



August 31, 2012

Via RESS e-filing – signed original to follow by 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
Responses to Interrogatories, Board File No.: EB-2012-0061**

Veridian is pleased to provide the enclosed responses to interrogatories received from Board staff on August 10th, 2012.

Yours truly,

Original signed by

Laurie McLorg
Vice President, Financial Services & Chief Financial Officer

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1. Ref: Gravenhurst, PILs Recovery Worksheet
PILs Recoveries from Customers

In the application evidence filed in 2002, 2004 and 2005, Gravenhurst provided statistics of demand data. In 2006 EDR, Gravenhurst also provided statistics for 2002-2004. The trend for the majority of distributors is that the PILs recoveries exceed the proxies for the full years of 2003, 2004 and 2005. As demand and population grew, the PILs dollar amounts recovered were higher than the proxy set using 2001 billing determinants. The table below shows Gravenhurst's evidence from 2002 to 2006.

Request

- a) Please explain why the PILs recoveries are so much lower than one would expect in 2002 and 2005 as seen in the table below.

PILs Proxies vs. Recoveries	2002 partial	2003	2004	2005	2006 partial
PILs Proxies in Rates	328,177	392,169	344,175	248,477	73,970
PILs Recovery Calculations	-193,485	-430,922	-351,381	-242,045	-93,885
Difference	134,692	-38,753	-7,206	6,432	-19,915

- b) The volumetric billing determinants for 10 months of 2002 appear to be lower than the full year statistics would indicate. Board staff prorated (10/12) the 2002 statistics as filed in the 2006 EDR application and compared the prorated volumes with those used in the PILs recovery calculations. Please explain.

Customer Class	Billing Parameter	Billed Consumption Mar. 1/02 to Dec 31/02	Prorated 2002 Statistics Filed in 2006 EDR	2002 Statistics Filed in 2006 EDR
Residential urban	kWh's	4,623,047	23,115,235	27,738,282
Residential suburban	kWh's	1,493,457	7,467,286	8,960,743
Residential seasonal	kWh's	1,742,878	8,714,390	10,457,268
GS<50	kWh's	1,926,154	9,630,768	11,556,921
GS>50	kW's	7,325	36,627	43,952
Sentinel Lights	kWs	9,743	135	162
Streetlight	kW's	92,428	1,431	1,717
GS<50 suburban	kWh's	589,796	2,948,978	3,538,773
GS>50 suburban	kW's	7,848	39,242	47,091

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- c) If there are any adjustments that need to be made to the PILs recovery calculations, please update and file the revised PILs continuity schedule in active Excel format.

Response:

- a) Veridian has reviewed the PILs recoveries of \$193,485 as noted for 2002 and has determined that the total PILs recovery calculation is in error. The correct amount is \$361,430.

The amount was incorrectly calculated due to data input errors on the kWh and kW billed Mar to Dec 2002 for the various Rate Classes – Please see response to part (b).

Sheet C1.1 of the Gravenhurst PILs 1562 Continuity Schedule has been updated with the correct kWh and KW billing determinants and an updated recovery amount of \$361,430 has been calculated.

Veridian has reviewed the PILs recoveries of \$242,045 as noted for 2005 and has found no errors in the calculation of this amount.

The 2005 recovery amount is the addition of the amounts calculated on Sheets C1.5 Jan to Mar 2005 PILs Rec and C1.6 Apr to Dec 2005 PILs Rec - \$80,850 + \$161,196 = \$242,045.

Veridian has reviewed the kWh and kW billing determinants by class as entered on Sheets C1.5 and C1.6 and confirm that the totals by rate class are equal to the statistics as filed with the Board as part of Gravenhurst Hydro's annual RRR filings.

		kWh/kW Billed Jan To Mar 2005	kWh/kW Billed Apr To Dec 2005	Total
Residential Urban	kWh	6,951,882	20,855,647	27,807,529
Residential Suburban Year Round	kWh	2,336,968	7,010,904	9,347,872
Residential Suburban Seasonal	kWh	2,347,195	7,041,584	9,388,779
General Service Less Than 50 kW	kWh	2,546,677	7,640,030	10,186,707
General Service 50 to 4,999 kW	kW	9,846	29,539	39,385
Sentinel Lighting	kW	33	98	131
Street Lighting	kW	312	936	1,248
General Service Less Than 50 kW – Suburban	kWh	1,581,738	4,745,215	6,326,953
General Service 50 to 4,999 kW - Suburban	kW	9,665	28,996	38,661

Board Staff has stated that the trend for the majority of distributors is that the PILs recoveries exceed the proxies for the full year of 2005 and that as demand and population grew, the PILs dollar amounts recovered were higher than the proxy set using 2001 billing determinants.

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Veridian notes that the 2005 proxies were set using 2003 billing determinants and has provided the 2003 Data by Class from “Sheet 4.2003 Data & 2005 PIL s” from Gravenhurst’s 2005 approved RAM model. Veridian notes that 2005 billing determinants are lower than the 2003 billing determinants used to set the proxy rates for the Residential Urban, Residential Suburban and both the GS > 50 kW Urban and Suburban classes. Veridian submits that on this basis, it is reasonable that recoveries in 2005 would be slightly lower (\$6,432 only) than the 2005 proxy.

2003 Data by Class	kW	kWh
Residential Class URBAN	-	29,006,946
General Service URBAN < 50 KW Class	-	8,109,670
General Service URBAN > 50 KW Non-Time of Use	40,515	13,600,396
General Service > 50 KW Time of Use	0	0
Intermediate Use	0	0
Large Class User	0	0
Sentinel Lights	142	51,040
Street Lighting	1,716	621,394
Residential Class SUBURBAN	-	9,528,861
General Service SUBURBAN < 50 KW Class	-	6,319,002
General Service SUBURBAN > 50 KW Non-Time of Use	42,583	15,717,571
Residential Class SUBURBAN SEASONAL	-	10,256,650
TOTALS		93,211,530

- b) As noted in (a) Veridian has determined that the billing determinants entered for the 2002 recoveries were in error. Veridian has updated the Gravenhurst PILs 1562 Continuity Schedule using the prorated volumes as provided by Board Staff. Provided below is the previous and updated amounts of the Gravenhurst Account 1562 Balances for Disposition resulting from the corrections as noted above:

Gravenhurst Account 1562 Disposition Balances	Principal as of April 30, 2012	Interest as of August 31, 2012	Total
As Filed	87,534	52,287	139,821
Revised	(80,411)	(17,134)	(97,545)

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- c) Veridian has updated and filed the PILs continuity schedule in active Excel format.

2. Ref: Gravenhurst, 2001 through 2005 SIMPIL Models
Income Tax Rates

Veridian used the following income tax rates in the table below to calculate the true-up variances in the SIMPIL models for Gravenhurst.

	2001	2002	2003	2004	2005
Income tax rate used in SIMPIL	34.12%	34.12%	31.87%	31.87%	27.50%

Request

- a) How did Veridian select the income tax rates for 2001 to 2005? Please provide the calculations in Excel format.
- b) Gravenhurst's 2002 rate base was \$8,718,402. Please explain why the minimum income tax rates would not be appropriate for Gravenhurst? Please refer to Midland EB-2012-0219/ EB-2011-0182. Veridian used the minimum income tax rates for Scugog's evidence. Why would these minimum income rates also not be used for Gravenhurst?

Response:

- a) Veridian has reviewed the income tax rates used to calculate the true-up variances in the SIMPL models for Gravenhurst and provides information on the rates used in the table below:

Year	Rate Used in Cell E122 and used for True Up Variance Adjustment Calculation	Explanation
2001	34.12%	This was the rate used within the Board Approved 2002 RAM DECISION model.
2002	34.12%	This was the rate used within the Board Approved 2002 RAM DECISION model. The regulatory taxable income on sheet TAXCALC is \$612,117. The table on the Tax Rates tab indicates 34.12% as the appropriate tax rate for income ranges between \$200,000 and \$700,000.

Year	Rate Used in Cell E122 and used for True Up Variance Adjustment Calculation	Explanation
2003	31.87%	Gravenhurst's actual taxable income in 2003 was \$947,825 as filed on Row 139 of the TAXREC tab in the 2003 SIMPL model. The table on the Tax Rates tab indicates 31.87% as the appropriate tax rate for income ranges between \$400,000 and \$1,128,000
2004	31.87%	Gravenhurst's actual taxable income in 2004 was \$505,701 as filed on Row 139 of the TAXREC tab in the 2003 SIMPL model. The table on the Tax Rates tab indicates 31.87% as the appropriate tax rate for income ranges between \$400,000 and \$1,128,000
2005	36.12%	Gravenhurst's actual taxable income in 2005 was \$635,941 as filed on Row 139 of the TAXREC tab in the 2003 SIMPL model. Based on the table on the Tax Rates tab, 31.87% would be the appropriate tax rate for income ranges between \$400,000 and \$1,128,000. Veridian notes that an update of the tax rate to 31.87% from 36.12% would result in no change in the calculated True Up Variance Adjustment as there were no amounts within this section to true up.

Note: Veridian's understanding is that the reference to 'true-up' variances by Board Staff in the interrogatory relates only to the True Up Variance Adjustment as calculated on line 133 of the TAXCALC sheet of the SIMPIL Models.

- b) Veridian has reviewed the Board Decision in Midland EB-2012-0219/EB-2011-0182 as referenced by Board Staff. Veridian submits that 2002 rate base is not the appropriate driver for the income tax rate to be used for the purposes of the True Up Variance Adjustment as calculated on line 133 of the TAXCALC sheet of the SIMPIL models, but rather the level of taxable income as set out in the tables on the Tax Rates sheet of the SIMPIL models.

3. Ref: Scugog Hydro, PILs Recovery Worksheet
PILs Recoveries from Customers

In the application evidence filed in 2002, 2004 and 2005, Scugog Hydro provided statistics of demand data. In 2006 EDR, Scugog Hydro also provided statistics for 2002-2004. The trend for the majority of distributors is that the PILs recoveries exceed the proxies for the full years of 2003, 2004 and 2005. As demand and population grew, the PILs dollar amounts recovered were higher than the proxy set using 2001 billing determinants. The table below shows Scugog Hydro's evidence from 2002 to 2006.

Request

- a) Please explain why the PILs recoveries are so much lower than one would expect in 2002, 2004 and 2005 as seen in the table below.

PILs Proxies vs. Recoveries	2002 partial	2003	2004	2005	2006 partial
PILs Proxies in Rates	26,063	31,083	27,318	38,715	14,311
PILs Recovery Calculations	-24,645	-32,180	-24,554	-38,028	-15,721
Difference	1,418	-1,097	2,764	687	-1,410

- b) The volumetric billing determinants for 10 months of 2002 appear to be lower than the full year statistics would indicate. Board staff prorated (10/12) the 2002 statistics as filed in the 2006 EDR application and compared the prorated volumes with those used in the PILs recovery calculations. The billing determinant data for the Sentinel Lights and Streetlight rate classes used for PILs recovery are not consistent with the load forecast data contained in Scugog Hydro's last cost of service application for 2003 as seen in the table below. Please explain.

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Customer Class	Billing Parameter	Billed Consumption Mar. 1/02 to Dec 31/02	Prorated 2002 Statistics Filed in 2006 EDR	2002 Statistics Filed in 2006 EDR
Residential	kWh's	15,119,762	16,799,735	20,159,682
General Service < 50 KW	kWh's	7,829,495	8,691,105	10,429,326
General Service > 50 KW	kW's	28,628	31,809	38,171
USL	kWh's	130,998	134,443	161,331
Sentinel Lights	kWs	21	23	28
Streetlight - TOU	kW's	860	956	1,147

Customer Class	Billing Parameter	Billed Consumption 2003	2003 Statistics Filed in 2006 EDR
Sentinel Lights	kWs	-	19
Streetlight - TOU	kW's	-	1,175

- c) If there are any adjustments that need to be made to the PILs recovery calculations, please update and file the revised PILs continuity schedule inactive Excel format.

Response:

- a) Veridian has reviewed the PILs recoveries of \$24,645 as noted for 2002 and has determined that the total PILs recovery calculation is in error. The correct amount is \$24,969.

The amount was incorrectly calculated due to data input errors on the kWh and kW billed Mar to Dec 2002 for the various Rate Classes – Please see response to part (b).

Sheet C1.1 of the Scugog PILs 1562 Continuity Schedule has been updated with the correct kWh and KW billing determinants and an updated recovery amount of \$25,969 has been calculated.

Veridian has reviewed the PILs recoveries of \$24,554 as noted for 2004 and has found no errors in the calculation of this amount.

The 2004 recovery amount is the addition of the amounts calculated on Sheets C1.3 Jan to Mar 2004 PILs Rec and C1.4 Apr to Dec 2004 PILs Rec - \$8,157 + \$16,397 = \$24,554.

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Veridian has reviewed the kWh and kW billing determinants by class as entered on Sheets C1.3 and C1.3 and confirms that the totals by rate class are equal to the statistics as filed in Scugog's 2006 EDR application.

		kWh/kW Billed Jan To Mar 2004	kWh/kW Billed Apr To Dec 2004	Total
Residential	kWh	5,207,899	15,623,698	20,831,597
General Service Less Than 50 kW	kWh	2,465,734	7,397,201	9,862,935
General Service 50 to 4,999 kW	kW	10,430	31,290	41,720
Unmetered Scattered Load	kWh	46,926	140,777	187,703
Sentinel Lighting	kW	5	14	19
Street Lighting	kW	288	864	1,152

Veridian has reviewed the PILs recoveries of \$38,028 as noted for 2005 and has found no errors in the calculation of this amount.

The 2005 recovery amount is the addition of the amounts calculated on Sheets C1.5 Jan to Mar 2005 PILs Rec and C1.6 Apr to Dec 2005 PILs Rec - \$5,539 + \$32,489 = \$38,028.

Veridian has reviewed the kWh and kW billing determinants by class as entered on Sheets C1.5 and C1.6 and confirm that the totals by rate class are equal to the statistics as filed in Scugog's 2005 RRR filings.

		kWh/kW Billed Jan To Mar 2005	kWh/kW Billed Apr To Dec 2005	Total
Residential	kWh	5,308,825	15,926,476	21,235,301
General Service Less Than 50 kW	kWh	2,457,809	7,373,526	9,831,335
General Service 50 to 4,999 kW	kW	10,010	30,029	40,039
Unmetered Scattered Load	kWh	47,630	142,889	190,519
Sentinel Lighting	kW	9	26	35
Street Lighting	kW	287	860	1,147

- b) As noted in (a) Veridian has determined that the billing determinants entered for the 2002 recoveries were in error. Veridian has updated the Scugog PILs 1562 Continuity Schedule using the prorated volumes as provided by Board Staff. Veridian confirms that the billing determinants for the Sentinel Lighting and Street Lighting rate classes were missing from Sheet C1.2. Veridian has updated the Scugog PILs 1562 Continuity Schedule using the volumes as provided by Board Staff.

Provided below is the previous and updated amounts of the Scugog Account 1562 Balances for Disposition resulting from the corrections as noted above:

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Scugog Account 1562 Disposition Balances	Principal as of April 30, 2012	Interest as of August 31, 2012	Total
As Filed	2,247	1,671	3,918
Revised	867	1,104	1,971

- c) Veridian has updated and filed the PILs continuity schedule in active Excel format.

4. Ref: Veridian, Veridian_ED Disposition_1562 Balance_20120501.xls
Tab E1.1 Disposition of 1562 Balance

Request

- a) The description indicates that the worksheet only goes to October 31, 2005 rather than April 30, 2006. Please explain.
- b) Large Corporation Tax (“LCT”)
In the consolidation of Veridian for the 2005 regulatory information there is an amount for LCT of \$125,764. Did Veridian include 4/12ths of this amount in its continuity schedule as explained in APH FAQ July 2007?

Response:

- a) The description is in error. Veridian confirms that the worksheet does include amounts and calculations up to April 30, 2006.
- b) Veridian is unable to respond to this portion of the interrogatory. Veridian was unable to validate the reference of “LCT” within Tab E1.1 Disposition of 1562 Balance in the Veridian_ED Disposition_1562 Balance_20120501.xls spreadsheet.

Veridian attempted several times to contact Board Staff for clarification but was unsuccessful in obtaining a reply.

5. Ref: Veridian, Veridian_ED Disposition_1562 Balance_20120501.xls
Tab C1.1 - VCI - March to December 2002

Request

The volumetric data for the ten months of 2002 look to be low when compared to 2002 full year statistics provided in the 2004 RAM application model. Please explain.

Response:

Veridian used the following methodology to determine the rate class billing determinants by tariff zone for the period of March – December 2002:

1. Actual billing determinants by rate class for the period of March to December was determined through queries of Veridian's Customer Information System (CIS).
2. The billing determinants for each rate class were then allocated to the tariff zones (VCI, Belleville, Port Hope and Brock) based each tariff zones share of the 2001 statistics used in the 2002 RAM models.

6. Ref: Veridian, Veridian_ED Disposition_1562 Balance_20120501.xls
Tab C1.1 - Belleville - March to December 2002

Request

Volumetric data for street lighting seems to be missing. Please explain and revise the spreadsheet where necessary.

Response:

Veridian has reviewed Tab C1.1 – Belleville – March to December 2002 and confirms that the volumetric data for the Street Lighting rate class is missing due to an oversight.

An amount of 6,498 kW has been entered and the spreadsheet has been updated.

Veridian has updated and filed the PILs continuity schedule in active Excel format

7. Ref: Veridian, Veridian_ED Disposition_1562 Balance_20120501.xls
Tab C1.2 – Port Hope – 2003

Request

The volumetric data look to be low when compared to the 2003 statistics provided in the 2005 RAM application model. Please explain.

Response:

Veridian has reviewed the billing determinants by rate class as entered on Sheet C1.2 2003 PILs Recovered – Port Hope and compared with the 2003 statistics as provided in the 2005 RAM application model.

Veridian agrees that there are variances between the two sets of data with some volumes on Sheet C1.2 higher than the 2003 statistics and some lower.

Veridian has adjusted the billing determinant volumes on Sheet C1.2 to be consistent with those as provided in the 2005 RAM application.

With these changes, the 2003 PILs recovered for Port Hope changes from \$394,949 to \$418,128.

8. Ref: Veridian, Veridian_ED Disposition_1562 Balance_20120501.xls
Tab C1.6 - Belleville – April to December 2005

Request

The volumetric data for large use appear to be on the incorrect line. No PILs recovery has been calculated. Please correct the worksheet and re-file the workbook.

Response:

Veridian has reviewed the billing determinants by rate class as entered on Sheet C1.6 Belleville – April to December 2005 and confirms that the volumetric data for Large Use was entered on the incorrect line.

The data entry has been corrected.

With these changes, the recoveries for Belleville – April to December 2005 changes from \$646,213 to \$696,718.

9. Ref: Veridian, 2004 SIMPIL Model – LCT True-up Variance

Request

The LCT threshold increased to \$50 million in 2004 from \$10 million prior to 2004. On sheet TAXCALC in cell E172 the original LCT of \$246,873 appears. Above this in cell E170 the revised LCT amount of \$126,586 has been calculated. A credit variance of \$118,287 should appear in cell E173. The grossed-up amount is \$181,980. Please confirm the formula and file the revised 2004 SIMPIL and disposition workbook.

Response:

Veridian has reviewed the formula in cell E173 and confirms that the formula was in error.

Veridian also confirms that a credit variance of \$118,287 should appear in cell E173 and that the grossed up amount in cell E178 should be a credit of \$181,980.

Veridian has corrected the formula and the total Deferral Account Variance Adjustment has been adjusted to \$394,223.

Veridian has updated and filed the 2004 SIMPIL in active Excel format.

As a result of the updates noted in responses to interrogatories 6, 7, 8 and 9, the Veridian Account 1562 Balances for Disposition change as follows:

Veridian Account 1562 Disposition Balances	Principal as of April 30, 2012	Interest as of August 31, 2012	Total
As Filed	(30,851)	207,355	176,504
Revised	(277,808)	140,378	(137,430)

10. Ref: 2005 Tax Returns

Request

In the Manager's Summary on page 16 there is reference to summation of the details of three tax returns filed in 2005. Board staff was unable to locate this summary. Please provide the reference in the evidence filed. If the summary has not been filed, please file it.

Response:

Veridian did not file a summary in the evidence, but rather was referring to the 'summation' being the mathematical sum of the information.

In response to this interrogatory, Veridian has prepared a summary of the details of the three 2005 tax returns and it is attached here.

Summary of Veridian 2005 Income Tax Returns

Veridian Connections Inc. - Veridian

Per T2 Schedule					
	January 1st to August 8th	August 9th to November 21st	November 22nd to December 31st	Total 2005	
Net Income (Loss) After Taxes	\$ 2,074,645	\$ 1,526,861	\$ 2,503,611	\$ 6,105,117	
Additions					
Provision For Income Taxes - Current	\$ 2,566,525	\$ 1,157,316	\$ 25,860	\$ 3,749,701	
Provision For Income Taxes - Deferred					
Amortization of tangible assets	\$ 4,870,472	\$ 2,399,497	\$ 1,271,458	\$ 8,541,427	
Amortization of intangible assets					
Other Additions					
Meals			\$ 1,672	\$ 1,672	
Tax Reserves - OPEB	\$ 580,160	\$ 580,160	\$ 580,160	\$ 580,160	
SRED		\$ 113,120	\$ 42,138	\$ 155,258	
Total Additions	\$ 8,017,157	\$ 4,250,093	\$ 1,921,288	\$ 13,028,218	
Deductions					
Capital Cost Allowance	\$ 3,686,292	\$ 1,783,531	\$ 692,250	\$ 6,162,073	
Cummulative Eligible Capital	\$ 320,706	\$ 196,173	\$ 75,653	\$ 592,532	
Other Deductions					
Reserve Unpaid Bonus'					
Tax Reserves OPEB	\$ 580,160	\$ 580,160	\$ 580,160	\$ 580,160	
Amortization of Financing Fees			\$ 21,200	\$ 21,200	
AFUDC			\$ 168,561	\$ 168,561	
SRED		\$ 93,468	\$ 18,263	\$ 111,731	
Total Deductions	\$ 4,587,158	\$ 2,653,332	\$ 1,556,087	\$ 7,636,257	
Net Income (Loss) for income tax purposes	\$ 5,504,644	\$ 3,123,622	\$ 2,868,812	\$ 11,497,078	
Fed Income Tax	\$ 1,197,976	\$ 667,070	\$ 622,812	\$ 2,487,858	
FCT	\$ 61,815	\$ 17,244	\$ -	\$ 79,059	
	\$ 1,259,791	\$ 684,314	\$ 622,812	\$ 2,566,917	
Prov Income Tax	\$ 770,650	\$ 434,556	\$ 398,291	\$ 1,603,497	
OCT	\$ 303,669	\$ 145,412	\$ 57,039	\$ 506,120	
	\$ 1,074,319	\$ 579,968	\$ 455,330	\$ 2,109,617	
Total	\$ 2,334,110	\$ 1,264,282	\$ 1,078,142	\$ 4,676,534	
Assessment	\$ 2,334,110	\$ 1,264,282	\$ 1,078,142	\$ 4,676,534	
Difference	\$ -	\$ -	\$ -	\$ -	