – 2005
- 19 • Notices of Assessment and Re-Assessment where applicable for 2001-2005
- 20 • Audited Financial Statements for 2001 – 2005

1 For each entity a PILS 1562 Continuity Schedule for the period of October 1, 2001 to
2 April 30, 2006 has been filed that shows:

- 3 • The PILs proxy amounts allowed for the number of months in each tax period
- 4 • The PILs collected from (billed to) customers during the same tax periods
- 5 • The deferral account and true-up variances that are calculated in the SIMPIL
6 workbook TAXCALC sheet for each tax period
- 7 • Interest carrying charges for each tax period. A schedule of interest rates used for
8 each period is also included.

9 Veridian hereby confirms the following:

- 10 • PILs collected from (billed to) customers includes the unbilled portion as at April
11 30, 2006.
- 12 • The SIMPIL models filed contain details of final tax data and have been balanced
13 back to the source documents for each tax period.
- 14 • Items that should not true up to ratepayers under the methodology have been
15 isolated onto sheet "TAXREC3" from those items that are included in the true-up
16 on sheet "TAXREC" or "TAXREC2" for each tax period.
- 17 • The income tax rates, capital tax rates and thresholds or exemptions chosen for
18 each tax year is supported by reference to tax law and Board precedents. Gross-
19 up rates utilized in the SIMPIL models exclude the surtax rate of 1.12%

- 1 • Data from final tax returns for the tax years 2001 through 2005 have been used in
2 calculating the final balance in PILs Account 1562, including re-assessments as
3 applicable.
- 4 • Regulatory assets and liabilities, when they were created or collected, have been
5 excluded in the calculation of the final balance in its PILs Account 1562 balance
6 regardless of the actual tax treatment accorded those amounts.
- 7 • Variances associated with Ontario Capital Tax (“OCT”) have been excluded in
8 the income tax true-up reconciliation. Veridian understands that under the
9 SIMPIL methodology, OCT does not true up for income tax purposes, only for
10 OCT purposes in the appropriate section of the SIMPIL sheet TAXCALC.
- 11 • That all tax years from 2001 through 2005 are statute-barred (i.e. no longer open
12 for audit).
- 13 • That proposed rate riders to dispose of the account balances are appropriate to the
14 best of Veridian’s knowledge.
- 15 • That a materiality level of zero was chosen within all of the SIMPIL models.
- 16 • That where detailed financial information was available Veridian has calculated
17 interest expense for the purposes of the true-up calculations to be consistent with
18 the Board’s findings in the HOBNI Decision (EB-2011-0174).
- 19 • That estimated 2005 CDM operating expenditures have been manually reflected
20 as deductions in Cell C44 of the “Initial Estimate” column of the TAXCALC tab
21 in the 2005 SIMPIL models. Each of the entities completed their respective
22 commitment with respect to Third Tranche MARR CDM expenditures and these

1 operating expenses would be included within the expenses recorded for the
2 calculation of taxable net income.

- 3 • The “Total PILs for Rate Adjustment” on the TAXCALC tabs of the SIMPIL
4 models filed agree with the corresponding relevant RAM decision.

5 As provided in the table below, Veridian is seeking recovery of \$320,243, consisting of
6 principal balances of \$58,930 and carrying charges of \$261,313.

Table 2: Total Request for Disposition of Account 1562 Balances

	Principal as of April 30, 2012	Interest as of August 31, 2012	Total
VCI	\$ (30,851)	\$ 207,355	\$ 176,504
Scugog Hydro	\$ 2,247	\$ 1,671	\$ 3,918
Gravenhurst Hydro	\$ 87,534	\$ 52,287	\$ 139,821
7	\$ 58,930	\$ 261,313	\$ 320,243

8

9 The table below provides a breakdown of the Account 1562 balances by component and
10 by utility.

11 Account 1562 PILs Continuity Schedules by entity are filed at:

- 12 • Veridian – Exhibit 2, Tab 1, Schedule 1, Attachment 1
- 13 • Gravenhurst – Exhibit 3, Tab 1, Schedule 1, Attachment 1
- 14 • Scugog – Exhibit 4, Tab 1, Schedule 1, Attachment 1.

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Table 3: Account 1562 Continuity Schedule - Summary

	2001	2002	2003	2004	2005	2006
Board Approved PILs						
VCI	\$ 1,373,328	\$ 4,200,068	\$ 5,573,396	\$ 4,543,400	\$ 4,704,726	\$ 1,624,315
Scugog	\$ 5,020	\$ 26,063	\$ 31,083	\$ 27,318	\$ 38,715	\$ 14,311
Gravenhurst	\$ 63,992	\$ 328,177	\$ 392,169	\$ 344,175	\$ 248,477	\$ 73,970
Total Approved	\$ 1,442,340	\$ 4,554,308	\$ 5,996,648	\$ 4,914,893	\$ 4,991,917	\$ 1,712,596
PILs Billed to Customers						
VCI	\$ -	\$ 4,562,800	\$ 5,777,656	\$ 4,570,821	\$ 5,025,502	\$ 1,714,332
Scugog	\$ -	\$ 24,645	\$ 32,180	\$ 24,554	\$ 38,028	\$ 15,721
Gravenhurst	\$ -	\$ 193,485	\$ 430,922	\$ 351,381	\$ 242,045	\$ 93,885
Total Billed	\$ -	\$ 4,780,929	\$ 6,240,759	\$ 4,946,755	\$ 5,305,575	\$ 1,823,937
True ups from SIMPL Models						
VCI	\$ (54,303)	\$ 4,290	\$ (166,431)	\$ (206,716)	\$ 24,188	\$ -
Scugog	\$ -	\$ (1,299)	\$ (2,080)	\$ (1,756)	\$ -	\$ -
Gravenhurst	\$ (58)	\$ -	\$ (23,633)	\$ (28,018)	\$ -	\$ -
	\$ (54,361)	\$ 2,990	\$ (192,143)	\$ (236,490)	\$ 24,188	\$ -
Principal Balance (Board Approved PILs less PILs Billed to Customers plus True-ups)						
Annual	\$ 1,387,979	\$ (223,631)	\$ (436,254)	\$ (268,352)	\$ (289,470)	\$ (111,342)
Cumulative	\$ 1,387,979	\$ 1,164,348	\$ 728,094	\$ 459,742	\$ 170,272	\$ 58,930
Interest						
VCI	\$ 7,758	\$ 107,083	\$ 55,291	\$ 19,882	\$ 21,270	\$ 604
Scugog	\$ 30	\$ 499	\$ 257	\$ 99	\$ 369	\$ 66
Gravenhurst	\$ 376	\$ 9,945	\$ 11,893	\$ 7,760	\$ 6,566	\$ 2,083
	\$ 8,163	\$ 117,527	\$ 67,442	\$ 27,742	\$ 28,206	\$ 2,754
Cumulative	\$ 8,163	\$ 125,690	\$ 193,132	\$ 220,874	\$ 249,079	\$ 251,833
Principal and Interest						
Annual	\$ 1,396,142	\$ (106,104)	\$ (368,813)	\$ (240,610)	\$ (261,264)	\$ (108,588)
Cumulative	\$ 1,396,142	\$ 1,290,038	\$ 921,226	\$ 680,616	\$ 419,352	\$ 310,764
Interest May 1, 2006 to August 31, 2012						
VCI						\$ (4,968)
Scugog						\$ 351
Gravenhurst						\$ 14,097
						\$ 9,479
Ending Total - Principal and Interest						\$ 320,243

As mentioned previously, Veridian currently has two distinct tariff zones – Gravenhurst and Veridian-Main. Veridian proposes that it is appropriate for the 1562 Account balances for VCI and Scugog to be added to form a single amount for recovery within the Veridian-Main tariff zone and for the 1562 Account balance for Gravenhurst to be recovered within the Gravenhurst tariff zone.

Table 4: Request for Disposition by Tariff Zone

	Principal as of April 30, 2012	Interest as of August 31, 2012	Total
Veridian Main	\$ (28,604)	\$ 209,026	\$ 180,422
Gravenhurst	\$ 87,534	\$ 52,287	\$ 139,821

Allocation of Account 1562 Balance and Calculation of Rate Rider

Veridian is proposing a one year rate rider effective from September 1st, 2012 to August 31st, 2013.

Veridian has allocated the balance for recovery to each customer class within the tariff zones based on its share of the Test Year distribution revenue that was approved in Veridian's 2010 Cost of Service rate application (EB-2009-0140). The rate riders have been calculated based on the kWh or kW billing determinants as approved within Veridian's 2010 Cost of Service rate application. Tables 5 and 6 below set out the allocation of the recovery amounts by class and the calculation of the rate riders.

Table 5: Allocation of Deferred PILs - Account 1562 & Proposed Rate Riders - Veridian Main

Customer Class	% of Distribution Revenue	Allocation to Classes	Board Approved kWh	Board Approved kW	Rate Rider for Disposition	Units
Residential	62.6%	\$ 113,009.20	927,385,803		0.0001	\$/kWh
GS Less than 50 kW	14.4%	\$ 25,959.05	294,966,007		0.0001	\$/kWh
GS 50 to 2,999 kW	19.2%	\$ 34,618.81		2,408,247	0.0144	\$/kW
GS 3,000 to 4,999	0.5%	\$ 820.55		86,111	0.0095	\$/kW
Large Use	1.9%	\$ 3,390.42		311,685	0.0109	\$/kW
USL	0.4%	\$ 739.40	5,413,534		0.0001	\$/kWh
Sentinel Lighting	0.1%	\$ 189.36		2,353	0.0805	\$/kW
Street Lighting	0.9%	\$ 1,695.21		54,601	0.0310	\$/kW
	100.0%	\$ 180,422.00				

1
2

Table 6: Allocation of Deferred PILs - Account 1562 & Proposed Rate Riders - Veridian Gravenhurst

Customer Class	% of Distribution Revenue	Allocation to Classes	Board Approved kWh	Board Approved kW	Rate Rider for Disposition	Units
Residential Urban Year Round	32.0%	\$ 44,744.37	27,397,075		0.0016	\$/kWh
Residential Suburban Year Round	11.7%	\$ 16,358.86	9,458,013		0.0017	\$/kWh
Residential Suburban Seasonal	29.8%	\$ 41,684.29	9,730,721		0.0043	\$/kWh
GS Less than 50 kW	13.7%	\$ 19,120.28	14,769,007		0.0013	\$/kWh
GS 50 to 4,999 kW	12.6%	\$ 17,561.28		68,687	0.2557	\$/kW
Sentinel Lighting	0.1%	\$ 69.92		1,664	0.0420	\$/kW
Street Lighting	0.2%	\$ 282.01		127	2.2206	\$/kW
	100.0%	\$ 139,821.00				

3

4 The total bill impact for an average residential customer with a monthly electricity
5 consumption of 800 kWh will be an increase of \$0.10 or 0.09%. The total bill impact for
6 an average General Service less than 50 kW customer with a monthly electricity

1 consumption of 2,000 kWh will be an increase of \$0.18 or 0.07%. A summary of bill
2 impacts by class is provided later in this summary.

3
4
5 Methodology – Determination of Account 1562 Principal Balance

6 As noted in the Introduction, this application includes the amounts for Account 1562
7 applicable for Veridian, Gravenhurst and Scugog throughout the period of Q4 2001 to
8 April 30th 2006. Each utility had requirements for recording of amounts in Account 1562
9 during this period. Each utility had distinct tariffs which includes amounts for recovery
10 of PILS (“PILS Proxies”). As well, each was required to record ‘true-up’ amounts in
11 Account 1562.

12
13 The principal amount in Account 1562 essentially has two components. First is the
14 “PILS Proxy Activity”, being the comparison of approved PILS recovery in rates to the
15 actual amount of PILs collected from customers. Second is the “True-up Variance”
16 amounts calculated within the annual SIMPIL models which compare deemed and/or
17 approved amounts to actual amounts for specific items recorded on the utility’s corporate
18 income tax returns.

19
20 The sections below provide information on the methodology used for the determination
21 of each of the components of the principal balances for each of Veridian, Gravenhurst
22 and Scugog.

Veridian

PILs Proxy Activity

For the period 2001 to 2005 Veridian had four distinct rate tariffs; VCI, Port Hope, Brock and Belleville. Separate Rate Adjustment Models (“RAM Models”) were approved for each of the tariffs, including separate PILs proxies in distribution rates.

The PILs collected from customers was calculated by multiplying the actual billing determinants for each rate class and tariff zone combination, by the PILs ‘slivers’ included in distribution rates for that rate class within tariff zone.

The approved PILs recovery in rates was calculated by summing the separate approved PILs proxies for each tariff zone into a single combined PILs proxy for Veridian.

Table 7 below shows the calculation of the single combined PILs proxy for Veridian for each year.

Table 7: Combined PILs Proxy for Veridian

	Brock	Port Hope	Belleville	VCI	Combined
2001 Approved PILs Proxy	19,860	103,382	216,214	1,033,872	1,373,328
2002 Approved PILs Proxy	41,549	276,659	754,714	3,127,146	4,200,068
2005 Approved PILs Proxy	47,152	320,180	901,607	3,604,006	4,872,945

The separate Board approved RAM Models supporting these figures can be found at Exhibit 2, Tab 2, Schedule 1, Attachment 3.

The details of the PILs collected by rate class, by year and by tariff zone can be found in the Veridian PILS 1562 Continuity Schedule - Exhibit 2, Tab 1, Schedule 1 Attachment 1.

Billing determinants for the Unmetered Scattered Load (“USL”) rate class were included with those of General Service Less Than 50 kW as the PILs sliver rates were the same for the two rate classes.

1 True-up Variance

2 Originally, four distinct SIMPIL models were filed annually corresponding to the four
3 separate tariff zones. This, on the expectation that as separate tariffs existed, variances
4 would be recovered or refunded to ratepayers on the basis of the four tariffs.
5 Subsequently, the four tariffs were harmonized in Veridian's 2006 EDR proceeding and a
6 single tariff was developed and has been maintained since that time. With the current
7 requirements for disposition of Account 1562, Veridian proposes that it is appropriate to
8 file the 2001 – 2005 SIMPIL models for Veridian on a 'combined' basis resulting in a
9 single variance amount for Veridian as recoveries or refunds would be based on the
10 current harmonized tariff.

11 The various line items of the approved PILs Proxy models for Veridian were combined to
12 create a Combined Veridian Approved PILs Proxy Model for each of 2001, 2002 and
13 2005.

14 These models can be found at Exhibit 2, Tab 2, Schedule 1, Attachment 1.

15 The values from the Combined Veridian Approved PILs Proxy Model were inputs to the
16 Veridian SIMPL Models completed for the years of 2001 to 2005. For the period of 2001
17 – 2005, Veridian maintained four distinct tariff zones but was one single corporate entity.
18 Accordingly, Veridian filed one corporate tax return for those periods.

19 The Veridian SIMPIL Models were completed using inputs from the Combined Veridian
20 Approved PILs Proxy Model as described above and detailed information from
21 Veridian's single corporate tax return.

22 The approved PILs proxy models for VCI, Belleville, Port Hope and Brock had used
23 various tax rates appropriate to and based on the size of each entity. Veridian as a
24 corporate entity was subject to the highest of the various tax rates used and therefore
25 those tax rates were used within the Veridian SIMPIL Models filed within this
26 application.

27 The Board's Decision and Order on Hydro One Brampton Networks Inc.'s ("HOBNI")
28 2012 IRM Rate Application, EB-2011-0174, provided clarification and direction on the

1 treatment of interest expense and income in the determination of the excess interest
2 expense claw-back. Specifically, the Board Findings on this matter state:

- 3 • the components which will comprise interest expense for purposes of the true-up
4 calculations based on HOBNI's evidence in his case are interest on long-term
5 debt, accounting amortization of deferred debt costs, foreign exchange and
6 interest expense (other);
- 7 • the Board is not persuaded that interest income should be netted against interest
8 expense in the SIMPIL true-up calculations since this treatment is not consistent
9 with cost of service filing instructions;
- 10 • the impacts of regulatory assets and liabilities should be excluded from the
11 determination of the balance in account 1562 deferred PILs;
- 12 • Interest expense related to customer deposits is not recovered in cost of service
13 applications and therefore should be excluded in the SIMPIL calculations and;
- 14 • Capitalized interest and its reversal in the tax calculations nets to zero, and this
15 treatment is consistent with prior guidance issued by the Board.

16 On this basis, Veridian has excluded interest on customer deposits and any effects on
17 interest expense due to regulatory assets and liabilities. Veridian confirms that interest
18 income has not been netted against interest expense. Veridian confirms that fees relating
19 to the requirement to provide a prudential letter of credit to the Independent Electricity
20 System Operator ("IESO") have been included in interest expense. Veridian did not have
21 foreign exchange costs.

22 Table 8 below provides details of the components of interest expense used for the
23 purposes of true-up.

Table 8: Interest Expense details for Veridian SIMPIL Models True-Up

Analysis of Interest Expense	Q4 - 2001	2002	2003	2004	2005
Interest from audited financial statements	\$ 720,325	\$ 4,825,295	\$ 4,697,111	\$ 4,726,741	\$ 4,842,640
Add: AFUDC	\$ 81,972	\$ 442,026	\$ 249,140	\$ 154,479	\$ 168,561
	<u>\$ 802,297</u>	<u>\$ 5,267,321</u>	<u>\$ 4,946,251</u>	<u>\$ 4,881,220</u>	<u>\$ 5,011,201</u>
Detailed Breakdown					
Interest on Long Term Debt	\$ 779,579	\$ 4,886,282	\$ 4,614,401	\$ 4,554,678	\$ 4,369,561
Interest Expense(Other - includes standby fees)		\$ 109,600	\$ 83,303	\$ 161,717	\$ 114,924
Interest Expense on Customer Deposits	\$ 22,718	\$ 91,445	\$ 176,491	\$ 116,004	\$ 126,744
Letter of Credit Fees (Prudentials with IESO)		\$ 179,993	\$ 252	\$ 32,320	\$ 35,743
Interest Expense - Regulatory Assets/Liabilities			\$ 71,804	\$ 16,500	\$ 369,352
	<u>\$ 802,297</u>	<u>\$ 5,267,321</u>	<u>\$ 4,946,251</u>	<u>\$ 4,881,220</u>	<u>\$ 5,016,324</u>
Amount:					
Interest Expense on Customer Deposits	\$ (22,718)	\$ (91,445)	\$ (176,491)	\$ (116,004)	\$ (126,744)
Interest Expense - Regulatory Assets/Liabilities	\$ -	\$ -	\$ (71,804)	\$ (16,500)	\$ (369,352)
Total Interest used for True Up in SIMPL Model	\$ 779,579	\$ 5,175,876	\$ 4,697,956	\$ 4,748,716	\$ 4,520,228

1 *Note: These amounts entered on TAXCALC - Row 202 - Interest deducted on MoF filing of SIMPIL Models*
2 Veridian confirms that all impacts of any Notices of Reassessment were included in the
3 tax amounts input to the 2001 through 2005 SIMPIL models.

4
5
6
7
8

1 2005 SIMPIL Model – Impacts of Acquisition of Scugog and Gravenhurst

2
3 In 2005, due to the acquisitions of Scugog Hydro and Gravenhurst Hydro, Veridian filed
4 three corporate income tax returns; one for each of the various stub periods:

- 5 • January 1st to August 8th – Activities of Veridian alone
- 6 • August 9th to November 21st – Activities of Veridian and acquired Scugog
- 7 • November 22nd to December 31st – Activities of Veridian, acquired Scugog and
8 acquired Gravenhurst

9 Copies of these 2005 income tax return filings are included within the Veridian historical
10 records filed at Exhibit 2.

11 The summation of the line items of these three filings effectively represents the taxation
12 activity for Veridian for the income tax year of 2005.

13 The Veridian 2005 SIMPIL model was completed using the summed values from these
14 three separate tax filings.

15 The approved amounts on the REGINFO tab of the Veridian 2005 SIMPIL model are
16 those from the 2005 Combined Veridian PILs Proxy Model.

17
18 Gravenhurst

19 PILs Proxy Activity

20 Veridian acquired Gravenhurst Hydro on November 1st, 2005. Gravenhurst Hydro had
21 Board approved PILs proxies in distribution rates from 2002 through to April 30th, 2006.

22 The approved RAM Models for the 2001 to 2005 PILs proxies are filed at Exhibit 3, Tab
23 2, Schedule 1, Attachment 3.

24 The Gravenhurst PILs Proxy activity was calculated by comparing the PILs collected
25 from customers to the amount of the PILs proxy included in distribution rates during each
26 of the years.

27 The details of the PILs collected by rate class and by year can be found in the
28 Gravenhurst PILS 1562 Continuity Schedule, Exhibit 3, Tab 1, Schedule 1 Attachment 1.

True-up Variance

The true-up variances for each year have been calculated within each of the Gravenhurst SIMPIL models as filed at Exhibit 3, Tab 1, Schedule 1, Attachment 2, Appendices 1 – 5. Information from Gravenhurst Hydro’s corporate income tax returns from Q4 2001 to 2005 was used as input to the SIMPIL models.

Veridian does not have on record, original or copies of Ontario Ministry of Revenue (“the Ministry”) Notices of Assessment or Reassessment for Gravenhurst Hydro tax filings for the period of 2001 through to 2005. Veridian subsequently contacted the Ministry for this information and was informed that due to a change in records system, electronic or printed copies of these records were not available. Ministry staff did verbally confirm the following information for Gravenhurst final tax amount. This confirmation included a statement that there were no amended returns filed for these periods and no post tax audit reassessments.

Table 9: Gravenhurst Hydro Corporate Tax Amounts (income and capital taxes)

Year	Ontario (Amount \$)	Federal (Amount \$)	Total (Amount \$)
2001	2,733	0	2,733
2002	25,662	37,154	62,816
2003	118,478	202,576	321,054
2004	55,775	89,361	145,136
2005-upto Oct 10 2005	75,931	114,869	190,800
2005-Oct 11 2005 to Nov 21,2005	7,262	10,070	17,332

As stated previously, where detailed financial information was available Veridian has calculated interest expense for the purposes of the true-up calculations to be consistent with the Board’s findings in the HOBNI Decision (EB-2011-0174). In the case of Gravenhurst Hydro, Veridian does not have detailed information on the components of

1 interest expense recorded on the audited financial statements for the periods 2001 – 2005.
2 Accordingly, Veridian has made no adjustments to these amounts and has included the
3 full amount of interest expense from the audited financial statements for purposes of the
4 true-up calculations within the Gravenhurst SIMPIL models.

5 2005 SIMPIL Model – Impacts of Veridian acquisition of Gravenhurst Hydro –
6 November 1st, 2005

7 In 2005, due to the acquisitions of Gravenhurst Hydro by Veridian, Gravenhurst filed two
8 corporate income tax returns; one for each of the various stub periods:

- 9 • January 1st to October 31, 2005 – Activities of Gravenhurst Hydro
- 10 • November 1st, to November 21st – 21 day stub period until full acquisition
11 completed

12 Copies of these 2005 income tax return filings are included within the Gravenhurst
13 historical records filed at Exhibit 3, Tab 2, Schedule 1.

14 The summation of the line items of these two filings effectively represents the taxation
15 activity for Gravenhurst for the income tax year of 2005 and encompasses 324 days of
16 2005.

17 The Gravenhurst 2005 SIMPIL model was completed using the summed values from
18 these two separate tax filings.

19 The approved amounts on the REGINFO tab of the Gravenhurst 2005 SIMPIL model are
20 those from the 2005 Gravenhurst PILs Proxy Model.

21 Veridian acknowledges that the summed tax filings are for activity of 324 days of 2005
22 while the 2005 PILs proxy were calculated on the basis of 365 days of 2005. Veridian
23 proposes that it is appropriate to use the full values of the Gravenhurst 2005 PILs proxy
24 in the 2005 SIMPL model as any tax related impacts due to the activities of the former
25 Gravenhurst Hydro for the 41 remaining days of 2005 would be captured within the
26 Veridian 2005 SIMPIL model as it included the final tax filing (November 21st –
27 December 31st) for the combined entity.

1 It would be highly impracticable for Veridian to calculate the tax related impacts due to
2 the activities of the former Gravenhurst Hydro for the 41 remaining days. Veridian also
3 proposes that the resulting amounts would be immaterial and there would be minimal
4 benefits to this additional and likely inaccurate work.

5
6 Scugog

7 PILs Proxy Activity

8 Veridian acquired Scugog Hydro on July 1st, 2005. Scugog Hydro had Board approved
9 PILs proxies in distribution rates from March 1st 2002 through to April 30th, 2006.

10 The approved RAM Models for the 2001 to 2005 PILs proxies are filed at Exhibit 4, Tab
11 2, Schedule 1, Attachment 3, Appendices 1 - 5.

12 The Scugog PILs Proxy activity was calculated by comparing the PILs collected from
13 customers to the amount of the PILs proxy included in distribution rates during each of
14 the years.

15 The details of the PILs collected by rate class and by year can be found in the Scugog
16 PILS 1562 Continuity Schedule, Exhibit 4, Tab 1, Schedule 1 Attachment 1.

17
18 True-up Variance

19 The true-up variances for each year have been calculated within each of the Scugog
20 SIMPIL models as filed at Exhibit 4, Tab 1, Schedule 1, Attachment 2, Appendices 1-5.

21 Information from Scugog Hydro's corporate income tax returns from Q4 2001 to 2005
22 was used as input to the SIMPIL models.

23 Veridian does not have on record, original or copies of Ontario Ministry of Revenue ("the
24 Ministry") Notices of Assessment or Reassessment for Scugog Hydro tax filings for the
25 periods of 2001, 2004 and 2005. Veridian subsequently contacted the Ministry for this
26 information and was informed that due to a change in records system, electronic or
27 printed copies of these records were not available. Ministry staff did verbally confirm

1 that for the periods of 2001, 2004 and 2005 there was no taxes payable for Scugog
2 Hydro.

3 As stated previously, where detailed financial information was available Veridian has
4 calculated interest expense for the purposes of the true-up calculations to be consistent
5 with the Board's findings in the HOBNI Decision (EB-2011-0174). In the case of
6 Scugog Hydro, Veridian does not have detailed information on the components of
7 interest expense recorded on the audited financial statements for the periods 2001 – 2005.
8 Accordingly, Veridian has made no adjustments to these amounts and has included the
9 full amount of interest expense from the audited financial statements for purposes of the
10 true-up calculations within the Scugog SIMPIL models.

11 2005 SIMPIL Model – Impacts of Veridian acquisition of Scugog Hydro – July 1st, 2005

12 In 2005, due to the acquisitions of Scugog Hydro by Veridian, Scugog filed two
13 corporate income tax returns; one for each of the various stub periods:

- 14 • January 1st to June 30th, 2005 – Activities of Scugog Hydro
15 • July 1st, to August 8th – 39 day stub period until full acquisition completed

16 Copies of these 2005 income tax return filings are included within the Scugog historical
17 records filed at Exhibit 4, Tab 2, Schedule 1, Attachment 5.

18 The summation of the line items of these two filings effectively represents the taxation
19 activity for Scugog for the income tax year of 2005 and encompasses 220 days of 2005.

20 The Scugog 2005 SIMPIL model was completed using the summed values from these
21 two separate tax filings.

22 The approved amounts on the REGINFO tab of the Scugog 2005 SIMPIL model are
23 those from the 2005 Scugog PILs Proxy Model.

24 Veridian acknowledges that the summed tax filings are for activity of 220 days of 2005
25 while the 2005 PILs proxy were calculated on the basis of 365 days of 2005. Veridian
26 proposes that it is appropriate to use the full values of the Scugog 2005 PILs proxy in the
27 2005 SIMPL model as any tax related impacts due to the activities of the former Scugog

1 Hydro for the 140 remaining days of 2005 would be captured within the Veridian 2005
2 SIMPIL model as it included the tax filings for the combined entity after the acquisition.
3 It would be highly impracticable for Veridian to calculate the tax related impacts due to
4 the activities of the former Scugog Hydro for the 140 remaining days. Veridian also
5 proposes that the resulting amounts would be immaterial and there would be minimal
6 benefits to this additional and likely inaccurate work.

7
8 Calculation of Carrying Charges

9 Carrying charges have been calculated on a simple interest basis and completed using
10 accounting Method 3 with deferral account adjustments recorded in June of each year.
11 Details of the interest rates used for each period are provided in tab “A3.1 Prescribed
12 Interest Rates” within each of the PILs 1562 Continuity Schedule filed for each entity.
13 Details of the calculation of carrying costs by period are also provided within the PILs
14 1562 Continuity Schedules.

15
16 Bill Impacts

17 A summary of bill impacts by rate class and tariff zone is provided below. Veridian
18 proposes that bill impacts are reasonable and require no mitigation measures.

19

Table 10: Total Bill Impacts by Rate Class and Tariff Zone

Rate Class	Monthly Volume		Rate Rider		Monthly Bill Impacts	
	kWh	kW	\$/kWh	\$/kW	\$	%
Veridian Main						
Residential	800		0.0001		\$0.10	0.09%
GS<50	2,000		0.0001		\$0.18	0.07%
GS>50	695,250	1,480		0.0144	\$21.28	0.03%
Intermediate Use	1,750,000	4,000		0.0095	\$38.12	0.02%
Large Use	4,200,000	6,800		0.0109	\$73.97	0.02%
USL	800		0.0001		\$0.00	0.00%
Sentinel Lighting	180	0.50		0.0805	\$0.04	0.15%
Street Lighting	180	0.50		0.0310	\$0.02	0.08%
Veridian Gravenhurst						
Residential - Urban	800		0.0016		\$1.31	1.11%
Residential - Suburban	800		0.0017		\$1.38	1.06%
Residential - Seasonal	800		0.0043		\$3.43	2.36%
GS<50	2,000		0.0013		\$2.59	0.93%
GS>50	510,000	1,270		0.2557	\$324.70	0.55%
Sentinel Lighting	180	0.50		0.0420	\$0.02	0.08%
Street Lighting	180	0.50		2.2206	\$1.11	5.67%

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2