File Number: EB-2013-0174

Date Filed: October 31, 2013

Exhibit 4

OPERATING COSTS

File Number: EB-2013-0174

Date Filed: October 31, 2013

Exhibit 4

Tab 1 of 8

Overview of OM&A Expenses

Overview

In this exhibit Veridian provides information on the operating cost and expenditures necessary to maintain its distribution assets to meet customer reliability expectations and targeted performance levels of service quality, public and employee safety standards, to comply with all applicable codes and regulations, to meet environmental requirements and enable government initiatives. In summary, these expenditures are necessary to ensure that Veridian's customers are well served. Veridian understands that it has the responsibility for managing the business of delivering high value electricity distribution services to its customers.

Veridian proposes recovery in the 2014 Test Year total OM&A costs of $28,283,692 and amortization expenses of $10,672,290. The table below summarizes these costs from 2010 Board Approved through the 2014 Test Year.

Table 1: OM&A and Amortization Costs

	2010 Board Approved ($)	2010 Actuals ($)	2011 Actuals ($)	2012 Actuals ($)	2013 Forecast ($)	2014 Test Year
O M & A Costs	21,486	20,507	20,602	24,471	26,094	28,284
Amortization	12,743	13,087	13,474	9,474	10,737	10,672
Total	34,229	33,593	34,076	33,946	36,831	38,956
%age change		-1.9%	1.4%	-0.4%	8.5%	5.8%

Accounting Changes under CGAAP – Capitalized Overheads and Depreciation

Veridian has filed this application on the basis of Canadian Generally Accepted Accounting Principles (CGAAP). On July 17, 2012, the OEB issued a letter to licensed electricity distributors providing policy direction related to accounting changes under CGAAP and pertaining to capitalized overheads and changes in depreciation. It stated *"The Board will permit electricity distributors electing to remain on Canadian GAAP ("CGAAP") in 2012 to implement regulatory accounting changes for depreciation expense and capitalization policies effective on January 1, 2012."*

As part of its work in preparing for the mandatory transition to International Financial Reporting Standards (IFRS), Veridian had completed significant detailed accounting work in the areas of changes to depreciation rates through componentization of assets and changes in useful lives and the changes to capitalized overheads. Although Veridian has elected to exercise the optional deferral of adoption of IFRS, it did implement the accounting changes under CGAAP related to capitalized overheads and changes in depreciation as of January 1st, 2012.

As a result, the historic OM&A cost levels provided above reflect these changes effective January 1st, 2012. The impact of these accounting changes on various components of OM&A will be discussed later in this exhibit. Further details of the amounts recorded to recognize the financial differences arising as a result of this election are provided in Exhibit 9, Tab 3.

Non-Distribution Activities

All OM&A and amortization costs related to non-distribution activities (those which do not qualify for inclusion in revenue requirement and rate making calculations) have been excluded from this exhibit and are not proposed for recovery within Veridian's 2014 revenue requirement calculations. Specifically, costs related to Veridian's Renewable Generation activities, Conservation and Demand Management activities and Charitable Donations not specific to the Low-Income Energy Assistance Program have been excluded.

Recovery for any costs incurred in provision of services to affiliates are included in Revenue Offset amounts and details are provided in Exhibit 3, Tab 8 – Other Revenue and later in this exhibit at Tab 4 – Corporate Cost Allocation.

Planning and Inflation Rate Assumptions

Labour Costs: Costs for existing staffing levels were adjusted in 2013 and 2014 by 3%, reflecting the annual committed rate adjustment as outlined in Veridian's current collective labour agreement negotiated in 2011. Labour costs were also adjusted to reflect any progression for qualified staff. Costs for proposed new staffing were developed using standard pay scales for new or existing positions.

Inflation Factors for Purchased Goods/Services: Where year-specific increases were known for contracted purchases and services, those specific amounts were used. Otherwise an inflation factor of 2% was applied. In the Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors, the OEB determined it appropriate to use the annual percent change in the Implicit Price Index for National Gross Domestic Product (GDP-IPI) as the price escalator for distributors' distribution rates under the 3rd Generation Incentive Regulation Mechanism. Veridian reviewed past and current levels of the GDP-IPI when determining this inflation factor. For adjusting 2012 distribution rates under 3rd Generation IRM a price escalator of 2.2% was used and for 2013, a price escalator of 1.6% was used.

Overall Trends in Cost and Business Environment Changes

Table 2 below shows the details of OM&A costs by category from 2010 Board Approved through to the 2014 Test Year.

Table 2: Detailed OM&A table by category

	2010 Board Approved ($)	2010 Actuals ($)	2011 Actuals ($)	2012 Actuals ($)	2013 Forecast ($)	2014 Test Year
Operations	4,091	4,154	4,502	5,262	5,966	6,389
Maintenance	2,838	2,435	2,582	3,066	2,990	3,952
O&M Subtotal	6,929	6,589	7,085	8,327	8,956	10,341
%age change		*-4.9%*	*7.5%*	*17.5%*	*7.5%*	*15.5%*
Billing and Collecting	5,556	5,531	4,891	6,504	6,867	7,131
Community Relations	390	304	277	192	208	173
Administrative and General	8,612	8,082	8,349	9,448	10,063	10,639
Admin Subtotal	14,557	13,917	13,517	16,144	17,138	17,943
%age change		*-4.4%*	*-2.9%*	*19.4%*	*6.2%*	*4.7%*
Total OM&A	**21,486**	**20,507**	**20,602**	**24,471**	**26,094**	**28,284**

As shown in the table above, OM&A costs remained at slightly below 2010 Board Approved levels through 2010 and 2011. Costs increase for both O&M and Admin main cost groupings in 2012.

The two main contributing factors were;

- The inclusion of Smart Meter related OM&A costs in 2012 that were previously recorded in Smart Meter Deferral accounts – approximately $730,000
- Changes in capitalized overheads in 2012 – approximately $1,300,000

These changes in expense levels do not represent new 'spending' by Veridian, but simply changes to the recognition of approximately $2 million in pre-existing costs that manifest as increases to the OM&A cost category in 2012.

In its 2012 application for final disposition of its Smart Meter related costs, Veridian received approval of the Board for related OM&A costs from 2009 through to 2011 as follows:

- 2009 - $1,083,532
- 2010 - $876,480
- 2011 - $616,996

Veridian's smart meter related costs for 2012 and 2013 (forecast at $727,102 annually) were also found to be prudent and eligible for recovery through a Smart Meter Disposition Rate Rider ("SMDR") and a Smart Meter Incremental Rate Rider ("SMIRR") until such time as these costs could be included within Veridian's base distribution rates.

The costs related to overheads previously capitalized of $1.3 million in 2012 do not represent increases in costs or spending. These are the 2012 levels of 2010 costs that were included in capitalized overheads and approved for recovery within Veridian's Board Approved level of 2010 capital expenditures.

Table 3 below shows OM&A costs from 2010 to 2012 normalized for changes in accounting treatment of pre-existing and previously approved costs. These costs have been normalized for the purpose of exhibiting the underlying trend of the components of OM&A costs.

Table 3: OM&A Costs to 2012 - Normalized for Smart Metering Costs and Changes in Capitalized Overheads

	2010 Board Approved ($)	2010 ($)	2011 ($)	2012 ($)
O&M	6,929	6,589	7,085	8,327
Add: SM Costs	110	110	203	
	7,039	6,699	7,288	8,327
%age change			8.8%	14.3%
%age change in O&M costs 2010 to 2012				18.3%
Admin	14,557	13,917	13,517	16,144
Add: SM Costs	507	507	524	
Less: Changes in Capitalized				(1,301)
Normalized Admin	15,065	14,425	14,041	14,843
%age change		-4.2%	-2.7%	5.7%
%age change in Admin Costs 2010 to 2012				-1.5%
Normalized OM&A	**21,994**	**21,014**	**21,125**	**23,170**

The normalized OM&A show that Administration Costs in 2012 had decreased by 1.5% from 2010 Board Approved levels, while costs related to operation and maintenance of Veridian's distribution system have been increasing at a higher rate.

Veridian's historic spending related to O&M has been lower on a cost per customer than most utilities in Ontario. Veridian's O&M cost per customer in 2012 was $73.51. Statistics compiled from the OEB 2012 Yearbook of Electricity Distributors ("the Yearbook") show that Veridian had the 15th lowest O&M costs per customer. In other words, 58 of the 73 utilities in the province had higher O&M costs per customer. These higher cost utilities range from small to large utilities with customer bases ranging from 1,275 customers to 1,221,036 customers. In 2013 O&M cost per customer is expected to increase to $73.68 and to $87.10 in the 2014 Test Year. Using the 2012 Yearbook data, at the proposed 2014 levels of O&M costs, Veridian's ranking of the 15th lowest would change only marginally to 22nd lowest, where 52 of the 73 utilities would have higher O&M costs per customer. Information on the additional O&M program costs in 2014 is provided later in this exhibit.

Other overall trends in costs and significant changes in business environment include:

- Continued increasing costs related to salaries and wages. Salaries and wages have been trending upwards with increases around 3% per year. High demand for skilled labour in the traditional lineperson and meter technician trades, along with requirements for staff with new technical expertise in areas such as distribution automation and system protection control require Veridian to offer competitive wages for these positions. Veridian's union settlements have been within the industry norm and the cumulative increase in salaries and wages is forecast to be 12.6% over 2010 actuals. This is an increase of $2,338,597 based on the employee complement in 2010.
- Skilled trades workforce renewal and succession planning also exert upward pressure on overall labour costs.
- An increased requirement for focus on distribution asset operations and maintenance programs such as enhanced critical asset management for substations and increasing requirements for pole and cable testing to identify required replacements of aging infrastructure.
- Increasing volumes related to distributor obligation activities such as cable locating
- Cost increases such as hardware and software maintenance related to new technology to support the more complex business environment – particularly related to programs such as Veridian's Geographic Information System (GIS), Time of Use (TOU) billing and Smart Meter data acquisition through the Advanced Metering Infrastructure (AMI)
- Business integrity programs such as insurance, records management, telecommunications and business continuity/disaster recovery

The proposed Test Year OM&A cost levels are those required for Veridian to achieve the outcomes as set out by the Board with respect to customer focus, operational effectiveness, public policy responsiveness while maintaining adequate and appropriate financial performance.

Veridian strives to deliver safe and reliable distribution services at service levels aligned with customer expectations. In order to do this, Veridian must ensure it efficiently identifies and delivers customer focused programs. These programs take many forms such as innovative bill and consumption data delivery methods, convenient payment methods, ensuring compliance with OEB regulation and other regulatory codes and optimizing maintenance and operations of distribution assets.

Summary of OM&A Cost Drivers

Overview

Veridian and the electricity distribution industry as a whole have seen a period of significant change since Veridian's last cost of service application in 2010. Many initiatives have been introduced by both the Province and the Board for enhanced customer service standards, enlarging the role of utilities in preparing the province's electricity system for advancement in smart grid technology and new uses for electricity such as electric vehicles and in enabling distributed and renewable generation. These changes charge Veridian with the added responsibilities and opportunities to service its customers and be responsive to public policy initiatives. Generally, however, these added responsibilities and opportunities require increased resources or added cost structures. Veridian is always seeking efficiencies in its base utility operations in an attempt to minimize cost increases when taking on these new challenges.

In addition to these industry changes, Veridian has identified that there are increasing cost pressures within its distribution asset operations and maintenance programs, distributor obligations such as cable locating services, workforce renewal for metering staff and increasing operating costs related to technology investments.

This schedule provides a high level overview of the major cost drivers that have affected Veridian. Detailed qualitative and quantitative evidence and analysis on these increases in cost structure will be provided throughout the subsequent variance analysis sections.

As per the Filing Requirements, Veridian has completed the required Appendix 2-JA – Summary of Recoverable OM&A Expenses, Appendix 2-JB – OM&A Cost Drivers and Appendix 2-L – Recoverable OM&A Cost per Customer and Full Time Equivalent. These follow this Schedule as Attachments 1—3 respectively. Appendix 2-DB: Overhead Expense (CGAAP or ASPE) has been provided at Exhibit 2, Tab 2, Schedule 4, Attachment 1.

Appendix 2-JA: Summary of Recoverable OM&A Expenses, summarizes Veridian's OM&A costs by major groupings for the period of 2010 Board Approved and through the 2014 Test Year. As well, it calculates various annual and total percentage changes for each grouping. Previously in Exhibit 4, Tab 1, Schedule 1 - Overview of OM&A costs, Veridian provided operating cost data for the period of 2010 through 2012 'normalized' for the addition of Board Approved smart metering costs in 2010 and 2011 and the removal of the impact arising from accounting changes due to capitalized overheads in 2012 through 2014.

Table 1 below provides the data from Appendix 2-JA for the period of 2010 Board Approved through 2014 test year and includes these cost 'normalizations'.

Table 1: 'Normalized' Appendix 2-JA

Summary of Recoverable OM&A Expenses

	2010 Board Approved	2010 Actuals	2011 Actuals	2012 Actuals	2013 Bridge Year	2014 Test Year
Operations	$ 4,090,515	$ 4,154,019	$ 4,502,406	$ 5,261,746	$ 5,965,337	$ 6,388,664
Maintenance	$ 2,838,441	$ 2,435,342	$ 2,582,213	$ 3,065,734	$ 2,990,060	$ 3,952,265
Add: SM Costs	*$ 81,073*	*$ 81,073*	*$ 109,723*			
SubTotal	**$ 7,010,029**	**$ 6,670,434**	**$ 7,194,342**	**$ 8,327,480**	**$ 8,955,397**	**$10,340,929**
%Change (year over year)			7.9%	15.8%	7.5%	15.5%
%Change (Test Year vs Last Rebasing Year - Actual)						55.0%
Billing and Collecting	$ 5,555,867	$ 5,531,475	$ 4,890,685	$ 6,503,668	$ 6,867,295	$ 7,131,105
Add: SM Costs	*$ 795,408*	*$ 795,408*	*$ 507,273*			
Community Relations	$ 389,743	$ 303,884	$ 276,921	$ 192,064	$ 208,013	$ 173,011
Administrative and General	$ 8,611,756	$ 8,082,128	$ 8,349,282	$ 9,448,250	$ 10,062,795	$ 10,638,647
Less: Accounting Changes in Capitalized Overheads				*-$ 1,301,395*	*-$ 1,634,676*	*-$ 1,553,065*
SubTotal	**$15,352,774**	**$14,712,895**	**$14,024,161**	**$14,842,587**	**$15,503,427**	**$16,389,698**
%Change (year over year)			-4.7%	5.8%	4.5%	5.7%
%Change (Test Year vs Last Rebasing Year - Actual)				-3.3%		11.4%
Total	**$22,362,802**	**$21,383,328**	**$21,218,503**	**$23,170,067**	**$24,458,824**	**$26,730,627**
%Change (year over year)			-0.8%	9.2%	5.6%	9.3%

Veridian has presented this data as meaningful trend analysis of year-over-year operating costs changes should be done on this 'normalized' basis.

On a normalized basis, the compound annual growth rate in operating costs from 2010 actual to 2014 Forecast is 5.4%.

Cost Drivers

Veridian views cost drivers as the triggers or determinative reasons for increases or decreases in costs. They are specific events, circumstances or requirements that impact operating costs. Some major cost drivers are expected and planned for such as increases to salaries and wages. Other costs can increase or fluctuate in levels due to external factors such as new compliance requirements or higher levels of existing obligations such as cable locating. When these new costs arise, utility managers may or may not, depending upon circumstances, have the ability to change cost levels in other areas of the business on an annual or short term basis to assist in keeping overall costs lower while meeting the new requirements and maintaining customer service levels. There may be some discretion to defer either internal business or customer facing required programs in an attempt to mitigate these immediate cost pressures. These cost control choices are discretionary in the short term. Eventually, however, all required spending becomes non-discretionary and the requirement for those programs will become such that they cannot be deferred and cost pressures arise.

An example of Veridian's cost control management is illustrated during the period of 2005 to 2010. In this period, Veridian had sought to continue with its success in mergers and acquisitions to increase the size of its operations and provide economies of scale in service provision to its existing and acquired customers. A strategic choice during this period was to delay permanent employee hiring in anticipation that a merger or acquisition would result in more Veridian employees. A significant temporary cost control measure was achieved through increased efforts of existing salaried staff working extra hours without additional compensation costs. This is an example of short term discretionary cost management that Veridian has employed in an attempt to mitigate cost pressures. Activity in mergers and acquisition slowed and it became apparent that these activities would not provide the internal resource requirements necessary to run the business. This short term discretionary deferral of hiring became unsustainable and Veridian proceeded to increase staffing as necessary. Hiring in that period was largely to support customer and administrative programs.

With staffing at appropriate levels within these areas of the business, Veridian has focused on productivity improvements, best practices and efficiencies in these areas in an effort to meet new program requirements when they arise without new hiring requirements and in the mid to long term, reduce overall labour costs. As noted in the preceding overview section, once normalized for mandated smart metering activities and for the accounting changes for capitalized overheads, customer and administrative costs from 2010 to 2012 remain below 2010 Board Approved levels.

During the period of 2010 to 2012 Veridian's spending levels for distribution asset operation and maintenance programs had been at levels below the majority of other utilities within the province. As noted previously, as of 2012, Veridian had lower O&M costs than the majority of the utilities in the province; where Veridian had the 15th lowest O&M cost of the 73 utilities. Veridian has a geographically large and diverse non-contiguous service area to operate and maintain. While power quality and reliability to customers has been acceptable, Veridian has identified that aging infrastructure and the increase in frequency and intensity of storm activity necessitate additional O&M activities in order to maintain acceptable service levels for its customers. As well, more robust standards for public and worker safety and increasing costs of its distributor obligations are exerting cost pressures on existing operations and maintenance programs that cannot be adequately funded with the OM&A cost recovery within existing rates.

Accounting Changes of Capitalized Overheads

Accounting changes to treatment of costs that were previously capitalized in overheads have also had significant impacts on recorded levels of OM&A expenses. Although these costs increase the absolute level of OM&A expenses, it should be noted that they do not represent *new* costs incurred by Veridian. The related activities have always been undertaken by Veridian but in the past, were included in the cost of distribution assets and recovered through amortization over many years. The change in accounting treatment does not increase the level of cost to Veridian's rate payers but does affect the timing for recovery in distribution rates. Previously, costs were not treated as single-year OM&A costs as they were included in the costs of capital assets. The capitalized costs were recovered over a longer period through amortization of those assets and recovery of that amortization through distribution rates. Under the new accounting treatment, the annual costs are recovered in revenue requirement as single-year OM&A costs.

The change in OM&A expenses related to this change in accounting has been included in tables outlining OM&A cost drivers for the purpose of identifying all increases in absolute dollar level of costs and to complete the continuity schedule approach of identifying year over year changes in cost levels.

The sustained cost drivers impacting Veridian's operating costs can be classified into these high level categories:

1. Labour Costs
2. Distribution Asset Management Activities
3. Metering
4. Increased cost of Distributor Obligation activities
5. Technology Investment Operating Costs

6. Business Integrity Programs

The costs noted above are considered significant and sustained OM&A cost drivers. A high level overview of these drivers is provided in this schedule, followed by detailed quantitative and qualitative analysis in the subsequent schedules.

Other cost drivers can be characterized as one-time or single year variances such as storm restoration costs and changes in bad debt levels. Detailed information on those cost drivers is provided within the detailed variance analysis in subsequent schedules.

Table 1 below provides a summary of OM&A Cost Drivers in the same format as that required in Appendix 2-JB – OM&A Cost Drivers.

Table 1: Cost Driver Summary

		2010 Actuals	2011 Actuals	2012 Actuals	2013 Bridge	2014 Test Year
	Opening Balance	**21,486,322**	**20,506,848**	**20,601,507**	**24,471,462**	**26,093,500**
	Major Cost Drivers					
1.	Labour Costs (related to 2010 FTE employees)		545,671	596,260	428,247	405,308
2.	Dist'n Asset Mgmt Activities			495,676	48,714	912,535
3.	Metering	(244,287)	122,376	205,946	189,617	337,354
4.	Distributor Obligations					
	- Cable Locating			107,423	491,039	(189,674)
	- Smart Meter AMI Costs			523,827		
5.	Technology Investments					
	- Hardware/Software Mtce Costs		112,146	54,758	86,641	215,910
6.	Business Integrity Programs				138,250	188,269
7.	Storm Restoration		122,910		79,000	
8.	Employee Training and Development				36,161	88,368
9.	Longer transition to bi-monthly billing	(88,430)	88,430			
10.	Accounting Changes for Capitalized Overheads			1,301,395		
11.	Material variance on Bad Debt Expenses		(835,107)	704,250		
12.	Delay or deferral of Staffing	(450,000)	372,380			
13.	Savings-Ajax Building		(145,000)			
14.	Other	(196,757)	(289,147)	(119,581)	124,369	232,122
	Closing Balance	**20,506,848**	**20,601,507**	**24,471,462**	**26,093,500**	**28,283,692**

1 - Labour Costs related to 2010 FTE Employees

This line provides the OM&A impact related to increases arising from negotiated wage settlements and increase in benefits, overtime or incentive compensation on the existing 2010 labour complement.

Costs for incremental staffing are included within the totals of the other cost drivers. The requirement for incremental staff has been driven by succession planning and trades workforce renewal as well as the requirement for new skilled technical staff to support the increase in scale and scope of Veridian's asset management and maintenance activities.

The amount of $545,671 in 2011 also reflects full-year impacts of delayed hiring in 2010.

2 - Distribution Asset Management Activities

Veridian has experienced an increase in costs related to distribution asset maintenance and repairs due to aging infrastructure. As well, Veridian has increased the scope of asset management activities related to the critical asset category of substations and has created new O&M programs to ensure success in the newly emerging grid automation and smart grid environment through enhancing focus on distribution automation and protection and control. Specifically, costs in the following areas have increased.

- Critical Asset Management – Focus on Substations
- System Planning
- Pole and Cable Testing and Reactive Repair
- Distribution Automation
- Vegetation Management

3 - Metering

From 2010 through 2012, the efforts of Veridian's metering group were focused on completion of the mandated smart meter program. Many meter maintenance programs such as reverification testing and cross phase analysis were deferred as a result. With completion of the smart metering programs, maintenance activities are being resumed and increasing cost pressures are arising from growing volumes of trouble report investigations related to smart metering as well as workforce renewal requirements.

4 - Distributor Obligations

Since 2010, two specific mandated, distributor programs have increased OM&A levels.

Cable Locating: Although cable locating is not a new program, Veridian has experienced a significant increase in the costs to provide this program. Demand for cable locates has increased significantly since 2010 due to factors such as continued customer growth, major roadway expansions and increased customer awareness and education on the need for locates.

In December 2011, Veridian began contracting with Ontario One Call as would be required by legislation effective June, 2012. Call volumes have increased steadily since this arrangement as customers that previously contacted Ontario One Call had mistakenly believed they had contacted Veridian and had not placed a separate call to Veridian directly. With the new arrangements, these otherwise unknown calls were now properly routed to Veridian for action.

Smart Metering AMI Costs: As mentioned previously, Veridian has incurred OM&A costs related to smart metering activities since 2008 but has only begun recording these as standard OM&A costs since 2012. Since 2009, total smart metering operating costs have averaged $826,000 per year. Those specifically related to the Advanced Metering Infrastructure ("AMI") were approximately $524,000 in 2012. These costs include operating costs of the AMI, telecommunication of gathering the meter data and hardware and software maintenance and support.

5 - Technology Investment Operating Costs

New technology and the investments in new systems to manage the ever increasingly complex distribution system and enable process improvement are resulting in higher OM&A costs. Hardware and software licensing, maintenance and support costs have seen an overall increase of approximately $470,000 since 2010.

6 - Business Integrity Programs

Veridian is continually seeking to improve the integrity and stability of its business processes and systems and ensure reliable and secure communications with and services to its customers. Veridian has undertaken systems and network reviews and has begun to adopt new protocols related to business continuity and disaster recovery that will increase operating costs. Operating costs related to new customer communication systems are also increasing.

As experienced by other sectors and in general, the cost for Veridian to adequately insure its assets, property and business operations has increased.

Attachment 1 of 3

OEB Appendix 2-JB OM&A Cost Driver Table

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Appendix 2-JB
Recoverable OM&A Cost Driver Table

OM&A	Last Rebasing Year (2010 Actuals)	2011 Actuals	2012 Actuals	2013 Bridge Year	2014 Test Year
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP
Opening Balance	21,486,322	$ 20,506,848	$ 20,601,507	$ 24,471,462	$ 26,093,500
1. Labour costs related to 2010 Labour Complement		545,671	596,260	428,247	405,308
2. Distribution Asset Management Activities			495,676	48,714	912,535
3. Metering	(244,287)	122,376	205,946	189,617	337,354
4. Increased Cost of Distributor Obligations					
- Cable Locating			107,423	491,039	(189,674)
- AMI / TOU Expenses			523,827		
5. Technology Investments - Hardware/Software Maintenance		112,146	54,758	86,641	215,910
6. Business Integrity Programs				138,250	188,269
7. Storm Restoration		122,910		79,000	
8. Employee Training and Development				36,161	88,368
9. Longer Transition to Bi-Monthly Billing	(88,430)	88,430			
10. Accounting Changes for Capitalized Overheads			1,301,395		
11. Material variance on Bad Debt Expenses		(835,107)	704,250		
12. Delay or deferral of Staffing	(450,000)	372,380			
13. Cost Savings associated with Ajax Building Expansion		(145,000)			
14. Other	(196,757)	(289,147)	(119,581)	124,369	232,122
Closing Balance	$ 20,506,848	$ 20,601,507	$ 24,471,462	$ 26,093,500	$ 28,283,692

Notes:

1 For each year, a detailed explanation for each cost driver and associated amount is required in Exhibit 4.

2 For purposes of assessing incremental cost drivers, the closing balance for each year becomes the opening balance for the next year.

3 If it has been more than three years since the applicant last filed a cost of service application, additional years of historical actuals should be incorporated into the table, as necessary, to go back to the last cost of service application. If the applicant last filed a cost of service application less than three years ago, a minimum of three years of actual information is required.

4 Opening Balance for "Last Rebasing Year" (cell B15) should be equal to the Board-Approved amount.

Attachment 2 of 3

OEB Appendix 2-JA Summary of Recoverable OM&A Expenses

File Number:	EB-2013-0174
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Appendix 2-JA
Summary of Recoverable OM&A Expenses

	Last Rebasing Year (2010 Board-Approved)	Last Rebasing Year (2010Actuals)	2011 Actuals	2012 Actuals	2013 Bridge Year	2014 Test Year
Reporting Basis						
Operations	$ 4,090,515	$ 4,154,019	$ 4,502,406	$ 5,261,746	$ 5,965,337	$ 6,388,664
Maintenance	$ 2,838,441	$ 2,435,342	$ 2,582,213	$ 3,065,734	$ 2,990,060	$ 3,952,265
SubTotal	**$ 6,928,956**	**$ 6,589,361**	**$ 7,084,619**	**$ 8,327,480**	**$ 8,955,397**	**$ 10,340,929**
%Change (year over year)			7.5%	17.5%	7.5%	15.5%
%Change (Test Year vs Last Rebasing Year - Actual)						56.9%
Billing and Collecting	$ 5,555,867	$ 5,531,475	$ 4,890,685	$ 6,503,668	$ 6,867,295	$ 7,131,105
Community Relations	$ 389,743	$ 303,884	$ 276,921	$ 192,064	$ 208,013	$ 173,011
Administrative and General	$ 8,611,756	$ 8,082,128	$ 8,349,282	$ 9,448,250	$ 10,062,795	$ 10,638,647
SubTotal	**$ 14,557,366**	**$ 13,917,487**	**$ 13,516,888**	**$ 16,143,982**	**$ 17,138,103**	**$ 17,942,763**
%Change (year over year)			-2.9%	19.4%	6.2%	4.7%
%Change (Test Year vs Last Rebasing Year - Actual)						28.9%
Total	**$ 21,486,322**	**$ 20,506,848**	**$ 20,601,507**	**$ 24,471,462**	**$ 26,093,500**	**$ 28,283,692**
%Change (year over year)			0.5%	18.8%	6.6%	8.4%

	Last Rebasing Year (2010 Board-Approved)	Last Rebasing Year (2010Actuals)	2011 Actuals	2012 Actuals	2013 Bridge Year	2014 Test Year
Operations	$ 4,090,515	$ 4,154,019	$ 4,502,406	$ 5,261,746	$ 5,965,337	$ 6,388,664
Maintenance	$ 2,838,441	$ 2,435,342	$ 2,582,213	$ 3,065,734	$ 2,990,060	$ 3,952,265
Billing and Collecting	$ 5,555,867	$ 5,531,475	$ 4,890,685	$ 6,503,668	$ 6,867,295	$ 7,131,105
Community Relations	$ 389,743	$ 303,884	$ 276,921	$ 192,064	$ 208,013	$ 173,011
Administrative and General	$ 8,611,756	$ 8,082,128	$ 8,349,282	$ 9,448,250	$ 10,062,795	$ 10,638,647
Total	**$ 21,486,322**	**$ 20,506,848**	**$ 20,601,507**	**$ 24,471,462**	**$ 26,093,500**	**$ 28,283,692**
%Change (year over year)			0.5%	18.8%	6.6%	8.4%

	Last Rebasing Year (2010 Board-Approved)	Last Rebasing Year (2010Actuals)	Variance 2010 BA – 2010 Actuals	2011 Actuals	Variance 2011 Actuals vs. 2010 Actuals	2012 Actuals	Variance 2012 Actuals vs. 2011 Actuals	2013 Bridge Year	Variance 2013 Bridge vs. 2012 Actuals	2014 Test Year	Variance 2014 Test vs. 2013 Bridge
Operations	$ 4,090,515	$ 4,154,019	-$ 63,504	$ 4,502,406	$ 348,387	$ 5,261,746	$ 759,340	$ 5,965,337	$ 703,591	$ 6,388,664	$ 423,327
Maintenance	$ 2,838,441	$ 2,435,342	$ 403,099	$ 2,582,213	$ 146,871	$ 3,065,734	$ 483,521	$ 2,990,060	-$ 75,674	$ 3,952,265	$ 962,205
Billing and Collecting	$ 5,555,867	$ 5,531,475	$ 24,392	$ 4,890,685	-$ 640,790	$ 6,503,668	$ 1,612,983	$ 6,867,295	$ 363,627	$ 7,131,105	$ 263,810
Community Relations	$ 389,743	$ 303,884	$ 85,859	$ 276,921	-$ 26,963	$ 192,064	-$ 84,857	$ 208,013	$ 15,949	$ 173,011	-$ 35,002
Administrative and General	$ 8,611,756	$ 8,082,128	$ 529,628	$ 8,349,282	$ 267,154	$ 9,448,250	$ 1,098,968	$ 10,062,795	$ 614,545	$ 10,638,647	$ 575,852
Total OM&A Expenses	$ 21,486,322	$ 20,506,848	$ 979,474	$ 20,601,507	$ 94,659	$ 24,471,462	$ 3,869,955	$ 26,093,500	$ 1,622,038	$ 28,283,692	$ 2,190,192
Adjustments for Total non-recoverable items (from Appendices 2-JA and 2-JB)											
Total Recoverable OM&A Expenses	$ 21,486,322	$ 20,506,848	$ 979,474	$ 20,601,507	$ 94,659	$ 24,471,462	$ 3,869,955	$ 26,093,500	$ 1,622,038	$ 28,283,692	$ 2,190,192
Variance from previous year				$ 94,659		$ 3,869,955		$ 1,622,038		$ 2,190,192	
Percent change (year over year)				0%		19%		7%		8%	
Percent Change: Test year vs. Most Current Actual						15.58%					
Simple average of % variance for all years						37.92%					9%
Compound Annual Growth Rate for all years											6.6%
Compound Growth Rate (2012 Actuals vs. 2010 Actuals)						6.07%					

Note:

1 "BA" = Board-Approved

2 If it has been more than three years since the applicant last filed a cost of service application, additional years of historical actuals should be incorporated into the table, as necessary, to go back to the last cost of service application. If the applicant last filed a cost of service application less than three years ago, a minimum of three years of actual information is required.

3 Recoverable OM&A that is included on these tables should be identical to the recoverable OM&A that is shown for the corresponding periods on Appendix 2-JB.

Attachment 3 of 3

OEB Appendix 2-L Recoverable OM&A per Customer and per FTEE

File Number:	EB-2013-0174
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Appendix 2-L
Recoverable OM&A Cost per Customer and per FTE

	Last Rebasing Year - 2010- Board Approved	Last Rebasing Year - 2010- Actual	2011 Actuals	2012 Actuals	2013 Bridge Year	2014 Test Year
Reporting Basis	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP	CGAAP
Number of Customers	112,331	112,106	113,380	114,908	117,195	118,727
Total Recoverable OM&A from Appendix 2-JB	$ 21,486,322	$ 20,506,848	$ 20,601,507	$ 24,471,462	$ 26,093,500	$ 28,283,692
OM&A cost per customer	$ 191.28	182.9237329	181.703184	212.9656943	222.6502837	238.2245993
Number of FTEs	236	211	214	215	219	230
Customers/FTEs	476.99	532.10	530.86	535.02	535.89	517.25
OM&A Cost per FTE	91,237.04	97,334.60	96,458.48	113,940.02	119,316.76	123,220.51

Note: Customer Count is average annual customers, not connections.
Please refer to Exhibit 4, Tab 3, Schedule 1 - Staffing and Compensation levels for details on FTE calculations

Notes:

1 If it has been more than three years since the applicant last filed a cost of service application, additional years of historical actuals should be incorporated into the table, as necessary, to go back to the last cost of service application. If the applicant last filed a cost of service application less than three years ago, a minimum of three years of actual information is required.
2 The method of calculating the number of customers must be identified.
3 The method of calculating the number of FTEs must be identified. See also Appendix 2-K
4 The number of customers and the number of FTEs should correspond to mid-year or average of January 1 and December 31 figures.

Description of OM&A Programs

Description of OM&A Programs

Veridian, in compliance with the Filing Requirements, has classified its operating costs by OM&A Program. OM&A Programs have been identified in a manner as to provide a comprehensive understanding of Veridian's business operations, the outputs of these programs and the related cost structures and internal and external resources deployed.

Programs have been grouped into high level categories of Operating, Maintenance, Customer Service and Administration Programs as shown in the table below.

Table 1: Program Descriptions

Operating	Maintenance	Administration	Customer Service
1. Emergency Power Restoration	**1.** Vegetation Mgmt.	**1.** Governance and Senior Executive offices	**1.** Contact Centre
2. System Control Centre/SCADA	**2.** O/H Lines Maintenance	**2.** Financial Services/Rates and Regulatory Accounting	**2.** Retail Billing
3. Engineering	**3.** U/G Lines Maintenance	**3.** Purchasing and Procurement	**3.** Credit Control
4. Cable Locating	**4.** Station Maintenance	**4.** Human Resources	**4.** Wholesale Settlements
5. System Records	**5.** Meter Maintenance	**5.** Regulatory	**5.** AMI Administration
6. System Operations	**6.** Transformer Maintenance	**6.** Community and Customer Communications	
7. Meter Operations		**7.** Office and Professional Services	
8. System Planning		**8.** Facilities	
9. Operations and Inspections Customer Premises		**9.** Insurance - Property and Liability	
		10. Allocation of Overhead Costs to OPA programs and Veridian Solar	
		11. Employee Training, Development and Engagement	
		12. Information Technology	

Operating Programs

1. Emergency Power Restoration

This program is the emergency or reactive service to customers to restore distribution services to customers when interruptions occur due to unplanned events such as equipment failure or storm damage. These programs are further subdivided into those associated with restoration efforts related to Overhead system equipment and those related to Underground system equipment.

2. System Control Centre (SCC) / SCADA

The SCC operates 24 hours per day, seven days per week, 365 days per year and monitors and interacts with Veridian's distribution system via a Supervisory Control and Data Acquisition (SCADA) system. SCC staff direct all distribution system operations, manage and direct all power restoration and system disturbance efforts as well as maintain controlling authority over all devices within the Veridian distribution system as directed by the Utility Work Protection Code. Veridian's distribution system consists of fifty-three (53) distribution substations spanning over twelve (12) non-contiguous service areas. Power restoration efforts are governed by the Power Restoration Plan which meets the requirements outlined by the Independent Electricity System Operator. SCC staff also act as Veridian's after-hours customer service contact, handling all customer related calls from 16:30 – 08:30 Monday to Friday and all hours on weekends and statutory holidays.

Operating costs associated with the SCC primarily consist of labour costs for the highly trained System Operators, all costs to maintain and operate the SCADA system, as well as all costs associated with data communication lines servicing SCADA and a direct link to the Hydro One Ontario Grid Control Centre, along with voice communication lines connecting external construction, maintenance and trouble response crews, contractors, other LDC's, Hydro One and the customer base in general.

The current complement of 8 FTE employees is expected to remain unchanged in the test year.

3. Engineering

Program activities include designing distribution line projects, road relocations, and connection proposals for new residential subdivisions and industrial, commercial and institutional customers. A specialized Standards group establishes the engineering and construction standards to which the distribution system is built and maintained. All work is completed to Electrical Safety Authority (ESA) compliance. The majority of engineering department work is completed at Veridian's main office in Ajax with one Engineering Technician based in Belleville who completes local projects based on the established specification and standards.

Most of the outputs of this group of resources are capital in nature.

Operating programs costs are related to capital reporting, indirect standards development and non-job specific customer requests or activities.

The department is currently staffed with 16.1 FTE employees, down from 17.2 in 2010. Through the period of 2010 through 2013 staff levels have fluctuated due to vacancies arising from staff retirements, internal staff promotions and transfers to other department. Staffing levels for 2014 are planned at 20.3 FTE employees, accounting for planned new hires and full year impact of 2013 additions. Two additional Project Design Engineering Technicians are required to support Veridian's capital program. One clerical FTE employee resource will be added, allowing the transfer of administrative functions currently completed by Engineering Technicians to a lower cost resource and building capacity within the technician group for additional engineering design hours.

4. Cable Locating

Veridian provides underground cable locating services to its customers through in-house and contract resources. Veridian is obligated to fulfill any request for this service related to underground assets within its service area without collecting any incremental service charges.

Veridian's guidelines for providing underground locating and marking services for its plant are as follows:

- Perform emergency locate requests within 2 hours and,
- Schedule appointment to perform regular locate within 5 business days (Compliance with OEB standards)

5. Systems Records

Systems Records activities include management and maintenance of Veridian's geographical information system (GIS), ensuring an accurate model and records of the physical electric distribution system plant.

These programs support planning and maintenance activities at Veridian by providing and maintaining the source data used to drive the inspections program, as well as collecting data from field crews and updating data sources accordingly. In the past much of this work involved manual data entry. Through continued development of Veridian's mobile computing initiative, these processes will become more efficient and will allow the collection and recording of additional data as required without requirement for additional labour resources.

Requirements for data updates come from varied sources and activities such as new construction, asset rebuild and repair work and other ad hoc work performed on distribution assets.

Registered and unregistered easement records are maintained in the GIS and technicians will routinely add new records, and respond to external inquiries regarding Veridian easements. A record of each streetlight and each unmetered customer-owned device is kept in the GIS and technicians record additions, removals and replacements of such devices and provide information to create accurate monthly invoices to the respective unmetered customers. GIS related software maintenance and modifications are supported within the department, utilizing in-house staff as much as possible, reducing reliance on external contractors and vendors.

The current complement of 6.5 FTE employees is expected to remain unchanged in the test year.

6. Systems Operations Programs

This is a high level group of many sub-programs including:

- Transformer Inspections
- Substation Operations
- Infra Red Scanning
- System Patrol
- Transformer Oil Testing
- Joint Use
- General OH Operations
- General UG Operations

Veridian performs a number of annual inspection and maintenance programs. These programs are based on good utility practice, experience and regulatory requirements. Veridian's inspection and maintenance programs are still primarily time based with a frequency matching the intervals indicated in the Distribution System Code. Beginning in 2013, inspection activities are being documented by staff through the use of computer tablets connected to the mobile computing project. As part of the roll out of mobile computing, inspection routines were examined and modified when necessary to gather as much pertinent information as possible, including photos. All data gathered feeds back into the GIS and included in the overall Asset databank. By 2014, all inspection programs completed by Veridian staff will be completed with the use of the Mobile computing tablets in all Districts.

Single Phase, Three Phase Padmount Transformer and Transformer Vault Inspections:

Padmount and Vault transformers are inspected on a 3 year cycle. They are inspected while live, looking for any signs of oil leaks, rust holes or other signs of physical degradation as well as confirming that proper nomenclature is clearly visible on the outside of the unit to assist in trouble call activities. Action items are highlighted from these inspections for follow up.

Infrared Scanning:

Veridian utilizes contracted services to perform an infrared scan of all 3phase lines in its system annually. This scan inspects all attached components to the 3 phase lines as well as a scan of outdoor style Veridian owned substations. The contractor is accompanied by a Veridian staff member as a guide and driver and also to react swiftly should an abnormal condition be discovered with possible impact to public or staff safety or to system reliability. Any incidents of equipment identified as having a suspect heat profile are flagged for investigation and possible repair.

Based on experience with failing switches in 2012, the Infrared inspection program has been expanded in 2013 to include approximately 30 additional locations of single phase switches identified as significant risk of failure. The expanded program will be continued in the test year.

System Patrol:

For system patrol purposes, Veridian's districts are each divided into three sub-sections. In this manner System Patrol activities are completed with a 3 year interval. System patrol activities involve a visual inspection of all overhead plant and include immediate correction of safety-related deficiencies and flagging of less serious deficiencies that can be corrected through subsequent planned work.

General O/H Operations:

These activities include minor maintenance and repairs to 44 kV and distribution poles such as insulator changes, straightening poles, cross arm replacements and replacing or repairing guys and anchors.

General U/G Operations:

These activities include small repairs such as elbow replacements, repairs to sink holes, grounding repairs and minor straightening adjustments.

7. Metering Operations Programs

Metering operation activities include planning and day to day operations and management of Veridian's metering infrastructure, minor repairs and administrative activities.

8. System Planning Programs

Activities include distribution system planning taking into consideration projected changes in customer growth, changing load requirements and reliability indicators and overall Asset Management Planning. Outputs include the development of short and long term capital investment requirements related to distribution assets.

9. Customer Premises Programs

This program includes activities such as inspections by Veridian staff for customer owned substations. These inspections are a mandatory requirement of the Distribution System Code (DSC). On an annual basis, Veridian staff complete these inspections to assure that the customer stations do not pose a significant risk to Veridian's system. Typical deficiencies such as excessive vegetation or poor grounding due to copper theft from substation fencing are communicated to the customer and/or ESA for correction.

This also includes activities such as labour costs for customer premise internal trouble calls and disconnections of customer owned meters, customer concerns with meter bases which are considered customer owned and also voltage recorders installed for customers to monitor power quality concerns or issues.

Maintenance Programs

1. Vegetation Management

Vegetation Management programs take two forms- one scheduled and one reactive.

The scheduled program generally follows a time based interval of three years. The reactive or spot line clearing work is performed as a result of calls from customers or staff, in response to outage reports and reliability trends as identified by Veridian's internal reliability team. While some of the spot work is performed by Veridian staff, the majority of this work and all cycle work is completed by contractors on behalf of Veridian.

2. Overhead Line Maintenance

This is a high level group of many sub-programs including:

- Overhead switch and conductor maintenance
- Overhead Pole Maintenance
- Wood Pole Testing
- Insulator Washing

Overhead Switch Maintenance:

Scheduled, time based, maintenance programs are completed for overhead switches (gang operated and solid blade) in the Veridian system. They are scheduled in a 3 year cycle in order to ensure continued proper mechanical and electrical operation. Work is completed by Veridian line staff.

Overhead Pole Maintenance:

This program includes activities such as insulator change, straightening of poles, cross arm changes, replacing and repairing broken guy wires and anchors

Wood Pole Testing:

In 2012 Veridian tested 1,500 poles as part of its wood pole testing program.

Test results are reviewed for urgent replacement recommendations and will be used to determine if larger scale line rebuilds are required in particular areas due to poor overall pole condition.

Veridian has approximately 28,000 wood poles in service. There are currently significant data gaps in the information Veridian has on the condition of its poles. These data gaps will be reduced through additional testing. The number of wood poles to be tested will be increased in the test year to 8,300.

Veridian does not plan to change the nature of these program activities but rather the magnitude or volumes within the program.

Further details on volume and cost increases on this activity are provided in Exhibit 4, Tab 2, Schedule 2 Program Delivery Costs and Variance Analysis.

Insulator Washing:

In areas of close proximity to major highways in Ajax, Belleville and Clarington service areas, insulator washing is conducted to remove salt and other contaminants in the spring of each year. This work is conducted live with a competent contractor and also includes a visual inspection to help identify other concerns noted while aloft to perform the cleaning.

<u>3. Underground Line Maintenance</u>

This is a high level group of many sub-programs including:

- Underground maintenance and repair

- Switchgear Maintenance
- Transformer and switchgear painting

Switchgear Maintenance / Dry Ice Cleaning:

Beginning in 2010, Veridian began to use dry ice cleaning as an alternative, and improvement, to air insulated pad mount switchgear inspection. Switchgear are cleaned with this method on a three year cycle. Dry ice cleaning is an abrasive cleaning technique that can remove debris and dirt from the interior of the equipment that may lead to tracking and ultimately failure of the switchgear. A significant benefit of dry ice cleaning over manual cleaning is the ability to perform the work while the switchgear is still in service, when completed by a competent contractor. During the same servicing, an infra red inspection is conducted after cleaning. This inspection can identify remaining hot spots/areas of concern that were not improved with the cleaning operation. These cleaning/inspection reports are utilized by line staff in determination of component or full switchgear replacement.

Transformer and switchgear Painting:

Veridian maintains an annual program of transformer and switchgear painting in all Districts as a means to extending the life of those assets. Candidates for painting are developed through the transformer inspection programs as well as customer and staff input.

<u>4. Station Maintenance Programs</u>

These programs involve a high number of critical assets. Veridian's distribution system consists of fifty-three (53) distribution substations spanning over twelve (12) non-contiguous communities.

Substation maintenance programs include both schedule maintenance and reactive repair work. Scheduled maintenance activities are conducted on a 3 year cycle and include dissolved gas analysis, full electrical checks completed while station is de-energized, confirmation of cable insulation values, checking of mechanical condition of moving parts and electrical testing of transformers to ensure proper electrical performance. Maintenance activities are performed using a combination of in-house staff and contracted services. Additional resourcing is planned for in the 2013 Test Year for supervision and technical support.

General facilities repairs and contracted services for property and grounds maintenance such as snow removal and grass cutting are also included in these programs.

Distribution Automation activities include management of all aspects of Veridian's distribution automation systems, including substation electronic relays, SCADA systems, smart line monitoring and control devices, self-healing network devices, communication systems and devices necessary for the automation of the distribution system and other emerging smart grid technologies.

Additional activities include management of the protective and control settings for all of Veridian's distribution system devices.

5. Metering Maintenance

Program activities include reverification of meters and management of Measurement Canada requirements for meter sealing, investigation and resolution of meter failures and other trouble reports related to these real time assets in the field and management of the Advanced Metering Infrastructure (AMI) assets deployed in the field.

The current staff complement in the metering department consists of 11 FTE employees; a manager, a field supervisor, one administrative support staff and eight field staff.

6. Transformer Maintenance

The Transformer maintenance program activities include general transformer repairs such as landscaping, door repairs and grounding repairs. This program also includes repair costs from automobile damage and clean up for oil spill leaks.

Administration Programs

1. Governance and Senior Executive Offices

The President & CEO's office is responsible for strategic and executive leadership of the organization, as well as shareholder and community relations. The office is resourced with 2.5 FTE employees (including the President & CEO), a group for corporate governance, plus an additional group dedicated to the important Health, Safety & Environment function.

The Governance and Records program provides administrative and legal support to the staff executive team and the corporation's board of directors, administers the corporate property and liability insurance policies, and is responsible for the deployment and administration of corporate-wide business continuity and records management programs and processes.

The Health, Safety & Environment (HS&E) program is responsible for the establishment and oversight of systems and processes to support the attainment of the highest standards of workplace health and safety and environmental protection, including full statutory compliance with legislated health, safety and environmental requirements.

In fulfilling this role, the HS&E program coordinates all activities of the company's joint health and safety committees, oversees the investigation of all accidents and incidents, manages relations with the Workplace Safety and Insurance Board and the Ministry of Labour, coordinates or carries out routine audits and inspections, and manages the corporation's early and safe return to work program as applied to workers injured on the job.

The HS&E program is currently resourced with 2.2 FTE employees. This represents an increase of 1 FTE employee since 2010. The additional resource was instated in 2013 to provide additional support to line supervisors and to bring trades experience to the function. Prior to this time a contract employee was deployed for this purpose.

2. Financial Services/Rates and Regulatory Accounting

Financial Services/Rates and Regulatory Accounting program at Veridian is provided by three corporate departments: Financial Reporting and Accounting, Capital Asset Accounting; and Corporate Planning. These departments report into the office of the VP, Financial Services and CFO. The Financial Services division is supported by 21.8 FTE employees, which includes annual employment of 2 summer students. Staffing levels have remained fairly constant since 2010 levels of 20.6 FTE employees. No changes in staffing levels are planned for the 2014 Test Year.

The Financial Reporting and Accounting group is responsible for the day to day general accounting functions such as payroll, accounts payable, miscellaneous accounts receivable, account reconciliations, cash receipt processing and bank reconciliations.

This group is also responsible for all financial reporting and analysis, including monthly, quarterly and annual internal management reporting. This group ensures that Veridian's financial reporting is in compliance with prescribed accounting and regulatory standards and manages the external audit processes.

The mandated transition to IFRS has been a key focus area for this group and has involved system, processes and reporting changes within financial services and throughout the organization. To manage this transition, Veridian engaged the services of Deloitte & Touche to assist in the development and execution of its IFRS transition plan. All one-time administrative and transitional costs have been recorded in deferral Account 1508 Other Regulatory Assets Sub-account IFRS Transition Costs Variance.

The Capital Asset Accounting group manages the accounting lifecycle for Veridian's acquired and self constructed fixed assets and work order accounting system. Automation of previously manual reporting now provides timely, accurate details on capital spend with greater details on actuals vs estimated costs.

This group is highly integrated with the Engineering group to support the efficient execution of Veridian's capital program, and provide administrative and financial analysis support

The Corporate Planning group at Veridian has three main functions; budgets and forecasts (management of annual budgets and periodic and long term forecasts); rates, revenues and regulatory accounting (regulatory rates submissions, revenue forecasts and analysis, regulatory accounting related to variance and deferral accounts) and administration of debt instruments.

Senior managers from the financial services division support the CFO in areas of financial modeling to support strategic corporate financing initiatives and planning.

The Financial Services group also provides general accounting and reporting services to Veridian's parent company under a Shared Services Agreement. The pricing of these services complies with the Affiliate Relationship Code as the full costs of these services are reflected in the affiliate charges to ensure that ratepayers benefit from the provision of shared services.

Details of the shared service agreement and the related costs, benefits and recoveries are provided in Exhibit 4, Tab 4, Schedule 1 Shared Services and Corporate Cost Allocation.

3. Purchasing and Procurement

The procurement programs include administration of the requisition and purchasing processes to ensure compliance with corporate policies. A centralized process ensures that supply contracts support corporate objectives related to security of supply, quality of products and services, optimized inventory levels, and management of contract risk. A current focus is the development of a comprehensive Contractor Qualification Program to effectively manage external contractors and further reduce risk to the organization.

4. Human Resources

Human Resources programs include labour relations, recruitment and workforce planning, compensation reviews, performance management, attendance management, succession planning, employee development, benefits administration and development and maintenance of human resources policies.

During the bridge year, increases in program scope related to employee training and development were made. Core training that had previously been planned and executed on a distributed basis is now centrally planned and implemented by Human Resources. This change was made to increase the effectiveness and efficiency of the corporation’s training efforts, and to place an increased emphasis on development training for succession planning purposes.

The department is currently comprised of 3 FTEs, representing no change since 2010. This level of staffing is planned to remain in place for the 2014 test year.

5. Regulatory

Regulatory operating programs include administration of regulatory and government affairs, including the coordination and submission of regulatory filings, regulatory record keeping, monitoring of regulatory decisions, managing regulatory compliance matters, participating in regulatory consultations and proceedings and generally serving as a liaison between Veridian and its regulator, the government and government agencies. It also serves as a regulatory resource for Veridian staff, and supports the development and implementation of business process changes to ensure compliance with evolving regulatory requirements.

The function is resourced with 1 FTE employee, which was in place in 2010. No change is planned for the 2014 test year.

6. Community and Customer Communications

Community and Customer Communications programs are administered by 2 FTE employees with responsibilities related to customer, shareholder and employee communications. This includes media relations, the production and use of print and digital media (bill inserts, customer and employee newsletters, annual reports, newspaper advertising, direct mail, posters, etc.), corporate website maintenance and all other forms of communications delivered to a broad customer or employee audience. It also includes oversight and administration of the Low-Income Energy Assistance Program ("LEAP").

In addition, this function is responsible for delivery of the Ontario Power Authority's Conservation and Demand Management programs for residential and small business customers. Approximately 1 of the 2 FTE employees is currently dedicated to this role, with related costs allocated to the Ontario Power Authority. This arrangement is forecast to continue for the test year.

7. Office and Professional Services

This program covers all activities associated with Veridian's corporate office including supplies, stationary, telephone and internet expenses, general advertising, equipment maintenance agreements and corporate membership agreements. It also includes costs incurred for outside services for various consulting and legal services.

8. Facilities

Facilities programs include space planning and building system operations / maintenance at Veridian's five business locations. This includes preventative maintenance programs and schedules for servicing building systems, including HVAC, security and fire protection equipment. Facilities staff routinely reviews new technology in the marketplace and recommends energy efficient alternatives for existing systems that will result in cost savings for the organization and lower impacts on the environment.

9. Insurance – Property and Liability

Programs include adequate provision of comprehensive property, general liability and business operations insurance.

10. Allocation of Overhead Costs to OPA and Veridian Solar

These include recovery of overhead costs related to the non-distribution activities of CDM activities and Veridian's renewable energy activities.

11. Employee Training, Development and Engagement

The development and sustainment of a highly skilled and motivated workforce is key to Veridian's success in meeting its customers' performance expectations. A number of programs are in place to achieve this outcome, including:

- Trades Training, which includes apprenticeship, recertification and refresher training, as well as various safety training to support legal compliance and the achievement of a safe work environment.
- Skills and Professional Development, which includes training specific to employee' current job requirements, and well as developmental training to support the company's succession planning initiatives and Veridian's Management Training Syllabus program
- Employee Engagement, which includes initiatives supporting the development of a collaborative and highly engaged work place, and includes employee recognition and staff celebrations/networking events.

Most employee training, development and engagement initiatives are centrally delivered by the Human Resources Department and the Office of the President and CEO.

12. Information Technology

Over the past decade the demands on Information Technology have grown substantially and the complexity has increased significantly. Much of this change has been driven by smart meters, retailers, smart grid, and the introduction of new applications to support more complex and higher volume business processes.

Veridian uses a distributed model in its approach to providing information technology services. In Veridian's model many of the system analysts or subject matter experts for major applications reside in the functional area and report directly to the line manager rather than reporting to IT.

Information Technology programs include:

- Application Support and Maintenance
- Network Administration and Planning

- Hardware Procurement and Support
- Help Desk End User and Work Station Support
- Network Security
- Controls and Procedures
- Operating System and Server Administration
- Telecommunications (Contact Centre phone system/IVR)

These programs are administered by 5 FTE employees. Staffing levels are unchanged since 2010 and no changes are planned in the 2014 Test Year.

With IT requirements becoming of ever increasing importance, a strategic and operational plan were developed in 2012. The Operational Plan is a three year plan which will be updated annually.

The strategic plan laid out eight strategic goals:

- Turning Information Into Power;
- Utilize Technology to Improve Communication
- Enhance the Customer Experience
- Software Integration and Interaction
- Automation of the Distribution Network
- Strengthen the IT Infrastructure
- Good Governance
- Security

Within each of these goals, objectives and initiatives are identified. A corporate wide, mutli-discipline IT Steering Committee was formed in 2012 to ensure that the distributed IT environment is in alignment with the overall IT strategy.

Customer Services Programs

1. Contact Centre

Customer Care Representatives (CCRs) are most often the first point of contact for customers. Numerous communication channels now available to customers more accurately define this group as a contact centre. Communication channels include telephone calls, fax, mail and email and website inquiries. Through a combination of full time and part time resources, the department is staffed at similar levels to 2010, with approximately 22 FTE employees. Part time resources are employed to manage peak call times each day. No increase in FTE employees is planned for the test year.

Programs delivered by the contact centre staff include, but are not limited to, resolution of meter disputes, outage communications, set up of new accounts and move-in and move-out service orders. CCRs also provide customer support for and information on a number of programs:

- Pre-authorized Payment Program (PAP)
- Time of Use (TOU) billing, Smart Meters and high bill complaints/enquiries
- Electronic billing options (epost and eBill)
- One Time Payment
- Website Self Service options
- eCare (Web presentment tool)
- Deposit management
- Questions related to the deregulated market (Retailers)

- Low-income Energy Assistance Program (LEAP), Arrears Management Program (AMP) and Failure to Contract (FTC)

2. Retail Billing

In the 2013 Bridge Year approximately 14.5 FTE employees support delivery of retail billing programs to Veridian's approximately 118,000 customers. The retail billing program assigns check reads, coordinates special appointments and administers retail settlements for. Usage data is assembled and sent to retailers in accordance with the regulations of the Retail Settlement Code for approximately 10,500 on-choice Veridian customers. A dedicated systems analyst role provides IT support, Customer Information System (CIS) administration and reporting, administration of ancillary systems such as the Virtual Biller site, eCare (customer web presentment software) and AS2 (Communication with MDM/R to facilitate file transfer).

The retail billing program has significantly increased in complexity with the introduction of Time of Use (TOU) billing, the Ontario Clean Energy Benefit (OCEB) and FIT/MicroFIT settlements.

Program activities include:

- Schedule and receive manual meter reads, retrieve TOU data, perform reasonableness analysis and perform calculations.
- Exception handling: Analysis is required on MDM/R, GUI, CIS and third party software.
- Communication with customers regarding billing inquiries.
- Manage bill messaging and billing inserts.

Key initiatives that have been undertaken to enhance customer satisfaction and provide customers will more timely billing data and conservation messages include:

- Consolidation of billing cycles (completed 2011)

- CIS upgrade – increased functionality, better reporting, enables multi-points of customer contact (completed 2012)
- Customer Connect - A customer engagement solution that brings the intelligence and value of the smart grid directly to residential and commercial consumers. This product allows residential and commercial customers to view energy consumption patterns on a near real-time basis, with optimized views for mobile devices (will be complete in 2013)

System improvements have been made to provide better data management, reporting and increase productivity include:

- Database monitoring software – Incorporates improved maintenance scheduling and database administration/monitoring to proactively manage customer database stability and integrity.
- Upgraded operating systems and database platforms – Improve stability and access time on customer information system, increasing efficiency and response time for customer billing and customer contact centre
- All services for financial settlement with energy retailers are also provided within these programs. Services include service agreement implementation and oversight; establishing priorities for system modifications, changes and improvements; management, testing and training for the CIS EBT system and hub and spoke software; day to day processing of transactions for 10,500 on-choice accounts and financial settlement with retailers.

This group provides project management for the various capital and operating project initiatives within the customer services division. No additional resources are expected for the bridge or test years.

3. Credit Control

In 2013 Credit Control programs are administered by 8 FTE employees. This level will rise to 9 FTE employees in 2014 as two employees added during 2013 are included on a full year basis. Staffing levels to support these programs have risen by 2 FTE employees since 2010, largely to support new Distribution System Code requirements.

Program services include active and final bill collections along with administration of programs such as LEAP, AMP and Veridian's extensive Pre-Authorized Payment Program (PAP) in which approximately 26% of customers are enrolled.

Recent changes to business processes that have increased the scope of these programs include new Customer Code Amendments that require application of deposits to outstanding balances, midseason PAP reviews and increased administration for rental properties for gaps in contracted services for accounts (Failure to Contract).

5 FTE employees manage active and final bill collections full time on the phones. The time of the remaining 3 FTE employees is dedicated to specific tasks such as the management of the pre-authorized payment plans , customer refunds, maintenance of AMP, managing the notice process, schedule of disconnects and managing bankruptcies. In addition they provide lunch and peak call volume relief for the remaining 5 FTE employees on the phones. Overflow calls are handled by 3 part time staff shared with the Contact Centre.

The program uses Interactive Voice Response (IVR) technology, mail and hand delivered customer notification in accordance with OEB regulations on collection and disconnection of accounts.

A third party vendor is used for disconnections, reconnections and hand delivery of disconnection notices to customers' premises. A collection agency is engaged for delinquent final bills once internal efforts have been exhausted.

4. & 5. Wholesale Settlements and AMI Administration

The Wholesale Settlements /AMI Administration programs are provisioned by 5 FTE employees.

Program activities include:

- the collection and provision of all wholesale metering data to the CIS to calculate various billing determinants
- ensuring the integrity of financial transactions between Veridian and the IESO as well as OPG and Hydro One by providing the appropriate level of due diligence to ensure that billing and payment transactions are reconciled appropriately
- acquisition, validation and integrity of Wholesale meter data, Commercial and Industrial interval meter data, AMI TOU meter data, FIT and microFIT meter data
- management of software for web presentment of customer data for Commercial and Industrial (C&I) customers.
- administration and operation of Veridian's Smart Metering Advanced Metering Control Computer (AMCC)
- administration and operation of Veridian's Operational Data Store (ODS) which provides information to in house systems including residential Smart Metering web presentment, statistical reporting queries, Outage Management System (OMS), Settlement system. The ODS was implemented in 2009 and enhanced through 2010, 2011 and 2012.

Process Improvement Initiatives

Optimizing operational efficiency and effectiveness is a high level objective at Veridian. Expectations for continuous improvement are embedded in business planning and reinforced through corporate, departmental and individual performance goals. Opportunities for improved productivity are regularly pursued through business process reviews and leveraging technology.

Managers of OM&A programs throughout the organization are responsible for continuous review of their business processes and are challenged to create cost containment and productivity improvement opportunities. Executive sponsors for the business units assist managers in selecting key initiatives and provide oversight and support for execution and achievement of the detailed objective for each initiative.

Veridian has not established a central office responsible for Process Improvement, but rather has established a culture of "ownership" of efficiency and process improvement at the business unit level. On this basis, managers and staff involved in the business processes take ownership of 'bottom up' changes and improvements. Veridian has found building responsibility for continual process improvement into front line management roles to be a cost-effective business practice in achieving process and performance improvements.

Often, initiatives at the business unit level will have cross-over implications with other business units and divisional or corporate wide consultations and reviews are held to ensure a coordinated effort and alignment across groups. A key enabler of these initiatives is technology. Recognizing this, Veridian established a corporate wide, multi-discipline Information Technology Steering Committee in 2012. With representation from all major business units, the steering committee ensures that Veridian's Information Technology Strategic and Operational plans are fully aligned to support the process improvement goals of the business units.

Ultimately, Veridian's process improvement initiatives must be of value to Veridian's customers. Veridian's customer value objectives through process improvement initiatives include:

- Delivering increased or enhanced customer service levels at minimal cost increases
- Cost effective improvements in power reliability and quality
- Least cost provision of distributor obligation activities
- Adopting new technology to build workforce capacity and reduce overall cost structure
- Minimizing increases in headcount through deferred hiring and natural attrition opportunities of retirements where customer service levels and best business practices are not impacted

Examples of Increased/Enhanced Customer Service Levels at Minimal Cost Increases:

<u>2011 Customer Information System (CIS) Upgrade</u>

A cost-effective CIS upgrade (capital cost of $221,000 – annual cost of $0.40 per customer) in 2011 offered enhanced security and workflow capabilities. As part of the upgrade, a detailed process review with the CIS vendor was initiated for call centre, credit and collections and billing staff to leverage the enhanced system features. Many workflow processes were streamlined and automated. Customers benefit from improved call handling through secure and fast retrieval of task specific customer information.

Streamlining and automation of retailer payment and reconciliations was implemented which vastly improved business processes flowing between the major business units of customer billing, retailer settlements and financial services.

In compliance with the Board's Distribution System Code amendments, a Pre-Authorized Payment ("PAP") mid-season review was initiated. The new requirement was completed without increasing staffing requirements by leveraging expanded CIS functionality that provided for faster, more accurate identification of accounts requiring PAP adjustments or refunds.

Customer Self-Serve Options

To improve customer service while minimizing cost, Veridian's website offers self-service options such as online submission of conventional meter readings, move-in (contracting for service), move-out orders, electronic bill presentment (eBill) and Pre-authorized Payment (PAP) enrolment forms, as well as access to Veridian's electrical service and energy contract. New self-serve payment options were added in 2012. Customers can make a one-time payment online through Veridian's website or IVR. eBill customers can now view and pay their bill from the virtual biller site. A further enhancement to be completed in November 2013 with the development of a customer portal will allow customers to access all self-serve options with a single sign-on.

The import of self-serve service order data from the website into the CIS will be automated during the bridge year, eliminating manual data entry and allowing staff to concentrate on higher value tasks. Table 1 below provides high level information on recently introduced customer service options.

Table 1: Customer Self-Service Options

Initiative	Description	Benefits	Implementation Status
IVR payments	Customers can pay by Credit Card through phone system	Enhanced customer options; self serve	Implemented Q2 2012
Web Payments (EZ Pay)	Customers can make a one time payment by credit card or their bank account using a link from Veridian's website or through downloadable app	Enhanced customer options; self serve; mobile friendly version; downloadable app	Implemented Q2 2012
eBill pay option	Customers receiving electronic bills can set up bank account information and make one time payments or set up recurring payments	Enhanced customer self serve payment options; mobile friendly web version; downloadable app	Implemented Q2 2012
Contract for service on IVR	Customers are scripted while in the call queue	Saves estimated 2 minutes/ call in call handling time	Implemented Q2 2012
epost	Customers can view, pay and store electricity bills online with their other vendor bills	Enables customers to make a payment through their bank (link provided) Bills stored for 7 years No paper bills	Implemented Q1 2013
Automation of web services data to CIS	Import of web data to CIS will be automated.	Remove margin for error that could happen with manual intervention.	In progress, expected completion Q4 2013

Examples of Cost effective improvements in power reliability and quality:

Establishment of back-up System Control Centre (SCC): During 2011, Veridian established a back-up SCC at its Clarington office to ensure continued control centre functionality in the event of an evacuation requirement from its head-office location in Ajax. Existing space at the Clarington office was utilized for this purpose and spare equipment was set up in the location to provide Veridian with an alternate and fully functional SCC. A testing schedule was developed to periodically conduct operating exercises from the back-up location to ensure full functionality in the event of an emergency. In 2014 Veridian plans to leverage the cost-effectiveness of this existing location as a full business continuity/disaster recovery site for all key operations.

Emergency Connection Agreements with Bordering Utilities: During 2014, Veridian will undertake a project to formalize agreements with neighboring utilities to allow for the emergency connection of one utilities' distribution system to another. The purpose of the agreement is to ensure a basis is understood for the sharing of system capacity in times of emergency and/or system constraints due to loading. The agreement will establish the locations where system tie-points exist, notification and operation of device protocols and a settlement process post-event. The agreement will benefit customers of both utilities by providing another source of electricity supply in an emergency situation.

Distribution Equipment Database Consolidation: During 2012, Veridian successfully took a major step to removing a legacy equipment database system from service by consolidating the data within the GIS. The data movement was completed cost-effectively using in-house resources and provides a process and efficiency improvement by way of staff not maintaining two separate databases.

Elimination of AutoCad Operating Maps: This on-going initiative to be completed in 2014, results in all Veridian operating maps being produced through the GIS. Currently, a mix of operating maps between the GIS and AutoCad exists creating a duplication of effort for GIS staff in maintaining both sets of records thus introducing the possibility of error. This initiative also supports Veridian's vision of utilizing the GIS for all records related to the distribution system and allows the SCC staff to become more familiar with the GIS presentment of the maps, thereby facilitating the eventual replacement of paper operating maps within the SCC.

Outage Database Creation: During 2010, Veridian created an outage database linked to Sharepoint for the accurate tracking of all distribution system outages, including details regarding the cause of the outage. The database was created utilizing in-house resources and is accessible to all managers in a read-only format. Having accurate outage data, including causation, contained in a controlled and central location allows Veridian to implement other tools and processes (described below) to take a managed approach to making improvements to its distribution system reliability. Customers benefit from cost effective improvements to distribution system reliability.

Advanced Reliability Calculation Tool: During 2010, Veridian created an advanced reliability indices tool for the purpose of calculating distribution system reliability in a manner that allows for efficient and accurate OEB reporting. The tool was developed utilizing in-house resources and accesses the Outage Database (described above) for the required data to perform reliability calculations. The tool also provides information sorting functionality to identify worst performing feeders, specific equipment failures, and outage causation information to enable the completion of a root-cause analysis and the development of an effective action plan to correct the cause of the outage.

Creation of Internal Reliability Improvement Team: During 2010, Veridian created an internal reliability improvement team to address internal requirements to improve distribution system reliability across all of its service territories. The reliability improvement team meets on a quarterly basis to review distribution system reliability performance based on identification of worst performing feeders. The team agrees to an action plan for the correction of the root-cause for the outages and has the authority to enact the plan. Veridian's reliability improvement team includes senior level staff from engineering and operations and includes the President and CEO. Veridian's approach to improving distribution system reliability results in a managed and cost effective approach to the improvement of reliability for its customers.

Examples of least cost provision of distributor obligation activities:

Introduction of Ontario One-Call and Contract Cable Locating: During 2012, Veridian introduced the contracted services of Ontario One-Call corporate wide and contracted cable locating within its Belleville district. Ontario One-Call provides one telephone number for customers to call to arrange for an underground cable locate, improving safety and efficiency for all utilities and providing better service and value for Veridian customers. The introduction of contract cable locating service in the Belleville district provide customers with a higher value service in receiving underground cable locates and allowed Veridian the opportunity to assess this contracted service for further implementation within its service area. During 2013, Veridian continued to implement contracted cable locating services. Veridian currently employs 3 underground cable locating staff in the Ajax district and supplements those staff with other field staff during periods of peak locating activity. During 2012, it became apparent that the increase in volume of locate requests could no longer be covered by Veridian staff in the Ajax district and meet the OEB Electricity Service Quality Requirements. During the spring of 2013, contracted cable locating service was introduced in the Ajax district to supplement Veridian's 3 existing underground cable locators during the peak locating season. At the end of the peak locating season, the contractor will be disbanded and Veridian's 3 underground cable locators will perform locates for the district. This cycle will repeat itself in future years until the existing 3 underground cable locators reach retirement or transfer to other positions within Veridian. In the fall of 2013, contracted cable locating service will be introduced to the Gravenhurst and Brock service areas making available line staff resources for execution of planned capital work.

Examples of adopting new technology to build workforce capacity and reduce overall cost structure:

Business unit managers seek technological solutions to reduce current and future labour requirements, improve accuracy and reduce overall operating costs.

Some examples of recent technology solutions include:

Initiative	Description	Benefits
Server Virtualization	• Multiple applications and operating systems run on virtual machines on a hosted high performance server	• Reduced costs Operating expenses Hardware costs • Efficiency Improvements Server provisioning time reduction Upgrade/maintenance expenses reduced
Virtual Desktop Infrastructure	• User accesses virtual desktops running in the data centre	• Centrally managed • Reduces administration costs • Simplifies desktop admin and management tasks • Reduces deployment time • Applications can be quickly added, deleted upgraded, patched • Desktop Security and data protection centralized • Available to remote users

Initiative	Description	Benefits
Mobile Work Force Management	• Integrated resource planning, scheduling, dispatch, mobile, and business analytics	• Reduces operating costs while improving asset life and customer satisfaction • Increases on-time responses, wrench time, and job completions • Reduces travel distance, vehicle emissions, and missed appointments • Improves productivity and decreases crew hours and overhead • Incorporates training, work administration, and performance monitoring • Monitor the physical location of crews and the progress of work with real-time indicators
Financial Forecasting, Monitoring Reporting Software	• Implemented in 2012 • Integrated corporate wide web based solution	• Reduction of overall labour hours for completion of annual financial plan by 20%
Paperless AP processing Software	• Implemented in 2011 • Integrated corporate wide solution	• Reduces labour requirements for processing payable transactions • Reduces storage space requirements through paperless retention
Fleet Vehicle GPS Initiative	• Installed in 2010 • Real-time geographical positioning system for fleet tracking	• Provides sophisticated GPS fleet management of company-wide policies to improve driver behavior, enhance driver safety and improve on-road productivity
Fuel Management system	• Installed in 2011 • Computerized fuel management system	• Tracks bulk fuel usage by vehicle and employee • Data consolidated for management and review of fleet fuel efficiencies by vehicle, fleet categories, age of vehicle and driver
Inventory Bar Coding	• Implemented in 2011 • Integration with Financial and Job Cost/Capital system	• Supports day to day activities of Supply Chain group • Administrative efficiencies through elimination of manual data entry

Initiative	Description	Benefits
		leading to higher productivity and reduced errors • Improved inventory control through automation of daily cycle counting and simplified receipt and issue of inventory

Examples of minimizing increases in headcount:

A rigorous financial and business planning process includes Executive level review of all new or replacement staffing requests by business unit owners.

Business unit owners must submit a completed Business case supporting the requirement for new staffing or the replacement of existing staffing should a vacancy of an existing position arise.

The business case must identify the following:

- Forecasts of operating cost impact related to new position
- Details on principal duties and how the requirements are currently being fulfilled
- Risks/impacts to Veridian and its customers without the position
- Explanation of how the position supports the company's key business objectives
- Alternatives considered

All new positions and replacements are vetted at the Executive level and any opportunities for reassignment of tasks within the existing workforce are explored.

All new employee requests must be authorized by the President and CEO.

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Exhibit 4

Tab 2 of 8

Detailed Analysis of Operating Costs

Detailed Analysis of Operating Costs

Veridian has prepared its analysis of operating costs based on The Board's Chapter 2 Cost of Service minimum filing requirements which requires applicants to provide variance analysis on OM&A cost on a program basis where possible. In the absence of historical information on an OM&A program basis, Veridian's variance analysis for the years 2010-2012 has been prepared based on a traditional approach of major cost categories. The variance analysis for the years 2012-2014 has been prepared based on the Board required program basis as per 2.7.3 – Program Delivery Costs with Variance Analysis.

2010 through 2012

This schedule provides a year-over-year review and variance analysis of total Operations, Maintenance and Administration expenses for the period of 2010 through 2012. As noted, historical cost information on an OM&A program basis is not available for this period, so Veridian provides here the review and analysis using the traditional approach of the major cost groupings, relating the variances back to the key cost drivers previously identified.

Table 1 provides a summary of Veridian's OM&A cost by major cost grouping for the period of 2010 Board Approved through 2012.

Table 1: Summary OM&A table by category

	2010 Board Approved ($)	2010 Actuals ($)	2011 Actuals ($)	2012 Actuals ($)
Operations	4,091	4,154	4,502	5,262
Maintenance	2,838	2,435	2,582	3,066
O&M Subtotal	6,929	6,589	7,085	8,327
Billing and Collecting	5,556	5,531	4,891	6,504
Community Relations	390	304	277	192
Administrative and General	8,612	8,082	8,349	9,448
Admin Subtotal	14,557	13,917	13,517	16,144
Total OM&A	**21,486**	**20,507**	**20,602**	**24,471**

2010 Actuals variance to 2010 Board Approved

In 2010 total OM&A costs were approximately $979,000 less than the 2010 Board Approved amounts.

Operations and Maintenance

O&M costs were $340,000 below those forecasted in 2010. In 2010, Veridian found it necessary to defer planned meter maintenance activities such as sample meter testing and seal reverification as well as planned cross-phase analysis of commercial meters. Implementation of Veridian's mandated smart metering plans required more of Veridian's internal staff resources than originally anticipated. Internal staff were deployed to the capital investment of smart metering and maintenance activities were deferred to future years in anticipation that internal resources would then be available as Veridian reached completion of its smart metering program. Approximately $245,000 of meter maintenance activities was deferred.

In 2010 Veridian had a plan to fill vacancies in supervisory positions at its district service centres. The vacancies were filled later in 2010 than originally planned, thus reducing overall OM&A costs by approximately $100,000 in 2010.

Administration Costs

Administration costs were approximately $640,000 less than originally forecasted.

Billing and Collecting Costs: In 2010 Veridian began a change in the frequency of billing for its residential customers from quarterly to bi-monthly. Total costs for this initiative in 2010 were forecast at $215,000. The transition to bi-monthly billing took longer than anticipated and at December 31, 2010 41.1% of Veridian's residential customers were still on quarterly billing, resulting in lower transition costs in 2010 of $88,430.

These cost reductions, however, were offset by a higher level of bad debt expense in 2010 than originally forecast. Bad debt expense included within the 2010 Board Approved costs was $945,000 while Veridian's actual 2010 bad debt expense was $1,048,388.

Admin & General Costs: The most significant variance in costs was within this category where 2010 actual costs were $530,000 less than originally forecast.

Veridian had planned for creation of several new positions in 2010 to support the governance, financial services and customer services functions. The creation of a Corporate Secretary position, along with a Governance Administrator position was planned. The administrator position was created and filled by an existing staff member from another department. Back fill of the resulting vacancy was deferred as processes were being reviewed in that group and process improvements introduced could either defer or eliminate the need for backfill.

The Corporate Secretary position was parked and was later reviewed as part of an Executive succession and restructuring plan which occurred in 2012. Through that process, Veridian adopted a more distributed governance structure with existing Executive staff taking on the key responsibilities that would be found within a Corporate Secretary position.

Staffing of the other planned positions such as financial analysts and customer service staffing occurred much later in 2010 than anticipated. The overall 2010 cost reduction due to these changes in staffing plans was approximately $450,000.

Other reductions in administrative costs were a one-time reduction in Veridian's general liability insurance of $61,000 and reduced costs for legal and other consulting fees totalling approximately $95,000.

2011 Operating Cost Levels compared with 2010 Levels

In 2011 OM&A costs were only $95,000 higher than 2010 levels.

Overall OM&A cost increases related to wage and benefit adjustments for the base 2010 labour complement in 2011 were approximately $546,000 and included scale progressions for any eligible employees.

<u>Operations and Maintenance</u>

By 2011, O&M costs were just over the originally forecast levels of 2010 at $7.085 million which was an increase of $495,000 over 2010 levels.

Meter maintenance activities began to resume as Veridian became closer to completion of its smart meter implementation plan. Total operating and maintenance costs for metering increased approximately $122,000 in 2011.

In 2011, emergency power restoration costs were unusually high and approximately $123,000 above normal historic levels. In August 2011, a severe summer electrical storm resulted in a significant and prolonged outage in the Ajax and Pickering service areas. In November 2011 a significant early winter storm in Gravenhurst resulted in major outages and increased operating costs to restore.

Over the period of 2009 through 2011 Veridian made significant investments in its Operational Information Systems ("OIS"), particularly those related to its Geographic Information Systems ("GIS"). These systems are integral to accurate records management of Veridian's distribution assets. The costs for software licensing and maintenance costs for these various systems increased in 2011 by approximately $112,000, arising from two major factors. Full year licensing costs for the Intergraph GIS platform installed in the previous year increased costs by $61,000.

In 2011, Veridian identified the requirement for a subscription based service that provides existing property information from sources such as the Municipal Property Assessment Corporation and the Region of Durham. It is used as a computer aid for engineering staff in the design and location of distribution assets and information related to property easement requirements. The annual subscription fee was $54,000.

Administration Costs

Total administration costs dropped by $400,000 in 2011 from 2010 levels.

Billing and Collecting costs down by $641,000: By June 30, 2011 Veridian had substantially completed the transition of its residential customers from quarterly billing to bi-monthly billing, increasing costs over 2010 levels. As well, full year costs for customer service staff hired late in 2010 increased costs by approximately $120,000.

Bad debt expense in 2011 was unusually low at only $237,247, compared with just over $1 million the previous year or a reduction of $835,000. In 2011 the number of residential write offs was 15% below historic levels and the number of commercial write offs was 30% below historic levels. As well, the average amount per written off account was only 51% of the average historic balance ($1,171 vs $3,477). Another contributing factor was that Veridian experienced no significant commercial or industrial bankruptcy write-off. The historic average for such bankruptcy write-off is $200,000.

Notable reductions to costs in 2011 included;

- Further reductions in traditional meter reading costs as Veridian's smart metering implementation neared completion ($27,000)
- Reduced costs for collection of accounts as fewer payment notices resulted in lower stock and postage costs as well as contractor charges ($59,000)

Admin & General Costs up by $267,000: Full year costs for the financial services and governance staff hired late in 2010 increased costs by approximately $250,000. As labour is the most significant cost within this group, annual wage and benefit adjustments contribute significantly to cost increases in this category. The cost of these increases is included in the previously noted $546,000 overall OM&A labour cost increase.

In 2011, facilities costs were approximately $145,000 lower than in 2010. Veridian's 2010 Board Approved OM&A costs reflected cost savings associated with its Ajax Building Expansion Project as amortized over the 2010 Test Year and the subsequent IRM period. The details are provided in Table 2, which was included within Veridian's 2010 COS evidence.

Table 2: Calculation of 2010 Test Year OM&A Cost Reduction

Calculation of 2010 OM&A cost reduction	**2010**	**2011**	**2012**	**2013**	
Base Lease Costs-Pickering Parkway	$213,875				
Taxes, Maintenance Insurance - Pickering Parkway	$130,500				
Incremental Maintenance expenses-building expansion		$234,000	$234,000	$234,000	
Operational Efficiencies		($33,000)	($33,000)	($33,000)	
	$344,375	$201,000	$201,000	$201,000	
Four year Total					**$947,375**
Total costs amortized over 4 year period					**$236,844**
New OM&A requirements for space	$236,844				
Less: Original OM&A levels in revenue requirement (as above)	($344,375)				
	($107,531)				
Less: Avoided lease costs-Metering Facilities	($55,620)				
Test Year OM&A Reduction	**($163,151)**				

As noted above, the lease costs for the rented Pickering offices would continue through 2010 as the Ajax building expansion was constructed. In 2011, the rented premises were no longer required as staff were relocated to the Ajax offices upon completion of the expansion.

Professional services incurred in 2011 were approximately $50,000 below 2010 levels.

2012 Operating Cost Levels compared with 2011 Levels

In 2012 OM&A costs increased by $3.87 million over 2011 levels.

Overall OM&A cost increases related to wage, progression and benefit adjustments for the base 2010 labour complement in 2012 were approximately $596,000.

The most notable increase in OM&A costs in 2012 was due to Veridian's January 1st, 2012 accounting change in treatment of previously capitalized overheads totalling $1.3 million in 2012. As explained previously, these are not new expenditures for Veridian but are merely a reclassification of pre-existing costs into the OM&A classification. Full details of all items within these costs are included in Exhibit 2, Tab 2, Schedule 3 – Capitalization of Overheads.

<u>Operations and Maintenance</u>
In 2012, O&M costs were $8.33 million, an increase of $1.2 million over 2011.

Distribution Asset Management Activities up by $495,000:
In late summer 2012 an area of southeast Ajax serving approximately 2,300 customers experienced a high rate of momentary and sustained outages as a result of tree and animal contact with the Veridian overhead distribution system. The main areas affected were four 13.8 kV feeders from the Pickering Beach substation. Veridian received a high number of customer inquiries and complaints regarding the interruptions. Through root cause analysis of outage data and inspection of the area, Veridian determined that increased temperature and rainfall in the area had resulted in higher than normal vegetation growth and increased animal presence. The area is an older section of town with mature tree growth. This area of south Ajax was scheduled for regular cyclical vegetation management treatment in 2013. To address the reliability concerns of customers in this area, Veridian advanced its regularly scheduled cyclical tree

trimming for that area as well as incurring additional spot trimming. Costs increased in 2012 by approximately $300,000.

In 2012 repair costs for underground primary and secondary cable were approximately $115,000 higher than in 2011. The number of faults in each year was stable but average cost to repair in 2012 was higher due to higher excavation and man hour requirements.

Meter costs in 2012 include those costs related to operations and maintenance of smart meters. In the prior years of 2008 through 2011, these costs were recorded in the Smart Meter Deferral accounts for future disposition. A major component of these activities is investigation and resolution of smart meter trouble reports from the field. These field visits and investigations are frequent and can be time consuming. More details on the cost implications of smart meter trouble calls are provided in the following schedule where Meter O&M programs are described in full. Smart meter related cost increases in metering in 2012 were approximately $203,000

Cable Locating: In 2012 Veridian experienced a significant increase in the number of requests received for underground cable locating services. Locate requests in 2010 totalled 10,445, 14,785 in 2011 and in 2012 that number had grown to 18,817. Veridian attributes the increase to factors such as continued customer growth, major roadway expansions and increased customer awareness and education on the need for locates. Costs to provide this distributor obligation service increased by approximately $107,000 in 2012 over 2011 levels and locate volumes increased by 27% in 2012. In December 2011, Veridian began contracting with Ontario One Call as would be required by legislation effective June, 2012. With this new arrangement cable locate requests increased as customers that previously contacted Ontario One Call had mistakenly believed they had contacted Veridian and had not placed a separate call to Veridian directly. With the new arrangements, these otherwise unknown calls were now properly routed to Veridian for action.

Software Licensing and Maintenance Costs: As noted in prior years, licensing, maintenance and support costs related to technology investments which support asset management and operations continue to increase. In 2011 an additional component of Veridian's GIS platform was installed with the ESRI software used that provided added viewer and analysis functionality. Costs in 2012 reflect the additional annual licensing costs of approximately $40,000. Other increases related to additional licenses for existing software and annual inflation increases on existing software maintenance costs.

<u>Administration Costs</u>

Total administration costs increased by $2.63 million in 2012 from 2011 levels.

As noted previously, the most significant increase relates to the accounting changes for capitalized overheads which totalled $1.3 million in 2012 with the majority of these costs within the Administrative and General grouping. Adjusted for this, actual cost levels increased $1.33 million over 2011 levels.

Billing and Collecting Costs up by $1.6 million: Two major factors contributed to this significant increase in billing and collecting costs.

In 2012 bad debt costs were back to historic levels at $941,500 after the unusually low levels of $237,000 in 2011. This represents an increase of $704,000 over 2011 levels.

Costs within the billing and collecting group related to smart metering were no longer recorded within the smart meter variance accounts in 2012. These costs totalled $524,000 in 2012 and included amounts for computer software maintenance for AMI systems, security audits and systems operations, wide-area-network communication costs and customer communication costs.

These costs were all approved by the Board as prudent and were approved for recovery through a Smart Meter Implementation Rate Rider ("SMIRR") until these prudently incurred costs could be included within Veridian's base distribution rates.

Program Delivery Costs and Variance Analysis

As described in Exhibit 4, Tab 1, Schedule 3 – Description of OM&A Programs, Veridian has relied on guidance provided within the Filing Requirements in identifying OM&A programs in a meaningful way that is intended to assist the Board in its movement towards an output / program-focused review of Veridian's operating cost structure.

The Description of OM&A Programs provides detailed descriptions of the various activities performed and services delivered within the programs, along with information on internal and external resources deployed.

Appendix 2-JC OM&A Programs Table has been completed and provided as attachment 1 to this schedule.

Table 1: Program Descriptions

Operating	Maintenance	Administration	Customer Service
•Emergency Power Restoration •System Control Centre/SCADA •Engineering •Cable Locating •System Records •System Operations •Meter Operations •System Planning •Operations and Inspections Customer Premises	•Vegetation Mgmt. •O/H Lines Maintenance •U/G Lines Maintenance •Station Maintenance •Meter Maintenance •Transformer Maintenance	•Governance and Senior Executive offices •Financial Services/Rates and Regulatory Accounting •Purchasing and Procurement •Human Resources •Regulatory •Community and Customer Communications •Office and Professional Services •Facilities •Insurance - Property and Liability •Allocation of Overhead Costs to OPA programs and Veridian Solar •Employee Training, Development and Engagement •Information Technology	•Contact Centre •Retail Billing •Credit Control •Wholesale Settlements •AMI Administration

As illustrated in Table 1 above, programs have been grouped into high level categories of Operating, Maintenance, Customer Service and Administration Programs. Operating and Maintenance programs are those most directly related to the physical components of the distribution system and delivery of services to customers directly related to such assets. Examples are Station Maintenance identified as a program within the higher category of Maintenance Programs and Cable Locating identified as a program within the higher category of Operating Programs.

In several cases, such as O/H Lines Maintenance, Veridian has identified ‘sub-programs’ such as Pole Testing, Insulator Washing, O/H Pole Maintenance and O/H Switch and Conductor Maintenance.

In other cases, program costs are identified at a high level and follow functional or departmental lines such as Veridian's Contact Centre or Retail Billing as examples of Customer Service Programs. Within Administration, there are programs such Purchasing and Procurement, Human Resources and Employee Training, Development and Engagement.

In all cases, direct costs for the activities have been identified and an allocation of the costs of the senior management supporting each program has been included.

In examining program delivery costs and analyzing variances, Veridian has provided an analysis of the causes of material changes in program costs year over year on the following basis:

- Scope Changes – Scope changes are the result of adding or removing an output or deliverable of a program through addition of totally new activities or expansion or improvement of existing activities or services.
- Input Cost Changes – Input cost changes can increase or decrease the cost to deliver program outputs or services. Under some circumstances input cost changes can be mitigated or controlled through corresponding changes in program scope or through efficiency improvements of other cost elements.
- Volume Changes – Changes in the quantities of output or services, either in response to customer requests or feedback or chosen to be provided at a different level, can result in variances in program costs. Volume changes can be temporary or long term.
- External Factors/Conditions – In some cases, external factors or conditions can result in program cost variances that are not characterized by scope, input or volume changes. An example is the severity of a major weather event on the delivery cost of Veridian's Emergency Power Restoration program.

Table 2 below provides cost information from 2012 actual, 2013 bridge forecast and 2014 test year forecast for the high level categories of Veridian's OM&A programs. As explained previously, variance analysis for the period of 2010-2012 has been completed on the traditional account and functional cost basis and the variance analysis for 2012 to 2014 has been completed here on a program cost basis.

Table 2: OM&A Programs 2012 - 2014

	2012 Actual	2013 Bridge	2014 Forecast	% age Increase 2014 over 2012
Operating Programs	5,442,600	6,322,297	6,502,999	19.5%
Maintenance Programs	2,860,482	3,024,132	4,207,875	47.1%
Customer Service Programs	6,913,205	7,253,078	7,369,840	6.6%
Administration Programs	9,255,175	9,493,993	10,202,978	10.2%
Total OM&A	**24,471,462**	**26,093,500**	**28,283,692**	

As can be seen from the table above, the major increases from 2012 to 2014 are within Veridian's Operating and Maintenance Programs.

As outlined earlier in this exhibit, Veridian has identified that its Operating and Maintenance programs are increasing in costs as a result of a combination of all the causes identified above; scope, input cost, and volume changes as well as some external conditions.

O&M Program Delivery Cost Variance - 2012 to 2014 Changes

Operating Programs – 2012 to 2014

Table 3: Operating Programs	2012 Actual	2013 Bridge	2014 Forecast
Emergency Power Restoration	690,840	793,771	801,081
System Control Centre/SCADA	830,042	959,553	1,011,136
Engineering	570,055	543,441	517,724
Cable Locating	820,345	1,311,385	1,121,711
System Records	421,289	470,706	596,864
System Operations	1,229,791	1,354,399	1,354,934
Meter Operations	550,578	546,824	702,681
System Planning	169,111	217,381	255,602
Customer Premises	160,548	124,837	141,267
Total Operating Programs	**5,442,600**	**6,322,297**	**6,502,999**

Table 3 above provides year over year program delivery costs for Veridian's Operating programs.

Engineering, and Customer Premises programs have little variability in delivery costs. The variance analysis provided here will focus on programs with high variability in costs year over year and those where costs are increasing significantly. The variances are analyzed at a more granular level and not necessarily at a material threshold level.

Operating Program costs are forecast to increase in total by approximately $880,000 in 2013 and then a further increase of approximately $181,000 in 2014. The largest variances in costs are noted in Emergency Power Restoration, System Operations, System Control Centre, System Records, Cable Locating and Metering. Material variances for the Operating Programs are described below.

Emergency Power Restoration

Program costs for emergency power restoration are subject to some degree of variability as most of the services are reactive in nature, vary in volume and subject to external conditions such as extreme weather and storm activity.

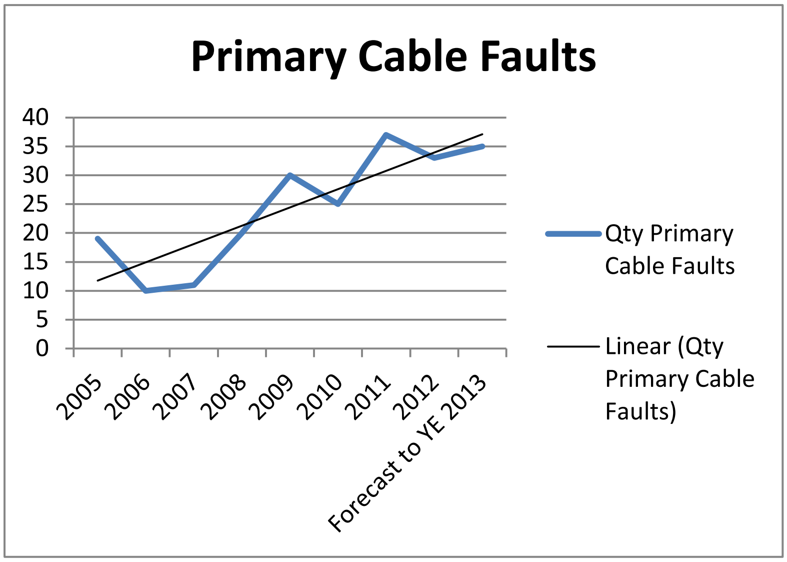
Two sub-program cost groupings of O/H and U/G power restoration are identified within this program.

Table 4: Power Restoration

	2012 Actual	2013 Bridge	2014 Forecast
O/H Power Restoration	542,265	594,768	547,440
U/G Power Restoration	148,576	199,003	253,641
	690,840	793,771	801,081

O/H power restoration costs are forecast at 10% higher in 2013 than in 2012. In July a severe wind and electrical storm caused extensive damage in Veridian's service area in Gravenhurst. All of Veridian's Gravenhurst customers, approximately 6,000, were without power. Power restoration operating costs associated with the storm were approximately $80,000. Additionally, there was a higher frequency of storm activity in Veridian's other service areas, particularly within Belleville and Clarington. Costs are forecasted in 2014 at historic normal levels.

U/G power restoration costs are also forecast to increase in each of 2013 and 2014 at approximately $50,000 per year. Increasing costs have been the trend and are primarily due to volume changes. Underground primary cable repairs are the largest cost activity. The number of primary cable faults has been increasing since 2005. The table below shows the increase in cable faults 2005 to 2012, the forecast to the end of 2013 and the trend over the period.



Veridian will begin a long term capital program of cable rehabilitation and replacement to address the issue of failing direct buried underground cable now reaching end of life but the program will take many years to complete and cable fault rates are not expected to decline in the short term.

System Control Centre/SCADA

Costs related to System Control Centre/SCADA activities increase by approximately $130,000 from 2012 to 2013 and then are forecasted to increase a further $51,000 in 2014.

The major cost component for operating Veridian's System Control Centre is labour at almost 85% of the total program costs. The majority of control centre staff are unionized employees and labour costs for these staff are increasing by 3% annually as per committed increases under the collective agreement. Labour costs related to the position of Systems Operator rose in 2013 due to an upward adjustment to the pay range for this position late in 2012. The adjustment was made following a routine internal pay equity review, through which the relative value of position categories are assessed using a comprehensive job evaluation matrix. In addition to maintaining internal pay equity, the adjustment helped address a high turnover rate in this position category that was due to a pay range that was not competitive with local market rates.

A move to an upgraded radio dispatch system in 2013 requires annual tower rental fees of approximately $15,000.

In 2013 and 2014 there will be an added focus on new operating activities (change in program scope) such as performing health checks of the SCADA system, verifying substation communications with the SCADA system and other field automated devices and providing specialized database development and programming for automated systems such as voltage-control and self healing network systems.

The number of minor adjustments to field devices increased in 2013, increasing costs by $20,000.

Cable Locating

Veridian's costs to provide cable locating services continue to increase. In 2013 total costs for this distributor obligation program is projected to be $1.3 million, up significantly from 2012 costs of $830,000. In 2014, Veridian is forecasting a slight reduction in costs at $1.1 million.

Section 228 of the Occupational Health and Safety Act and Regulations for Construction Projects (O. Reg. 213/91) requires the locating and marking of underground services in the vicinity of any excavation. The regulation is intended to prevent injuries, property damage, equipment outages to customers and expensive repairs to damaged underground services.

Veridian's guidelines for providing underground locating and marking services for its plant are as follows:

- Perform emergency locate requests within 2 hours and,
- Schedule appointment to perform regular locate within 5 business days

During the first 6 months of 2013, Veridian has experienced a 2.5 times increase in the number of locate requests in its Ajax and Pickering service areas, over the same period in 2012. The increase in locate requests is attributable to a number of factors including continued customer growth in the area, major roadway expansion with Highways 7 and 407, and increased customer awareness through "call before you dig" campaigns sponsored by underground-plant utilities, the Electrical safety Authority and the Ontario Regional Common Ground Alliance (ORGCA). Veridian also believes it is experiencing an increase in the volume of locate request as a result of contracting with Ontario One Call in December 2011, as previously, customers calling Ontario One Call believed they were arranging for all utility locates when in-fact they were missing Veridian. All utilities with underground plant were required to join Ontario Once Call by June 12, 2012.

Table 5: Cable locate volume growth

Service Area	**2010**	**2011**	**2012**	**Forecast 2013**	**Forecast 2014**
Ajax/Pickering	7,016	10,280	12,302	19,522	17,834
Clarington	1,692	2,365	3,277	5,142	5,219
Belleville	1,201	1,451	1,989	1,601	1,601
Brock	228	321	744	988	988
Gravenhurst	308	368	505	654	654
Totals	**10,445**	**14,785**	**18,817**	**27,907**	**26,296**
%age increase		41.6%	27.3%	48.3%	-5.8%

The table above shows the volume growth in cable locates since 2010.

During 2012, in Veridian's Ajax, Pickering and Clarington service areas, locate requests totaled 15,579. Volumes to September 30th 2013 were 18,301; 1.2 times the entire volume for all of the previous year. A month-to-month comparison indicates an average increase of 2.0 times over the same period in 2012. Veridian has projected the 2013 total locates for the Ajax, Pickering and Clarington service areas at 26,265 or 1.5 times the 2012 levels. Locate volumes for the other service areas are expected to have modest increases in 2013.

Veridian expects the locate request volumes to decrease somewhat from 2013 levels during 2014 as preliminary work associated with the 407 expansion is completed. Veridian is experiencing modest increases in locate requests in the Belleville district and relatively low increases in volumes in the Brock and Gravenhurst areas and is projecting this continued level of increase for 2014.

Veridian has forecast an increase in locate costs from a 2012 actual value of $820K to $1.121 million in the 2014 test year due to the volume increase in locate requests as described above. While the volume increase in locate requests is beneficial from a customer safety and protection of underground plant perspective, it presents a significant challenge in controlling costs while providing this non-discretionary operating program for customers. As well, it presents a challenge for Veridian in meeting its Electricity Service Quality Requirements (ESQR) target for this activity.

Veridian has implemented a number of measures to mitigate costs and improve ESQR scoring associated with underground cable locating.

Beginning in 2013, Veridian implemented the introduction of contract cable locating in its Ajax, Pickering and Clarington service areas. The contracted service augments Veridian's existing 3

FTE employees in these service areas and will ensure the most cost effective means for Veridian to achieve the 5 day ESQR target during peak locating periods. The contracted service in this area covers the typical spring to fall period of increased locate activity. Once activity levels subside, Veridian resumes the performance of all underground cable locating in the Ajax, Pickering and Clarington areas with the existing 3 FTE employee staff members.

During the last quarter of 2013, Veridian plans to introduce "office all-clears" for those areas in its system that are known to be overhead distribution. Veridian estimates that the introduction of office all-clears will reduce the number of field locates by approximately 10%. This reduction has been included in the 2014 forecast of locates.

Also during the last quarter of 2013, Veridian plans to implement contract cable locating in the Brock and Gravenhurst areas. Currently, locates are performed by line staff and a cost per locate comparison indicates this is not the most cost effective means for Veridian to perform locates in this service area. Line staff currently employed part-time to perform locates will be more effectively redeployed on capital programs identified in Veridian's capital plan, allowing contracted cable locators to provide the service on a more cost effective basis.

Per unit cable locate costs for 2012 through 2014 will decline by almost $1.00 per unit.

	2012	Forecast 2013	Forecast 2014
Total Costs	$820,345	$ 1,311,385	$ 1,121,711
Volumes	18,817	27,907	26,296
Per Unit Cost	$ 43.60	$ 46.99	$ 42.66

System Records

The costs from 2012 actuals to 2013 bridge year have increased by $49,000. As discussed previously in Exhibit 4, Tab 1, Schedule 2 –Summary of OM&A Cost Drivers, new technology solutions require additional software maintenance costs.

Annual software maintenance costs of $37,000 for Veridian's previously purchased Outage Management system began in 2013. Veridian's OMS provides the following benefits:

- improved system reliability and reduce customer minutes of interruption
- better facilitation of management of outages and distribution network operations from the Ajax System Control Centre;
- provides System Operators a near real-time view of the state of the distribution network
- establishes a platform for future operational and work force automation initiatives including mobile data.

The costs from 2013 bridge year to 2014 test year are forecast to increase by an additional $126,000.

Between 2013 and 2014, additional licensing for existing software is required to extend use of the existing technology within the organization and inflation adjustments on existing software licensing is expected.

Over the past three years, Veridian has been developing a new Mobile Workforce Computing platform which will improve workflow processes and increase capacity within Veridian's existing labour complement. In 2014 the annual costs for maintenance and support of this system will be $55,000. Further details on this capital investment are provided at Exhibit 2, Tab 2, Schedule 2.

Approximately $50,000 is forecast for the cost of ongoing maintenance and customizations of operational system software.

<u>System Operations</u>

There are many sub-programs identified within Systems Operations.

Table 6: System Operations

	2012 Actual	2013 Bridge	2014 Forecast
Substation Operations	456,966	462,812	470,991
Distribution Automation Operation	154,943	155,808	215,905
TX Oil Testing	134,082	154,700	43,638
System Patrol	38,147	55,380	49,609
Joint Use	109,836	176,963	179,416
General OH Operations	107,599	126,900	101,464
General UG Operations	46,348	41,928	54,702
Infra Red Scanning	57,151	51,359	55,118
Padmount Inspection Program	124,719	128,549	184,091
	1,229,791	**1,354,399**	**1,354,934**

System Operations costs increase from 2012 to 2013 by $125,000 and then remain level in 2014.

Distribution Automation costs increase by approximately $60,000 in 2014 due to program scope changes. In 2014 Veridian will contract services totaling $25,000, related to 44 kV relay settings and coordination of new impedance relay settings for Veridian's connections with Hydro One transformer stations.

Late in 2013, two Protection and Control Automation Technicians are being added to support new program activities related to Distribution Automation Operations and Maintenance. New activities include the establishment of a standardized protection and control (P&C) philosophy for Veridian and the establishment of a communication device / Remote Terminal Unit (RTU) asset registry. Veridian has many different communication devices and RTUs employed on its system. The development of an asset registry will ensure Veridian is taking a managed approach to the maintenance and replacement cycles associated with these important devices. As Veridian is the amalgamation of a number of smaller utilities, many different protection and coordination (P&C) philosophies and devices exist across the utility. A standardized approach to the philosophy along with standardization in protection and control equipment will ensure the highest levels of system reliability for Veridian customers. The costs in 2014 reflect the full year labour inputs for these staff and these new program activities.

New inspection activities include inspection of automation devices on a periodic and scheduled basis and maintaining detailed equipment records and drawings. Details on the additional Distribution Automation maintenance program activities are provided later in this exhibit.

Forecast costs for TX Oil Testing are decreasing in 2014. Program costs in 2012 and 2013 included compliance testing of polemount transformers related to its obligations under Federal PCB Regulations (SOR/2008-273). These are not recurring costs in 2014.

Joint Use costs in 2012 were lower than the annual normal costs due to a staff shortage and the delay of some program projects until 2013.

Costs for padmount inspection operation programs in 2014 will increase by $55,000. Padmount transformers are inspected on a 3 year cycle where Veridian's service area is divided into three roughly equal geographical areas. As the cycles are based on geographical area, the concentration of equipment in each area varies, so annual program volumes vary. The volumes for 2014 are slightly higher than those for 2013.

Meter Operations

Costs for Meter Operations are relatively stable from 2012 to 2013. There is an increase of $155k expected from 2013 to 2014 primarily due to staffing changes related to metering workforce renewal and succession planning. Details of the plan are provided later in this schedule in a detailed discussion on Meter related program costs.

System Planning

System Planning costs are forecast to increase $48,000 in 2013 over 2012 levels. System Planning at Veridian includes overall asset management activities. Veridian has undertaken new activities (scope changes) in formalizing its asset management practices including the completion of a third party Asset Condition Assessment (ACA). Work was begun in 2012 and the initial assessment was completed in 2013 with an overall increase in costs of $50,000. Continuing work on asset management development with the addition of two Asset Management and Planning technicians to support this group increase cost levels by a further $38,000 in the 2014 test year. More details on the Asset Condition Assessment and development of the formalized Asset Management Plan is provided within Veridian's Distribution System Plan at Exhibit 2, Tab 3.

Maintenance Programs – 2012 to 2014

Table 7: Maintenance Programs

	2012	2013 Bridge	2014 Forecast
Vegetation Mgmt	1,185,391	993,207	1,305,966
Station Maintenance	207,075	340,470	527,697
O/H Line Maintenance	183,220	230,167	392,820
U/G Line Maintenance	778,519	798,208	1,124,003
Meter Maintenance	254,019	447,390	628,888
Transformer Maintenance	252,257	214,691	228,501
Total Maintenance Programs	**2,860,482**	**3,024,132**	**4,207,875**

Table 7 above provides year over year program delivery costs for Veridian's Maintenance programs.

Costs for transformer maintenance programs remain stable from 2012 through 2014.

Maintenance Program costs are forecast to increase in total by approximately $164,000 in 2013 and a further $1,180,000 in the 2014 test year. All major programs are subject to cost pressures throughout 2013 and 2014.

Vegetation Management

Vegetation management costs are forecast to be $192,000 lower in 2013, than 2012 levels. Activities in this program are generally done on a planned basis with three year cycles, along with some unplanned and reactive work. The vegetation maintenance work regularly scheduled for 2013 in the area of south-east Ajax was completed late summer of 2012 ahead of schedule. Increased vegetation growth and animal contact on primary feeders were resulting in unacceptably high levels of momentary and sustained outages. In response to customer concerns, Veridian advanced the 2013 scheduled work. Costs are forecast to be lower in 2013 as a result.

Costs in 2014 reflect the regular scope of work based on resumption of regular cyclical and are forecast at $1.3 million, or $133,000 above 2012 levels. The majority of Veridian's vegetation management programs are delivered through contracted services and accordingly, the 2014 forecast reflects expected inflationary contract pricing adjustments.

Station Maintenance

These costs will increase significantly from 2012 to 2013 by $ 121,000 and a further increase of approximately $187,000 in 2014. The main cost drivers for these increases are added activities (increase in program scope) within the maintenance programs which include a focus on distribution automation and increased maintenance work related to this critical asset group of substations.

During 2012, Veridian initiated programs related to Distribution Automation (DA) with a focus to ensuring success in the newly emerging grid automation and smart grid environment. Veridian recognized that a highly specialized group with skills in traditional utility engineering, information technology and device communication systems was required to ensure prudent decision making and systems implementation in regards to investments in grid automation technologies.

At inception in 2012, DA programs were supported by a manager and an office technician specializing in IT related work and communications. Late in 2013 two P&C and Automation field technicians will be added with responsibilities in both the field and the office.

These technical staff will complete new station maintenance activities such as relay testing and upgrades as well as database updates for supporting all automation devices and programming of relay, reclosures and other smart devices.

Veridian's non-contiguous service area means a higher than normal quantity of substation assets in service as each area's substation needs must be treated as service islands with the requirement to not only have sufficient supply capacity available, but adequate spare equipment available as well. The variety of style, design, construction, and operating features of legacy substation assets and a variety of system voltages add a further layer of complexity as Veridian has distribution substations operating at 4.16kV, 8.32kV, 12.47kV, 13.8kV, 27.6kV and 44kV.

With such a high number of critical assets, Veridian will be augmenting resources to expand the scope of station maintenance activities. A supervisory resource and 1 new apprentice technician will be added in the 2014 Test Year. Veridian does not currently have a dedicated management resource to provide planning and operational oversight for its group of substation technicians. The supervisor will add daily oversight of the substation technicians as well as be Veridian's technical subject matter expert in these critical assets.

<u>Overhead Lines Maintenance</u>

Sub-programs within Overhead Lines Maintenance include:

Table 8: O/H Line Maintenance	**2012**	**2013 Bridge**	**2014 Forecast**
OH Switch & Conductor Mtce	59,109	60,099	61,117
OH Pole Maintenance	56,624	80,968	85,368
Pole Testing	44,860	64,860	217,111
Insulator Washing	22,627	24,240	29,224
	183,220	**230,167**	**392,820**

Cost increases for overhead Lines Maintenance are forecast at $47,000 in 2013 with further increases forecast in 2014 of $163,000. As shown in the table above, program costs for O/H switch and conductor maintenance and insulator washing remain stable through 2013 and 2014. Significant changes in program activities are planned within O/H Pole Maintenance and Pole Testing.

Results from the 2012 testing were used as inputs to the ACA work completed in 2013. As only approximately 1500 poles were tested of the system wide population of 28,000, it is difficult to extrapolate the overall system pole condition from the limited test quantities. Due to this uncertainty, Veridian is proposing to accelerate testing such that all poles will be tested by the end of 2016 and has built testing costs of $30 per pole into its O&M budgets for those years. Costs to complete the planned pole testing initiative are forecast at $750,000 and would be incurred over the three year period of 2014 through 2016. Accordingly, Veridian has amortized this program cost over the 2014 Test Year and the subsequent four year IRM period and has included annual costs of $150,000 to complete this expanded program scope. Veridian believes this to be a prudent and required initiative as the test results will inform Veridian's planned capital pole replacement program and fill in significant data gaps in information related to the condition of this major distribution asset group. Details of planned capital programs for pole replacements in 2014 are provided within Veridian's Distribution System Plan (DSP) filed at Exhibit 2, Tab 3, Schedule 14.

O/H Pole maintenance activities include minor adjustments to poles such as straightening and to guys and anchors supporting poles. Increases in these adjustments and repairs have been experienced in 2013 and it is forecast that with the increased volume of pole testing planned, this trend will continue.

Underground Lines Maintenance

Costs are expected to increase from 2013 to 2014 by $326,000. This significant increase is driven by the additional activity (scope change) of primary cable testing. Results of the ACA highlighted aging underground cables and the need to adequately prepare a plan for their replacement or refurbishment. The complete ACA completed by Kinetrics Inc is provided within Veridian's DSP at Exhibit 2, Tab 3, Schedule 6, Attachment 1.

Based on Kinectrics evaluation of the available data concerning Veridian's underground cable installed inventory, Kinectrics have recommended action on approximately 78 km of cable in 2014 (roughly 5% of the population by distance). Their evaluation is primarily based on age, combined with a limited amount of failure data. This large quantity of cable is well beyond normal amounts of cable failures that Veridian experiences in typical years. It reflects that, in Kinectrics opinion, there is a large backlog of cable that should be acted upon right away as it has already passed, or will shortly pass, its normal life expectancy. The recommended 'flagged for action' lengths of cable is relatively consistent at 78km in 2015 and 76km in 2016. Action to be taken could be in the form of cable replacement or refurbishment through injection.

Veridian proposes a cautious approach for action and plans to implement a new underground cable testing program in 2014 that would test approximately 30% of the Kinectrics recommended 'action required list'. Testing would be contracted out to a qualified supplier and would utilize a VLF (Very Low Frequency) test method. Veridian would be able to make better informed replacement/refurbishment decisions by having quantitative condition results from this testing. Cost for the testing is estimated at $7,000 per kilometer of cable and includes the contractor testing costs as well as the costs for the necessary switching using Veridian resources to de-energize the cable sections.

For 2014 through 2018, cable testing costs are estimated to be approximately $160,000 annually and would test approximately 23km of underground cable per year. The relatively small amount of cable length tested versus the installed length of approximately 1600 km, is to enable Veridian to understand the logistics and organization of performing the actual testing as well as the ability to appropriately analyze the test results. It is hoped that the results of testing in a given area will be able to be considered representative for similar vintage cables in that same area. In this way Veridian would be able to maximize the value of a limited amount of test results and not need to test every kilometer of cable. Veridian believes this is a prudent and cost effective approach for this expanded scope of its underground lines maintenance programs.

Veridian will need to monitor test results as well as actual cable failure rates to assess the volume of testing to be completed annually in the IRM period. Similar to pole testing, Veridian plans to complete the RFP process by end of Q4 2013 and look to award a third party contract by the end of January 2014.

Meter Maintenance

Meter maintenance costs are forecast to increase by $194,000 over 2012 levels and then by a further $181,000 in 2014.

As mentioned previously, meter operations costs are also expected to increase in 2013 and 2014.

Key cost drivers in Metering Operations and Maintenance programs have been identified relating to input pricing cost increases, primarily labour costs and increases in volumes, specifically with meter trouble calls.

The information provided below outlines the metering workforce renewal succession plan and provides more detail on cost increases associated with meter trouble calls.

Metering Workforce Renewal/Succession Planning:

Succession planning for this group is critical with six planned or possible retirements between 2014 -2016. Overlap will be required in some cases to allow for transfer of knowledge and multi-year apprenticeship training. As apprentices shadow technicians and continue to learn their trade a deficiency in productive hours mirrors a rise in costs that will peak in 2016. During the apprentices' formative years the shortfall will be managed by using outside contractors. The expected retirements of three field representative will coincide with the hiring of one meter tech apprentice. By 2018 the department will be staffed with 4 meter technicians, 2 apprentice meter technicians, 1 manager, 1 supervisor and 1 meter clerk, resulting in a reduction of 2 FTE employees over the current complement.

The workforce renewal program is based on elimination of the lead meter technician and field representative roles through the opportunity of retirements in these positions. Hiring of apprentices in each of 2014, 2015 and 2016 allows sufficient time for completion of trades training by 2020.

Overall labour costs rise in the short term while output or services within the program stay constant. This investment in higher short term costs is required in specialized areas of skilled trades.

The following table demonstrates the succession plan.

Metering workforce renewal program

Operations and Maintenance Hours

	2014	**2015**	**2016**	**2017**	**2018**	**Comment**
Lead Meter Tech	693	0	0	0	0	*Retirement Apr 30 2014. Lead Position not replaced.*
Meter Tech	2080	693	0	0	0	*Succession planning – will move to supervision April 30/15 to train under retiring Manager*
Meter Tech	2080	2080	2080	2080	2080	
Meter Tech	2080	2080	2080	2080	2080	
Meter Tech	2080	2080	2080	2080	2080	*Current Apprentice-full journeyperson in 2014*
New Hire 2014	1733	2080	2080	2080	2080	*Apprentice (Ticket 2018) Hire date Mar 1/14*

Operations and Maintenance Hours

	2014	**2015**	**2016**	**2017**	**2018**	**Comment**
New Hire 2015	0	1040	2080	2080	2080	*Apprentice (Ticket 2019) Hire date June 1/15*
New Hire 2016	0	0	2080	2080	2080	*Apprentice (Ticket 2020) Hire date Jan 1/16*
Field Representative	1040	0	0	0	0	*Retiring Q2 2014 - No replacement*
Field Representative	2080	1560	0	0	0	*Retiring Q3 2015 No replacement*
Field Representative	2080	1560	0	0	0	*Retiring Q3 2015 - No replacement*
Subtotal FTE Staff	**8**	**7.5**	**6**	**6**	**6**	
Supervision/Administration Hours						
Manager	2080	1040	0	0	0	*Retiring Q2 2015*
Planned succession	0	1387	2080	2080	2080	*Start May 1/15 - 2 month overlap for management training*
Supervisor	2080	2080	2080	2080	2080	*Retiring Jan 2016*
Meter Clerk	1820	1820	1820	1820	1820	*35 Hr week*
Subtotal FTE	*3*	*3*	*3*	*3*	*3*	
Total FTE Staff	**11**	**10.5**	**9**	**9**	**9**	

Note: Ticket indication by year = Year fully qualified as Journeyperson

Meter Trouble Calls Maintenance Activities

In 2009 through 2011, efforts by Metering staff were largely focused on completion of Veridian's smart meter installations. As the traditional electromechanical meters were being replaced on a large scale, standard activities associated with sampling and reverification of meter seals was suspended.

In 2012 some reverification work was resumed but also included a capital component as replacement of older thermal meters with smart meters for the class 2 customers (those with demand greater than 50 kW but less than 200 kW).

In 2013 and beyond, reverification activities will resume at levels experienced prior to Veridian's smart meter program, averaging sampling of 1,500 meters per year within various meter subgroups. This resumed level of reverification activities brings O&M costs up in 2013 and 2014.

The other key driver of O&M costs within metering is the increasing number of meter trouble calls. Trouble calls have increased with the move to TOU billing and TOU meter reads. As Veridian rolled out TOU Billing and increased the number of registered meters with the provincial MDM/R, reliance on the LDC to investigate and resolve all meter trouble reports in a timely manner has also increased. The smart meter technology generates more frequent and accurate status information and reporting of trouble conditions. These issues range from communication problems, to meter hardware errors, to status alarms (tamper alert, reverse power flow etc) that require a customer site visit within a specific timeframe.

The increase in the number of meter trouble reports issued is reflected in the table below.

Table 9: Increase in Meter Trouble Calls

	2009	**2010**	**2011**	**2012**	**2013 (Jan to July)**
Trouble Calls	87	139	373	669	518
%age increase		59.8%	168.3%	79.4%	54.9%

In 2014 Veridian plans to enable data encryption within the Advanced Metering Infrastructure (AMI) as recommended from the results of the AMI security review conducted. This important step in ensuring customer data security and privacy will further complicate the existing communication network and likely increase meter trouble calls during the implementation period due to the new level of complexity.

Customer Service and Administration Program Delivery Cost Variance – 2012 to 2014 Changes

As discussed earlier, major changes in costs for program delivery are evaluated in relation to changes in cost inputs, program scope or changes in volume of standard program activities.

Table 10: Customer Service Programs

	2012	2013 Bridge	2014 Forecast
Contact Centre	1,434,098	1,555,612	1,620,871
Retail Billing	2,175,638	2,412,043	2,434,624
Credit Control	2,134,400	2,034,445	2,048,318
Wholesale Settlements	696,711	746,407	719,489
AMI Administration	472,358	504,571	546,538
Total	**6,913,205**	**7,253,078**	**7,369,840**
%age increase in Costs annually		*4.9%*	*1.6%*

Table 10 above provides year over year cost data for Veridian's customer service programs. Overall program costs rise by approximately 5% in the bridge year and at a much lower rate of 1.6% in the 2014 Test Year.

Contact Centre

As mentioned in the operating program descriptions, this functional area provides the first point of contact for customers through communication channels such as telephone calls, fax, mail, email and website. As expected, the major cost input to providing these services is labour. In 2014, labour input costs are 93.1% of the total cost of program delivery with the majority of the labour positions in this group represented within Veridian's collective bargaining unit.

Staffing resources delivering these programs are a combination of full and part time staff. Staffing levels fluctuate due to some degree of turnover and based on seasonal or peak period needs that may arise due to new program initiatives or changes in customer service codes that increase call volumes and customer inquiries.

In 2012, overall staffing levels were below the normal complement of 22 FTE employees due to staff movement within departments and delays in filling those vacancies. In 2013, staffing levels have been restored to normal with the resulting increase of approximately $122,000.

In 2014, program costs are forecast to rise 4.3% or $65,000 reflecting the input price increase of labour and the full year cost of the filling of vacant positions during 2013. Labour increases for unionized staff are committed at 3% in 2014 as per Veridian’s current union collective agreement.

Retail Billing

Retail billing program costs are forecast to increase by $236,000 from 2012 to 2013.

Labour input costs are a major driver at approximately 56% of the total, and as a result annual wage adjustments exert cost pressure on delivery of these programs. Total FTE employee resources to support these programs do not increase in either 2013 or 2014 over 2012 levels. Similar to the Contact Centre, most staff supporting these programs are unionized employees and labour increases for these staff are committed at 3% in 2014.

Input costs of other components have increased. Increased postage rates year over year result in an approximate $50,000 increase in costs.

Customer communications through bill inserts and other printed materials are one of the program deliverables. In 2013 the number of these communication items was higher than experienced in 2012 and than anticipated in 2014. As a result, postage and materials costs were higher in 2013. Overall cost increases in 2014 are minimal at less than 1%. Efficiencies and reductions anticipated in other cost inputs assist in minimizing the impact of the 2014 cost pressures on labour inputs. Example of process improvements in customer self-serve options are provided in Exhibit 4, Tab 1, Schedule 4 – Process Improvement Initiatives.

Credit Control

Total cost for these programs are declining from 2012 levels.

A component of these programs is annual bad debt expense from uncollectible accounts. In 2013, bad debt expenses are forecast to be $134,000 lower, going from 2012 levels of $942,000 and forecast at $807,000 in 2013. The move from quarterly to bi-monthly billing allows for quicker follow up on delinquent accounts. This trend is expected to continue in 2014 when bad debts are forecast at $800,000 as tighter controls and business process improvements take effect. Labour cost inputs rise approximately $20,000 in each of 2013 and 2014.

Some program activities are performed through contracted services such as disconnections, reconnections and hand delivery of required notices of such activities. Cost increases of $30,000 in the Test year are offset by the resulting expected lower bad debt expenses.

Wholesale Settlements

Costs for these programs are a combination of labour, telecommunication costs for wholesale and interval meter interrogation and system operation costs for Veridian's MV90 wholesale settlement system.

There are no significant increases in program scope and cost increases are driven by input price changes. Regular inflationary cost pressures will be experienced on telecommunications, system costs such as software maintenance and licensing.

In 2013, transitions in staffing increased costs by approximately $30,000. These costs are not expected in the test year and 2014 costs will decline from 2013 levels.

<u>AMI Administration</u>

Costs from 2012 to 2013 increased with the implementation of Operational Data Storage (ODS) support software and resulting software maintenance fees. Also, there has been increased focus in 2013 on cyber security implementation review and overall business process review.

Costs for the AMI Administration program in 2014 are increasing for software maintenance fees. Modifications and enhancements were implemented to the existing ODS support software and provide the following additional functionality.

Enhanced interfaces between the ODS and provincial Meter Data Management Repository (MDM/R) enable automation of critical processes such as un-scaled estimation, and meter change-outs. Automated sum check validation for first generation smart meters improves the integrity of data being sent to the MDM/R. Automated Bill Quantity Request (BQR) pre-auditing reduces the number of exception reports from the MDM/R which require manual review and intervention.

Administrative Programs – 2012 – 2014

Table 11 below provides year over year administrative program costs for 2012 through 2014 forecast.

Table 11: Administrative Programs

	2012	2013 Bridge	2014 Forecast
Governance and Senior Executive offices	1,034,463	1,128,147	1,221,408
Financial Services/Rates and Regulatory Accounting	2,501,188	2,566,370	2,586,660
Purchasing and Procurement	483,271	473,842	510,017
Human Resources	387,713	421,834	441,783
Regulatory	933,033	949,250	945,745
Community and Customer Communications	275,590	306,505	288,964
Office and Professional Services	810,962	746,274	887,255
Facilities	1,141,261	1,077,410	1,144,490
Insurance - Property and Liability	387,750	502,457	565,000
Allocation of Overhead Costs to OPA programs and Veridian Solar	(101,898)	(149,778)	(164,000)
Employee Training, Development and Engagement	771,339	807,500	895,868
Information Technology	630,503	664,181	879,789
Total	**9,255,175**	**9,493,993**	**10,202,978**
%age increase in Costs annually		*2.6%*	*7.5%*

Total program costs are forecast to increase by $239,000 or 2.6% in 2013 and by $709,000 in 2014 or 7.5%. Costs for some programs have little variability and overall increases in level during the period of 2012 through 2014. These include Regulatory programs and Community and Customer Communications.

Governance and Senior Executive Offices

Program costs increase by approximately $93,000 in each of 2013 and 2014.

As with many other administrative functional areas, labour is a significant component of program delivery costs at 67% and the annual forecasted 3% wage adjustments is a key contributor to program cost increases. In 2013 an additional part-time resource was added to support internal programs related to records management. Those labour costs were capitalized in 2013 as a component of Veridian's electronic record management capital investment and the incremental labour costs for oversight, operations and maintenance of the systems will increase total costs in 2014 by approximately $30,000.

Financial Services, Rates and Regulatory Accounting

Program costs increase by 2.6% in 2013 and only 0.8% in 2014. A further breakdown of cost components for these programs is provided below.

	2012	2013 Bridge	2014 Forecast
Audit Fees and Banking Service Charges	202,869	217,137	238,000
Labour and Other	2,298,319	2,349,233	2,348,660
	2,501,188	**2,566,370**	**2,586,660**

Activities within this program have some variability with increases in scope as new regulatory and financial accounting standards are issued regularly. Increases in costs due to scope changes have been mitigated through leveraging of Veridian's investments in technology for delivery of legacy functions such as budgeting, reporting and accounts payable processing.

As with other programs, a significant portion of program costs are labour input costs at 82% of total program costs in 2014. The figures above show that in 2013 labour and other input costs increased by only $51,000 or 2.2% despite committed wage adjustments of 3%. The financial services group has focused efforts in workflow and process improvements so that when retirements of long time management staff occurred during the period, any vacancies were backfilled with lower cost staffing through cost-effective restructuring of responsibilities. Further reductions in labour costs through mix of staffing will allow for total reductions in labour costs in 2014.

Input prices for external required services such as auditing and bank service charges are increasing in both 2013 and 2014.

Purchasing and Procurement

The Purchasing and Procurement program costs remain stable from 2012 to 2013. Labour costs comprise 99% of total program costs. Labour increases include committed wage adjustments of 3%, the addition of a summer student resource for assistance with administrative work and vacation backfill and progression increases for eligible employees.

Human Resources

Human Resources programs are delivered mainly through internal staffing resources and 91% of program costs in 2014 are attributable to labour. The programs are delivered by a team of 3 FTE, representing no change since 2010.

In 2013 program scope changes included added responsibilities for the coordination, delivery and record keeping associated with employee training and development. Staffing levels did not increase and salary adjustments reflecting these additional responsibilities occurred.

In 2014 the annual wage adjustment of 3% is the major contributor to cost increases for delivery of these programs.

Office and Professional Services

These programs consist of general administrative activities and costs such as corporate memberships in industry associations, outside services for legal, studies and consulting services, general office costs of telecommunications (phones and internet), maintenance of office equipment and general office supplies.

There is some year over year variability in program scope in the activities of legal, studies and consulting services. The requirements for these vary with the changes in and new requirements arising from the general business environment. In 2012 these program costs were approximately $250,000. In 2013 the requirements were lower at $150,000 and 2014 costs are expected at an average or sustaining level of $310,000.

General inflation pressures on cost inputs for maintenance agreements, postage, telecommunications and office supplies account for the other increases in program costs.

Facilities

A description of Veridian's facilities is provided in Exhibit 2, Tab 3, Schedule 6, along with Veridian's lifecycle optimization policies and practices related to these assets.

Total cost levels for these programs in 2014 are expected to remain at 2012 levels. General price input increases in property taxes and contracted services such as landscaping, snow removal and maintenance contracts are being mitigated through energy efficiency initiatives to reduce utility costs.

Insurance – Property and Liability

These programs ensure adequate level of risk mitigation and insurance related to Veridian's distribution assets and general liabilities of electricity distribution activities. Most of the costs are related to insurance coverage by external providers.

In 2013, there was a general increase in insurance premiums in the industry related to a significant increase in substation transformer loss claims. Premiums increased by approximately $100,000.

In 2014, Veridian plans to include additional insurance coverage for Privacy, Cyber and Network Security. Coverage includes:

Privacy Liability

- Disclosure injury, including lawsuits alleging unauthorized access to or dissemination of the plaintiff's private information
- A claim alleging failure to properly handle, mange, store, destroy or control Personal Information
- Legal defence due to an unintended violation of any Privacy Regulation
- Includes privacy breach involving electronic, hard copies, all Personal Information

Network Security

- Conduit injury, including lawsuits arising from system security failures that result in harm to third party systems
- An unauthorized access to or use of our network, or a denial of service attack by a third party

- Transmission or transfer of an unauthorized, corrupting or harmful software code (viruses or malware) causing damage to a third party
- Expenses related to retaining a third party computer forensics company in the case of such an incident, to audit and determine corrective measures

Data Breach

- Privacy notification requirements of Privacy Regulations
- Voluntary notification of parties whose Personal Information has been violated
- Services of a public relations firm, crisis management firm or law firm for expenses related to the privacy breach
- Credit monitoring services of parties whose Personal Information was wrongly disclosed:
    - Pays expenses incurred by the Insured or which the Insured become legally obligated to pay related to the data breach
    - Expenses related to both electronic and non-electronic breaches

The increasingly complex and technical nature of privacy legislation and handling of customer information requires additional coverage for both Veridian and customers in this area. The cost for this additional coverage is approximately $63,000 annually.

<u>Allocation of Overhead Costs to CDM programs and Veridian Solar</u>

Recovery of overhead costs related to the non-distribution activities of CDM activities are forecast to be higher. These recoveries reduce overall administration costs for Veridian's customers. Additional recoveries in 2014 over 2012 total $62,000.

<u>Employee Training, Development and Engagement</u>

These programs are for skilled trades training, legally required workplace safety training and Veridian's Management Training Syllabus.

Cost variances arise from increases in labour and some variability in program scope for trades training requirements. The increase in 2014 of $88,000 also includes new program requirements related to the Accessibility for Ontarians with Disabilities Act (AODA).

Information Technology

Costs for Information Technology programs are expected to increase $34,000 (5%) in 2013 and then increase significantly by $216,000 or 32% in the 2014 Test Year.

Labour costs account for approximately 58% of total costs in 2014. In 2014 labour costs will increase by approximately $48,000. A staff vacancy had existed within the group providing these services for approximately 10 months from late 2012 to mid 2013 due to a staff retirement in 2012. The position was not filled immediately as a reorganization of responsibilities within the group was in progress. The vacancy was filled in 2013 and the full year cost increase is included in 2014. These programs are supported by 5 FTE employees and staffing levels have remained unchanged since 2010.

The general scope of programs remains stable within this group but the number and complexity of applications, system platforms and network devices administered has increased over the period. Most of these changes have required additional operating costs related to software and hardware maintenance and external maintenance contracts.

In 2013, Veridian will be replacing both the hardware and software that support the phone system and the management of the call centre. A large percentage of the hardware and software is over thirteen years old and is no longer supported by the vendors. Increased annualized operating costs that will begin in 2014, associated with the capital investment total approximately $95,000 and are related to increased monitoring and maintenance costs.

Provision of this service internally within the business and for Veridian's customers is included within the Information Technology programs. Details of the 2013 capital investment for this equipment are provided at Exhibit 2, Tab 3, Schedule 17.

In 2010 Veridian completed a comprehensive Business Continuity/Disaster Recovery Plan (BC/DR). One of the main risks, identified in the plan and requiring mitigation, was the lack of a secondary location where business operations could continue should the primary location become inoperable due to a catastrophic failure.

Best practices dictated that the BC/DR site needed to be close enough to the primary location that people could easily be relocated but far enough away from the primary location that they would not fall within the same zone of influence.

In order to minimize costs Veridian's existing location in Clarington was chosen as the BC site. The existing communication infrastructure at the Clarington location is sufficient to meet the existing use as an operations service centre and temporary office workspace for employees when carrying out business activities in the Clarington area but is not sufficiently robust to serve as a standalone facility for business continuity purposes. The BC/DR site requires a technology platform sufficient in size and capability to accommodate essential personnel largely from the control room and the call centre for the duration of any catastrophic incident.

Annual OM&A costs associated with the BC/DR site are estimated at $85,000. The costs are associated with enhancing the voice and data needs that would be required to support the additional staff requirements.

File Number:EB-2013-0174

Exhibit: 4
Tab: 2
Schedule: 2

Date Filed:October 31, 2013

Attachment 1 of 1

OEB Appendix 2-JC OM&A Programs Table

2014 Cost of Service
Veridian Connections Inc.
Application

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Appendix 2-JC
OM&A Programs Table

Programs	2012 Actuals	2013 Bridge Year	2014 Test Year	Variance (Test Year vs. 2012 Actuals)	Variance (Test Year vs. Last Rebasing Year (2010 Board-Approved)
Reporting Basis					
Emergency Power Restoration				* see footnote below	** see footnote below
OH Power Restoration	542,265	594,768	547,440	5,176	*** see footnote below
UG Power Restoration	148,576	199,003	253,641	105,065	
Total	**690,840**	**793,771**	**801,081**	**110,241**	
System Control Centre	**830,042**	**959,553**	**1,011,136**	**181,094**	
Engineering	**570,055**	**543,441**	**517,724**	**(52,332)**	
Cable Locating	**820,345**	**1,311,385**	**1,121,711**	**301,366**	
System Records	**421,289**	**470,706**	**596,864**	**175,574**	
System Operations					
Substation Operations	456,966	462,812	470,991	14,025	
Distribution Automation Operations/Inspections	154,943	155,808	215,905	60,961	
TX Oil Testing - PCB Compliance	134,082	154,700	43,638	(90,444)	
System Patrol	38,147	55,380	49,609	11,461	
Joint Use	109,836	176,963	179,416	69,580	
General OH Operations	107,599	126,900	101,464	(6,135)	
General UG Operations	46,348	41,928	54,702	8,354	
Infra Red Scanning	57,151	51,359	55,118	(2,033)	
Padmount Inspection Program	124,719	128,549	184,091	59,373	
Total	**1,229,791**	**1,354,399**	**1,354,934**	**125,143**	
Meter Operations					
Meter Operations	451,915	441,648	575,253	123,337	
Wholesale Meter Operations	98,663	105,177	127,428	28,766	
Total	**550,578**	**546,824**	**702,681**	152,103	
System Planning	**169,111**	**217,381**	**255,602**	86,491	
Operations and Inspections Customer Premises	**160,548**	**124,837**	**141,267**	(19,281)	
Vegetation Mgmt.					
Vegetation Management	1,185,391	993,207	1,305,966	120,575	
Distribution Automation Maintenance	34,677	76,479	150,636	115,959	
Substation Maintenance	172,397	263,991	377,061	204,664	
Total	**1,392,466**	**1,333,677**	**1,833,664**	**441,198**	
O/H Lines Maintenance					
OH Switch & Conductor Mtce	59,109	60,099	61,117	2,008	
OH Pole Maintenance	56,624	80,968	85,368	28,744	
Pole Testing	44,860	64,860	217,111	172,251	
Insulator Washing	22,627	24,240	29,224	6,597	
Total	**183,220**	**230,167**	**392,820**	**209,600**	
U/G Lines Maintenance					
UG Maintenance & Repair	455,698	433,859	713,137	257,439	
Switch Maintenance	211,159	235,567	247,396	36,237	
Switchgear Maintenance	111,662	128,782	163,469	51,807	
Total	**778,519**	**798,208**	**1,124,003**	**345,484**	
Meter Maintenance	**254,019**	**447,390**	**628,888**	**374,869**	
Transformer Maintenance	**252,257**	**214,691**	**228,501**	**(23,757)**	
Total O&M	**8,303,082**	**9,346,429**	**10,710,874**	**2,407,792**	
Contact Centre	**1,434,098**	**1,555,612**	**1,620,871**	**186,773**	
Retail Billing					
Labour	1,370,225	1,396,719	1,444,125	73,901	
Traditional Meter Reading	74,140	82,488	78,397	4,257	
Contractor Activities	172,741	200,317	234,100	61,359	
Postage/Forms	375,676	538,519	472,002	96,326	

Software Maintenance	182,857	194,000	206,000	23,143	
Total	**2,175,638**	**2,412,043**	**2,434,624**	**258,987**	
Credit Control					
Labour Costs	859,738	880,380	897,378	37,640	
Bad Debt Expense	941,497	807,289	800,000	(141,497)	
Contractor Activities (notices, disconnects, reconnects, collection agencies)	296,510	293,606	323,400	26,890	
Purchases	36,654	53,170	27,540	(9,114)	
Total	**2,134,400**	**2,034,445**	**2,048,318**	**(86,082)**	
Wholesale Settlements					
Labour Costs	404,218	442,434	421,578	17,361	
Telecommunications	196,891	175,685	157,540	(39,351)	
MV90 System Costs	37,500	67,541	76,720	39,220	
Software Maintenance Costs	58,103	60,746	63,650	5,547	
Total	**696,711**	**746,407**	**719,489**	**22,777**	
AMI Administration					
Labour	208,400	206,247	206,973	(1,427)	
Telecommunications, ODS and AMI System Costs	197,782	204,429	235,747	37,965	
Software Maintenance Costs	66,176	93,896	103,818	37,642	
Total	**472,358**	**504,571**	**546,538**	**74,180**	
Governance and Senior Executive offices	**1,034,463**	**1,128,147**	**1,221,408**	**186,945**	
Financial Services/Rates and Regulatory Accounting					
Audit Fees and Banking Service Charges	202,869	217,137	238,000	35,131	
Labour and Other	2,298,319	2,349,233	2,348,660	50,341	
Total	**2,501,188**	**2,566,370**	**2,586,660**	**85,472**	
Purchasing and Procurement	**483,271**	**473,842**	**510,017**	**26,746**	
Human Resources	**387,713**	**421,834**	**441,783**	**54,069**	
Regulatory	**933,033**	**949,250**	**945,745**	**12,713**	
Community and Customer Communications	**275,590**	**306,505**	**288,964**	**13,374**	
Office and Professional Services	**810,962**	**746,274**	**887,255**	**76,293**	
Facilities	**1,141,261**	**1,077,410**	**1,144,490**	**3,229**	
Insurance - Property and Liability	**387,750**	**502,457**	**565,000**	**177,250**	
Allocation of Overhead Costs to OPA programs and Veridian Solar	**-101,898**	**-149,778**	**-164,000**	**(62,102)**	
Employee Training, Development and Engagement	**771,339**	**807,500**	**895,868**	**124,529**	
Information Technology					
Hardware and Software Maintenance Costs	163,100	193,344	356,701	193,601	
Labour and Other	467,404	470,836	523,088	55,684	
Total	**630,503**	**664,181**	**879,789**	**249,286**	
Total admin Costs	**16,168,380**	**16,747,071**	**17,572,818**	**1,404,438**	
Total	**24,471,462**	**26,093,500**	**28,283,692**	**3,812,230**	

Footnotes

* a complete detailed analysis for the variance test year vs last actuals (2012) is provided at Exhibit 4, Tab 2, Schedule 2

** a complete detailed analysis for the variance last Board Approved (2010) to 2012 Actuals is provided at Exhibit 4, Tab 2, Schedule 1

*** 2010 and 2011 OM&A information is not available by programs. Variance analysis is provided at Exhibit 4, Tab 2, Schedule 1

Notes:

1 Please provide a breakdown of the major components of each OM&A Program undertaken in each year. Please ensure that all Programs below the materiality threshold are included in the miscellaneous line. Add more Programs as required.

2 The applicant should group projects appropriately and avoid presentations that result in classification of significant components of the OM&A budget in the miscellaneous category

One-time Costs

Veridian has incurred one-time costs in the historical, bridge and test years. The table below shows these costs.

Table 1: Amortization of One-time Costs

Description	2012	2013	2014
2010 rate application costs	$129,850	$129,850	
2014 rate application costs			$86,000
Pole Testing			$150,000

The 2010 rate application costs were amortized over 4 years from 2010 to 2013. The total approved cost was $519,400.

The estimated 2014 Rate application costs total $430,000. Veridian has amortized this amount over 5 years and allocated $86,000 per year to OM&A costs.

Veridian will be incurring pole testing costs of $750,000 over a three year period of 2014 to 2016. These costs have been amortized over a 5 year period.

Regulatory Costs

Veridian has completed the Board prescribed Appendix 2-M, which provides historic and projected ongoing and one-time regulatory costs. Appendix 2-M is appended as Attachment 1 to this Schedule.

As shown, Veridian projects that it will incur $430,000 in one-time regulatory expenses related to its 2014 cost of service rate application. The costs will be incurred in 2013 and 2014, and primarily relate to legal support, consulting services and cost awards to intervenors. Veridian proposes to amortize and recover these one-time costs over the test year and subsequent 4 year IRM term as detailed in Exhibit 4, Tab 2, Schedule 3.

In the first table in Appendix 2-M, one-time costs are presented as projected in-year expenditures. The amounts stated do not reflect the effects of amortization as described above. Costs stated in the column entitled ‘Last Rebasing Year (2010 Board Approved)’ are ‘as filed’ in Veridian’s 2010 cost of service rate application.

In the second table in Appendix 2-M, costs presented in the column entitled ‘Historical Year(s) 2010 Rebasing’ all reflect actual expenditures in that year.

Attachment 1 of 1

OEB Appendix 2-M Regulatory Cost Schedule

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Appendix 2-M
Regulatory Cost Schedule

	Regulatory Cost Category	USoA Account	USoA Account Balance	Ongoing or One-time Cost? [2]	Last Rebasing Year (2010 Board Approved)	Most Current Actuals Year 2012	2013 Bridge Year	Annual % Change	2014 Test Year	Annual % Change
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H) = [(G)-(F)]/(F)	(I)	(J) = [(I)-(G)]/(G)
1	OEB Annual Assessment	5655		On-Going	$ 304,573	$ 306,692	$ 309,000	0.75%	$ 334,300	8.19%
2	OEB Section 30 Costs (Applicant-originated)	5655		One-Time	$ -	$ -	$ -		$ 28,900	
3	OEB Section 30 Costs (OEB-initiated)	5655		On-Going	$ 7,648	$ 7,082	$ 7,500	5.91%	$ 8,500	13.33%
4	Expert Witness costs for regulatory matters	5655		One-Time	$ 12,961	$ -	$ 10,500		$ -	-100.00%
5	Legal costs for regulatory matters	5655		On-Going	$ 32,085	$ 31,068	$ 20,000	-35.62%	$ 40,800	104.00%
	Legal costs for regulatory matters	5655		One-Time	$ 50,000		$ 50,000		$ 100,000	
6	Consultants' costs for regulatory matters	5655		On-Going	$ 32,085	$ 5,388	$ 20,000	271.23%	$ 25,500	27.50%
	Consultants' costs for regulatory matters	5655		One-Time	$ 50,000		$ 145,000		$ 48,000	
7	Operating expenses associated with staff resources allocated to regulatory matters	Labour costs and related operating expenses for staff resources allocated to regulatory matters are applied to USoA account 5615 (General Administrative Salaries and Expenses)								
8	Operating expenses associated with other resources allocated to regulatory matters [1]									
9	Other regulatory agency fees or assessments (ESA)	5655		On-Going	$ 45,919	$ 52,894	$ 53,349	0.86%	$ 55,500	4.03%
10	Any other costs for regulatory matters (Newspaper Notices)	5655		On-Going	$ 12,027	$ 10,663	$ 4,500	-57.80%	$ 15,600	246.67%
11	Intervenor costs	5655		On-Going	$ 8,626	$ 15,332	$ 6,000		$ 15,000	
	Intervenor costs	5655		One-Time					$ 100,000	
12	Sub-total - Ongoing Costs [3]		$ -		$ 442,962	$ 429,118	$ 420,349	-2.04%	$ 495,200	17.81%
13	Sub-total - One-time Costs [4]		$ -		$ 112,961	$ -	$ 205,500		$ 276,900	34.74%
14	Total		$ -		$ 555,923	$ 429,118	$ 625,849	45.85%	$ 772,100	23.37%

Please fill out the following table for all one-time costs related to this cost of service application to be amortized over the test year plus the IRM period.

		Historical Year(s) 2010 Rebasing	2013 Bridge Year	2014 Test Year
4	Expert Witness costs			
5	Legal costs	$ 217,269	$ 50,000	$ 50,000
6	Consultants' costs	$ 196,149	$ 145,000	$ 48,000
7	Incremental operating expenses associated with staff resources allocated to this application.		$ 18,500	
8	Incremental operating expenses associated with other resources allocated to this application. [1]	$ 16,266		$ 18,500
11	Intervenor costs	$ 89,718		$ 100,000

1 Please identify the resources involved.
2 Where a category's costs include both one-time and ongoing costs, the applicant should prove a separate breakdown between one-time and ongoing costs.
3 Sum of all ongoing costs identified in rows 1 to 11 inclusive.
4 Sum of all one-time costs identified in rows 1 to 11 inclusive.

Low-Income Energy Assistance Programs ("LEAP")

Table 1 below provides the details of Donations from Actuals in 2009 to 2012 and forecast in 2013 and 2014. The only recoverable donations are those for the Low Income Energy Assistance Program (LEAP).

Table 1

Donation	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Forecast	2014 Forecast
Winter Warmth	$26,285	Nil*				
LEAP		Nil*	$55,541	$55,549	$55,549	$62,639

** Veridian did not fund Winter Warmth in 2010 as it was expected that LEAP LPP would be in place, however the LEAP program did not officially begin until January 1st, 2011.*

In 2009 the Board issued its Report of the Board: Low-Income Energy Assistance Program (the "LEAP Report"). The LEAP report detailed the policies and measures to determine the level of financial assistance expected to be funded by distributors to assist low-income energy consumers, including emergency financial assistance. As directed, Veridian based its funding calculation on 0.12% of the total distribution revenue requirement and contributed $55,541 in each of 2011, 2012 and 2013. Veridian contracted the United Way programs in Durham Region, Northumberland and Greater Simcoe as well as the Hastings County Social Services as designated LEAP agencies.

In 2011, the allocation methodology included the revenue requirement allocation by rate zone. This resulted in a significant funding carryover for one service area in both 2011 and 2012. In 2012 the 2011 carryover amount was distributed amongst the remaining agencies based on residential customer count. Three of the four agencies requested Veridian LPP funds from the United Way of Greater Toronto totaling $38,400 during that year. Based on that knowledge, the allocation methodology for 2013 was reviewed. A 2012 carryover amount was again taken into consideration and the total funding amount was reallocated based on assessed community need.

Veridian intends to donate 0.12% of the approved total distribution revenue requirement in the 2014 Test year. Using Veridian's 2014 forecasted revenue requirement of $52,199,570 as a proxy in the calculation provides a projected LEAP donation of $62,639 in 2014. Veridian's test year revenue requirement does not include any legacy programs.

Charitable and Political Donations

The charitable donation amounts from the last Board-approved rebasing application up to and including the test year are included in the table below.

Table 1: Charitable Donations

Description	2010	2011	2012	2013	2014
Charitable Donations	$0	$0	$207,084	$218,940	$225,000

These donations have been removed from the 2014 Test Year revenue requirement calculation. Veridian does not have any other non-recoverable contributions or political contributions included for recovery.

File Number: EB-2013-0174

Date Filed: October 31, 2013

Exhibit 4

Tab 3 of 8

Employee Compensation

Staffing and Compensation Levels

Introduction

During the 2013 bridge year, it is projected that Veridian will have employed 219 full time equivalent (FTE) employees in business functions supporting the company's core electricity distribution business. This number is projected to increase to 230 FTE employees in the 2014 test year, primarily to support capital projects and enhanced asset management and maintenance activities.

Additional FTE employees are and will continue to be engaged in other permitted non-core distribution business activities such as shared corporate services, Conservation and Demand Management and renewable electricity generation. However, all of the FTE employee and compensation data included in this exhibit excludes these additional FTE employees.

To calculate the FTE employee numbers Veridian has prorated by hours, the time each individual employee occupied a position during each year. When prorating, the annual hours for a normal work week were used as the denominator. Therefore, the numbers of FTE employees stated in this exhibit do not reflect overtime hours worked.

Approximately 83% of Veridian's employees are centralized at the company's head office and main operations centre located in Ajax. The remainder are stationed at local operations centres located in Belleville, Clarington, Beaverton and Gravenhurst. Employees deployed at these locations are primarily engaged in local systems operations and execution of local maintenance and capital construction projects.

A summary of Veridian's historic and projected numbers of FTE employees and related costs in the format prescribed by the Board (Appendix 2-K) is provided as Attachment 1.

Compensation Strategy/Practices

Following is a description of Veridian's compensation strategy and/or practices for each of its three primary position categories.

Executive positions:

Compensation for all Veridian executive positions includes a base salary and variable incentive compensation.

A base salary range is maintained for each position, with the job rate set equal to the 50th percentile of market, as established in 2011 through an executive compensation review. The 2011 executive compensation review (the "Executive Compensation Review") was conducted for Veridian by the Hay Group. It involved an evaluation of each of the positions under review, and drew comparisons to similarly assessed positions both within the LDC market and the Greater Toronto market of industrial organizations with revenues of less than $500 million. For the purposes of establishing the job rate of the executive base pay bands, compensation data for a blend of LDCs and industrial organizations was used.

The Executive Compensation Review also informed the establishment of the variable incentive compensation policy provided as Attachment 2. The policy, entitled 'HR40 - Key Business Goals, Measures and Link to Executive Compensation', ties incentive compensation to a combination of individual and corporate performance. Potential payment amounts vary by position as shown in Table 1.

Table 1: Potential Incentive Compensation – Executive Positions

Variable Performance Pay Component	Variable Performance Pay Potential (% of Mid-Point of Base Salary Range)					
	President & CEO		EVP		VP	
	Target Performance	Stretch Target Performance	Target Performance	Stretch Target Performance	Target Performance	Stretch Target Performance
Individual	10.5%	15%	12%	16%	10%	12%
Corporate	24.5%	35%	18%	24%	10%	13%
Total	35%	50%	30%	40%	20%	25%

Policy HR40 includes a table in section 4.0 that details performance measures and related targets in place for the bridge year. Only one of the eight measures pertains to a benefit to shareholders (rate of return), and this measure only affects incentive compensation for two positions (CEO and EVP). All historic and projected incentive payment amounts stated in this exhibit exclude incentive compensation amounts related to corporate rate of return performance.

<u>Management and Non-Union positions</u>:

Similar to that in place for executive positions, the compensation structure for all non-union positions includes base pay and variable performance pay components, the latter of which is driven by a combination of individual and corporate performance. All incentive compensation is unrelated to benefits of the shareholder such as rate of return or earnings.

The variable performance pay potential varies by position level. Non-union support staff members ("AC Level Positions") are eligible to earn variable performance pay in an amount of up to 10% of their base pay; managers and supervisors ("M Level Positions") are eligible to earn up to 18.75% of base pay. This is exhibited in greater detail in Table 2.

Table 2: Potential Incentive Compensation – Management and Non-Union Positions

Variable Performance Pay Component	Variable Performance Pay Potential (% of Job Rate)			
	AC Level Positions		M Level Positions	
	Target Performance	Stretch Target Performance	Target Performance	Stretch Target Performance
Individual	5%	-	7.5%	11.25%
Corporate	5%	-	7.5%	-
Total	10%	-	15%	18.75%

The base and variable compensation practices related to management and non-union employees are documented in Policy no. HR41. A copy of this policy is provided as Attachment 3.

No formal compensation benchmarking study has been conducted for this group of positions. The structure of the position pay ranges is long established, and is coordinated with those for union positions so that qualified unionized employees can be attracted into leadership positions. Comparisons to market compensation rates are carried out on an ongoing basis through information collected during recruitment, as part of exit interviews, and through industry market surveys. Information obtained through these channels is used to ensure that compensation levels are in line with market rates.

Veridian maintains thirteen position categories for this group of employees, each identified by a point spread that reflects the relative value of the position or positions within the category. A comprehensive job evaluation matrix is used to assign new or updated positions into the appropriate position category. This ensures compliance with the province's *Pay Equity Act*, which requires that female dominated job classifications are fairly compensated in relation to similarly ranked male dominated classifications.

Union positions:

Compensation for unionized positions is established through a collective bargaining process. All of Veridian's unionized employees are represented by the International Brotherhood of Electrical Workers (IBEW), Local 636. Currently, base compensation for all union positions is based on hourly rates.

The current collective agreement with the IBEW was negotiated in 2011. At that time, Veridian's bargaining strategy was informed by an assessment of contract settlements previously negotiated by Ontario LDCs. The strategy goals were to retain the relatively flexible work rules provided for in the existing collective agreement, to limit increases in costs pertaining to wage rates and benefits and, at the same time, to ensure that compensation and benefit levels would continue to be competitive within the local market in which Veridian competes for human capital. For this reason, particular attention was placed on wage rates and benefits at LDCs in the Greater Toronto area, where most of Veridian's employees are located.

The 2011 collective agreement with the IBEW was reached with the assistance of a Ministry of Labour appointed conciliator. The term of the agreement is four years, with an expiry date of March 31, 2015.

Attachments 4 and 5 provide relevant information that was available to Veridian on other collective agreements at the time of these contract negotiations. Information contained within these documents was provided to Veridian with an expectation of confidentiality. Therefore, all references to individual electricity distributors have been replaced with the identifiers LDC1, LDC2, etc. All references to individual municipalities have been replaced with the identifiers MUNI1, MUNI2, etc.

As stated above, particular attention was given to collective agreements previously negotiated by LDCs in the geographic area in which Veridian competes for human capital. The following table provides a summary of LDC collective agreements in place in the Greater Toronto Area at the time that Veridian finalized its agreement with the IBEW:

Table 3: GTA Area LDC Collective Agreement Summary, April 2011

Distributor	2011		2012		2013		2014	
	Increase	Line Rate	Increase	Line Rate	Increase	Line Rate	Increase	Line Rate
Toronto Hydro	3.00%	$39.09	3.00%	$40.26	3.00%	$41.47	-	-
PowerStream	2.90%	$37.23	2.90%	$38.31	-	-	-	-
Whitby Hydro	3.00%	$36.30	-	-	-	-	-	-
Oshawa PUC	3.00%	$36.63	3.00%	$37.73	3.00%	$38.87	-	-
Enersource	3.00%	$36.62	3.00%	$37.72	3.00%	$38.95	3.25%	$40.22
Hydro One Brampton	3.00%	$37.92	3.00%	$39.06	3.00%	$40.23	-	-
Newmarket Hydro	3.00%	$36.52	3.00%	$37.62	3.00%	$38.65	-	-
Oakville Hydro	3.00%	$35.75	3.00%	$36.82	3.00%	$37.92	-	-
Burlington Hydro	3.00%	$36.76	2.90%	$37.83	2.90%	$38.93	-	-
GTA LDC Average	**2.99%**	**$36.98**	**2.98%**	**$38.17**	**2.99%**	**$39.29**	**3.25%**	**$40.22**
Veridian (as settled)	**3.00%**	**$36.84**	**3.00%**	**$37.95**	**3.00%**	**$39.09**	**3.00%**	**$40.26**

Total Compensation

Table 4 provides a summary of total annual compensation costs and average compensation levels per FTE employee from the time of the last Board approved rebasing year to the 2014 test year:

Table 4: Total and Average Compensation Costs (Salary, Wages & Benefits*):

Position Category	2010 (Actual)	2011 (Actual)	2012 (Actual)	2013 (Projected)	2014 (Projected)
Management	$5,795,211	$6,211,755	$6,617,687	$6,849,310	$7,208,414
Non-management	$13,921,808	$15,187,395	$15,982,136	$16,928,248	$18,157,390
Total Compensation	**$19,717,019**	**$21,399,150**	**$22,599,823**	**$23,777,558**	**$25,365,804**
Number of FTE employees	211	214	215	219	230
Average Compensation per FTE	**$93,586**	**$100,193**	**$105,226**	**$108,727**	**$110,508**

*including overtime and incentive pay

Drivers of Total Compensation

FTE Employees

Table 5 provides an overview of the number of FTE employees employed by Veridian by position category, from the time of the last Board approved rebasing year to the 2014 test year:

Table 5: Number of FTE Employees:

Position Category	2010 (Actual)	2011 (Actual)	2012 (Actual)	2013 (Projected)	2014 (Projected)
Management	45	45	45	46	47
Non-management	166	168	170	173	182
All	**211**	**214**	**215**	**219**	**230**
Cumulative Change	**-**	**3**	**4**	**8**	**19**

As shown, Veridian projects that the number of FTE employees required to operate its business will grow from 211 in 2010 to 230 in the test year. Almost all net additions are in the non-management position category, reflecting an emphasis on recruiting trades and technical staff to support succession planning, capital projects and asset management needs.

Following is a discussion of the year over year changes in numbers of FTE employees from 2010 to 2014. The variances identified relate to the more significant incremental changes resulting from the establishment or elimination of positions and the addition of employees to existing positions. Annual FTE employee numbers are also influenced by temporary position vacancies related to staff turnover, long term absences, maternity leave, etc. Further, they are affected by the timing of employee hires and terminations during the course of each year.

<u>2011 Actual versus 2010 Actual:</u>

The number of FTE employees increased by three in 2011, compared to 2010. The increase is primarily attributable to:

- The addition of two apprentice Linepersons and two apprentice System Operators to support succession planning; and,
- The establishment of the new position of Corporate Governance Administrator. The creation of this position was required to support corporate governance activities; a requirement identified in Veridian's 2010 cost of service application, which included provision for a Corporate Secretary and an Executive Assistant. The Corporate Governance Administrator position was implemented as a first step at increasing resources in this area. The position of Corporate Secretary was deferred and later eliminated as part of a 2012 executive restructuring; and,
- The addition of one part-time Customer Care Representative to support the demands of customer growth and evolving customer service standards; and,
- The full year impacts of late 2010 employee additions.

<u>2012 Actual versus 2011 Actual:</u>

The number of FTE employees increased by just one from 2011 to 2012. This increase is primarily attributable to

- The creation of the new position of part time Records Coordinator (part time), to support the implementation and maintenance of a new electronic records management and records classification initiative; and,
- The establishment of the new position of Regulatory Accounting Clerk, as required to accommodate increasing complexity and business volumes in this area of Veridian's business operations; and,
- The creation of the new position of Supervisor, Engineering, to support the timely and effective execution of an increasing volume of capital projects; and,
- The addition of one apprentice Lineperson to support succession planning; and,
- The change in status of two Customer Care Representatives from part time to full time, to provided needed extra resources to address the needs of customer growth and evolving customer service standards; and,
- The impacts of an executive restructuring initiative that accommodated the retirement of two Executive Vice Presidents through re-assignment of responsibilities to existing internal staff members.

2013 Bridge Year versus 2012 Actual:

It is projected that the number of FTE employees will increase by four in the bridge year, compared to 2012. This increase is primarily attributable to:

- The establishment of the new position of Manager of Engineering to support the timely and effective execution of an increasing volume of capital projects; and,

- The creation of the new position of Accounting Coordinator, as established to support a reorganization to address an employee retirement and the elimination of a more senior position (Manager of Treasury and Payroll); and,
- The addition of one Asset Management & Planning Technician and two P&C Automation Technicians, to support an increased focus on asset management and maintenance activities as contemplated in Veridian's Distribution System Plan; and,
- The addition of the position of Health & Safety Specialist to reduce reliance on outside services and to support the maintenance of safe work practices and a safe work environment for employees and members of the public; and,
- The addition of one part time Customer Care Representative, to provide needed extra resources to address the needs of customer growth and evolving customer service standards; and,
- The full year impacts of positions eliminated in 2012 as part of the executive restructuring in that year.

<u>2014 Test Year versus 2013 Bridge Year:</u>

It is projected that the number of FTE employees will increase by eleven in the test year, compared to the bridge year. The primary contributors to this increase are:

- The establishment of the new position of Supervisor, Substations and the related creation of a dedicated Substation Department to support an increased focus on the maintenance and renewal of critical substation assets, as contemplated in Veridian's Distribution System Plan. One new apprentice Substation Technician will also be hired to augment an existing group of three existing Substation Technicians and one Lead Substation Technician, all of whom will be assigned to the new department; and,

- The addition of two Engineering Technicians and one Clerical Assistant, Engineering, to support the timely and effective execution of an increased volume of capital projects; and,
- The addition of one apprentice Meter Technician as part of a succession planning initiative within the Metering Department; and,
- The addition of two Asset Management & Planning Technicians to support increased asset inspection, testing and refurbishment/replacement initiatives as detailed in Veridian's Distribution System Plan; and,
- The full year impact of employee additions made in 2013

Table 6 summarizes the primary drivers of FTE employee growth and related net FTE employee additions over the entire period of 2010 to 2014:

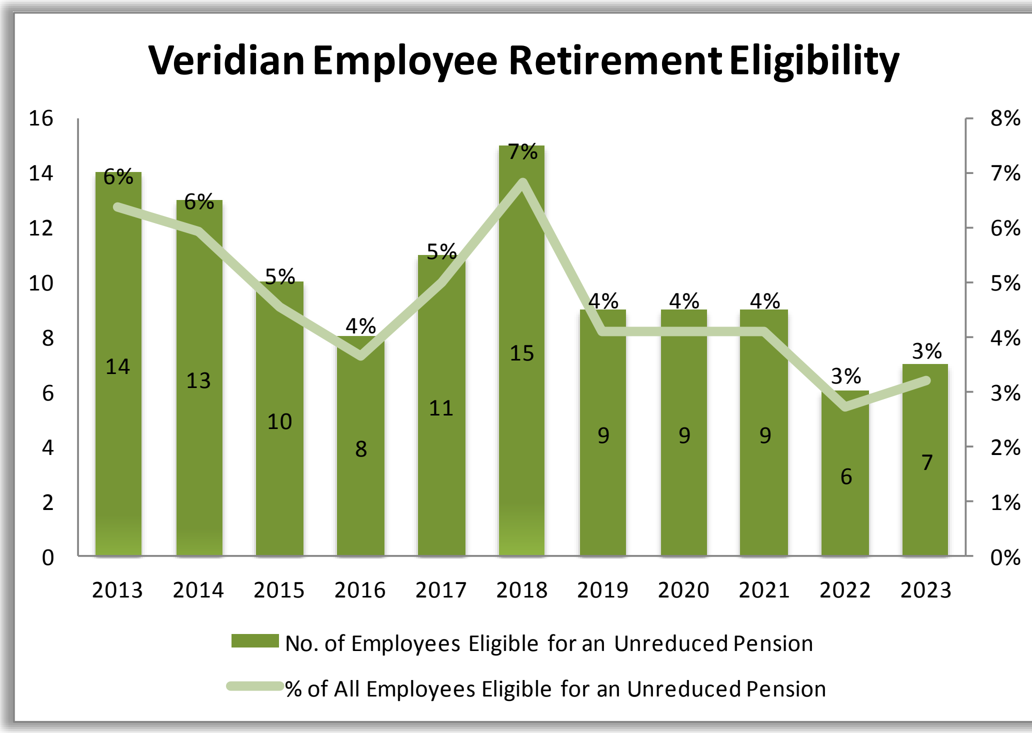
Table 6: 2010 vs. 2014 FTE Employee Reconciliation:

Actual No. of FTE Employees - 2010		211
FTE Employee Additions Due To:	Succession Planning	5
	Engineering & Admin., Capital Projects	4.5
	Enhanced Asset Management/Maintenance	6.5
	Customer Growth, Compliance & Complexity	3
Projected No. of FTE Employees - 2014		230

Each of these drivers of FTE employee additions is discussed further as follows:

Driver 1 - Succession planning:

Veridian has a significant number of employees close to retirement eligibility, as shown in the graph below. Many of these employees are employed in trades requiring the completion of four year apprenticeship training programs before the employee is capable of carrying out all required work activities associated with the position. Therefore, it has been necessary for Veridian to increase its complement of apprentices so that they can be trained and ready to support the company's business needs as older trades staff begin to retire.



Between 2010 and 2014, Veridian projects that it will have increased its complement of Metering, Lines, Substation and System Operator apprentices by approximately 9 FTE employees. During the same time, the number of journeypersons occupying these skilled trade positions will have declined by approximately 4 FTE employees, for a net increase of 5 FTE skilled trades employees. Any skilled trade employees that retire or leave the company's employ during the test year will be replaced, to maintain the resource levels needed to execute capital and operations plans.

<u>Driver 2 - Engineering & Administration, Capital Projects</u>:

Between 2010 and 2014, it is projected that the complement of Veridian employees dedicated to engineering and related support work for capital projects will have grown by approximately 4.5 FTE employees. This need has been driven by the increasing magnitude of annual capital additions. The addition of employees to the following positions accounts for the majority of this net growth in FTE employees:

- Engineering Technicians (2) – to be filled in Q1 2014
- Clerical Assistant, Engineering (1) – to be filled in Q1 2014
- Supervisor, Engineering (1) – filled in 2012
- Capital Asset Analyst (1) – filled in 2010

Details of capital additions for 2010 through 2012 can be found at Exhibit 2, Tab 2, Schedule 2. Proposed capital additions for 2013 and 2014 are provided within Veridian's Distribution System Plan, Exhibit 2, Tab 3, Schedules 13 to 17.

Driver 3 - Enhanced Asset Management / Maintenance:

As detailed in the Distribution System Plan included within this application (Exhibit 2, Tab 3), Veridian is increasing the scale and scope of its asset management and maintenance activities. Between 2010 and 2014, approximately 6.5 FTE employees will have been added to support these activities. The following past and planned employee additions are the primary contributors to this net growth in FTE employees:

- Apprentice Substation Technician (1) – to be filled in Q1 2014
- Supervisor, Substations (1) – to be filled in Q2 2014
- Asset Management & Planning Technician (3) – one filled in Q3 2013 and two in Q1 2014
- P&C and Automation Technician (2) – one filled in Q3 2013 and the second to be filled in Q4 2013

Driver 4 - Customer Growth, Compliance & Complexity:

The preceding three drivers of FTE employee additions account for an increase of 16 FTE employees in 2014, as compared to 2010. The remaining 3 of the 19 FTE employee increase from 2010 to 2014 is attributable to changes associated with organization restructuring, customer growth, legal and regulatory compliance and increasing business complexity. Positive and negative FTE employee changes within a wide variety of positions contributed to this net increase.

It is projected that Veridian's customer base will grow to 118,727 in 2014; up from 112,331 in 2010. The addition of a net 3 FTE employees related to baseline business activities represents an addition of just 1 FTE employee per 2,132 new customers.

While the preceding discussion explains the primary four drivers of FTE growth, all of the driver categories include FTE employees dedicated to capital project requirements. In total it is projected that of the 19 FTE employee additions between 2010 and 2014, 12 FTE employees will be allocated to capital projects in the test year.

The Table below shows the allocation of these incremental FTE employee costs between the various categories of OM&A expenses and capitalized labour.

Table 7: Incremental FTE Employees by OM&A and Capital, 2010 to 2014

Cost Category	Increase in FTE Employees	Percent of Total FTE Employee Increase
Billing and Collecting	1	7.8%
Administration	2	10.3%
Operations and Maintenance	4	20.3%
Capitalized Labour	12	61.6%
Total	19	100%

Capitalized FTE employee labour includes that pertaining to incremental staffing in the areas of Lines, Engineering, and Fleet plus an allocation of approximately 50% of the incremental staffing in Distribution Automation, Metering, Asset Planning & Maintenance and Health & Safety.

Wage Inflation Adjustments

Veridian's current staff complement comprises 77 management and non-union employees and 142 bargaining-unit employees. As stated earlier in this exhibit, all unionized employees are represented by the International Brotherhood of Electrical Workers (IBEW), Local 636. Annual adjustments to base wages for employees represented by the IBEW are made in accordance with the collective bargaining agreement between Veridian and the IBEW.

Inflation adjustments to the base wages of management and non-union staff are typically made at levels consistent with that negotiated for bargaining unit staff. This is done to achieve continued coordination between the compensation structures of union and non-union staff.

The following table summarizes the annual base wage inflation adjustments from 2010 to 2014. All adjustments for bargaining unit staff reflect commitments made under the terms of collective agreements, including the 2014 adjustment as required under the current agreement that extends to March 31, 2015. The 2014 adjustment for management and-non union staff is projected.

Table 8: Summary of Base Wage Inflation Adjustments, 2010 – 2014:

Annual Base Wage Inflation Adjustments					
Year	**2010**	**2011**	**2012**	**2013**	**2014**
Bargaining Unit Staff (effective April 1st)	3.0%	3.0%	3.0%	3.0%	3.0%
Management & Non-Union Staff (effective Jan. 1st)	3.0%	3.0%	3.0%	3.0%	3.0% *

* The January 1st 2014 adjustment for management and non-union staff is projected, and subject to Veridian Board approval.

Annual inflation adjustments have increased base wages by a cumulative amount of approximately 12.6% since 2010.

In addition to annual inflation adjustments, the wages of eligible employees are adjusted for progressions within the pay bands for their respective positions. For bargaining unit employees, the collective agreement establishes the grade progression. For management and non union staff, progressions are based on performance.

Performance Incentive Compensation

As detailed in the preceding section dealing with Veridian's compensation strategy and practices, all non bargaining unit employees have a portion of their compensation tied to the company's performance using measures such as cost control, customer satisfaction, system reliability and employee safety. Accordingly, total compensation amounts vary from year to year as they are based on annual achievement levels as measured against these performance metrics.

Incentive compensation payments amounts for eligible staff are derived from base wage levels, so the annual inflation adjustments also contribute to annual variances.

Actual and projected incentive compensation levels are provided in tables 9 and 10. Incentive compensation payments are made in the spring of each year, and relate to prior year performance. The incentive compensation amounts included in the test year forecast have been calculated using 1) an average of annual corporate scorecard performance levels achieved over the most recent three years, and 2) employee individual performance scores achieved in 2012.

Table 9: Average Annual Incentive Compensation per Eligible FTE Employee:

Position Category	2010 (Actual)	2011 (Actual)	2012 (Actual)	2013 (Actual)	2014 (Projected)
Management	$13,063	$15,282	$16,860	$16,993	$17,611
Non-management	$4,084	$5,109	$6,192	$6,106	$6,785
All	**$10,341**	**$12,290**	**$13,973**	**$13,983**	**$14,626**

Table 10: Total Annual Incentive Compensation:

Position Category	2010 (Actual)	2011 (Actual)	2012 (Actual)	2013 (Actual)	2014 (Projected)
Management	$583,200	$688,987	$762,547	$766,407	$828,794
Non-management	$79,310	$95,970	$103,898	$108,201	$124,595
All	**$662,510**	**$784,957**	**$866,446**	**$884,608**	**$953,389**
Cumulative Change	**-**	**$122,447**	**$203,936**	**$222,098**	**$290,879**

Benefits Costs

Company paid benefits are an integral part of Veridian's total compensation. An appropriate level of benefits serves to attract, motivate and retain employees and improve their overall health, wellness and productivity.

Veridian maintains a reasonable and competitive benefits package for employees. Adjustments to the benefit plans are reviewed coincident with collective agreement negotiations. A summary of the plan benefits for current employees is provided as Attachment 6.

Veridian also contributes the company portion of statutory benefits such as Canada Pension Plan (CPP), Employment Insurance (EI), the provincial Employer Health Tax and Workers Safety Insurance Board (WSIB) premiums.

Veridian is an Ontario Municipal Retirement System (OMERS) member. Employees are enrolled in the OMERS pension plan as per the provisions of the plan. OMERS is a defined benefits plan.

Eligible retirees are provided with Retiree Health Care Spending Accounts, with maximum yearly payments as set out below. Payments under the plans are made only for eligible retired employees aged 55 to 65. To be eligible for the plan, a retiree must have accumulated a minimum of 20 years of service as a Veridian employee.

Table 11: Retiree Health Care Spending Account Limits

Retirement Date	Annual Spending Limit per Retiree
After April 1st 2011	$1,200
After April 1st, 2012	$1,200
After April 1st, 2013	$1,300
After April 1st, 2014	$1,400

The most recent actuary report on the actuarial valuation of post-retirement non-pension benefits is provided as Attachment 7. The report is dated January 1, 2011.

Actual and projected benefits costs are shown in the following tables:

Table 12: Average Annual Benefits ($) per FTE Employee*:

Position Category	2010 (Actual)	2011 (Actual)	2012 (Actual)	2013 (Projected)	2014 (Projected)
Management	$16,359	$18,820	$20,580	$21,201	$20,993
Non-management	$16,125	$18,376	$20,165	$20,602	$20,431
All	**$16,174**	**$18,470**	**$20,252**	**$20,727**	**$20,546**

*All figures include the employers' OMERS pension premium

Table 13: Total Benefits Costs ($):

Year	2010 (Actual)	2011 (Actual)	2012 (Actual)	2013 (Projected)	2014 (Projected)
Annual Costs	$3,407,691	$3,944,775	$4,349,694	$4,532,865	$4,716,098
Cumulative Change	**-**	**$537,083**	**$942,003**	**$1,125,174**	**$1,308,406**

As shown, total benefits costs are projected to rise to $4.7 million in 2014, up over 38% compared to the 2010 level of $3.4 million. OMERS pension plan contributions are the primary contributor to this increase, accounting for $0.93 million of the cumulative increase in benefits costs since 2010, as shown in the following table:

Table 14: OMERS Pension Contributions ($):

Year	2010 (Actual)	2011 (Actual)	2012 (Actual)	2013 (Projected)	2014 (Projected)
Annual Costs	$1,147,641	$1,409,352	$1,717,207	$2,073,103	$2,080,432
Cumulative Change	**-**	**$261,711**	**$569,566**	**$925,462**	**$932,791**

The significant increases in OMERS pension contributions in 2011, 2012 and 2013 were primarily due to a series of three annual contribution rate increases implemented by OMERS to deal with a funding deficit issue.

Most of the balance of the 2010 to 2014 increase in total benefits costs relates to non-pension related costs of the incremental 19 FTE employees. This amount is estimated at $226,670.

Overtime Costs

Unionized staff is eligible for overtime compensation under the terms of the company's collective agreement with the IBEW. Non-union support staff is also eligible for overtime pay as regulated by the Employment Standards Act (ESA). Overtime usage is routinely monitored to ensure that it is used effectively and efficiently. Overtime hours are also monitored to determine when it becomes necessary and more efficient to add new permanent staff to the work force.

Actual and projected annual overtime cost data is provided in the following table.

Table 15: Total Annual Overtime Costs ($):

Year	2010 (Actual)	2011 (Actual)	2012 (Actual)	2013 (Projected)	2014 (Projected)
Annual Costs	$885,411	$1,035,930	$1,106,461	$1,431,474	$1,224,211
Cumulative Change	**-**	**$150,519**	**$221,050**	**$546,062**	**$338,799**

Overtime costs are influenced by emergency power restoration and distribution system repair activities required outside of normal business hours. A significant and unusually damaging weather system affecting Veridian's service area in Gravenhurst contributed to a projection of exceptionally high overtime costs in 2013. These costs, totaling $189,730, have been removed for the purpose of projecting test year overtime costs.

Projected test year overtime costs are based on an inflation adjusted average of 2012 actual costs and 2013 projected costs, the latter of which has been adjusted to remove the impact of the 2013 Gravenhurst weather event.

Changes in Total Compensation, 2010-14

The following table summarizes the calculated changes to total compensation for the period 2010 to 2014, for each of the cost drivers presented in this exhibit.

Table 16: Changes in Total Compensation, 2010 to 2014 Reconciliation

2010 Total Compensation		**$19,717,019**
Driver of Change in Total Compensation	Inflation impact on base, variable & overtime pay (net of FTE employee additions impacts)	$2,046,964
	Benefit costs (net of FTE addition impacts)	$921,047
	FTE employee additions (including base and variable pay, and benefits)	$2,083,433
	Overtime (net of inflation impacts)	$227,671
	Incentive compensation (net of inflation & FTE addition impacts)	$212,545
	Other (changes in staff composition, positions in pay bands, etc.)	$157,124
Projected 2014 Compensation		**$25,365,804**

Attachment 1 of 7

OEB Appendix 2-K Employee Costs

File Number:	EB-2013-0174
Exhibit:	4
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Page:	
Date:	31-Oct-13

Appendix 2-K
Employee Costs

	Last Rebasing Year - 2010- Board Approved	Last Rebasing Year - 2010- Actual	2011 Actuals	2012 Actuals	2013 Bridge Year	2014 Test Year
Number of Employees (FTEs including Part-Time)[1]						
Management (including executive)	44	45	45	45	46	47
Non-Management (union and non-union)	191	166	168	170	173	182
Total	236	211	214	215	219	230
Total Salary and Wages including ovetime and incentive pay						
Management (including executive)	$ 4,852,138	$ 5,064,827	$ 5,363,262	$ 5,686,913	$ 5,880,621	$ 6,220,467
Non-Management (union and non-union)	$ 12,770,285	$ 11,244,500	$ 12,091,114	$ 12,563,216	$ 13,364,072	$ 14,429,240
Total	$ 17,622,423	$ 16,309,328	$ 17,454,376	$ 18,250,129	$ 19,244,693	$ 20,649,707
Total Benefits (Current + Accrued)						
Management (including executive)	$ 694,279	$ 730,384	$ 848,493	$ 930,775	$ 968,689	$ 987,947
Non-Management (union and non-union)	$ 3,014,184	$ 2,677,308	$ 3,096,281	$ 3,418,920	$ 3,564,176	$ 3,728,150
Total	$ 3,708,463	$ 3,407,691	$ 3,944,775	$ 4,349,694	$ 4,532,865	$ 4,716,098
Total Compensation (Salary, Wages, & Benefits)						
Management (including executive)	$ 5,546,417	$ 5,795,211	$ 6,211,755	$ 6,617,687	$ 6,849,310	$ 7,208,414
Non-Management (union and non-union)	$ 15,784,469	$ 13,921,808	$ 15,187,395	$ 15,982,136	$ 16,928,248	$ 18,157,390
Total	$ 21,330,886	$ 19,717,019	$ 21,399,150	$ 22,599,823	$ 23,777,558	$ 25,365,804

Note:

[1] If an applicant wishes to use headcount, it must also file the same schedule on an FTE basis.

[2] Data provided for 'Last Rebasing Year - 2010' is as filed. The Board's decision did not include approvals for FTE employee numbers and compensation amounts.

VERIDIAN
CONNECTIONS

File Number:EB-2013-0174

Exhibit:	4
Tab:	3
Schedule:	1

Date Filed:October 31, 2013

Attachment 2 of 7

HR40 Key Business Goals, Measures and Link to Executive Compensation

HR40

Human Resources

Key Business Goals, Measures and Link to Executive Compensation

for

Veridian Corporation, Veridian Connections Inc.

2-Jan-2013 – V.3

Issued by: Michael Angemeer

Approved by the Human Resources & Compensation Committee Resolution #2012-HRC15

and

Approved by the Veridian Corporation Board Resolution #2012-VC58

and

Approved by the Veridian Connections Inc. Board Resolution #2012-VCI67

Revision History

Name	Date	Reason For Changes	Version
M. Angemeer	15-Nov-2012	Updated measures and targets for 2013. Incorporated into Veridian's policies and procedures and formatted into template.	V.3
M. Angemeer	17-Aug-2012	Updated to ROE targets to reflect the impact of the Board's decision to defer adoption of IFRS.	V.2
M. Angemeer	21-Nov-2011	Recommended by the Human Resources Committee and approved by the Board December 15, 2011.	V.1

Review Schedule

- Annually

Table of Contents

1.0 Introduction

Veridian has adopted a balanced scorecard that identifies objectives that will assist Veridian in meeting its Vision. There are seven key business goals that have been identified as those critical to achievement of Veridian's Vision.

This document outlines the key business goals, how these goals are measured and the targets for those measures. The Executive Compensation plan is aligned to promote performance that will attain the key business goals. The methodology and formulas for recognizing and rewarding the Executive for performance and contributions towards achieving the key business goals are also included within this document.

2.0 Key Corporate Business Goals

The key corporate business goals that have been defined for Veridian are:

1. Cost efficiency – controllable cost per customer
2. Continuing profitability by maintaining a high ROE (return on equity)
3. Completion of capital expenditure projects as planned and within budget
4. High level of customer satisfaction
5. High level of power system reliability
6. Low lost time accident frequency
7. Low lost time accident severity

3.0 Weighting of Corporate and Individual Goals

Veridian's compensation plan includes an annual base salary paid to Executive staff and "at risk pay" paid in recognition and reward for high levels of performance. The level of "at risk pay" is commensurate with achieving high levels of performance. Achievement of the corporate business plan is the basis for earning target "at risk pay". There is the potential for bonus in excess of this level if stretch performance targets are met.

The levels of "at risk pay" for the Executive staff are as follows:

KEY BUSINESS GOALS		**CEO**	**EVP**	**VP**
Financial				
1. Cost per Customer	Target	7%	5.5%	4.5%
	Stretch	*10%*	*7%*	*5.8%*
2. Return on Equity	Target	3.5%	2%	0%
	Stretch	*5.5%*	*3.5%*	-
3. Capital Expenditure Projects	Target	2%	1%	1%
	Stretch	*2.5%*	*1.5%*	*1.5%*

KEY BUSINESS GOALS		**CEO**	**EVP**	**VP**
Customer				
4. Customer Satisfaction	Target	3.5%	3%	1%
	Stretch	*5%*	*3.5%*	*1.2%*
5. Reliability	Target	5%	4%	2%
	Stretch	*7.5%*	*5.5%*	*2.8%*
Internal				
6. Low Lost Time Accident Frequency	Target	2%	1.5%	1%
	Stretch	*2%*	*1.5%*	*1%*
7. Low Lost Time Accident Severity	Target	1.5%	1%	0.5%
	Stretch	*2.5%*	*1.5%*	*0.7%*
Total Corporate	Target	24.5%	18%	10%
	Stretch	*35%*	*24%*	*13%*
Total Individual	Target	10.5%	12%	10%
	Stretch	*15%*	*16%*	*12%*
Total “At Risk”	Target	35%	30%	20%
	Stretch	*50%*	*40%*	*25%*

4.0 Corporate Performance Measures and Targets for 2013

Performance Measures		Measure Description	"At Risk" Pay (% of Base)			
			2013 Goals [3]	Executive		VP
				CEO	EVP	
Financial	Controllable Cost per Customer	Veridian Connections Inc. Operations, Maintenance and Administration Expense per Customer ($)	$214.83	10.0%	7.0%	5.8%
			$216.74	8.5%	6.2%	5.2%
			$218.64	7.0%	5.5%	4.5%
			$219.59	5.0%	4.0%	3.0%
			$220.55	3.5%	2.5%	1.5%
			-	-	-	-
	Veridian Connections Return on Equity (ROE)	Veridian Connections Inc. return on equity ratio, after adjusting for the after tax impact of unrealized interest rate sw ap gains and losses	7.09%	5.5%	3.5%	n/a
			6.87%	4.5%	2.7%	n/a
			6.65%	3.5%	2.0%	n/a
			6.43%	2.5%	1.5%	n/a
			6.21%	1.0%	0.5%	n/a
			-	-	-	-
	Planned Capital Expenditure Completion Rate	Percent of planned capital expenditures completed, excluding non-discretionary projects relating to new development and roadw ay relocations and excluding amounts over-budget	100%	2.5%	1.5%	1.5%
			90%	2.0%	1.0%	1.0%
			85%	1.0%	0.5%	0.5%
			-	-	-	-
			-	-	-	-
			-	-	-	-
Customer	Customer Satisfaction	Percent deviation betw een Veridian Connections Inc. customer satisfaction and Ontario electricity consumer customer satisfaction, as measured by an annual telephone survey	6%	5.0%	3.5%	1.2%
			5%	3.5%	3.0%	1.0%
			4%	2.0%	1.5%	0.7%
			3%	1.0%	0.7%	0.2%
			-	-	-	-
			-	-	-	-
	Reliability	Average outage duration hours per customer served, excluding outages related to loss of upstream supply (System Average Interruption Duration Index (SAIDI))	1.22	3.75%	2.75%	1.4%
			1.29	3.1%	2.4%	1.2%
			1.36	2.5%	2.0%	1.0%
			1.43	1.5%	1.3%	0.6%
			1.50	0.8%	0.5%	0.3%
			-	-	-	-
		Average number of interruptions per customer served, excluding outages related to loss of upstream supply (System Average Interruption Frequency Index (SAIFI))	1.33	3.75%	2.75%	1.4%
			1.39	3.1%	2.4%	1.2%
			1.45	2.5%	2.0%	1.0%
			1.50	1.5%	1.3%	0.6%
			1.56	0.8%	0.5%	0.3%
			-	-	-	-
Internal Processes	Lost Time Accident Frequency Rate	Number of lost time accidents per 200,000 hours w orked	0	2.0%	1.5%	1.0%
			0	2.0%	1.5%	1.0%
			1	1.5%	1.0%	0.7%
			2	0.7%	0.5%	0.2%
			-	-	-	-
			-	-	-	-
	Lost Time Accident Severity Rate	Number of days lost due to lost time accidents per 200,000 hours w orked	0	2.5%	1.5%	0.7%
			4	1.5%	1.0%	0.5%
			7	1.0%	0.7%	0.3%
			10	0.5%	0.2%	0.1%
			-	-	-	-
			-	-	-	-
			Target	24.5%	18.0%	10.0%
			Stretch Target	35.0%	24.0%	13.0%

Attachment 3 of 7

HR41 Incentive Compensation Plan for Management and Non Union Staff

HR41

Human Reources

Incentive Compensation Plan for Management and Non-Union Staff

for

All Divisions

15-Jul-2013 – V.1

Issued by: F. Damiani

VERIDIAN

Revision History

Name	Issue Date	Identify Changes or Reason	Version
F. Damiani	15-Jul-2013	Original issue.	V.1

Review Schedule

- Every two years

Table of Contents

1.0 Introduction

This policy details Veridian's compensation plan for its Management, Supervisory and Non-Union staff. The plan is designed to attract, motivate and retain a group of Employees critical to the company's success in meeting customer and shareholder performance expectations.

1.1 Related Policies

- HR04 – Emergency Response Pay Provisions for Management Staff
- HR26 – Non-Union Part-Time Employee Compensation
- HR39 – Overtime Policy for Non-Union Non-Supervisory Employees
- HR40 – Key Business Goals, Measures and Link to Executive Compensation

1.2 Intended Audience

This policy applies to all full and permanent part-time Managers, Supervisors and Non-Union staff.

2.0 Compensation Plan Components

Veridian's compensation plan for Managers, Supervisors and Non-Union staff consists of two components; 1) base pay, and 2) variable performance pay. The variable performance pay component includes two sub-components. The first is based on achievements relating to corporate performance goals, and the second to achievements related to individual performance goals.

This compensation plan has been designed to achieve the following outcomes:

- Alignment of compensation with both individual and business success;
- Total compensation (base plus variable pay) that is competitive with local labour markets;
- Fair and equitable compensation for all affected Employees.

Each of the components of total compensation is more fully described in the following subsections 2.1 and 2.2.

2.1 Base Pay

Base pay is the foundation of the cash compensation plan for Managers, Supervisors and Non-Union staff. Each position is assigned a base pay range consisting of five pay steps. The top step is the 'job rate', which can be attained by an Employee over time, once they are consistently and fully meeting job requirements.

Base pay levels at each of the pay steps are exhibited in the following table:

Step	1	2	3	4	5
Percent of Job Rate	88%	91%	94%	97%	100%

New Employees or Employees who are promoted to a position with a higher base pay range are subject to a six (6) month probationary period. At the end of the probationary period a performance review is carried out and, if performance expectations are met, the Employee is eligible for movement to the next step in the position pay range. Upon successful completion of the probationary period, performance reviews for the purpose of setting base pay are completed on a one year cycle (on the anniversary of the end of the probation period).

Employees who consistently meet or exceed performance expectations and fulfull all minimum position requirements will achieve a base pay level at the job rate.

Each year, base pay rates are reviewed to ensure that they are competitive and are adjusted to reflect market changes as required. When such adjustments are made, all Employees who are meeting performance expectations will have their base pay adjusted to reflect their respective positions in the updated pay ranges. However, Employees with an ongoing record of poor performance as documented by performance counselling measures may have their base pay frozen at the unadjusted rate until such time that performance returns to meeting expectations.

2.2 Variable Performance Pay

As stated earlier in this policy, variable performance pay amounts are assessed on the basis of both corporate and individual performance. The potential for variable performance payments is expressed as a percent of the position job rate, and varies with the job level as shown in the following table:

Variable Performance Pay Component	Variable Peformance Pay Potential (% of job rate)	
	AC Level Job Categories	M Level Job Categories
Corporate performance	5%	7.5%
Individual performance – 'Meets' target level	5%	7.5%
Individual performance – 'Exceeds' target level	-	3.75%
Total	10%	18.75%

Variable performance payments are assessed and paid to Employees once per year. The annual payments relate to both corporate and individual performance in the prior calendar year.

Details regarding the adminstration of the variable performance pay component of this compensation policy are provided in Section 3.0.

3.0 Administration of Variable Performance Pay

3.1 Setting Annual Performance Goals

3.1.1 Corporate Goals

Each year, Veridian's Board of Directors establishes a comprehensive set of corporate performance measures and related targets for the following year. These objectives typically relate to key areas of performance that impact electricity distribution rates, customer service, system reliability and the health and safety of Employees. Details regarding the current corporate performance goals are provided in policy no. HR40 (Key Business Goals, Measures and Link to Executive Compensation). This policy establishes the methodology for assessing variable performance pay for executive staff, and is updated annually.

To ensure alignment between the compensation practices for executive staff and the audience for this policy, the corporate performance goals assigned to Managers, Supervisors and Non-Union staff are derived from those assigned to the position of Vice President. Each of the performance goal increments up to the 'target' level of performance are used to develop a weighted corporate scorecard with a measurement scale by which the achievement of target performance in all categories equals an aggregate score of 100%.

The corporate scorecard used to assess variable performance pay for Managers, Supervisors and Non-Union staff is maintained by Human Resources. Status reports showing performance against the annual goals are distributed for departmental review on a quarterly basis.

3.1.2 Individual Goals

Individual goals are established annually in accordance with the 'Individual Performance Goal Setting Guide' provided as Appendix A. The guide prompts the establishment of goals with equal weight across the following four perspectives:

- Financial
- People
- Customer/Stakeholder
- Process

To support the fair and equitable assignment of goals, the guide includes a number of standard individual goals that are pertinent to most or all positions. It also standardizes how goals are weighted within an overall scoring matrix totalling 100%.

Individual goals are established by department and division heads in consultation with individual Employees. The expected timing for the finalization of goals is outlined in Section 3.4 of this policy. An exemption to this timing is made in the event of a new hire or promotion during the year. In this circumstance and if the new hire or promotion takes effect before the end of November, individual performance goals must be established and in effect as of the start date of the Employee in the new position.

Veridian uses a web-based performance evaluation tool to record individual goals and to facilitate performance reviews related to these goals. Department and division heads are responsible for ensuring that all Employees eligible for variable performance pay are promptly assigned individual performance goals in accordance with the provisions of this policy and through the use of this tool.

3.2 Assessing Performance Against Annual Goals

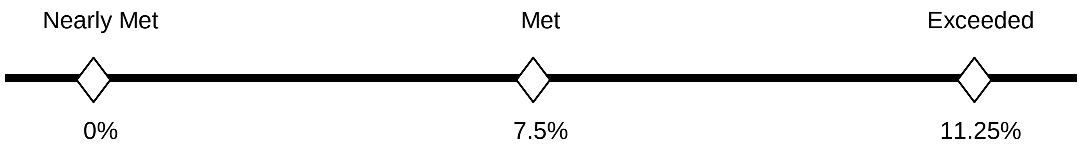
3.2.1 Individual Performance Pay Eligibility

Assessments of Employee performance against individual performance goals is completed in the first two months of each year. The assessment period is the prior calendar year, and the assessment process includes the following steps:

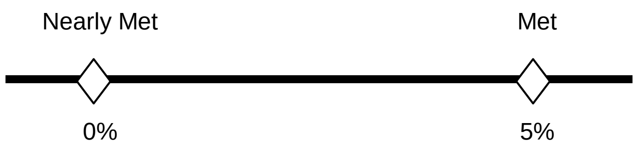
1. Employees complete a self assessment of their performance using the web-based performance evaluation tool and share this assessment with their department or division head, then;
2. Department and division heads complete performances assessments for Employees, taking into consideration the Employee self assessments, then;
3. Human Resources compiles all assessment results and facilitates a review by the Executive team to ensure fairness and consistency within and across all business units.

Following this review process, a weighted average performance score related to individual goals is finalized for each Employee. These scores are then used to determine individual performance payment award eligibility based on the following performance milestones and incentive payment levels:

<u>M Level Job Categories:</u>



<u>AC Level Job Categories:</u>



When overall performance levels fall between performance milestones, payment award eligility is determined by proration. For example, an Employee in an AC level job category who has achieved a weighted average performance score falling mid-way between ‘Nearly Met’ and ‘Met’ will be eligible for an individual performance incentive payment at the 2.5% level.

3.2.2 Corporate Performance Pay Eligibility

Performance incentive payment eligibility related to corporate performance is determined by multiplying the final year-end weighted average corporate performance score by the maximum incentive payment level for the job category. As an example, consider an Employee in an M level job category who is eligible for a corporate performance incentive payment of up to 7.5% (as shown in Section 2.2. of this policy). For a year in which a corporate scorecard result of 78% was attained, the Employee would be eligible for a corporate performance incentive payment at the 5.85% level (7.5% x .78).

3.2.3 Total Variable Performance Pay Eligibility

An Employee’s total variable peformance pay eligibility is determined by summing the individual and corporate performance pay amounts, as shown in the following example:

<u>*Example*</u>*:*

An Employee in an M level job category achieves a weighted average individual performance rating at the mid-point between ‘Nearly Met’ and ‘Met. For the year of assessment, a corporate performance score of 78% was attained. The Employee would be eligible for a total variable performance payment as shown in the table below.

Variable Performance Pay Component	Performance Pay Assessment	Variable Performance Pay Eligibility (% of Job Rate)
Individual	Mid-point between 0% & 7.5% performance milestones	3.75%
Corporate	7.5% potential x 78% performance achievement	5.85%
Total	Sum of Individual and Corporate amounts (rounded to one decimal point)	9.6%

3.3 Payment Guidelines

The administration of variable performance pay in a variety of common circumstances is provided in the following table. Interpretation of these guidelines and the establishment of further guidelines for unique situations are subject to review by the Manager of Human Resources and approval by the Executive Committee.

The calculation and payment of all portions of the incentive compensation plan are inclusive of any vacation pay owing on such amounts. No additional vacation pay shall be owed as a result of any earnings under this plan.

The Company reserves the right to withhold any portion of the variable performance payment, at its sole discretion, from individuals with unacceptable performance or discipline record.

Circumstance	Variable Performance Payment Guidelines
New Hire	An Employee hired after January 1st and before November 30th of the performance incentive year will be eligible for a payment. However, all payouts under the plan will be prorated based on the number of weeks employed in the position. New hires must successfully complete their probationary period to be eligible for any payment.
Promotion or Transfer	Variable performance payment amounts are calculated for the time employed in each position, and the two amounts summed to determine the total payment amount for the year. Individual amounts for each position are determined through proration, using the number of weeks employed.
Absence Due to an Approved Leave	For eligible Employees who are absent as a result of an approved leave (for example pregnancy and/or parental leave, long term disability), payout will be prorated based upon the number of weeks that the Employee was actively at work during the performance incentive period.
Resignation	An Employee who resigns will receive a pro-rated variable performance payment based on the number of weeks worked in the measurement year (including vacation). Payment will be made at the same time as those made for all other eligible Employees.
Retirement	A retiring Employee will receive a pro-rated variable performance payment based on the number of weeks worked in the measurement year (including vacation). Payment will be made at the same time as those made for all other eligible Employees.[1]
Death	The estate of a deceased Employee will be eligible to receive a prorated variable performance payment reflecting the number of weeks worked in the position. Payment will be made at the same time as those made for all other eligible Employees.[1]

Circumstance	Variable Performance Payment Guidelines
Terminations	An Employee whose employment is terminated prior to the date the performance payment is announced, but is provided with notice and/or severance (i.e. is terminated without cause) shall be eligible to receive that part of the performance payment prorated on the basis of the calendar weeks the Employee was actively employed prior to receiving notice to termination (i.e. exclusive of any period of notice of termination) and such performance payment shall become payable and paid (if announced) in the pay period applicable to all other eligible Employees. An Employee whose employment is terminated for cause, at any time prior to the date the performance payment is announced, shall not be eligible to receive any performance payment, on a prorated or accrued basis or otherwise.

[1] This payment schedule accommodates an OMERS pension plan requirement that contributory earnings cannot be inflated by changing the timing of incentive payments in the final year of employment.

3.4 Annual Calendar – Key Milestones

The following table summarizes the major annual milestones in the administration of this incentive compensation plan:

Month(s)	Activity
January	Individual goals for the current year are finalized and reviewed by department and division heads with Employees
January/February	Performance against individual goals for the prior year is assessed
March	Corporate performance scorecard results for the prior year are finalized and the Veridian Board considers variable performance payment recommendations
April	Approved variable performance payments related to the prior year period are processed
September	Interim progress against individual performance goals are reviewed with Employees
December	Corporate performance goals for following year are finalized and adopted by the Veridian Board

3.5 Approval of Annual Payments

Variable performance payment amounts are subject to annual approval by the Veridian Board of Directors. Exceptions to this policy may be made in any particular year at the company's discretion.

Appendix A: Individual Performance Goal Setting Guide

What makes a good goal statement? Use the “SMART” acronym:

S – Specific
M – Measurable
A -- Attainable
R -- Relevant
T -- Time framed

Specific – Write a concise statement of the goal that tells what needs to be accomplished and when – the specific results or outcomes expected.

Measurable – Include in the specific goal statement the measurements to be used to determine that the results or outcomes expected have been achieved. Measurements are not necessarily quantitative, but should describe the outcomes required to meet each of the following performance descriptors:

- Outstanding
- Exceeded
- Met
- Nearly Met

The outcomes described to achieve a score of ‘Met’ should be based on a challenging yet attainable level of performance.

Attainable – The expected results or outcomes must be within the authority, skill, and knowledge level of the Employee, and the resources needed to achieve the goal must be available to the Employee.

Relevant – The expected results or outcomes should support the department’s plan and/or Veridian’s corporate performance goals.

Time framed – Deadlines for achieving expected results and outcomes should be set, not left open-ended. Deadlines can be extended when circumstances warrant, but should be re-set and monitored.

In other words, the goals you and your Employee write should answer these questions:

- WHAT specifically do you want to improve or accomplish?
- By HOW MANY, HOW MUCH, or TO WHAT EXTENT?
- By WHEN?

Guidelines for Manager and Supervisor Goals:

Perspective	Goal #	Description	Weight	
			Within Perspective	**Within Total Score**
Financial (25%)	1	***Choose the most relevant of the following options (a, b or c):*** **a) Operating Expense Budgets:** Manage assigned operating expense costs within budget. Scores will be assessed as follows: • Actual to budget of 90% or less = Outstanding • Actual to budget of 90% to 95% = Exceeded • Actual to budget of 95% to 100% = Met • Actual to budget of 100% to 105% = Nearly Met **b) Capital Expenditure Completion:** Manage assigned capital projects within budget. Scores will be assessed as follows: • 75% to 100% of projects completed ahead of schedule and under budget = Outstanding • 50% to 75% of projects completed ahead of schedule and under budget = Exceeded • All projects completed on schedule and on budget = Met • Up to 50% of projects completed behind schedule and/or over budget = Nearly Met **c) CDM Program Admin. Budgets:** Manage assigned CDM projects within budget. Scores will be assessed as follows: • Actual of budget +/- 2.5% = Outstanding • Actual of budget +/- 5% = Exceeded • Actual of budget +/- 7.5% = Met • Actual of budget +/- 10% = Nearly Met For all options, discretion may be applied in scoring to adjust for factors outside of the manager or supervisors control.	60%	15%
	2	**Custom Financial Goal:** A custom goal relevant to the Employee's role in financial performance. The custom financial goal may be one of the standard goals not selected under goal number 1 above.	40%	10%

Perspective	Goal #	Description	Weight	
			Within Perspective	Within Total Score
People (25%)	3	**Training & Development:** Promote staff skills development through planning and execution of training opportunities, including completion of personal training under Veridian's Management Training Syllabus initiative. Scores will be assessed as follows: • 'Met' plus significant approved supplemental* training completed, and the benefits of the training to Veridian clearly demonstrated = Outstanding • 'Met' plus some approved supplemental* training completed = Exceeded • All mandatory and all planned development training completed = Met • All mandatory and some planned development training completed = Nearly Met *Supplemental training includes after hours programs and professional development, job rotation/secondments for Employee development purposes, etc.	50%	12.5%
	4	**Employee Engagement:** Maintain a high level of Employee engagement through coaching, performance management, and routine sharing of corporate and departmental goals and performance. Scores will be assessed based on a combination of quantitative and qualitative factors, which may include: • Compliance with the corporation's mandatory annual policy review requirements • Attendance and participation in safety and other staff meetings • Departmental attendance performance and trends	50%	12.5%
Customer/ Stakeholder (25%)	5	**Relationships, Initiative, Productivity & Professionalism:** Maintain a high degree of professionalism in all interactions with customers and stakeholders, and carry out assigned tasks in a timely and cost efficient manner. Scores will be assessed based on qualitative factors, which may include: • Staff, customer (internal and external) and stakeholder relationships • Exhibited initiative and innovation • Professionalism • Productivity	60%	15%
	6	**Custom Customer/Stakeholder Goal:** A custom goal relevant to the Employee's role in customer and/or stakeholder relations	40%	10%

Perspective	Goal #	Description	Weight	
			Within Perspective	Within Total Score
Process (25%)	7	***Note: Select option a) (Safety) for Employees who regularly manage or supervise the activities of trades staff. Select option b) for all other managers/supervisors:*** **a) Safety:** Promote and maintain a safe work environment and safe work practices through compliance with all established work rules, regular staff briefings, and participation in health and safety meetings and activities. Scores will be assessed based on a combination of quantitative and qualitative factors, which may include: • Results of health and safety workplace inspections • Compliance with and enforcement of established safety rules and processes • Participation in safety meetings **b) Custom Process Goal:** A custom goal relevant to the Employee's role in internal business processes	60%	15%
	8	**Custom Process Goal:** A custom goal relevant to the Employee's role in internal business processes	40%	10%

Guidelines for Non Union, Non Supervisory Support Staff Goals:

Perspective	Goal #	Description	Weight	
			Within Perspective	Within Total Score
Financial (25%)	1	***Where applicable, choose the most relevant of the following options (a, b or c). If none of these options are applicable, establish a custom goal relevant to the Employee's role in financial performance:*** **a) Operating Expense Budgets:** Manage assigned operating expense costs within budget. Scores will be assessed as follows: • Actual to budget of 90% or less = Outstanding • Actual to budget of 90% to 95% = Exceeded • Actual to budget of 95% to 100% = Met • Actual to budget of 100% to 105% = Nearly Met **b) Capital Expenditure Completion:** Manage assigned capital projects within budget. Scores will be assessed as follows: • 75% to 100% of projects completed ahead of schedule and under budget = Outstanding • 50% to 75% of projects completed ahead of schedule and under budget = Exceeded • All projects completed on schedule and on budget = Met • Up to 50% of projects completed behind schedule and/or over budget = Nearly Met **c) CDM Program Admin. Budgets:** Manage assigned CDM projects within budget. Scores will be assessed as follows: • Actual of budget +/- 2.5% = Outstanding • Actual of budget +/- 5% = Exceeded • Actual of budget +/- 7.5% = Met • Actual of budget +/- 10% = Nearly Met For all options, discretion may be applied in scoring to adjust for factors outside of the employee's control.	60%	15%
	2	**Custom Financial Goal:** A custom goal relevant to the employee's role in financial performance. The custom financial goal may be one of the standard goals not selected under goal number 1 above.	40%	10%

Perspective	Goal #	Description	Weight	
			Within Perspective	Within Total Score
People (10%)	3	**Training & Development:** Develop skills and abilities through the pursuit of training and development opportunities. Scores will be assessed as follows: • 'Met' plus significant approved supplemental* training completed, and the benefits of the training to Veridian clearly demonstrated = Outstanding • 'Met' plus some approved supplemental* training completed = Exceeded • All mandatory and all planned development training completed = Met • All mandatory and some planned development training completed = Nearly Met *Supplemental training includes after hours programs and professional development, participation in job rotation/secondments for Employee development purposes, etc.	100%	10%
Customer/ Stakeholder (30%)	4	**Relationships, Initiative, Productivity & Professionalism:** Maintain a high degree of professionalism in all interactions with customers and stakeholders, and carry out assigned tasks in a timely and cost efficient manner. Scores will be assessed based on qualitative factors, which may include: • Customer (internal and external) and stakeholder relationships • Exhibited initiative and innovation • Professionalism • Productivity	50%	15%
	5	**Custom Customer/Stakeholder Goal:** A custom goal relevant to the Employee's role in customer and/or stakeholder relations	50%	15%
Process (35%)	6	**Custom Process Goal:** A custom goal relevant to the Employee's role in internal business processes	50%	17.5%
	7	**Custom Process Goal:** A custom goal relevant to the Employee's role in internal business processes	50%	17.5%

VERIDIAN
CONNECTIONS

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Date Filed:October 31, 2013

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Ontario Distributor Collective Agreement Comparison, April 2011

Line Rates April 2011

CODE	UNION	EFF. MO.	% CHG	2008	% CHG	2009	% CHG	2010	% CHG	2011	% CHG	2012	% CHG	2012
LDC 1	PWU/CUPE	Apr	3.00%	37.18	3.00%	38.30	3.00%	39.45						
LDC 2	CUPE	Feb	3.25%	35.52	3.00%	36.84	3.00%	37.95	3.00%	39.09	3.00%	40.26	3.00%	41.47
LDC 3	CAW	Apr	3.00%	34.71	3.00%	35.75	3.00%	36.82						
LDC 4	IBEW	Apr	3.00%	34.43	3.25%	35.55	3.00%	36.62	3.00%	37.72	3.25%	38.95	3.25%+ COLA	40.42
LDC 5	PWU/CUPE	Jul	3% +25¢	34.11	3.00%	35.14	3.00%	36.18	2.90%	37.23	2.90%	38.31		
LDC 6	IBEW	Jul	3.35%	33.64	3.35%	34.77	3.00%	35.81						
LDC 7	IBEW	Apr	3.00%	33.75	3.00%	34.76	3.00%	35.80	3.00%	36.87	3.00%	37.98	3.00%	39.12
LDC 8	IBEW	Jul	3.00%	33.70	3.00%	34.71	2.50%							
LDC 9	IBEW	Mar	3.00%	33.35	4.00%	34.70	3.00%	35.57	3.00%	36.63	3.00%	37.73	3.00%	38.87
LDC 10	IBEW	Apr	3.00%	33.64	3.00%	34.65	3.00%	35.69	3.00%	36.76				
LDC 11	PWU/CUPE	Apr			3.00%	34.42	3.00%	35.46	3.00%	36.53	3.00%	37.62		
LDC 12	IBEW	Apr	3.50%	33.35	3.00%	34.35	3.00%	35.38						
LDC 13	PWU/CUPE	Apr			3.00%	34.21	3.00%	35.24	3.00%	36.30				
LDC 14	IBEW	Apr	3.00%	33.19	3.00%	34.18	3.00%	35.21						
LDC 15	PWU/CUPE	Jul						35.18	3.00%	36.24	3.00%	37.33		
LDC 16	PWU/CUPE	Jan			3.20%	33.82	2.00%	34.50						
LDC 17	IBEW	Apr	3.00%	32.50	3.00%	33.48	3.00%	34.48	3.00%	35.51	3.00%	36.58		
LDC 18	IBEW	May			3.00%	33.46	3.00%	34.46						
LDC 19	IBEW	Apr	3.30%	32.39	3.30%	33.44	3.00%	34.44	3.00%	35.47	3.00%	36.53		
LDC 20	PWU/CUPE	Apr	3.30%	32.45	3.00%	33.42	3.00%	34.42	3.00%	35.45				
MUNI1	PWU/CUPE	Jan			3.00%	33.37	2.50%	34.20	2.50%	35.06	2.50%	35.94		
LDC 21	PWU/CUPE	Jun			3.00%	33.37	3.00%	34.37	2.80%	35.32	3.00%	36.38		
LDC 22	IBEW	Apr	3.30%	32.26	3.30%	33.32	3.00%	34.32	3.00%	35.35	3.00%	36.41		
LDC 23	IBEW	Apr	3.00%	32.33	3.00%	33.30	3.00%	34.30						
LDC 24	IBEW	Apr	1.87%	31.84	1.87%+.84¢	33.28	1.87%	33.89	1.00%	34.23				
LDC 25	IBEW	Apr				33.15	3.00%	34.14	3.00%	35.16	3.00%	36.21		
LDC 26	IBEW	May	3.00%	32.30	2.50%	33.11	2.80%	34.04	2.80%	35.00	2.80%	35.99		
LDC 27	IBEW				-0.90%	33.08	3.00%	34.07	3.00%	35.09	3.00%	36.14	3.00%	37.22
MUNI2	CUPE	May	3.00%	31.95	3.50%	33.07								
LDC 28	PWU/CUPE	Jun			2.50%	33.06	2.50%	33.89	3.00%	34.91				
LDC 29	IBEW	May	3.00%	32.23	2.50%	33.04	3.00%	34.04	3.00%	35.06				
LDC 30	PWU/CUPE	Apr			3.00%	33.04	3.70%	34.26	3.60%	35.51	3.60%	36.80		
LDC 31	PWU/CUPE	Jan			3.80%	33.00	3.80%	34.25	3.80%	35.54	3.70%	36.87		
LDC 32	IBEW	Apr	3.25%	31.94	3.25%	32.98								
LDC 33	CUPE	Apr	2.50%	30.71	4.10%	32.95	3.50%	34.09						
LDC 34	CUPE	Apr	2.50%	30.71	4.10%	32.95	3.50%	34.09						
LDC 35	CUPE	Apr	2.50%	30.71	4.10%	32.95	3.50%	34.09						
LDC 36	IBEW	May	3%+18¢	31.88	3.3%+.10¢	32.94	3.3%+.10¢	34.03						
LDC 37	IBEW	Sep	3.25%	31.71	3.50%	32.82	3.00%	33.80	3.00%	34.81	3.00%	35.82		

Line Rates April 2011

CODE	UNION	EFF. MO.	% CHG	2008	% CHG	2009	% CHG	2010	% CHG	2011	% CHG	2012	% CHG	2012
LDC 38	IBEW	Apr	3.00%	31.85	3.00%	32.80	3.00%	33.79						
LDC 39	IBEW	Aug	3.25%	31.74	3.00%	32.69	3.00%	33.67						
LDC 40	IBEW	Aug	4.25%	31.56	3.50%	32.66	3.25%	33.72						
LDC 41	IBEW	May	3.00%	31.67	3.00%	32.62	3.00%	33.60						
LDC 42	IBEW	Sep	3%+20¢ Adj.	31.56	3.25%	32.59	2.5%+.40¢ Adj.	33.92	3.00%	34.93	3.00%	35.98		
LDC 43	PWU/CUPE	Oct			2.80%	32.58	6.00%	34.52	2.90%	35.52	2.90%	36.55	3.00%	37.65
LDC 44	CUPE	Apr			3.00%	32.55								
LDC 45	IBEW	Apr	3.00%	31.81	2.25%	32.53	2.25%+.25¢	33.51	2.4%+.25¢	34.56	2.25%+.25¢	35.67		
LDC 46	IBEW	Sep	3.00%	31.50	3.00%	32.48	3.00%	33.45	3.00%	34.45	3.00%	35.48		
LDC 47	IBEW	Jul	3.00%	31.35	3.00%	32.29	2.35%	33.05	2.35%	33.83	2.35%	34.63		
LDC 48	IBEW	Jan	3.00%	31.34	3.00%	32.28	2.50%	33.09	2.50%	33.92				
MUNI 3	PWU/CUPE	Jan			3.00%	32.28	2.50%	33.09	2.50%	33.92				
LDC 49	PWU/CUPE	Apr			3.00%	32.22	3.00%	33.19	2.50%	34.02	2.50%	34.87		
LDC 50	PWU/CUPE	Apr			3.00%	32.22	3.00%	33.19						
LDC 51	IBEW	Jan	3.00%	31.33	2.50%	32.11	2.50%	34.44	2.50%	35.47	2.50%	36.53		
LDC 52	CUPE	Apr			3.00%	32.07								
LDC 53	IBEW	Mar	3.00%	29.07	2.75%+2.10	32.03	2.75%+.25¢	33.17	2.75%+.25¢	34.34				
LDC 54	PWU/CUPE	May			3.80%	31.98	3.80%	33.20						
LDC 55	PWU/CUPE	Jan			3.60%	32.92	3.60%	33.08	3.60%	34.28	3.60%	35.51		
LDC 56	PWU/CUPE	Apr			2.50%	31.70	2.50%	32.50	2.50%	33.31				
LDC 57	CUPE	Feb			3.80%	31.56	3.00%	32.51	3.00%	33.49	3.00%	34.49	3.00%	35.52
LDC 58	CUPE	May			3.00%	31.53	3.00%	32.63						
LDC 59	CUPE	Jan			10.20%	31.31	3.50%	32.25	3.00%	33.22				
LDC 60	CUPE	Apr			3.00%	31.26	3.00%	32.04						
LDC 61	CUPE	Jul			2.00%	30.92	2.50%	31.85	4.00%	33.13	3.50%	34.29		
LDC 62	IBEW	Jan	4.00%	29.95	3.00%	30.86	3.00%	31.79	3.00%	32.75	3.00%	33.73		
LDC 63	CUPE	Apr			3.20%	30.84								
LDC 64	CUPE	Apr	2.00%	29.73	3.30%	30.70	1.30%	31.69	2.00%	31.71				
LDC 65	PWU/CUPE	May			3.00%	30.70	3.00%	31.62						
MUNI 4	IBEW	Aug	3.00%	27.45		30.61	1.50%	31.22	1.00%	31.53	February			
LDC 66	IBEW	Apr	3%+.30¢	29.07	3%+.30¢	30.24								
LDC 67	IBEW	Jul			3.00%	30.16	4.00%	31.37						
MUNI 5	IBEW	Jan	3.00%	28.27	3.00%	29.21								
LDC 68	CUPE	Apr			9.50%	28.92	7.80%	31.16	2.50%	31.96	2.50%	32.76		
LDC 69	CUPE	Apr			3.00%	28.36								
MUNI 6	CUPE	May			3.00%	27.92								
MUNI 7	IBEW						2.00%	29.70	2.50%	30.44	3.00%	31.60	3.00%	32.30

VERIDIAN
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Retirement Benefits Comparisons between Utilities, Towns and Municipalities

RETIREMENT BENEFITS COMPARISON BETWEEN UTILITIES, TOWNS AND MUNICIPALITIES

COMPANY	BENEFITS IF RETIRED PRIOR TO AGE 65	BENEFITS AT RETIREMENT AT AGE 65	BENEFITS AFTER 65 FOR EMPLOYEES WHO CONTINUE TO WORK
LDC 56	Health/Dental - 100% paid by employer as per the following criteria. (Between the age of 55 & 65 provided the employee has completed a minimum of 20 years service)	None	None
LDC 7	Health/Dental/OCC - 100% paid by employer	None	Health/Dental/OCC - 100% paid by employer
LDC 42	See Below	See Below	See Below
LDC 4	None	None	Yes for Health and Dental benefits, Reduced Life Insurance, No LTD, Bargaining Unit Employees do not have Out of Country Coverage yet, Per Collective Agreement, it will be effective January 1, 2013
LDC 28	None	None	None
LDC 62	None	None	None
LDC 16	Health/Dental/OCC - 100% paid by employer	Health/Dental/OCC - 100% paid by **retiree**	Health/Dental/OCC - 100% paid by **employee**
Muni 8	Pre retirement benefits up to age 65 that covers Health and Dental and Life, 100% paid by the employer for non-union staff. Union staff have the same coverage up to age 65 however, it is based on a 50-50 employer/employee paid plan. They are trying to introduce changes to both plans that increases the employee's portion of the payment for these benefits.		

RETIREMENT BENEFITS COMPARISON BETWEEN UTILITIES, TOWNS AND MUNICIPALITIES

COMPANY	BENEFITS IF RETIRED PRIOR TO AGE 65	BENEFITS AT RETIREMENT AT AGE 65	BENEFITS AFTER 65 FOR EMPLOYEES WHO CONTINUE TO WORK
Muni 9	Pre-retirement benefits Health, Dental and Life coverage between age 55 and 65 paid at 100% by the employer with no co-payments. Also if an employee retires age 65 or over their benefits end but if they have a spouse who is under age 65, then the spouse's benefits will continue (fully paid) until the spouse reaches age 65. No other benefits are paid after age 65		
LDC 8	Health/Dental - 100% paid by employer as per following criteria. (Must have 90 factor; if hired after July 1/07 must have 20 yrs svc, if hired after Aug 1/10 not eligible for post age 65 retiree)	Health/Dental - 100% paid by employer as per following criteria. (Must have 90 factor; if hired after July 1/07 must have 20 yrs svc, if hired after Aug 1/10 not eligible for post age 65 retiree)	Mgt - Health/Dental/OCC - 100% paid by employer Union - Health/Dental - 100% paid by employer
LDC 37	None	None	Health/Dental/OCC - 100% paid by employer
LDC 9 * See note below	Health/Dental/OCC - Retiree Benefit Class	Health/Dental/OCC - Retiree Benefit Class	Health/Dental/OCC - 100% paid by employer
LDC 45	Health/Dental/OCC - 100% paid by employer	None	No one in that situation have not had to deal with it, but probably would provide benefits if it arises.
LDC 5	Health/Dental/OCC - 75% paid by employer	None	Health/Dental/OCC - 100% paid by employer
LDC 41	Health/Dental/OCC - 100% paid by employer	None	Health/Dental/OCC - 100% paid by employer

RETIREMENT BENEFITS COMPARISON BETWEEN UTILITIES, TOWNS AND MUNICIPALITIES

COMPANY	BENEFITS IF RETIRED PRIOR TO AGE 65	BENEFITS AT RETIREMENT AT AGE 65	BENEFITS AFTER 65 FOR EMPLOYEES WHO CONTINUE TO WORK
MUNI 10	Pre-retirement benefits for those age 55 to 65. Health & Dental coverage is paid 100% by the employer no co-payments. A life policy paid by the employer at retirement age 65 with an option to buy an additional life policy at the employee's cost.		
MUNI 11	Co-payment 50/50- Health & Dental only	None	None
LDC 13	- 10 years of service based on 65/35 employee/employer co-payment - 15 years service based on 80/20 employee/employer co-payment - 25 years service based on 90/10 employee/employer co-payment	- 10 years of service based on 65/35 employer/employee co-payment - 15 years service based on 80/20 employee/employer co-payment - 25 years service based on 90/10 employee/employer co-payment	Health/Dental - 100% paid by employer
LDC 39	Health/OCC - 100% paid by employer	None	Health/Dental - 100% paid by employer

LDC 9

A new retirement clause has been added that states "Employees hired after the ratification of this Agreement who retire with a minimum of twenty-five (25) years continuous service with the Company will be covered by Company Extended Health, Dental and Vision Care benefits on an 80/20 co-share basis until age sixty-five (65). The Company will provide to these employees the same Company Extended Health, Dental and Vision Care benefits for the surviving spouse and dependents of a deceased employee to a maximum of twenty-four (24) consecutive months."

Two new retiree clauses

-Employees hired on or after March 1, 2003 ***who retire with a minimum of 20 years of continuous servic*** e will be covered by Company benefits; dental benefits to cease at age 65.

-Employees hired on or after September 23, 2007 who retire with a minimum of 25 years of continuous service will be covered by Company benefits;

RETIREMENT BENEFITS COMPARISON BETWEEN UTILITIES, TOWNS AND MUNICIPALITIES

COMPANY	BENEFITS IF RETIRED PRIOR TO AGE 65	BENEFITS AT RETIREMENT AT AGE 65	BENEFITS AFTER 65 FOR EMPLOYEES WHO CONTINUE TO WORK

LDC 42

16.01 (a) The Corporation agrees to pay one hundred percent (100%) of the cost of the current premiums of the Employer Health Tax (EHT) Hospitalization or its equivalent for all regular employees until the age of seventy (70).

(b) The Corporation agrees to pay on behalf of all regular employees until the age of seventy (70), one hundred percent (100%) of the cost of the current premiums of the MEARIE Management Extended Health Care or its equivalent, $2.00 per prescription deductible. Out-of-Country and travel assistance benefits are limited to 30 day intervals once the employee reaches the age of sixty five (65).

(c) The Corporation agrees to pay on behalf of all regular employees, until the age of seventy (70), 100% of the current cost of the eyeglass plan as follows:

September 1, 2007 - $325.00/24 months

16.02 The Corporation agrees to pay one hundred per cent (100%) of the current premium cost of the group life insurance policy presently in force on behalf of all regular and retired employees up to the age of sixty-five (65) at which time the employee is transferred to the retiree life division.

16.03 The Corporation agrees to pay on behalf of all regular employees until the age of seventy (70), one hundred per cent (100%) of the cost of current premiums to provide a plan giving the equivalent benefits of the MEARIE Dental Care Plan "E" or its equivalent, current year's Ontario Dental Association fee schedule. Subject to the plans yearly maximum.

16.04 When an employee is on long term disability the Corporation agrees to pay the preceding benefits from Articles 16:01 a, b & c, 16:02 and 16:03, until the age of sixty five (65) years.

16.05 The Corporation agrees to provide coverage of the existing Dental, Health and Eyeglass Plans, if an employee retires prior to the age of 65, with a combined age (minimum fifty-five (55) years) and service (minimum of twenty-five (25) years) credit, to a total of at least 80 years. This will continue until the former employee reaches the age of 65 years.

For active employees over the age of 65 the out of province coverage is limited to 30 day periods as opposed to the 60 day for employees under the

Attachment 6 of 7

Veridian Corporation Health Benefit Summary, 2013

Veridian Corporation Health Benefit Summary- 2013

BENEFIT	
Life	Existing plan with MEARIE
Opt. AD&D	Optional Plan (underwritten by RBC Insurance)
Dependent Life	No coverage
L.T.D.	75% of monthly earnings to a maximum of $4,500
Extended Health Care	Nil Deductible , 100% Co-pay
• Semi-Private	100% reimbursement, nil deductible, no private room coverage
• Drugs	Prescription Drugs only – generic equivalent; dispensing fee cap of $10; pay direct drug plan
• Fertility Drugs	6 cycles ($10,000 lifetime maximum)
• Smoking Cessation	13 weeks ($800 lifetime maximum)
• Vision (frames, lenses, contacts and laser eye corrective surgery)	$350/12 months for under age 18; $350/24 months for all others; eye exams once every 24 months, contact lenses for specified conditions $350/24 months; maximum $350/24 months for all vision care expenses combined; 50% laser eye surgery coverage to lifetime limit of $500
• Ambulance & Out-patient	Yes
• Massage	$500 per calendar year; doctors letter required
• Chiropractor	$500 per calendar year (secondary payer after OHIP). Due to the recent Ontario Budget, the Provincial portion of $11.75 for initial services and $9.65 for subsequent services to a maximum of $150 will no longer be paid by OHIP as of December 1, 2004.
• Physiotherapy	$5000 per calendar year
• Speech therapists	$500 per calendar year; doctors letter required
• Podiatrist	$500 per calendar year
• Osteopath	$500 per calendar year
• Naturopath	$500 per calendar year for services; remedies not included
• Acupuncture/Shiatsu	Not eligible
• Private Duty Nursing	$15,000 in any period of 12 consecutive months; form letter required, available through ClaimSecure
• Hearing Aids	Yes $500/5 calendar years; repairs and batteries not included
• Psychologists	$500 per calendar year; must be registered at Board of Psychology
• Orthopedic Shoes/Orthotics	Orthopedic Shoes limited to 4 pairs per person under age 2 per calendar year; limited to 2 pairs for ages 3-17 and, limited to 1 pair per year for persons over age 18 per calendar year; Orthotics & appliances - $500 maximum per calendar year Doctors letter required
• Out of Country	Yes - $5,000,000 lifetime maximum
• Medical Equipment & Other Services	Yes (some equipment requires doctors letters, please contact ClaimSecure prior to purchase). Please contact the insurer or your Human Resources Representative for additional information.
Dental	**Nil Deductible Current ODA Fee Guide**
• Basic	100% Unlimited Maximum
• Major	Not covered
• Orthodontics (Braces)	50%, $3,000 Lifetime Maximum

Attachment 7 of 7

Actuary Report on Post-Retirement Benefits

Dion Durrell
Actuaries and Consultants

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VERIDIAN CORPORATION

REPORT ON THE ACTUARIAL VALUATION OF POST-RETIREMENT NON-PENSION BENEFITS

As At January 1, 2011

FINAL—February 13, 2012

Dion Durrell
Actuaries and Consultants

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Dion Durrell

EXECUTIVE SUMMARY

PURPOSE

MEARIE Actuarial Services and Dion, Durrell + Associates Inc. were engaged by Veridian Corporation (the "Corporation") to perform an actuarial valuation of the post-retirement non-pension benefits sponsored by the Corporation and to determine the accounting results for those benefits for the fiscal period ending December 31, 2011. The nature of these benefits is defined benefit.

This report is prepared in accordance with The Canadian Institute of Chartered Accountants (the "CICA") guidelines outlined in Employee Future Benefits, Section 3461 of the CICA Handbook-Accounting ("CICA Section 3461"). CICA Section 3461 was first applied to the Corporation with effect from January 1, 2000.

The most recent full valuation was prepared as at January 1, 2009 based on the then appropriate assumptions.

The purpose of this valuation is threefold:

i) to determine the Corporation's liabilities in respect of post-retirement non-pension benefits at January 1, 2011;

ii) to determine the benefit expense for fiscal year 2011; and

iii) to provide all other pertinent information necessary for compliance with CICA Section 3461.

The intended users of this report include the Corporation and their auditors. This report is not intended for use by the plan beneficiaries or for use in determining any funding of the benefit obligations.

Dion Durrell

SUMMARY OF KEY RESULTS

The key results of this actuarial valuation as at January 1, 2011 with comparative results from the previous valuation as at January 1, 2009 are shown below:

	January 1, 2009 ($000s)	January 1, 2011 ($000s)
Accrued Benefit Obligation (ABO)		
a) People in receipt of benefits	699	860
b) Fully eligible actives	205	418
c) Not fully eligible actives	273	694
Total ABO	**1,177**	**1,972**
Current Service Cost: *for following 12 months*	21	55
Benefit Expense: *for following 12 months*	(119)	295
Prepaid Benefit Liability: *at January 1*		1,441

The January 1, 2011 Prepaid Benefit Liability is based on the Corporation's financial statements as at December 31, 2010.

Dion Durrell

ACTUARIAL CERTIFICATION

An actuarial valuation has been performed on the post-retirement non-pension benefit plans sponsored by the Corporation as at January 1, 2011, for the purposes described in this report.

In accordance with the Canadian Institute of Actuaries Consolidated Standards of Practice General Standards, we hereby certify that, in our opinion, for the purposes stated in the Executive Summary:

1. The data on which the valuation is based is sufficient and reliable;

2. The assumptions employed, as outlined in this report, have been selected by the Corporation as management's best estimate assumptions (no provision for adverse deviations) and we have reviewed the assumptions and consider them to be appropriate for the purposes of the valuation outlined herein;

3. The actuarial methods employed, as outlined in Section C, are appropriate for the purpose and consistent with sound actuarial principles;

4. All known substantive commitments with respect to the post-retirement non-pension benefits sponsored by and identified by the Corporation are included in the calculations; and

5. The valuation conforms to the standards set out in the Canadian Institute of Chartered Accountants Accounting Handbook Section 3461.

We are not aware of any subsequent events from January 1, 2011 up to the date of this report that would have a significant effect on our valuation.

The latest date on which the next actuarial valuation should be performed is January 1, 2014. If any supplemental advice or explanation is required, please advise the undersigned.

Respectfully submitted,

DION, DURRELL + ASSOCIATES INC.

Stanley Caravaggio

Stanley Caravaggio FSA, FCIA

Patrick G. Kavanagh

Patrick G. Kavanagh
Actuarial Analyst

Toronto, Ontario
February 13, 2012

SECTION A—
VALUATION RESULTS

Table A - 1 shows the key valuation results for the prior valuation and the current valuation.

Table A - 2 shows the sensitivity of the valuation results to certain changes in assumptions. We have shown a change to the assumed retirement age from age 59 to 57, and an increase/decrease in the health and dental claims cost trend rates by 1% per annum.

Table A - 3 presents the determination of the actuarial gain/(loss) from the previous valuation at January 1, 2009.

VALUATION RESULTS

Table A.1—Valuation Results
(in thousands of dollars)

	January 1, 2009	January 1, 2011
1. Accrued Benefit Obligation		
a) People in receipt of benefits	699	860
b) Fully eligible actives	205	418
c) Not fully eligible actives	273	694
Total ABO	**1,177**	**1,972**
2. Benefit Expense		
a) Current Service Cost	21	55
b) Interest Cost	74	100
c) Expected Return on Assets	-	-
d) Amortization of Transition Amount	-	-
e) Amortization of Past Service Cost	-	39
f) Amortization of (Gain)/Losses	(214)	100
Total Benefit Expense *for following 12 months*	**(119)**	**295**
3. Expected Benefit Payments *for following 12 months*	44	55

SENSITIVITY ANALYSIS

Table A.2—Sensitivity Analysis
(in thousands of dollars)

	January 1, 2011			
	Valuation Results	Retirement Age 57	1% Higher Trend	1% Lower Trend
1. Accrued Benefit Obligation				
a) People in receipt of benefits	860	860	865	856
b) Fully eligible actives	418	452	419	417
c) Not fully eligible actives	694	786	694	694
Total ABO	**1,972**	**2,098**	**1,978**	**1,967**
2. Current Service Cost *for following 12 months*	55	60	55	55
3. Interest Cost *for following 12 months*	101	107	101	100
4. Expected Average Remaining Service Lifetime of the Current Active Employees (years)	11	10	11	11

DEVELOPMENT OF NET GAINS OR LOSSES

Table A.3—Development of Net Gains or Losses
(in thousands of dollars)

Expected ABO at December 31, 2010 per financial statements	1,441
Past Service Cost at January 1, 2011	431
Actual ABO at January 1, 2011	1,972
Actuarial Loss/(Gain)	100
Amortization of Unamortized Actuarial Loss	
Unamortized Net Actuarial Loss (Gain) at December 31, 2010	-
Actuarial Loss (Gain) for Current Year at January 1, 2011	100
Total Loss (Gain) at January 1, 2011	100
Less: Actual Amortization for 2011	100
Expected Unamortized Actuarial Loss (Gain) at December 31, 2011	-

Please note that the actual ABO at January 1, 2011 is approximately $100,000 higher than the expected ABO at December 31, 2010. This is due to a combination of the following factors:

- A change in the discount rate assumption (an increase of approximately $118,000)
- A change in the salary scale assumption (an increase of approximately $19,000)
- A change in the health claims cost trend rate assumption (an increase of approximately $2,000)
- Differences between the actual and expected benefit cost rates (a decrease of approximately $2,000)
- Deviations from the expected demographic changes of the valued group and other miscellaneous factors (a decrease of approximately $37,000 in the total ABO)

CICA Section 3461 states that any gain or loss in excess of 10% of the ABO must, at minimum, be amortized over the expected average remaining service lifetime ("EARSL"). Alternatively, an entity may choose to recognize the entire amount of gains or losses during the calendar year which such gain or loss was determined. Furthermore, once an amortization method is chosen, it must be applied consistently from year to year. Veridian has previously chosen to immediately recognize the entire amount of any actuarial gains or losses.

AMORTIZATION OF UNAMORTIZED PAST SERVICE COST

Unamortized Past Service Costs at January 1, 2011	$	431
Less: Actual Amortization for year 2011	$	39
Unamortized Past Service Costs at December 31, 2011	$	392

A Retiree Health Care Spending Account ("HCSA") was implemented in the Collective Agreement between Veridian Corporation, Veridian Connections Inc., Veridian Energy Inc. and Local 636, Unit 40, of the International Brotherhood of Electrical Workers effective April 1, 2011 to March 31, 2015. The recognition of past service (i.e., service from date of hire to January 1, 2011) in respect of the active employees for benefit eligibility purposes and thus valuation purposes, results in a past service liability as of January 1, 2011 of $430,966.

CICA Section 3461 states that an entity should amortize past service costs by assigning an equal amount to each remaining service period up to the full eligibility date of each employee active who was net yet fully eligible for benefits at the date of measurement of the past service liability. In addition, to reduce complexity, CICA Section 3461 also allows for an alternative amortization approach that amortizes past service costs more rapidly, however, once chosen the alternative amortization approach is to be used consistently from year to year. Pursuant to CICA Section 3461, the past service liability is amortized on a straight-line basis over the average remaining service period of active employees expected to receive benefits up to the full eligibility date. The average remaining service period to full eligibility of the active employees of the Corporation at January 1, 2011 is 11 years. Therefore, the actual amortization for the year 2011 is approximately $39,000.

SECTION B—
PLAN PARTICIPANTS

Table B – 1 sets out the summary information with respect to the plan participants valued in the report, along with comparisons to the participants in the previous valuation at January 1, 2009.

Table B – 2 reconciles the number of participants in the last valuation to the number of participants in the current valuation.

PARTICIPANT DATA

Table B.1—Participant Data

Membership data as at January 1, 2011 was received from the Corporation via e-mail and included information such as sex, age, date of hire, current salary, benefit amounts and other applicable details for all active employees and people in receipt of benefits.

We have reviewed the data and compared it to the data used in the prior valuation for consistency and reliability for use in this valuation. The main tests of sufficiency and reliability that were conducted on the membership data are as follows:

- Date of birth prior to date of hire
- Salaries less than $20,000 per year, or greater than $250,000 per year
- Ages under 18 or over 100
- Abnormal levels of benefits and/or premiums
- Duplicate records

In addition, the following tests were performed:

- A reconciliation of statuses from the prior valuation to the current valuation;
- A review of the consistency of individual data items and statistical summaries between the current and prior valuations; and
- A review of the reasonableness of changes in such information since the prior valuation.

Active Employees

As of January 1	2009 Male	2009 Female	2009 Total	2011 Male	2011 Female	2011 Total
Number of Employees	108	63	171	122	73	195
Average Length of Service	15.2	12.6	14.2	14.1	12.3	13.4

As of January 1, 2011	Current Age					
	Active Lives—Not fully eligible			Active Lives—Fully eligible		
	Count			Count		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Age Band						
Less than 30	17	3	20	-	-	-
30-35	15	3	18	-	-	-
36-40	4	7	11	-	-	-
41-45	19	11	30	-	-	-
46-50	28	18	46	-	-	-
51-55	18	14	32	3	3	6
56-60	-	-	-	12	12	24
61-65	-	-	-	6	2	8
66-70	-	-	-	-	-	-
71-75	-	-	-	-	-	-
Greater than 75	-	-	-	-	-	-
Total	**101**	**56**	**157**	**21**	**17**	**38**

As of January 1, 2011	Average Service					
	Active Lives—Not fully eligible			Active Lives—Fully eligible		
	Service			Service		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Age Band						
Less than 30	2.00	1.44	1.92	-	-	-
30-35	4.15	3.17	3.99	-	-	-
36-40	7.13	6.32	6.61	-	-	-
41-45	13.69	9.67	12.21	-	-	-
46-50	20.23	11.42	16.78	-	-	-
51-55	20.97	16.76	19.13	17.89	16.19	17.04
56-60	-	-	-	20.86	15.87	18.36
61-65	-	-	-	14.51	28.17	17.93
66-70	-	-	-	-	-	-
71-75	-	-	-	-	-	-
Greater than 75	-	-	-	-	-	-
Total	**13.16**	**10.80**	**12.31**	**18.62**	**17.37**	**18.06**

People in Receipt of Benefits (including LTD)

As of January 1	2009			2011		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Number of Members	36	19	55	37	19	56

As of January 1, 2011	Expected Annual Benefit Payments		
Age Band	**Male**	**Female**	**Total**
Less than 30	$ -	$ -	$ -
30-35	-	-	-
36-40	-	-	-
41-45	-	-	-
46-50	-	-	-
51-55	-	-	-
56-60	1,129	24	1,152
61-65	10,710	2,375	13,085
66-70	4,338	673	5,011
71-75	3,452	1,688	5,140
Greater than 75	21,667	7,294	28,961
Total	**$ 41,296**	**$ 12,053**	**$ 53,349**

PARTICIPATION DATA

Table B.2—Participation Data

	Actives	LTDs	Retirees
As at January 1, 2009	**171**	**2**	**53**
New Entrants	32	-	-
New Dependents	-	-	-
Active	-	1[1/]	3[4/]
LTD	(1)[1/]	-	-
Terminated	(3)[2/]	-	-
Deceased	(2)[3/]	-	(3)
Retired	(3)[4/]	-	-
Correction	1[5/]	-	-
As at January 1, 2011	**195**	**3**	**53**

1/ 2 individuals who were disabled during 2011 are included as disabled.
2/ 2 individuals who terminated during 2011 are included as terminated.
3/ 1 individual who was deceased during 2011 and 1 individual who was deceased during 2012 are included as deceased.
4/ 1 individual who retired during 2011 is included as retired.
5/ 1 active employee with a date of hire prior to January 1, 2009 was not included in the previous valuation.

SECTION C— SUMMARY OF ACTUARIAL METHOD AND ASSUMPTIONS

ACTUARIAL METHOD

The aim of an actuarial valuation of post-retirement non-pension benefits is to provide a reasonable and systematic allocation of the cost of these future benefits to the years in which the related employees' services are rendered. To accomplish this, it is necessary to:

- make assumptions as to the discount rates, salary rate increases, mortality and other decrements;
- use these assumptions to calculate the present value of the expected future benefits; and
- adopt an actuarial cost method to allocate the present value of expected future benefits to the specific years of employment.

The ABO and Current Service Cost were determined using the projected benefit method, pro-rated on service. This is the method stipulated by CICA Section 3461 when future salary levels or cost escalation affect the amount of the employee's future benefits. Under this method, the projected post-retirement benefits are deemed to be earned on a pro-rata basis over the years of service in the attribution period. CICA Section 3461 stipulates that the attribution period commences at the employee's hire date and ends at the earliest age at which the employee could retire and qualify for the post-retirement non-pension benefits valued herein.

For each employee not yet fully eligible for benefits, the ABO is equal to the present value of expected future benefits multiplied by the ratio of the years of service to the valuation date to the total years of service in the attribution period. The Current Service Cost is equal to the present value of expected future benefits multiplied by the ratio of the year (or part) of service in the fiscal year to total years of service in the attribution period.

For health and dental benefits, we have used the premium rates charged to retirees as an estimate of the benefit costs to be incurred. The total monthly premium rates, inclusive of premium taxes, used are as follows:

	Health Care		***Dental Care***	
Retirees	Single Coverage	Family Coverage	Single Coverage	Family Coverage
Jan 1, 2011 – Dec 31, 2011	$ 105.28	$ 267.77	$ 45.94	$ 113.12
Jan 1, 2012 – Dec 31, 2012	$ 112.54	$ 286.25	$ 47.41	$ 116.74

The above premium rates were provided by the Corporation.

The ABO at January 1, 2011 is based on membership data and management's best-estimate assumptions at January 1, 2011.

ACCOUNTING POLICIES

The Corporation recognizes the entire amount of any gain or loss during the calendar year in which it was determined.

Pursuant to CICA 3461, the past service cost is amortized on a straight-line basis over the average remaining service period to full eligibility of active employees at the measurement date.

MANAGEMENT'S BEST ESTIMATE ASSUMPTIONS

The following are management's best estimate economic and demographic assumptions as at January 1, 2011.

ECONOMIC ASSUMPTIONS

Consumer Price Index

The consumer price index is assumed to be 2.00% per annum.

This assumption remains unchanged from the previous valuation.

Discount Rate

The rate used to discount future benefits is assumed to be 5.00% per annum. This rate reflects the market interest rates at the measurement date on high-quality debt instruments with consideration given to the timing and amount of projected benefit payments.

In the previous valuation, discount rate assumptions of 6.25% per annum at January 1, 2009 and 5.50% at December 31, 2009 were used.

Salary Increase Rate

The rate used to increase salaries is assumed to be 3.60% per annum. This rate reflects the expected Consumer Price Index adjusted for productivity, merit and promotion.

The assumption used in the previous valuation was 3.30% per annum.

Claims Cost Trend Rate

The rates used to project benefits costs into the future are as follows:

	Current Valuation		Previous Valuation	
End of Year	***Health***	***Dental***	***Health***	***Dental***
2011	8.00%	5.00%	7.67%	5.00%
2012	7.63%	5.00%	7.00%	5.00%
2013	7.25%	5.00%	6.33%	5.00%
2014	6.88%	5.00%	5.67%	5.00%
2015	6.50%	5.00%	5.00%	5.00%
2016	6.13%	5.00%	5.00%	5.00%
2017	5.75%	5.00%	5.00%	5.00%
2018	5.38%	5.00%	5.00%	5.00%
2019 and Thereafter	5.00%	5.00%	5.00%	5.00%

DEMOGRAPHIC ASSUMPTIONS

Mortality Table

Mortality is assumed to be in accordance with the 1994 Uninsured Pensioner Mortality (UP-94) table, with a projection of mortality improvements to the year 2020 based upon Projection Scale AA. The use of these rates seems reasonable given this is the mortality table to be used in accordance with the Canadian Institute of Actuaries' Standard of Practice for Determining Pension Commuted Values, effective April 2009 to February 2011.

Mortality rates are applied on a sex-distinct basis.

This assumption remains unchanged from the previous valuation.

Rates of Withdrawal

Termination of employment prior to age 55 was assumed to be equal to 2.00% per annum. This is the same assumption used in the prior valuation.

Retirement Age

All active employees are assumed to retire at age 59, or immediately if currently over age 59. For active employees who do not meet the minimum service requirement of 20 years at age 59, the assumed retirement age is increased to the age at which 20 years of service is reached, not to exceed age 65.

These are the same assumptions that were used in the prior valuation.

Disability

No provision was made for future disability. It is assumed that individuals currently receiving long-term disability benefits will remain disabled until retirement at age 65. This assumption remains unchanged from the previous valuation.

Family/Single Coverage

It is assumed that the coverage type as at January 1, 2011 will remain the same into retirement. For family coverage, it is assumed that the retiree has a spouse of opposite gender and no other dependents. These assumptions remain unchanged from the previous valuation.

Utilization Rate of Healthcare Spending Account ("HCSA")

It is assumed that 100% of the annual spending cap will be utilized by each eligible retiree from the date of retirement to the month prior to the member turning age 65. This assumption was not required in the prior valuation as the Corporation did not offer a HCSA.

Expenses and Taxes

We have assumed 5% of benefits is required for the cost of sponsoring the program for life insurance. We have assumed taxes and expenses are included in the premium rates for extended health and dental benefits. These are the same assumptions that were used in the prior valuation.

It is assumed that 10% of claims costs per annum is required for the cost of sponsoring the HCSA program. This assumption was not required in the prior valuation as the Corporation did not offer a HCSA.

SECTION D— SUMMARY OF POST-RETIREMENT BENEFITS

The following is a summary of the plan provisions that are pertinent to this valuation.

GOVERNING DOCUMENTS

The program is governed by the following documents and agreements:

- Collective Agreement between Veridian Corporation, Veridian Connections Inc., Veridian Energy Inc., and Local 636, Unit 40 of the International Brotherhood of Electrical Workers effective April 1, 2008 to March 31, 2011.
- Veridian ClaimSecure Employee Benefit Booklet Group Number 2229, effective April 1, 2009.

What follows is only a summary of the post retirement non-pension benefits program. For a complete description, please refer to the above-noted document.

ELIGIBILITY

All employees who retire from the Corporation are eligible for post-retirement life insurance benefits. Four individuals are eligible for post-retirement health and dental benefits for a unique pre-determined post-retirement period.

All employees retiring post April 1, 2011 between the ages of 55 and 65 and have completed a minimum of 20 years of service with the organization are eligible for a Health Care Spending Account ("HCSA").

PARTICIPANT CONTRIBUTIONS

The Corporation shall pay 100% of the cost of the post-retirement life insurance, health, dental, and HCSA benefits for the retirees.

PAST SERVICE

Past service is defined as continuous service prior to joining the plan if the participant was employed by another electrical distribution company/hydro prior to joining the Corporation.

LENGTH OF SERVICE

Length of service is defined as continuous service from the date of hire to the valuation date, measured in years and months.

SUMMARY OF BENEFITS

Post-Retirement Life Insurance

All current employees who retire from the Corporation are eligible for post-retirement life insurance, as per the MEARIE plan, administered by Great West Life, based upon the following table:

Plan Option	Amount of Coverage	Eligibility
1	Flat $2,000.	If employee retires with less than 10 years of service in the Plan.
2	50% of final annual earnings reducing by 2.5% of final annual earnings each year thereafter for 10 years, to a final benefit equal to 25.0% of final annual earnings. Reduction occurs on anniversary date of retirement.	If employee was ever insured under Employee Plan options 2, 3 or 4, **or** if employee retires with 10 or more years of service in Plan but was never in superseded plan.
3	50% of final annual earnings.	If employee was insured under superseded plan and was hired on or after May 1, 1967 and elected coverage under Option 1 only.
4	70% of the final amount insured for under the life plan immediately prior to retirement.	If employee was insured under the superseded plan and was hired before May 1, 1967 and elected coverage under Option 1 only.
5	Amount of retirement insurance coverage in force under superseded plan grandfathered.	Frozen group of insured whose retirement occurred under superseded plan prior to transfer to Sun Life.

Health and Dental Benefits

Four individuals are eligible for post-retirement health and dental benefits for a pre-determined post-retirement period.

HCSA Benefits

Eligible retirees are entitled to the following HCSA maximum yearly payments from their retirement date to the earlier of age 65 on their death:

- Employees retiring after April 1, 2011 - $1,200
- Employees retiring after April 1, 2012 - $1,200
- Employees retiring after April 1, 2013 - $1,300
- Employees retiring after April 1, 2014 - $1,400

A detailed description of the health and dental benefits covered under the post-retirement non-pension benefit program can be found in the above-noted governing documents.

Dion Durrell

SECTION E
EMPLOYER CERTIFICATION

Post-Retirement Non-Pension Benefit Plan
of Veridian Corporation
Actuarial Valuation as at January 1, 2011

I hereby confirm as an authorized signing officer of the administrator of the Post-Retirement Non-Pension Benefit Plan of Veridian Corporation that, to the best of my knowledge and belief, for the purposes of the valuation:

i) the membership data summarized in Section B is accurate and complete;

ii) the assumptions upon which this report is based as summarized in Section C are management best estimate assumptions and are adequate and appropriate for the purposes of this valuation; and

iii) the summary of Plan Provisions in Section D is an accurate and complete summary of the terms of the Plan in effect on January 1, 2011.

VERIDIAN CORPORATION

February 9th, 2012
Date

Signature

David Clark, FCMA, C.Dir
Name

Executive Vice President Corporate Services & CFO
Title

Dion Durrell

2/13/2012

Veridian Corporation
ESTIMATED BENEFIT EXPENSE (CICA 3461)
FINAL

	Calendar Year 2011
Discount Rate - January 1	5.00%
Discount Rate - December 31	4.50%
Withdrawal Rate	2.00%
Assumed Increase in Employer Contributions	actual

A. Determination of Benefit Expense

Current Service Cost	55,189
Interest on Benefits	100,003
Expected Interest on Assets	-
Past Service Cost/(Gain)	39,179
Transitional Obligation/(Asset)	-
Actuarial (Gain)/Loss	100,239
Benefit Expense	294,610

B. Reconciliation of Prepaid Benefit Asset (Liability)

Accrued Benefit Obligation (ABO) as at December 31	2,235,950
Assets as at December 31	-
Unfunded ABO	(2,235,950)
Unrecognized Loss/(Gain)	163,220
Unrecognized Past Service Cost/(Gain)	391,788
Unrecognized Transition	-
Prepaid Benefit Asset (Liability)	(1,680,942)
Prepaid Benefit/(Liability) as at January 1	(1,441,000)
Benefit Income/(Expense)	(294,610)
Contributions/Benefit Payments by the Employer	54,667
Prepaid Benefit Asset (Liability)	(1,680,942)

* based on estimated employer benefit payments for those expected to be eligible for benefits

Veridian Corporation
ESTIMATED BENEFIT EXPENSE (CICA 3461)
FINAL

	Calendar Year 2011
Discount Rate - January 1	5.00%
Discount Rate - December 31	4.50%
Withdrawal Rate	2.00%
Assumed Increase in Employer Contributions	actual

C. Calculation of Component Items

Calculation of the Service Cost	
- Current Service Cost	55,189
Interest on Benefits	
- ABO at January 1	1,972,205
- Current Service Cost	55,189
- Benefit Payments	(27,334)
- Accrued Benefits	2,000,061
- Interest	100,003
Expected Interest on Assets	
- Assets at January 1	-
- Funding	27,334
- Benefit Payments	(27,334)
- Expected Assets	-
- Interest	-
Expected ABO as at December 31	
- ABO at January 1	1,972,205
- Current Service Cost	55,189
- Interest on Benefits	100,003
- Benefit Payments	(54,667)
- Expected ABO at December 31	2,072,730
Expected Assets as at December 31	
- Assets at January 1	-
- Funding	54,667
- Interest on Assets	-
- Benefit Payments	(54,667)
- Expected Assets at December 31	-

Dion Durrell

2/13/2012

Veridian Corporation
ESTIMATED BENEFIT EXPENSE (CICA 3461)
FINAL

	Calendar Year 2011
Discount Rate - January 1	5.00%
Discount Rate - December 31	4.50%
Withdrawal Rate	2.00%
Assumed Increase in Employer Contributions	actual

D. Actuarial (Gain)/Loss

(Gain)/Loss on ABO as at January 1	
- Prepaid Benefit/(Liability)	1,441,000
- Unamortized (Gain)/Loss From Prior Year	-
- Expected ABO	1,441,000
- Past Service Cost	430,966
- Actual ABO	1,972,205
- (Gain)/Loss on ABO	100,239
(Gain)/Loss on assets as at January 1	
- Expected Assets	-
- Actual Assets	-
- (Gain)/Loss on Assets	-
Total (Gain)/Loss as at January 1	100,239
10% of ABO as at January 1	197,221
Total (Gain)/Loss in Excess of 10%	-
Expected Average Remaining Service Life (Years)	11
Minimum Amortization for Current Year	-
Actual Amortization for Current Year	100,239
(Gain)/Loss on ABO at December 31 due to change in discount rate assumption	
- Expected ABO - December 31	2,072,730
- Actual ABO - December 31	2,235,950
- (Gain)/Loss on ABO at December 31	163,220
Unamortized (Gain)/Loss at December 31	163,220

E. Amortization of Past Service Costs

Unamortized past service costs as at beginning of period	430,966
Period over which past service costs are to be amortized (years)	11
Actual Amortization for current period	39,179
Unamortized past service costs as at the end of period	391,788

File Number: EB-2013-0174

Date Filed: October 31, 2013

Exhibit 4

Tab 4 of 8

Corporate Cost Allocation

Shared Services & Corporate Cost Allocation

Veridian shares a number of corporate services with its parent company as permitted by provisions of the Ontario Energy Board's Affiliate Relationships Code. The shared service resources reside within Veridian, and are provided to Veridian Corporation on a fully allocated cost basis. The shared services include governance support services, financial services related to the assessment of investment opportunities, preparation of financial statements, accounts payment administration, and general bookkeeping.

Charges to Veridian Corporation are currently based on the results of a time study that was conducted over the first three months of 2013. During the study period, each staff member involved in the provision of services to the parent company completed a weekly time log to document the time spent on the provision of these services. The data obtained from the study were used to determine the number of full time equivalent (FTE) employees committed to the provision of the services, by position category. Fully allocated labour costs were then applied to the FTE employee time allocations, to determine the annual transfer charges. Charges to Veridian Corporation are assessed in equal monthly installments.

All shared services and related charges are documented in a Service Level Agreement that is updated annually to reflect current fully allocated costs. The current Service Level Agreement is provided at Exhibit 4, Tab 4, Schedule 1, Attachment 1.

Variance Analysis, Annual Net Income Related to Affiliate Transactions:

Table 1 below summarizes the annual values of actual and projected affiliate transactions from 2010 to 2014.

Table 1: Net Income, Shared Services with Affiliates

Affiliate Transaction	2010 As Filed	2010 Actual	2011 Actual	2012 Actual	2013 Projected	2014 Projected
Services provided to Veridian Corporation	$228,838	$182,784	$195,036	$162,420	$164,744	$181,026
Services provided to Veridian Energy	$0	$50,450	$24,000	$0	$0	$0
Services received from Veridian Corporation	-$374,376	-$376,847	-$40,869	$0	$0	$0
Net Income from Affiliate Transactions	-$145,538	-$143,613	$178,167	$162,420	$164,744	$181,026
Variance, 2014 vs. 2010 As Filed	$326,564					
Variance, 2014 vs. 2012 Actual	$18,606					

The nature of Veridian's affiliate transactions has changed significantly since 2010. As detailed in its 2010 cost of service rate application (EB-2009-0140), Veridian was subleasing office and storage space from its parent company at that time. The space was located at 459 Sidney St. in Belleville, and at 1465 Pickering Parkway in Pickering. Since then, Veridian has directly leased the Belleville facility from the City of Belleville and the need for the Pickering facility was eliminated when employees previously located there were transferred to the company's expanded Ajax facility late in 2010. The elimination of these sublease arrangements has reduced payments to Veridian Corporation from the 2010 as filed amount of $374,376, to zero in the test year.

Between 2010 and 2014, there was also a reduction in the shared services provided from Veridian to its holding company and its affiliate, Veridian Energy Inc. Facilities maintenance services provided to Veridian Corporation for the leased property at 1465 Pickering Parkway were eliminated with the expiry of the head lease in 2012. Billing, call centre and maintenance services associated with Veridian Energy Inc. were reduced when that affiliate exited the rental equipment business. All of these changes were executed as proposed in Veridian's 2010 rate application.

The allocation of costs to Veridian Corporation is projected to increase by $18,606 or 11% from 2012 actual to 2014 forecast. This variance is driven by the results of the updated time study conducted in early 2013, and general wage inflation.

Attachment 1 of 2

Service Level Agreement - VCI to VC

This **SERVICE AGREEMENT FIRST AMENDING AGREEMENT** (the "**Agreement**") made as of the 1st of January, 2013 ("**Effective Date**") between **VERIDIAN CONNECTIONS INC.** ("**VCI**") and **VERIDIAN CORPORATION** ("**VC**") (VCI and VC each being a "**Party**" and collectively the "**Parties**").

Recitals:

1. VCI and VC entered into a Service Agreement on January 1, 2012 (the "**Service Agreement**").

2. The Parties have agreed to amend the Service Agreement by updating the pricing listed in Schedule "A" - the Description of Services and Prices, as specifically provided herein.

NOW THEREFORE, in consideration of the mutual covenants and promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Parties covenant and agree as follows:

1. **Definitions.** In this Agreement, capitalized terms that are not otherwise defined in this Agreement shall have the meaning ascribed to them in the Service Agreement.

2. **Amendment.** As of the Effective Date, Schedule "A" - the Description of Services and Prices of the Service Agreement is deleted and replaced with Schedule "A" attached to this Agreement.

3. **Miscellaneous Provisions.**

   A. Confirmation. Except as expressly provided herein, all term and condition of the Service Agreement shall remain in full force and effect and unamended.

   B. Further Assurances. The Parties shall from time to time execute and deliver all such further documents and instruments and do all acts and things as the other Party may require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

   C. Successors and Assigns. This Agreement and all rights, entitlements, duties and obligations arising from it shall enure to the benefit of and be binding upon the parties and their respective successors and assigns.

   D. Governing Law. This Agreement and all documents, instruments and agreements related thereto shall be construed and enforced in accordance with the laws of the Province of Ontario.

   E. Whole Agreement. This Agreement together with all Schedules and the Service Agreement and Schedules attached thereto as modified herein constitute the whole and entire agreement between the Parties with respect to the subject matter hereof.

IN WITNESS WHEREOF the Parties hereto have executed this Agreement.

VERIDIAN CONNECTIONS INC.

Per: ______________________________

Name: Rob Scarffe
Title: Executive Vice President, Customer Services and Information Technology

Per: ______________________________

Name: Michael Angemeer
Title: President and CEO

We have authority to bind the Corporation

VERIDIAN CORPORATION

Per: ______________________________

Name: Rob Scarffe
Title: Executive Vice President, Customer Services and Information Technology

Per: ______________________________

Name: Michael Angemeer
Title: President and CEO

We have authority to bind the Corporation

TOR01: 5224383: v1

SCHEDULE "A"

DESCRIPTION OF SERVICES AND PRICES

Veridian Connections Inc. services to Veridian Corporation

January 1st to December 31st 2013

Transfer pricing:

<table>
<tr><th>Description</th><th>Price</th></tr>
<tr><td>Governance services, financial services related to the assessment of investment opportunities, preparation of financial statements, accounts payable administration, and general bookkeeping.</td><td>Flat Fee of $13,728.68 monthly, based on fully allocated labour costs related to the following full-time equivalent (FTE) time allocations:
<table>
<tr><th>Position</th><th>Allocation (FTE)</th><th>Annualized Charge</th></tr>
<tr><td>President & CEO</td><td>.05</td><td>$19,225</td></tr>
<tr><td>Manager, Executive Office & Public Affairs</td><td>.10</td><td>15,583</td></tr>
<tr><td>Vice President, Corporate Services</td><td>.025</td><td>5,729</td></tr>
<tr><td>Vice President, Financial Services & CFO</td><td>.10</td><td>23,219</td></tr>
<tr><td>Executive Vice President, Customers Services & I.T.</td><td>.05</td><td>14,918</td></tr>
<tr><td>Vice President, Operations</td><td>.025</td><td>5,845</td></tr>
<tr><td>Supervisor, Governance & Records</td><td>.025</td><td>3,808</td></tr>
<tr><td>Corporate Governance Administrator</td><td>.30</td><td>38,287</td></tr>
<tr><td>Manager, Business Services</td><td>.025</td><td>4,758</td></tr>
<tr><td>Manager, Financial Services</td><td>.075</td><td>12,558</td></tr>
<tr><td>Accounting Analyst</td><td>.10</td><td>13,504</td></tr>
<tr><td>Accounting Associate</td><td>.075</td><td>7,310</td></tr>
<tr><td colspan="2">Total Annual Charges:</td><td>$164,744</td></tr>
</table>
</td></tr>
</table>

Attachment 2 of 2

OEB Appendix 2-N Shared Services/Corporate Cost Allocation

File Number:	EB-2013-0174
Exhibit:	4
Tab:	4
Schedule:	1
Page:	
Date:	31-Oct-13

Appendix 2-N
Shared Services and Corporate Cost Allocation

Year: 2010

Shared Services

Name of Company		Service Offered	Pricing Methodology	Price for the Service	Cost for the Service
From	To			$	$

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methodology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	$
Veridian Connections	Veridian Corporation	Governance and Financial Services	Fully allocated cost	Range of 5-25%of various FTE's as per Service Agreement	$182,784.00
Veridian Corporation	Veridian Connections	Leased Office and Storage Space	Fully allocated cost	By square footage of rented premise	$376,847.00
Veridian Connections	Veridian Energy	Management and Clerical Services-Rental Equipment	Fully allocated cost	Management .1 FTE, Clerical .35 FTE	$24,585.00
Veridian Connections	Veridian Energy	Financial Service General Administration	Fully allocated cost	Management .08 FTE, Clerical .08 FTE	$24,000.00
Veridian Connections	Veridian Energy	After Hours Telephone Dispatch	Fully allocated cost	Per call fee	$1,865.00

Year: 2011

Shared Services

Name of Company		Service Offered	Pricing Methdology	Price for the Service	Cost for the Service
From	To			$	$

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methdology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	$
Veridian Connections	Veridian Corporation	Governance and Financial Services	Fully allocated cost	Range of 5-25%of various FTE's as per Service Agreement	$195,036.00
Veridian Corporation	Veridian Connections	Leased Office and Storage Space	Fully allocated cost	By square footage of rented premise	$40,869.00
Veridian Connections	Veridian Energy	Financial Service General Administration	Fully allocated cost	Management .08 FTE, Clerical .08 FTE	$24,000.00

Year: 2012

Shared Services

Name of Company		Service Offered	Pricing Methdology	Price for the Service	Cost for the Service
From	To			$	$

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methdology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	$
Veridian Connections	Veridian Corporation	Governance and Financial Services	Fully allocated cost	Range of 5-25%of various FTE's as per Service Agreement	$162,420.00

Year: 2013

Shared Services

Name of Company		Service Offered	Pricing Methdology	Price for the Service	Cost for the Service
From	To			$	$

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methdology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	$
Veridian Connections	Veridian Corporation	Governance and Financial Services	Fully allocated cost	Range of 5-25%of various FTE's as per Service Agreement	$164,744.00

Year: 2014

Shared Services

Name of Company		Service Offered	Pricing Methdology	Price for the Service	Cost for the Service
From	To			$	$

Corporate Cost Allocation

Name of Company		Service Offered	Pricing Methdology	% of Corporate Costs Allocated	Amount Allocated
From	To			%	$
Veridian Connections	Veridian Corporation	Governance and Financial Services	Fully allocated cost	Range of 5-25%of various FTE's as per Service Agreement	$181,026.00

Note:

1 **This appendix must be completed in relation to each service provided or received for the Historical (actuals), Bridge and Test years. The required information includes:**

· ***Type of Service:***
Services such as billing, accounting, payroll, etc. The applicant must identify any costs related to the Board of Directors of the parent company that are allocated to the applicant.

· ***Pricing Methodology:***
Pricing Methodology includes approaches such as cost-base, market-base, tendering, etc. The applicant must provide evidence demonstrating the pricing methodology used. The applicant must also provide a description of why that pricing methodology was chosen, whether or not it is in conformity with ARC, and why it is appropriate.

· ***% Allocation:***

The applicant must provide the percentage of the costs allocated to the entity for the service being offered. The Applicant must also provide a description of the allocator and why it is an appropriate allocator.

VERIDIAN
CONNECTIONS

File Number: EB-2013-0174

Date Filed: October 31, 2013

Exhibit 4

Tab 5 of 8

Purchase of Non-Affiliate Services

Purchases from Suppliers

When purchasing goods and services, all Veridian staff is guided by a comprehensive Purchasing Policy that has been approved by Veridian's board of directors. A copy of Purchasing Policy number LO01 is appended as Attachment 2. The policy includes information on levels of signing authority and requirements for competitive pricing.

To ensure that the policy provisions remain current and to reinforce the importance of its requirements, the policy is subject to an annual review by the Audit and Risk Management Committee of the Veridian board of directors. Following this annual review, the Veridian board either re-affirms the policy, or approves updates to its provisions.

Coordination and oversight of procurement is carried out by the Supply Chain & Facilities department. The group is also responsible for managing inventory levels and supplier relationships.

The table provided in Attachment 1 summarizes all material purchase transactions related to OM&A costs for the historical (actual) years 2010 to 2012. The table also identifies the competitive selection methodology used for each transaction.

All of the transactions detailed in Attachment 1 were carried out in accordance with Veridian's purchasing policy. The following transactions were completed without a competitive tendering process, but in accordance with the policy provisions related to single and sole source suppliers:

Vendor	**Product/Service**	**Reason for Single or Sole Source Purchase**
Canada Post	Mail Delivery	Monopoly service provider
MEARIE Group	Liability Insurance	MEARIE is an industry insurance reciprocal that operates on a non-profit basis. Veridian periodically retains a third party consultant to review and assess MEARIE coverage and premium levels.
Harris Computer Systems	Software Support & Licensing	Services relate to software that was originally selected through competitive process
Olameter Inc.	Meter Reading, Notice Delivery	Limited number of service providers, and complexity of changing vendors while rolling out smart meters
OMERS	Employee Pension Plan	Pension plan contributions required as a condition of employee employment contracts

Attachment 1 of 2

Table of Purchases by Supplier

Table of Purchases by Supplier

Vendor Name	2009 Purchases	2010 Purchases	2011 Purchases	2012 Purchases	Methodology of Selection	Product/Service
BARKLEY UTILITIES/TECHNOLOGIES INC	-	$ 9,135	$ 13,991	$ 270,991	RFP	PCB Sampling
BELL CANADA	$ 232,584	$ 281,506	$ 284,893	$ 317,994	RFQ	Telephone Services
CANADA POST CORP	$ 302,700	$ 384,347	$ 470,166	$ 442,297	Sole Source	Canada Post
CRESSMAN TREE MAINTENANCE	$ 88,127	$ 181,038	$ 244,810	$ 254,295	RFQ	Vegetation Management
DAVEY TREE EXPERT CO CDA	$ 235,124	$ 324,755	$ 117,788	$ 292,467	RFQ	Vegetation Management
GEORGE M. FRASER LTD	$ 150,122	$ 182,232	$ 268,731	$ 50,372	RFP	Substation Maintenance
HARRIS COMPUTER SYSTEMS	$ 207,540	$ 273,876	$ 275,895	$ 261,252	Single Source	Software Support and Licensing
KUBRA DATA TRANSFER LTD	$ 96,926	$ 89,254	$ 206,959	$ 258,969	RFQ	Bill Printing
MEARIE MANAGEMENT INC	$ 324,977	$ 386,535	$ 473,320	$ 490,203	RFQ	Employee Benefits
MEARIE GROUP	$ 363,885	$ 863,875	$ 442,254	$ 491,606	Single Source	Liability Insurance
OLAMETER INC.	$ 984,448	$ 613,753	$ 361,400	$ 449,364	Single Source	Meter Reading, Notice Delivery
OMERS	$ 1,974,617	$ 2,273,533	$ 2,788,212	$ 3,378,456	Single Source	Employee Pension Plan
ONTARIO LINE CLEARING	$ 184,835	$ 326,037	$ 89,417	$ 425,580	RFQ	Vegetation Management
SKY ENERGY CONSULTING	$ 497,506	$ 128,511	$ 24,490	-	RFP	Smart Meter Business Process Redesign

Attachment 2 of 2

Procurement Policy

LO01

Logistics

Purchasing Policy

for

All Divisions

11-Jun-2013 – V.5

Issued by: Heather Boissoin

Approved by the Veridian Corporation Board
Resolution #2013-VC16

and

Approved by the Veridian Connections Inc. Board
Resolution #2013-VCI16

Revision History

Name	Issue Date	Identify Changes or Reason	Version
H. Boissoin	11-Jun-2013	Annual review; revisions to S2.1, 2.2 and 2.3.	V.5
H. Boissoin	12-Apr-2012	Annual review and a number of revisions.	V.4
H. Boissoin	May-2008	Revised as per recommendations from Internal Audit of Purchasing Department.	V.3
D. Clark	Sep-2005	Reaffirmed.	V.2
D. Clark	Feb-2001	Original issue.	V.1

Review Schedule

- Annually

Table of Contents

1.0 Introduction and Scope

The Purchasing Policy is designed to provide guidance to those who perform the various functions carried out on behalf of Veridian Connections. This policy explains operating policies, delineates authority, and outlines sound procurement practices.

The policy applies to Veridian and defines the operating policies to be followed by Supply Chain Management personnel. Business-specific procedures may be developed, as required, to meet the operational requirements of the policies contained herein.

Overall responsibility for the content, maintenance, production and distribution of this policy resides with Supply Chain.

2.0 Policy

2.1 Requisitioning an Expenditure

An Expenditure Authority may requisition an expenditure. An Expenditure Authority must initiate the request by requisitioning an expenditure and forwarding the request to the next level Expenditure Authority. An Expenditure Authority may delegate responsibilities for the initiation of purchase requisitions to a subordinate that is not an Expenditure Authority.

2.2 Approving the Expenditure

An Expenditure Authority can approve a requisitioner’s expenditure provided that the Expenditure Authority has the required approval level as detailed in Section 2.3. An Expenditure Authority cannot both initiate and approve the same expenditure.

An Expenditure Authority cannot approve the requisition of an Expenditure Authority that they report to.

An Expenditure Authority that approves a requisition is responsible for reviewing an expenditure for compliance with Veridian policy and ascertaining the appropriateness of the expenditure, in light of the prevailing operating plan and budget. An approver must indicate review and approve either manually or electronically by signing the purchase requisition or cheque request form, as applicable.

The Manager that supervises Accounts Payable is responsible for ensuring that all non-requisition purchase requisitions have been approved at the appropriate level and that the purchase is in accordance with the purchasing policy.

2.3 Approval Levels

As an overriding principle, an Expenditure Authority may not approve any expenditure that the Expenditure Authority does not have budget responsibility for.

The authorized approval levels are as follows:

Approval Level	Approval Limit	Expenditure Authority
1	Up to $50,000 Provided that the expenditure does not increase the total committed cost of a capital project or an OM&A expense line to both more than 105% of the total budget and more than $10,000 above the total budget.	Manager with budget responsibility[1]
2	Up to $100,000 Provided that the expenditure does not increase the total committed cost of a capital project or an OM&A expense line to both more than 110% of the total budget and more than $25,000 above the total budget.	Vice President[1]
3	Up to $500,000 Provided that either the expenditure does not increase the total committed cost of a capital project or an OM&A expense line to both more than 115% of the total budget and more than $100,000 above the total budget.	President & CEO[1]
4	Expenditures other than those listed above	Board of Directors

Note 1: When an Expenditure Authority has delegated responsibilities for the initiation of purchase requisitions to a subordinate that is not an Expenditure Authority, expenditures over $10,000 require two levels of Expenditure Authority approval.

3.0 Exceptions or Emergency Purchases

Purchases of between $500,000 and $1,000,000 included or not included in the annual approved budget that are deemed to be critical to Veridian's operations or required for emergencies may be incurred if approved by Veridian's President & CEO and one of the Chair, Vice-Chair or Chair of the Audit and Risk Management Committee. Such decisions must be reported at the next Board of Directors meeting with reasons why the expenditures were required prior to receiving Board approval. If circumstances warrant an emergency or critical expenditure in excess of $1,000,000, an emergency meeting of the Board of Directors will be called to authorize such expenditures.

4.0 Budget Approval, Amendments, Reporting

Annual Capital and OM&A Budgets are approved by the Board annually.

A Business Case prepared using Veridian's Business Case template is required to support all Major Projects. Major Projects are defined as those capital projects beyond materiality limits as set out by the Ontario Energy Board, currently $350,000.

Major Projects will be designated an Executive Sponsor (Vice President or President & CEO) who will be solely responsible for providing a detailed quarterly report on the Major Project to the Board. The Executive Sponsor will hold regular project review meetings (not less than monthly). Major Project review meetings will include the review of cost projections for the project, review of all change revision orders, project delays and information that needs to be communicated to or actions that need to be requested of the Board.

Throughout the year, the President & CEO has the authority to approve the reallocation of annual capital expenditure budget dollars from one project to another project provided that such changes remain within the Board approved total annual capital expenditure limit. Such reallocation changes made each quarter must be reported to the Board by the President & CEO at the quarterly meeting following such changes. If such changes are for amounts which increase a project to more than $350,000 in total, a business case must be prepared to support such change.

Quarterly financial statements presented to the Audit and Risk Management Committee and to the Board must include capital expenditure statements that show actual and projected costs together with explanations for significant variances.

5.0 Exceptions to Approval Levels

Regular recurring amounts that the Corporation is obligated to remit on a periodic basis may be approved for payment by the President & CEO even though these amounts may be more than the $500,000 approval limit set out in this policy for the President & CEO.

They include:

- Wholesale power purchase remittances to the Independent Electricity System Operator;
- Debt Retirement Charge remittances to the Ministry of Finance;
- Interest and principal payments on debt that match payment schedules contained within loan agreements and promissory notes that have been approved by the Board of Directors;
- Payments in lieu of income taxes, payments in lieu of property taxes, Employee payroll remittances and sales tax remittances all of which have been checked for accuracy by Veridian Financial Services.

6.0 Procurement and Supply

This section defines a standardized approach for the buying and paying of goods and services received. This policy requires the use of purchase orders, except for the permitted exceptions.

The policy is designed to protect Veridian's business interests by:

- Subjecting all purchases to standard terms and conditions,
- Reinforcing existing contract terms,
- Ensuring proper authorization is obtained in advance of purchases, and
- Proper use of a competitive bid process, when required.

Non-compliance can result in delayed payment of invoices to suppliers, interruption of services or non-delivery of product.

6.1 When a Requisition and Competitive Pricing is Required

Veridian Employees with a need to purchase products or services must create a purchase requisition. No purchase order shall be issued without a supporting requisition. Requisitions shall be approved in accordance with the authorization levels established and referred to in the Signature Authorization policy. One of the most effective tools of the procurement function is competition. While it is not always feasible or desirable to obtain competitive pricing, a competitive process is required whenever practical, and selection of the preferred source should be determined by analysis of the technical, legal and cost information. The following outlines circumstances where competitive pricing may not be feasible and the authorization that is required to procure without obtaining competitive pricing.

Sole source: Only one capable source exists that can meet the requirements for the product/service. Sole sourced products can only be approved by a Vice President, or if initiated by a Vice President, the President & CEO.

Single source: Business conditions and/or Customer requirements preclude researching and qualifying any other competitive sources. Note that single sourced products can only be approved by a Vice President, or if initiated by a Vice President, the President & CEO.

6.2 For Purchases $1,000 to $50,000

For all purchases $1,000 and over, a purchase order is created that is governed by the established terms and conditions for the goods and/or services. Competitive quotes (generally at least three) are required and should be attached at the requisition stage unless there has been an authorization for sole or single sourcing as described in Section 6.1

The standard terms and conditions are printed on the second page of the Purchase Order. Under certain circumstances, a contract may also be required. Certain purchases are exempt from requiring a purchase order as listed in Section 6.4.

6.3 For Purchases over $50,000

For all purchases over $50,000, a purchase order is created that is governed by the established terms and conditions for the goods and/or services. Purchasing awards in excess of $50,000 will be based on requests for proposal or another form of competitive process. Any existing contract for the provision of any product or service should be competitively sourced and negotiated at least once every three (3) years. To meet this requirement, contracts should not be entered into with terms of longer than three (3) years.

When terms and conditions are established that vary from those contained in the standard purchase order terms and conditions, a contract is created that documents the established terms and conditions for the goods and/or services. When a contract is created, the document is then authorized by signature as set out in AD36 Expenditure Authorization and Signing Officer Policy. During the contracting process, supporting documentation may be required, depending on the commodity, for example:

- Statement of Work is required for professional services
- Supplier quotation is required for technology orders

6.4 Exclusions for Using a Requisition and Purchase Order

Provided that necessary approvals are obtained from the required Expenditure Authorities as outlined in Policy AD36 Expenditure Authorization and Signing Officer, the following products, services and remittances, may be paid without a supporting requisition or Purchase Order:

- Utilities (heat, light, and some telecom services)
- Insurance
- Charitable contributions and Sponsorships– see Policy AD19 Sponsorship & Community Events Donations
- Taxes (payments in lieu of taxes, property taxes, Employee payroll remittances)
- Veridian reimbursements to Customers
- Retailer remittances
- Wholesale power purchase settlements
- Debt Retirement Charge remittances
- Interest payments on debt
- Dividend Payments to shareholders
- Long term load settlement invoices
- Legal settlements
- OEB cost assessments and awards
- Other regulatory fees and assessments

These excluded purchases must have supporting documentation to be used as backup and require authorization by the appropriate Expenditure Authority.

There may be other purchases or remittances that arise where a purchase order adds administrative burden, but no additional process value to the transaction. In addition to the listing above, the President & CEO, or a Vice President may from time to time, designate other purchases that are exempt from the requirement of a purchase requisition and purchase order.

7.0 Use of Annual or Blanket Purchase Orders

This section governs the placement of purchase orders covering an annual budgeted expense. The policy ensures upfront approvals for annual expenses and adherence to the Expenditure Authorization and Signing Officer Policy. Adherence to the policy ensures that senior management has visibility to annual expenses and total financial commitments made by the business units.

7.1 Scope

A requisitioner will create a requisition for the total annual budgeted amount. The requisition is routed for approvals as governed by this Policy. Once fully approved, the Supply Chain Manager or delegate, creates a purchase order for the amount of the requisition.

7.2 Adding Funds

If an annual purchase order runs out of funds prior to the expiration date, funds will be added to the purchase order only if approvals for additions are obtained as set out under AD36 Expenditure Authorization and Signing Officer Policy.

8.0 Contracts/Long Term Agreements

Contracts are required to further set out the mutual covenants and obligations that are not normally contained in a purchase order.

Contracts must be written so as to guarantee the performance of the contractor and to establish sufficient protection in the event the contractor defaults in the performance of the contract.

The contract shall indicate the terms of payment and when progress payments will be made where applicable. The contract shall reference specifications drawings and all other pertinent documentation.

All contracts must be sent to the Manager, Supply Chain for review/comments. Each contract requires the signature of the officer(s) authorized to approve as set out within AD36 Expenditure Authorization and Signing Officer Policy.

9.0 Controls, Audit and Policy Review

Veridian's CFO will have responsibility to establish controls that will provide reasonable assurance that all purchases conform to the requirements of this policy. Sample internal audits will be conducted to determine compliance. Results of the internal audit of purchases will be reported to the Audit and Risk Management Committee.

Appendix A: Terms and Definitions

“Committed Cost” means any expenditure that has been spent, incurred, accrued or committed to be incurred through a purchase requisition, purchase order, or a job cost labour, equipment and material plan.

“Expenditure Authority” is a non-union Employee, supervisor, manager or executive Employee that has a budgetary and financial responsibility for the business unit making and incurring the expenditure.

VERIDIAN CONNECTIONS

File Number: EB-2013-0174

Date Filed: October 31, 2013

Exhibit 4

Tab 6 of 8

Depreciation and Amortization

Depreciation, Amortization and Depletion

Overview

Veridian amortizes its capital assets in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook, the OEB APH for Electric Distribution Utilities and directives issues by the OEB from time to time in the form of letters and APH Frequently Asked Questions.

Capital assets are amortized on a straight-line basis. As per the Board's general policy for electricity distribution rate setting, capital additions have attracted six months of depreciation during the year for which they enter service; Veridian has applied the "half-year" rule, as it is commonly known, for all asset additions, including those in the 2014 test year.

Veridian has no Asset Retirement Obligations ("AROs") and confirms that there are no impacts to be adjusted for in depreciation expense in the 2014 Test Year for AROs.

Amortization expenses have been adjusted to remove the amortization associated with the Fair Market Value (FMV) write up of assets as these increases in asset values are not included in the calculation of regulatory rate base. Consequently, these amounts have been removed from the annual amortization expenses and from the associated accumulated amortization amounts. Details of these adjustments have been provided in Exhibit 1, Tab 5, Schedule 2 – RRR Filings and Reconciliation Schedules 2010 – 2012.

Veridian includes as part of its overhead allocations, amortization calculated on its fleet assets and as such, a portion of these expenses are capitalized, a portion are included in other OM&A expenses as allocations on vehicle usage and are not included in the total of amortization expense to be recovered in revenue requirement.

Amortization expense to be included in revenue requirement in the 2014 Test Year has been calculated as $10,672,290.

Changes in Useful Lives of Assets

As part of its work in preparing for the mandatory transition to IFRS, Veridian had completed the significant detailed accounting work in the areas of changes to depreciation rates through componentization of assets and changes in useful lives when the Accounting Standards Board announced an optional deferral in adoption to January 1, 2013.

Veridian elected to exercise this optional deferral and planned adoption of IFRS effective January 1, 2013. Veridian did, through consultation with its audit partners, determine that the changes in depreciation were allowable under CGAAP and so implemented these changes effective January 1st, 2012.

On July 17, 2012 the OEB issued a letter to licensed electricity distributors providing policy direction on this matter. It stated *"The Board will permit electricity distributors electing to remain on Canadian GAAP ("CGAAP") in 2012 to implement regulatory accounting changes for depreciation expense and capitalization policies effective on January 1, 2012."* It further stated *"The Board will not require distributors to seek Board approval in order to make these* *accounting changes that otherwise would have been required as specified in the 'CGAAP-based" APH (dated July 2007), which is applicable and in force for these distributors still under CGAAP. These accounting changes for adherence to Board requirements for MIFRS and their associated rate impacts will be reviewed as part of a distributor's next cost of service application."*

Upon review of the *Kinectrics Inc Asset Depreciation Study for the Ontario Energy Board, June 15, 2010*, (the "Kinectrics Report")Veridian determined that it could rely on this report as guidance in determining appropriate Typical Useful Lives ("TUL") for its assets and determined that there was not a need to undertake a separate study. Veridian engineering and finance staff, referencing the Kinectrics Report, set useful lives used to amortize its assets and determined appropriate subgroupings or components of existing asset classes to reflect the different useful lives for major components of certain assets.

A schedule outlining asset classes, subgroupings and useful lives before and after the changes effective January 1st, 2012 is contained within Veridian's Capitalization Policy filed as Exhibit 2, Tab 2, Schedule 3. The Capitalization Policy also includes information on Veridian's amortization policy. As well, Veridian has completed Appendix 2-BB, comparing asset components and useful lives by USoA to those in the Kinectrics Report and has provided the appendix at Exhibit 4, Tab 6, Schedule 2, Attachment 6. Veridian confirms that its TULs are aligned with the useful life ranges in the Kinectrics Report.

Average remaining lives for opening NBV January 1st, 2012

As required, Veridian performed a recalculation to determine the average remaining life of the opening net book value of assets as of January 1st, 2012; the effective date for the depreciation changes.

Under IFRS there is a requirement to derecognize assets when taken out of service. In order to facilitate this requirement in the future, Veridian performed a very detailed analysis of the average remaining life by components within readily identifiable assets such as individual substations, buildings and vehicles. In the case of substations, the age of and components within substations vary widely within Veridian's service area and as detailed cost records were maintained by substation, the information to ascertain NBV and average remaining life was available.

As a result, the NBV of these individual components within readily identifiable assets were quantified and the average remaining life was determined.

The opening NBV for Account 1955 Contributed Capital was separated out by the underlying asset for which the contribution had been received and the average remaining life was based on the average remaining life of the predominant component within that asset account.

Appendix 2CO-2012 provides the detailed listing by asset account and component of the NBV and average remaining life as of January 1st, 2012. It and the other required appendices related to depreciation calculations are provided at Exhibit 4, Tab 6, Schedule 2, Attachments 1 to 5.

Depreciation Expenses

Table 1 below provides a summary of amortization expenses from 2010 Board Approved through the 2014 Test Year forecast.

Table 1: Summary of Amortization Expense ($000's)

	2010 Board Approved	2010 Actual	2011 Actual	2012 Actual	2013 Forecast	2014 Forecast
Amortization Expense	$ 12,743	$ 13,087	$ 13,474	$ 9,474	$ 10,737	$ 10,672

Table 2 below provides a detail listing of amortization by asset class.

Table 2: Amortization Expense by Asset Class ($000's)

	2010 Board Approved	2010 Actual	2011 Actual	2012 Actual	2013 Forecast	2014 Forecast
1610 - Misc Intang Plant	95.8	120.3	117.1	166.6	314.0	361.3
1612 - Land Rights	13.6	10.2	10.8	10.8	10.8	10.8
1808-Buildings	13.4	9.4	9.4	5.6	5.6	5.6
1815-TS Equip > 50 kV	7.1	7.1	7.1	4.3	4.8	4.8
1820-DS Equip < 50 kV	688.9	889.2	953.2	686.0	763.9	871.9
1830-Poles	1,444.6	1,341.5	1,461.2	698.5	828.1	1,022.1
1835-OH Conductors	1,904.0	1,796.2	1,872.8	984.9	1,076.8	1,227.0
1840-UG Conduit	2,168.0	2,202.5	2,145.6	449.9	519.7	602.1
1845-UG Conductors	1,156.0	1,034.2	1,106.8	786.2	913.9	1,034.9
1850-Line Transformers	2,575.7	2,544.5	2,596.5	1,481.8	1,593.8	1,709.3
1855-Services	1,083.9	1,080.3	1,144.6	513.7	561.7	614.0
1860-Meters	932.2	1,038.5	1,057.9	963.4	1,247.6	1,021.3
1611 - Software	1,145.7	1,491.8	1,533.9	1,670.0	2,402.2	1,955.5
1908-Buildings & Fixtures	251.8	379.5	506.3	1,078.1	1,111.1	1,087.2
1910-Leaseholds	171.2	-	107.3	551.1	-	-
1915-Office Furniture	203.0	188.4	124.9	200.7	204.2	207.2
1920-Computer Hardware	447.7	396.3	374.2	375.0	499.0	469.7
1930-Transportation Equip	657.3	767.0	920.4	511.2	556.3	613.1
1935-Stores Equip	0.7	0.7	1.2	1.2	1.2	1.2
1940-Tools	56.6	69.9	75.3	32.5	38.4	45.9
1945-Test Equip	4.9	7.5	7.4	6.0	7.3	10.5
1955-Comm Equip	17.5	20.7	17.5	23.8	39.7	51.8
1960-Misc Equip	15.5	-	13.5	29.4	31.9	31.9
1980-System Super Equip	327.9	294.0	282.7	234.9	265.8	317.1
1995-Contributions	(1,982.6)	(1,836.2)	(2,052.6)	(1,480.3)	(1,704.1)	(1,990.9)
Subtotal	13,400.3	13,853.6	14,394.8	9,985.4	11,293.8	11,285.4
Less Vehicle Amortization	(657.3)	(767.0)	(920.4)	(511.2)	(556.3)	(613.1)
Total Amortization	12,743	13,087	13,474	9,474	10,737	10,672

As the TULs for most assets was determined to be longer than before the changes, amortization expenses decreased as expected. Amortization was $4 million lower in 2012 than in 2011.

Table 3 below provides a comparison between the amortization expenses that would have been recorded under the previous TULs and the actual 2012 amortization under the new TUL and the forecasted amortization for 2013.

Table 3: Comparison of Amortization under new and previous TULs

	2012	2013
New	$ 9,474	$ 10,737
Previous	$ 13,958	$ 15,119
Decrease in Amortization	$ (4,484)	$ (4,381)

Note: Does not include vehicle amortization or disposal of stranded meter balances

Amortization would have been $4.5 million higher in 2012 under the previous TULs and $4.4 million higher in 2013.

The details by account for the 2012 and 2013 amortization values under the previous TULs are provided in Appendices 2CN-2012 and 2CN-2013 which follow this schedule as Attachments 1 and 2.

The amortization or depreciation rates by asset class are provided in Appendix 2-BB Service Life Comparison filed as Attachment 6 to this Schedule.

Attachment 1 of 5

OEB Appendix 2-CN 2012 Depreciation and Amortization Expense (Old CGAAP)

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Appendix 2-CN
Depreciation and Amortization Expense

Assumes the applicant made capitalization and depreciation expense accounting policy changes under CGAAP effective January 1, 2012

Year 2012 Former CGAAP - CGAAP without the changes to the policies

Account	Description	Opening Regulatory Gross PP&E as at Jan 1, 2012 (a)	Less Fully Depreciated (b)	Net for Depreciation (c)	Additions (d)	Total for Depreciation (e) = (c) + ½ x (d) [1]	Years (f)	Depreciation Rate (g) = 1 / (f)	Depreciation Expense (h) = (e) / (f)	2012 Depreciation Expense per Appendix 2-B Fixed Assets, Column K (l)	Variance [2] (m) = (h) - (l)
1610	Miscellaneous Intangible Plant	$ 885,974	$ 667,785	$ 218,189	$ 529,209	$ 482,794	3.00	33.33%	$ 160,931		$ 160,931
1611	Computer Software (Formally known as Account 1925)-Minor Applications	$ 5,035,732	$ 3,493,963	$ 1,541,769	$ 3,046,482	$ 3,065,010	3.00	33.33%	$ 1,021,670		$ 1,021,670
1611	Computer Software (Formally known as Account 1925)-Major Applications	$ 6,438,471	$ 3,644,252	$ 2,794,219		$ 2,794,219	5.00	20.00%	$ 558,844		$ 558,844
1612	Land Rights (Formally known as Account 1906)	$ 752,941	$ 15,893	$ 737,048	$ 9,051	$ 741,574	50.00	2.00%	$ 14,831		$ 14,831
1805	Land	$ 663,436	$ -	$ 663,436		$ 663,436	-	0.00%	$ -		$ -
1808	Buildings	$ 668,106	$ -	$ 668,106		$ 668,106	50.00	2.00%	$ 13,362		$ 13,362
1810	Leasehold Improvements	$ -		$ -		$ -		0.00%	$ -		$ -
1815	Transformer Station Equipment >50 kV	$ 178,775	$ -	$ 178,775	$ 40,255	$ 198,903	25.00	4.00%	$ 7,956		$ 7,956
1820	Distribution Station Equipment <50 kV	$ 33,577,420	$ 3,503,578	$ 30,073,842	$ 2,577,985	$ 31,362,835	40.00	2.50%	$ 784,071		$ 784,071
1825	Storage Battery Equipment	$ -		$ -		$ -		0.00%	$ -		$ -
1830	Poles, Towers & Fixtures	$ 41,549,051	$ 3,448,798	$ 38,100,253	$ 3,807,911	$ 40,004,209	25.00	4.00%	$ 1,600,168		$ 1,600,168
1835	Overhead Conductors & Devices	$ 60,971,814	$ 11,539,414	$ 49,432,400	$ 3,364,308	$ 51,114,554	25.00	4.00%	$ 2,044,582		$ 2,044,582
1840	Underground Conduit	$ 59,742,526	$ 7,198,713	$ 52,543,813	$ 3,667,311	$ 54,377,469	25.00	4.00%	$ 2,175,099		$ 2,175,099
1845	Underground Conductors & Devices	$ 30,742,802	$ 766,845	$ 29,975,957	$ 5,961,729	$ 32,956,822	25.00	4.00%	$ 1,318,273		$ 1,318,273
1850	Line Transformers	$ 71,878,085	$ 8,076,237	$ 63,801,848	$ 5,379,383	$ 66,491,540	25.00	4.00%	$ 2,659,662		$ 2,659,662
1855	Services (Overhead & Underground)	$ 32,333,216	$ 3,560,403	$ 28,772,813	$ 2,511,976	$ 30,028,801	25.00	4.00%	$ 1,201,152		$ 1,201,152
1860	Meters (Stranded Meters)	$ 8,461,023		$ 8,461,023		$ 8,461,023	25.00	4.00%	$ 254,992		$ 254,992
1860	Meters	$ 3,335,188	$ 660,984	$ 2,674,204	$ 443,132	$ 2,895,770	25.00	4.00%	$ 115,831		$ 115,831
1860	Meters (Smart Meters)	$ 7,754,851		$ 7,754,851	$ 7,879,922	$ 11,694,812	15.00	6.67%	$ 779,654		$ 779,654
1905	Land	$ 1,035,730	$ -	$ 1,035,730		$ 1,035,730	-	0.00%	$ -		$ -
1908	Buildings & Fixtures	$ 19,719,406	$ -	$ 19,719,406	$ 797,882	$ 20,118,347	50.00	2.00%	$ 402,367		$ 402,367
1910	Leasehold Improvements	$ 1,152,890	$ 869,698	$ 283,192		$ 283,192	5.00	20.00%	$ 56,638		$ 56,638
1915	Office Furniture & Equipment (10 years)	$ 4,285,737	$ 2,286,544	$ 1,999,193	$ 45,854	$ 2,022,120	10.00	10.00%	$ 202,212		$ 202,212
1915	Office Furniture & Equipment (5 years)			$ -		$ -		0.00%	$ -		$ -
1920	Computer Equipment - Hardware	$ 6,755,662	$ 4,805,049	$ 1,950,613	$ 414,259	$ 2,157,743	5.00	20.00%	$ 431,549		$ 431,549
1920	Computer Equip.-Hardware(Post Mar. 22/04)			$ -		$ -		0.00%	$ -		$ -
1920	Computer Equip.-Hardware(Post Mar. 19/07)			$ -		$ -		0.00%	$ -		$ -
1930	Transportation Equipment	$ 8,198,741	$ 4,322,209	$ 3,876,532	$ 528,684	$ 4,140,874	8.00	12.50%	$ 517,609		$ 517,609
1935	Stores Equipment	$ 417,234	$ 282,503	$ 134,731		$ 134,731	10.00	10.00%	$ 13,473		$ 13,473
1940	Tools, Shop & Garage Equipment	$ 2,263,257	$ 1,691,184	$ 572,073	$ 42,845	$ 593,496	10.00	10.00%	$ 59,350		$ 59,350
1945	Measurement & Testing Equipment	$ 132,513	$ 63,002	$ 69,511		$ 69,511	10.00	10.00%	$ 6,951		$ 6,951
1950	Power Operated Equipment			$ -		$ -		0.00%	$ -		$ -
1955	Communications Equipment	$ 505,749	$ 350,175	$ 155,574	$ 231,333	$ 271,241	10.00	10.00%	$ 27,124		$ 27,124
1955	Communication Equipment (Smart Meters)			$ -		$ -		0.00%	$ -		$ -
1960	Miscellaneous Equipment	$ 202,887	$ 3,668	$ 199,219	$ 49,736	$ 224,087	10.00	10.00%	$ 22,409		$ 22,409
1970	Load Management Controls - Customer Premises			$ -		$ -		0.00%	$ -		$ -
1975	Load Management Controls Utility Premises			$ -		$ -		0.00%	$ -		$ -
1980	System Supervisor Equipment	$ 5,355,062	$ 759,321	$ 4,595,741	$ 128,389	$ 4,659,936	15.00	6.67%	$ 310,662		$ 310,662
1985	Miscellaneous Fixed Assets			$ -		$ -		0.00%	$ -		$ -
1990	Other Tangible Property			$ -		$ -		0.00%	$ -		$ -
1995	Contributions & Grants	-$ 54,263,737	-$ 120,350	-$ 54,143,387	-$ 6,006,797	-$ 57,146,786	25.00	4.00%	-$ 2,285,871		-$ 2,285,871
etc.				$ -		$ -		0.00%	$ -		$ -
				$ -		$ -		0.00%	$ -		$ -
	Total	$ 360,730,542	$ 61,889,868	$ 298,840,674	$ 35,450,839	$ 316,566,094			$ 14,475,551	$ -	$ 14,475,551

Note: The depreciation on this schedule will not balance with Appendix 2-B as those schedules are completed on the basis of the changes to the policies

Depreciation and Amortization Expense

Assumes the applicant made capitalization and depreciation expense accounting policy changes under CGAAP effective January 1, 2012

Year 2013 Former CGAAP - CGAAP without the changes to the policies

Account	Description	Opening Regulatory Gross PP&E as at Jan 1. 2013 (a)	Less Fully Depreciated (b)	Net for Depreciation (c)	Additions (d)	Total for Depreciation (e) = (c) + ½ x (d) [1]	Years (f)	Depreciation Rate (g) = 1 / (f)	Depreciation Expense (h) = (e) / (f)	2012 Depreciation Expense per Appendix 2-B Fixed Assets, Column K (l)	Variance [2] (m) = (h) - (l)
1610	Miscellaneous Intangible Plant	$ 1,415,183	$ 667,785	$ 747,398	$ 462,989	$ 978,893	3.00	33.33%	$ 326,298		$ 326,298
1611	Computer Software (Formally known as Account 1925)-Minor Applications	$ 8,082,214	$ 4,036,051	$ 4,046,163	$ 1,552,224	$ 4,822,275	3.00	33.33%	$ 1,607,425		$ 1,607,425
1611	Computer Software (Formally known as Account 1925)-Major Applications	$ 6,438,471	$ 5,286,603	$ 1,151,868		$ 1,151,868	5.00	20.00%	$ 230,374		$ 230,374
1612	Land Rights (Formally known as Account 1906)	$ 761,992	$ 15,893	$ 746,099		$ 746,099	50.00	2.00%	$ 14,922		$ 14,922
1805	Land	$ 663,436	$ -	$ 663,436		$ 663,436	-	0.00%	$ -		$ -
1808	Buildings	$ 668,106	$ -	$ 668,106	$ 1,606	$ 668,909	50.00	2.00%	$ 13,378		$ 13,378
1810	Leasehold Improvements	$ -		$ -		$ -		0.00%	$ -		$ -
1815	Transformer Station Equipment >50 kV	$ 219,030	$ -	$ 219,030		$ 219,030	25.00	4.00%	$ 8,761		$ 8,761
1820	Distribution Station Equipment <50 kV	$ 36,155,405	$ 3,566,142	$ 32,589,263	$ 4,219,255	$ 34,698,891	40.00	2.50%	$ 867,472		$ 867,472
1825	Storage Battery Equipment	$ -		$ -		$ -		0.00%	$ -		$ -
1830	Poles, Towers & Fixtures	$ 45,356,962	$ 3,791,321	$ 41,565,641	$ 7,399,549	$ 45,265,416	25.00	4.00%	$ 1,810,617		$ 1,810,617
1835	Overhead Conductors & Devices	$ 64,336,122	$ 12,446,190	$ 51,889,932	$ 5,236,698	$ 54,508,281	25.00	4.00%	$ 2,180,331		$ 2,180,331
1840	Underground Conduit	$ 63,409,837	$ 11,148,526	$ 52,261,311	$ 4,740,633	$ 54,631,628	25.00	4.00%	$ 2,185,265		$ 2,185,265
1845	Underground Conductors & Devices	$ 36,704,531	$ 966,957	$ 35,737,574	$ 3,561,306	$ 37,518,227	25.00	4.00%	$ 1,500,729		$ 1,500,729
1850	Line Transformers	$ 77,257,468	$ 12,087,089	$ 65,170,379	$ 2,243,833	$ 66,292,296	25.00	4.00%	$ 2,651,692		$ 2,651,692
1855	Services (Overhead & Underground)	$ 34,845,192	$ 4,207,522	$ 30,637,670	$ 2,070,964	$ 31,673,152	25.00	4.00%	$ 1,266,926		$ 1,266,926
1860	Meters (Stranded Meters)	$ 8,461,023		$ 8,461,023		$ 8,461,023	25.00	4.00%	$ 254,992		$ 254,992
1860	Meters	$ 3,778,320	$ 1,047,695	$ 2,730,625		$ 2,730,625	25.00	4.00%	$ 109,225		$ 109,225
1860	Meters (Smart Meters)	$ 15,634,773		$ 15,634,773	$ 536,582	$ 15,903,064	15.00	6.67%	$ 1,060,204		$ 1,060,204
1905	Land	$ 1,035,730	$ -	$ 1,035,730		$ 1,035,730	-	0.00%	$ -		$ -
1908	Buildings & Fixtures	$ 20,517,288	$ -	$ 20,517,288	$ 712,000	$ 20,873,288	50.00	2.00%	$ 417,466		$ 417,466
1910	Leasehold Improvements	$ 1,152,890	$ 894,404	$ 258,486		$ 258,486	5.00	20.00%	$ 51,697		$ 51,697
1915	Office Furniture & Equipment (10 years)	$ 4,331,591	$ 2,339,527	$ 1,992,064	$ 25,000	$ 2,004,564	10.00	10.00%	$ 200,456		$ 200,456
1915	Office Furniture & Equipment (5 years)	$ -		$ -		$ -		0.00%	$ -		$ -
1920	Computer Equipment - Hardware	$ 7,169,921	$ 5,168,105	$ 2,001,816	$ 784,867	$ 2,394,250	5.00	20.00%	$ 478,850		$ 478,850
1920	Computer Equip.-Hardware(Post Mar. 22/04)	$ -		$ -		$ -		0.00%	$ -		$ -
1920	Computer Equip.-Hardware(Post Mar. 19/07)	$ -		$ -		$ -		0.00%	$ -		$ -
1930	Transportation Equipment	$ 8,727,425	$ 4,400,510	$ 4,326,915	$ 293,000	$ 4,473,415	8.00	12.50%	$ 559,177		$ 559,177
1935	Stores Equipment	$ 417,234	$ 282,503	$ 134,731		$ 134,731	10.00	10.00%	$ 13,473		$ 13,473
1940	Tools, Shop & Garage Equipment	$ 2,306,102	$ 1,716,207	$ 589,895	$ 75,000	$ 627,395	10.00	10.00%	$ 62,740		$ 62,740
1945	Measurement & Testing Equipment	$ 132,513	$ 68,769	$ 63,744	$ 25,000	$ 76,244	10.00	10.00%	$ 7,624		$ 7,624
1950	Power Operated Equipment	$ -		$ -		$ -		0.00%	$ -		$ -
1955	Communications Equipment	$ 737,082	$ 357,100	$ 379,982	$ 88,000	$ 423,982	10.00	10.00%	$ 42,398		$ 42,398
1955	Communication Equipment (Smart Meters)	$ -		$ -		$ -		0.00%	$ -		$ -
1960	Miscellaneous Equipment	$ 252,623	$ 3,668	$ 248,955		$ 248,955	10.00	10.00%	$ 24,896		$ 24,896
1970	Load Management Controls - Customer Premises	$ -		$ -		$ -		0.00%	$ -		$ -
1975	Load Management Controls Utility Premises	$ -		$ -		$ -		0.00%	$ -		$ -
1980	System Supervisor Equipment	$ 5,483,451	$ 988,659	$ 4,494,792	$ 815,876	$ 4,902,730	15.00	6.67%	$ 326,849		$ 326,849
1985	Miscellaneous Fixed Assets	$ -		$ -		$ -		0.00%	$ -		$ -
1990	Other Tangible Property	$ -		$ -		$ -		0.00%	$ -		$ -
1995	Contributions & Grants	$ (60,270,534)	$ (120,350)	-$ 60,150,184	$ (9,524,524)	-$ 64,912,446	25.00	4.00%	-$ 2,596,498		-$ 2,596,498
etc.				$ -		$ -		0.00%	$ -		$ -
				$ -		$ -		0.00%	$ -		$ -
	Total	$ 396,181,381	$ 75,366,876	$ 320,814,505	$ 25,319,858	$ 333,474,434			$ 15,677,739	$ -	$ 15,677,739
		Less: Disposal of Stranded Meters			$ (8,461,023)				$ (4,041,461)		
		Net Additions			$ 16,858,835				$ 11,636,278		

Notes:

Note: The depreciation on this schedule will not balance with Appendix 2-B as those schedules are completed on the basis of the changes to the policies

Note: The depreciation on this schedule will not balance with Appendix 2-B as those schedules are completed on the basis of the changes to the policies

1 Board policy of the "half-year" rule - the applicant must ensure that additions in the year attract a half-year depreciation expense in the first year. Deviations from this standard practice must be supported in the application.

2 The applicant must provide an explanation of material variances in evidence.

General **Applicants must provide a breakdown of depreciation and amortization expense in the above format for all relevant accounts. Asset Retirement Obligations (AROs), depreciation and accretion expense should be disclosed separately consistent with the Notes of historical Audited Financial Statements**

File Number:EB-2013-0174

Exhibit: 4
Tab: 6
Schedule: 2

Date Filed:October 31, 2013

Attachment 2 of 5

OEB Appendix 2-CO 2012 Depreciation and Amortization Expense (New CGAAP)

File Number:	EB-2013-0174
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Appendix 2-CO
Depreciation and Amortization Expense

Assumes the applicant made capitalization and depreciation expense accounting policy changes under CGAAP effective January 1, 2012

Year 2012 Revised CGAAP or ASPE - CGAAP or ASPE with the changes to the policies

Account	Description	Opening NBV as at Jan 1, 2012 [5] (a)	Additions (d)	Average Remaining Life of Opening NBV [4] (i)	Years (new additions only) [3] (f)	Depreciation Rate on New Additions (g) = 1 / (f)	Depreciation Expense on Opening NBV (j) = (a) / (i)	Depreciation Expense on Additions [1] (h)=((d)*0.5)/(f)	2012 Depreciation Expense (k) = (j) + (h)	2012 Depreciation Expense per Appendix 2-B Fixed Assets, Column K (l)	Variance [2] (m) = (k) - (l)	Depreciation Expense on 2012 Full Year Additions (n) = (d)/(f)	Less Depreciation Expense on Assets Fully Depreciated during the year (o)	2012 Full Year Depreciation [6] (p) = (j) + (n) - (o)
1610	Miscellaneous Intangible Plant	$ 171,941	$ 483,960	2.00	3.00	33.33%	$ 85,971	$ 80,660	$ 166,631	$ 166,631	-$ 1	$ 161,320	$ -	$ 247,291
1611-01	Computer Software (Formally known as Account 1925) - Acquired		$ 571,000		3.00	33.33%	$ -	$ 95,167	$ 95,167		$ 95,167	$ 190,333	$ -	$ 190,333
1611-01	Computer Software (Formally known as Account 1925) - Acquired	$ 1,790,448	$ 2,229,437	2.00	3.00	33.33%	$ 895,224	$ 371,573	$ 1,266,797		$ 1,266,797	$ 743,146	$ -	$ 1,638,370
1611-02	Computer Software (Formally known as Account 1925) - Internally generated		$ 194,616		5.00	20.00%	$ -	$ 19,462	$ 19,462		$ 19,462	$ 38,923	$ -	$ 38,923
1611-02	Computer Software (Formally known as Account 1925) - Internally generated	$ 865,855		3.00		0.00%	$ 288,618	$ -	$ 288,618	$ 1,670,044	-$ 1,381,426	$ -	$ -	$ 288,618
1612	Land Rights (Formally known as Account 1906)	$ 394,614	$ 9,051	37.00	50.00	2.00%	$ 10,665	$ 91	$ 10,756	$ 10,756	-$ 0	$ 181	$ -	$ 10,846
1805	Land	$ 663,435		-		0.00%	$ -	$ -	$ -		$ -	$ -	$ -	$ -
1808	Buildings	$ 178,100		32.00		0.00%	$ 5,566	$ -	$ 5,566	$ 5,566	-$ 0	$ -	$ -	$ 5,566
1810	Leasehold Improvements					0.00%	$ -	$ -	$ -		$ -	$ -	$ -	$ -
1815	Transformer Station Equipment >50 kV	$ 122,232	$ 40,040	32.00	40.00	2.50%	$ 3,820	$ 501	$ 4,320	$ 4,320	$ 0	$ 1,001	$ -	$ 4,821
1820-01	Distribution Station Equipment <50 kV-Transformers		$ 1,072,187		40.00	2.50%	$ -	$ 13,402	$ 13,402		$ 13,402	$ 26,805	$ -	$ 26,805
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 300,942		22.00		0.00%	$ 13,679	$ -	$ 13,679		$ 13,679	$ -	$ -	$ 13,679
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 313,010		25.00		0.00%	$ 12,520	$ -	$ 12,520		$ 12,520	$ -	$ -	$ 12,520
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 384,750		25.00		0.00%	$ 15,390	$ -	$ 15,390		$ 15,390	$ -	$ -	$ 15,390
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 125,315		19.00		0.00%	$ 6,596	$ -	$ 6,596		$ 6,596	$ -	$ -	$ 6,596
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 283,147		29.00		0.00%	$ 9,764	$ -	$ 9,764		$ 9,764	$ -	$ -	$ 9,764
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 209,403		19.00		0.00%	$ 11,021	$ -	$ 11,021		$ 11,021	$ -	$ -	$ 11,021
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 321,713		31.00		0.00%	$ 10,378	$ -	$ 10,378		$ 10,378	$ -	$ -	$ 10,378
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 151,196		37.00		0.00%	$ 4,086	$ -	$ 4,086		$ 4,086	$ -	$ -	$ 4,086
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 167,451		19.00		0.00%	$ 8,813	$ -	$ 8,813		$ 8,813	$ -	$ -	$ 8,813
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 249,203		27.00		0.00%	$ 9,230	$ -	$ 9,230		$ 9,230	$ -	$ -	$ 9,230
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 33,467		11.00		0.00%	$ 3,042	$ -	$ 3,042		$ 3,042	$ -	$ -	$ 3,042
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 101,323		21.00		0.00%	$ 4,825	$ -	$ 4,825		$ 4,825	$ -	$ -	$ 4,825
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 1,911,843		33.00		0.00%	$ 57,935	$ -	$ 57,935		$ 57,935	$ -	$ -	$ 57,935
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 107,993		15.00		0.00%	$ 7,200	$ -	$ 7,200		$ 7,200	$ -	$ -	$ 7,200
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 572,601		36.00		0.00%	$ 15,906	$ -	$ 15,906		$ 15,906	$ -	$ -	$ 15,906
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 125,973		17.00		0.00%	$ 7,410	$ -	$ 7,410		$ 7,410	$ -	$ -	$ 7,410
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 76,942		26.00		0.00%	$ 2,959	$ -	$ 2,959		$ 2,959	$ -	$ -	$ 2,959
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 22,577		18.00		0.00%	$ 1,254	$ -	$ 1,254		$ 1,254	$ -	$ -	$ 1,254
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 123,527		19.00		0.00%	$ 6,501	$ -	$ 6,501		$ 6,501	$ -	$ -	$ 6,501
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 82,652		27.00		0.00%	$ 3,061	$ -	$ 3,061		$ 3,061	$ -	$ -	$ 3,061

1820-01	Distribution Station Equipment <50 kV-Transformers	$ 213,086		20.00		0.00%	$ 10,654	$ -	$ 10,654		$ 10,654	$ -	$ -	$ 10,654
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 417,772		24.00		0.00%	$ 17,407	$ -	$ 17,407		$ 17,407	$ -	$ -	$ 17,407
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 12,754		10.00		0.00%	$ 1,275	$ -	$ 1,275		$ 1,275	$ -	$ -	$ 1,275
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 151,487		30.00		0.00%	$ 5,050	$ -	$ 5,050		$ 5,050	$ -	$ -	$ 5,050
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 32,925		16.00		0.00%	$ 2,058	$ -	$ 2,058		$ 2,058	$ -	$ -	$ 2,058
1820-01	Distribution Station Equipment <50 kV-Transformers	$ 102,166		33.00		0.00%	$ 3,096	$ -	$ 3,096		$ 3,096	$ -	$ -	$ 3,096
1820-02	Distribution Station Equipment <50 kV-HV Switchgear		$ 135,722		40.00	2.50%	$ -	$ 1,697	$ 1,697		$ 1,697	$ 3,393	$ -	$ 3,393
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 54,341		22.00		0.00%	$ 2,470	$ -	$ 2,470		$ 2,470	$ -	$ -	$ 2,470
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 138,915		25.00		0.00%	$ 5,557	$ -	$ 5,557		$ 5,557	$ -	$ -	$ 5,557
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 20,376		19.00		0.00%	$ 1,072	$ -	$ 1,072		$ 1,072	$ -	$ -	$ 1,072
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 46,040		29.00		0.00%	$ 1,588	$ -	$ 1,588		$ 1,588	$ -	$ -	$ 1,588
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 40,859		19.00		0.00%	$ 2,150	$ -	$ 2,150		$ 2,150	$ -	$ -	$ 2,150
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 52,311		31.00		0.00%	$ 1,687	$ -	$ 1,687		$ 1,687	$ -	$ -	$ 1,687
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 73,754		37.00		0.00%	$ 1,993	$ -	$ 1,993		$ 1,993	$ -	$ -	$ 1,993
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 40,842		19.00		0.00%	$ 2,150	$ -	$ 2,150		$ 2,150	$ -	$ -	$ 2,150
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 40,177		27.00		0.00%	$ 1,488	$ -	$ 1,488		$ 1,488	$ -	$ -	$ 1,488
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 5,442		11.00		0.00%	$ 495	$ -	$ 495		$ 495	$ -	$ -	$ 495
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 24,713		21.00		0.00%	$ 1,177	$ -	$ 1,177		$ 1,177	$ -	$ -	$ 1,177
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 301,601		33.00		0.00%	$ 9,139	$ -	$ 9,139		$ 9,139	$ -	$ -	$ 9,139
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 27,853		15.00		0.00%	$ 1,857	$ -	$ 1,857		$ 1,857	$ -	$ -	$ 1,857
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 153,239		36.00		0.00%	$ 4,257	$ -	$ 4,257		$ 4,257	$ -	$ -	$ 4,257
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 18,838		17.00		0.00%	$ 1,108	$ -	$ 1,108		$ 1,108	$ -	$ -	$ 1,108
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 16,135		17.00		0.00%	$ 949	$ -	$ 949		$ 949	$ -	$ -	$ 949
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 11,260		26.00		0.00%	$ 433	$ -	$ 433		$ 433	$ -	$ -	$ 433
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 3,304		18.00		0.00%	$ 184	$ -	$ 184		$ 184	$ -	$ -	$ 184
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 12,051		19.00		0.00%	$ 634	$ -	$ 634		$ 634	$ -	$ -	$ 634
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 12,095		27.00		0.00%	$ 448	$ -	$ 448		$ 448	$ -	$ -	$ 448
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 10,394		20.00		0.00%	$ 520	$ -	$ 520		$ 520	$ -	$ -	$ 520
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 20,379		24.00		0.00%	$ 849	$ -	$ 849		$ 849	$ -	$ -	$ 849
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 1,227		10.00		0.00%	$ 123	$ -	$ 123		$ 123	$ -	$ -	$ 123
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 14,779		30.00		0.00%	$ 493	$ -	$ 493		$ 493	$ -	$ -	$ 493
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 4,818		16.00		0.00%	$ 301	$ -	$ 301		$ 301	$ -	$ -	$ 301
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 19,955		33.00		0.00%	$ 605	$ -	$ 605		$ 605	$ -	$ -	$ 605
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 695,441		39.50		0.00%	$ 17,606	$ -	$ 17,606		$ 17,606	$ -	$ -	$ 17,606
1820-03	Distribution Station Equipment <50 kV-LV Switchgear		$ 114,997		40.00	2.50%	$ -	$ 1,437	$ 1,437		$ 1,437	$ 2,875	$ -	$ 2,875
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 203,780		22.00		0.00%	$ 9,263	$ -	$ 9,263		$ 9,263	$ -	$ -	$ 9,263
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 260,263		25.00		0.00%	$ 10,411	$ -	$ 10,411		$ 10,411	$ -	$ -	$ 10,411
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 260,671		25.00		0.00%	$ 10,427	$ -	$ 10,427		$ 10,427	$ -	$ -	$ 10,427
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 81,506		19.00		0.00%	$ 4,290	$ -	$ 4,290		$ 4,290	$ -	$ -	$ 4,290
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 184,161		29.00		0.00%	$ 6,350	$ -	$ 6,350		$ 6,350	$ -	$ -	$ 6,350
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 153,222		19.00		0.00%	$ 8,064	$ -	$ 8,064		$ 8,064	$ -	$ -	$ 8,064

1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 209,244		31.00		0.00%	$ 6,750	$ -	$ 6,750		$ 6,750	$ -	$ -	$ 6,750
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 295,017		37.00		0.00%	$ 7,973	$ -	$ 7,973		$ 7,973	$ -	$ -	$ 7,973
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 153,157		19.00		0.00%	$ 8,061	$ -	$ 8,061		$ 8,061	$ -	$ -	$ 8,061
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 160,709		27.00		0.00%	$ 5,952	$ -	$ 5,952		$ 5,952	$ -	$ -	$ 5,952
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 21,767		11.00		0.00%	$ 1,979	$ -	$ 1,979		$ 1,979	$ -	$ -	$ 1,979
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 98,852		21.00		0.00%	$ 4,707	$ -	$ 4,707		$ 4,707	$ -	$ -	$ 4,707
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 704,963		33.00		0.00%	$ 21,363	$ -	$ 21,363		$ 21,363	$ -	$ -	$ 21,363
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 92,942		15.00		0.00%	$ 6,196	$ -	$ 6,196		$ 6,196	$ -	$ -	$ 6,196
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 523,721		36.00		0.00%	$ 14,548	$ -	$ 14,548		$ 14,548	$ -	$ -	$ 14,548
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 75,350		17.00		0.00%	$ 4,432	$ -	$ 4,432		$ 4,432	$ -	$ -	$ 4,432
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 64,540		17.00		0.00%	$ 3,796	$ -	$ 3,796		$ 3,796	$ -	$ -	$ 3,796
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 11,208		39.50		0.00%	$ 284	$ -	$ 284		$ 284	$ -	$ -	$ 284
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay		$ 220,568		25.00	4.00%	$ -	$ 4,411	$ 4,411		$ 4,411	$ 8,823	$ -	$ 8,823
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 13,585		7.00		0.00%	$ 1,941	$ -	$ 1,941		$ 1,941	$ -	$ -	$ 1,941
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 17,351		10.00		0.00%	$ 1,735	$ -	$ 1,735		$ 1,735	$ -	$ -	$ 1,735
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 17,378		10.00		0.00%	$ 1,738	$ -	$ 1,738		$ 1,738	$ -	$ -	$ 1,738
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 10,188		4.00		0.00%	$ 2,547	$ -	$ 2,547		$ 2,547	$ -	$ -	$ 2,547
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 23,020		14.00		0.00%	$ 1,644	$ -	$ 1,644		$ 1,644	$ -	$ -	$ 1,644
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 10,215		4.00		0.00%	$ 2,554	$ -	$ 2,554		$ 2,554	$ -	$ -	$ 2,554
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 26,156		16.00		0.00%	$ 1,635	$ -	$ 1,635		$ 1,635	$ -	$ -	$ 1,635
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 36,877		22.00		0.00%	$ 1,676	$ -	$ 1,676		$ 1,676	$ -	$ -	$ 1,676
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 10,210		4.00		0.00%	$ 2,553	$ -	$ 2,553		$ 2,553	$ -	$ -	$ 2,553
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 20,089		12.00		0.00%	$ 1,674	$ -	$ 1,674		$ 1,674	$ -	$ -	$ 1,674
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 8,916		1.00		0.00%	$ 8,916	$ -	$ 8,916		$ 8,916	$ -	$ 8,916	$ -
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 12,357		6.00		0.00%	$ 2,059	$ -	$ 2,059		$ 2,059	$ -	$ -	$ 2,059
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 94,091		18.00		0.00%	$ 5,227	$ -	$ 5,227		$ 5,227	$ -	$ -	$ 5,227
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 34,915		21.00		0.00%	$ 1,663	$ -	$ 1,663		$ 1,663	$ -	$ -	$ 1,663
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 17,486		2.00		0.00%	$ 8,743	$ -	$ 8,743		$ 8,743	$ -	$ -	$ 8,743
1820-05	Distribution Station Equipment <50 kV-Containment and Civil		$ 261,688		60.00	1.67%	$ -	$ 2,181	$ 2,181		$ 2,181	$ 4,361	$ -	$ 4,361
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 61,134		42.00		0.00%	$ 1,456	$ -	$ 1,456		$ 1,456	$ -	$ -	$ 1,456
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 78,079		45.00		0.00%	$ 1,735	$ -	$ 1,735		$ 1,735	$ -	$ -	$ 1,735
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 78,201		45.00		0.00%	$ 1,738	$ -	$ 1,738		$ 1,738	$ -	$ -	$ 1,738
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 45,847		39.00		0.00%	$ 1,176	$ -	$ 1,176		$ 1,176	$ -	$ -	$ 1,176
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 103,590		49.00		0.00%	$ 2,114	$ -	$ 2,114		$ 2,114	$ -	$ -	$ 2,114
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 45,966		39.00		0.00%	$ 1,179	$ -	$ 1,179		$ 1,179	$ -	$ -	$ 1,179
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 117,700		51.00		0.00%	$ 2,308	$ -	$ 2,308		$ 2,308	$ -	$ -	$ 2,308
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 165,947		57.00		0.00%	$ 2,911	$ -	$ 2,911		$ 2,911	$ -	$ -	$ 2,911
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 45,947		39.00		0.00%	$ 1,178	$ -	$ 1,178		$ 1,178	$ -	$ -	$ 1,178
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 90,399		47.00		0.00%	$ 1,923	$ -	$ 1,923		$ 1,923	$ -	$ -	$ 1,923
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 12,244		31.00		0.00%	$ 395	$ -	$ 395		$ 395	$ -	$ -	$ 395
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 55,604		41.00		0.00%	$ 1,356	$ -	$ 1,356		$ 1,356	$ -	$ -	$ 1,356

1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 770,449		41.00		0.00%	$ 18,791	$ -	$ 18,791		$ 18,791	$ -	$ -	$ 18,791
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 27,883		35.00		0.00%	$ 797	$ -	$ 797		$ 797	$ -	$ -	$ 797
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 157,116		56.00		0.00%	$ 2,806	$ -	$ 2,806		$ 2,806	$ -	$ -	$ 2,806
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 78,688		37.00		0.00%	$ 2,127	$ -	$ 2,127		$ 2,127	$ -	$ -	$ 2,127
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 7,507		46.00		0.00%	$ 163	$ -	$ 163		$ 163	$ -	$ -	$ 163
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 2,202		38.00		0.00%	$ 58	$ -	$ 58		$ 58	$ -	$ -	$ 58
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 4,017		39.00		0.00%	$ 103	$ -	$ 103		$ 103	$ -	$ -	$ 103
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 8,064		47.00		0.00%	$ 172	$ -	$ 172		$ 172	$ -	$ -	$ 172
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 6,930		40.00		0.00%	$ 173	$ -	$ 173		$ 173	$ -	$ -	$ 173
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 6,793		44.00		0.00%	$ 154	$ -	$ 154		$ 154	$ -	$ -	$ 154
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 5,808		30.00		0.00%	$ 194	$ -	$ 194		$ 194	$ -	$ -	$ 194
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 9,853		50.00		0.00%	$ 197	$ -	$ 197		$ 197	$ -	$ -	$ 197
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 3,212		36.00		0.00%	$ 89	$ -	$ 89		$ 89	$ -	$ -	$ 89
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 13,303		53.00		0.00%	$ 251	$ -	$ 251		$ 251	$ -	$ -	$ 251
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 274,861		59.50		0.00%	$ 4,620	$ -	$ 4,620		$ 4,620	$ -	$ -	$ 4,620
1820-06	Distribution Station Equipment <50 kV-Cable		$ 113,923		40.00	2.50%	$ -	$ 1,424	$ 1,424		$ 1,424	$ 2,848	$ -	$ 2,848
1820-06	Distribution Station Equipment <50 kV-Cable	$ 8,151		22.00		0.00%	$ 371	$ -	$ 371		$ 371	$ -	$ -	$ 371
1820-06	Distribution Station Equipment <50 kV-Cable	$ 20,838		25.00		0.00%	$ 834	$ -	$ 834		$ 834	$ -	$ -	$ 834
1820-06	Distribution Station Equipment <50 kV-Cable	$ 6,113		19.00		0.00%	$ 322	$ -	$ 322		$ 322	$ -	$ -	$ 322
1820-06	Distribution Station Equipment <50 kV-Cable	$ 13,812		29.00		0.00%	$ 476	$ -	$ 476		$ 476	$ -	$ -	$ 476
1820-06	Distribution Station Equipment <50 kV-Cable	$ 6,129		19.00		0.00%	$ 323	$ -	$ 323		$ 323	$ -	$ -	$ 323
1820-06	Distribution Station Equipment <50 kV-Cable	$ 15,693		31.00		0.00%	$ 506	$ -	$ 506		$ 506	$ -	$ -	$ 506
1820-06	Distribution Station Equipment <50 kV-Cable	$ 22,127		37.00		0.00%	$ 598	$ -	$ 598		$ 598	$ -	$ -	$ 598
1820-06	Distribution Station Equipment <50 kV-Cable	$ 6,126		19.00		0.00%	$ 322	$ -	$ 322		$ 322	$ -	$ -	$ 322
1820-06	Distribution Station Equipment <50 kV-Cable	$ 12,053		27.00		0.00%	$ 446	$ -	$ 446		$ 446	$ -	$ -	$ 446
1820-06	Distribution Station Equipment <50 kV-Cable	$ 1,632		11.00		0.00%	$ 148	$ -	$ 148		$ 148	$ -	$ -	$ 148
1820-06	Distribution Station Equipment <50 kV-Cable	$ 7,414		21.00		0.00%	$ 353	$ -	$ 353		$ 353	$ -	$ -	$ 353
1820-06	Distribution Station Equipment <50 kV-Cable	$ 54,741		33.00		0.00%	$ 1,659	$ -	$ 1,659		$ 1,659	$ -	$ -	$ 1,659
1820-06	Distribution Station Equipment <50 kV-Cable	$ 17,686		33.00		0.00%	$ 536	$ -	$ 536		$ 536	$ -	$ -	$ 536
1820-06	Distribution Station Equipment <50 kV-Cable	$ 167,809		15.00		0.00%	$ 11,187	$ -	$ 11,187		$ 11,187	$ -	$ -	$ 11,187
1820-06	Distribution Station Equipment <50 kV-Cable	$ 20,949		36.00		0.00%	$ 582	$ -	$ 582		$ 582	$ -	$ -	$ 582
1820-06	Distribution Station Equipment <50 kV-Cable	$ 5,651		17.00		0.00%	$ 332	$ -	$ 332		$ 332	$ -	$ -	$ 332
1820-06	Distribution Station Equipment <50 kV-Cable	$ 4,840		17.00		0.00%	$ 285	$ -	$ 285		$ 285	$ -	$ -	$ 285
1820-06	Distribution Station Equipment <50 kV-Cable	$ 461,132		39.50		0.00%	$ 11,674	$ -	$ 11,674		$ 11,674	$ -	$ -	$ 11,674
1820-07	Distribution Station Equipment <50 kV-Wholesale Meters		$ 572,572		25.00	4.00%	$ -	$ 11,451	$ 11,451		$ 11,451	$ 22,903	$ -	$ 22,903
1820-07	Distribution Station Equipment <50 kV-Wholesale Meters	$ 1,431,011		19.00		0.00%	$ 75,316	$ -	$ 75,316	$ 686,031	-$ 610,715	$ -	$ -	$ 75,316
1825	Storage Battery Equipment					0.00%	$ -	$ -	$ -		$ -	$ -	$ -	$ -
1830-01	Poles, Towers & Fixtures-wood		$ 3,310,289		40.00	2.50%	$ -	$ 41,379	$ 41,379		$ 41,379	$ 82,757	$ -	$ 82,757
1830-01	Poles, Towers & Fixtures-wood	$ 6,761,444		35.00		0.00%	$ 193,184	$ -	$ 193,184		$ 193,184	$ -	$ -	$ 193,184
1830-01	Poles, Towers & Fixtures-wood	$ 13,164,628		32.00		0.00%	$ 411,395	$ -	$ 411,395		$ 411,395	$ -	$ -	$ 411,395
1830-02	Poles, Towers & Fixtures-concrete		$ 285,991		60.00	1.67%	$ -	$ 2,383	$ 2,383		$ 2,383	$ 4,767	$ -	$ 4,767
1830-02	Poles, Towers & Fixtures-concrete	$ 1,038,968		55.00		0.00%	$ 18,890	$ -	$ 18,890		$ 18,890	$ -	$ -	$ 18,890
1830-02	Poles, Towers & Fixtures-concrete	$ 1,627,089		52.00		0.00%	$ 31,290	$ -	$ 31,290	$ 698,521	-$ 667,231	$ -	$ -	$ 31,290
1835-01	Overhead Conductors		$ 2,799,033		60.00	1.67%	$ -	$ 23,325	$ 23,325		$ 23,325	$ 46,651	$ -	$ 46,651
1835-01	Overhead Conductors	$ 1,482,658		56.00		0.00%	$ 26,476	$ -	$ 26,476		$ 26,476	$ -	$ -	$ 26,476
1835-01	Overhead Conductors	$ 17,181,339		49.00		0.00%	$ 350,640	$ -	$ 350,640		$ 350,640	$ -	$ -	$ 350,640
1835-02	Overhead LIS		$ 201,860		20.00	5.00%	$ -	$ 5,047	$ 5,047		$ 5,047	$ 10,093	$ -	$ 10,093
1835-02	Overhead LIS	$ 3,734,102		16.00		0.00%	$ 233,381	$ -	$ 233,381		$ 233,381	$ -	$ -	$ 233,381
1835-02	Overhead LIS	$ 2,358,836		9.00		0.00%	$ 262,093	$ -	$ 262,093		$ 262,093	$ -	$ -	$ 262,093
1835-03	Overhead Disconnect		$ 185,987		40.00	2.50%	$ -	$ 2,325	$ 2,325		$ 2,325	$ 4,650	$ -	$ 4,650
1835-03	Overhead Disconnect	$ 274,566		36.00		0.00%	$ 7,627	$ -	$ 7,627		$ 7,627	$ -	$ -	$ 7,627
1835-03	Overhead Disconnect	$ 2,144,396		29.00		0.00%	$ 73,945	$ -	$ 73,945	$ 984,858	-$ 910,913	$ -	$ -	$ 73,945
1840	Underground Conduit		$ 3,654,027		60.00	1.67%	$ -	$ 30,450	$ 30,450		$ 30,450	$ 60,900	$ -	$ 60,900
1840	Underground Conduit	$ 508,675		40.00		0.00%	$ 12,717	$ -	$ 12,717		$ 12,717	$ -	$ -	$ 12,717
1840	Underground Conduit	$ 19,931,540		49.00		0.00%	$ 406,766	$ -	$ 406,766	$ 449,933	-$ 43,167	$ -	$ -	$ 406,766
1845-01	Underground Conductors		$ 4,203,936		40.00	2.50%	$ -	$ 52,549	$ 52,549		$ 52,549	$ 105,098	$ -	$ 105,098
1845-01	Underground Conductors	$ 1,023,648		32.00		0.00%	$ 31,989	$ -	$ 31,989		$ 31,989	$ -	$ -	$ 31,989
1845-01	Underground Conductors	$ 17,061,737		35.00		0.00%	$ 487,478	$ -	$ 487,478		$ 487,478	$ -	$ -	$ 487,478

1845-02	Underground Switchgear - Padmount	$ 3,681,768	$ 1,504,051	20.00	25.00	4.00%	$ 184,088	$ 30,081	$ 214,169	$ 786,186	-$ 572,017	$ 60,162	$ -	$ 244,250
1850-01	Line Transformers-Padmount	$ 28,183,899	$ 4,442,373	22.00	30.00	3.33%	$ 1,281,086	$ 74,040	$ 1,355,126		$ 1,355,126	$ 148,079	$ -	$ 1,429,165
1850-02	Line Transformers-Polemount	$ 3,788,852	$ 665,374	32.00	40.00	2.50%	$ 118,402	$ 8,317	$ 126,719	$ 1,481,845	-$ 1,355,126	$ 16,634	$ -	$ 135,036
1855-01	Services -Overhead	$ 10,758,421	$ 1,371,751	44.00	50.00	2.00%	$ 244,510	$ 13,718	$ 258,227		$ 258,227	$ 27,435	$ -	$ 271,945
1855-02	Services - Underground	$ 8,261,792	$ 1,000,885	34.00	40.00	2.50%	$ 242,994	$ 12,511	$ 255,505	$ 513,732	-$ 258,227	$ 25,022	$ -	$ 268,016
1860-01	Meters - Smart Meters	$ 3,725,018	$ 697,550	13.00	15.00	6.67%	$ 286,540	$ 23,252	$ 309,792		$ 309,792	$ 46,503	$ -	$ 333,043
1860-01	Meters - Smart Meters		$ 6,712,966		15.00	6.67%	$ -	$ 223,766	$ 223,766		$ 223,766	$ 447,531	$ -	$ 447,531
1860-02	Meters - Stranded Meters	$ 4,929,546		19.00		0.00%	$ 259,450	$ -	$ 259,450		$ 259,450	$ -	$ -	$ 259,450
1860-03	Meters - Collectors	$ 1,856,057	$ 114,560	13.00	15.00	6.67%	$ 142,774	$ 3,819	$ 146,592		$ 146,592	$ 7,637	$ -	$ 150,411
1860-03	Meters - Collectors		$ 354,846		15.00	6.67%	$ -	$ 11,828	$ 11,828		$ 11,828	$ 23,656	$ -	$ 23,656
1860-04	Meters - Interval	$ 66,906	$ 401,004	8.00	25.00	4.00%	$ 8,363	$ 8,020	$ 16,383	$ 963,353	-$ 946,970	$ 16,040	$ -	$ 24,403
1905	Land	$ 1,035,730		-		0.00%	$ -	$ -	$ -		$ -	$ -	$ -	$ -
1908-01	Buildings - Structure	$ 1,227,449		8.00		0.00%	$ 153,431	$ -	$ 153,431		$ 153,431	$ -	$ -	$ 153,431
1908-01	Buildings - Structure	$ 218,727		4.00		0.00%	$ 54,682	$ -	$ 54,682		$ 54,682	$ -	$ -	$ 54,682
1908-01	Buildings - Structure	$ 47,130		12.00		0.00%	$ 3,928	$ -	$ 3,928		$ 3,928	$ -	$ -	$ 3,928
1908-01	Buildings - Structure	$ 7,640		2.00		0.00%	$ 3,820	$ -	$ 3,820		$ 3,820	$ -	$ -	$ 3,820
1908-01	Buildings - Structure	$ 1,024,042		23.50		0.00%	$ 43,576	$ -	$ 43,576		$ 43,576	$ -	$ -	$ 43,576
1908-01	Buildings - Structure	$ 41,451		24.50		0.00%	$ 1,692	$ -	$ 1,692		$ 1,692	$ -	$ -	$ 1,692
1908-02	Buildings - Exterior		$ 325,694		25.00	4.00%	$ -	$ 6,514	$ 6,514		$ 6,514	$ 13,028	$ -	$ 13,028
1908-02	Buildings - Exterior	$ 73,051		2.00		0.00%	$ 36,526	$ -	$ 36,526		$ 36,526	$ -	$ -	$ 36,526
1908-02	Buildings - Exterior	$ 4,066,011		14.50		0.00%	$ 280,415	$ -	$ 280,415		$ 280,415	$ -	$ -	$ 280,415
1908-02	Buildings - Exterior	$ 1,587,264		13.50		0.00%	$ 117,575	$ -	$ 117,575		$ 117,575	$ -	$ -	$ 117,575
1908-03	Buildings - Interior		$ 442,004		15.00	6.67%	$ -	$ 14,733	$ 14,733		$ 14,733	$ 29,467	$ -	$ 29,467
1908-03	Buildings - Interior	$ 2,840,314		33.00		0.00%	$ 86,070	$ -	$ 86,070		$ 86,070	$ -	$ -	$ 86,070
1908-03	Buildings - Interior	$ 382,773		29.00		0.00%	$ 13,199	$ -	$ 13,199		$ 13,199	$ -	$ -	$ 13,199
1908-03	Buildings - Interior	$ 82,477		37.00		0.00%	$ 2,229	$ -	$ 2,229		$ 2,229	$ -	$ -	$ 2,229
1908-03	Buildings - Interior	$ 13,370		27.00		0.00%	$ 495	$ -	$ 495		$ 495	$ -	$ -	$ 495
1908-03	Buildings - Interior	$ 1,792,073		48.50		0.00%	$ 36,950	$ -	$ 36,950		$ 36,950	$ -	$ -	$ 36,950
1908-04	Buildings - HVAC		$ 30,184		25.00	4.00%	$ -	$ 604	$ 604		$ 604	$ 1,207	$ -	$ 1,207
1908-04	Buildings - HVAC	$ 5,347		2.00		0.00%	$ 2,674	$ -	$ 2,674		$ 2,674	$ -	$ -	$ 2,674
1908-04	Buildings - HVAC	$ 32,991		12.00		0.00%	$ 2,749	$ -	$ 2,749		$ 2,749	$ -	$ -	$ 2,749
1908-04	Buildings - HVAC	$ 153,109		4.00		0.00%	$ 38,277	$ -	$ 38,277		$ 38,277	$ -	$ -	$ 38,277
1908-04	Buildings - HVAC	$ 1,135,665		8.00		0.00%	$ 141,958	$ -	$ 141,958		$ 141,958	$ -	$ -	$ 141,958
1908-04	Buildings - HVAC	$ 716,829		23.50		0.00%	$ 30,503	$ -	$ 30,503		$ 30,503	$ -	$ -	$ 30,503
1908-04	Buildings - HVAC	$ 133,601		24.50		0.00%	$ 5,453	$ -	$ 5,453		$ 5,453	$ -	$ -	$ 5,453
1908-04	Buildings - HVAC					0.00%	$ -	$ -	$ -		$ -	$ -	$ -	$ -
1908-04	Buildings - HVAC					0.00%	$ -	$ -	$ -	$ 1,078,053	-$ 1,078,053	$ -	$ -	$ -
1910	Leasehold Improvements	$ 551,059		1.00		0.00%	$ 551,059	$ -	$ 551,059	$ 551,059	$ -	$ -	$ 551,059	$ -
1915	Office Furniture & Equipment	$ 1,587,262	$ 45,854	8.00	10.00	10.00%	$ 198,408	$ 2,293	$ 200,700	$ 200,700	$ 0	$ 4,585	$ -	$ 202,993
1920-01	Computer Equipment - Hardware - Servers/Others		$ 91,749		5.00	20.00%	$ -	$ 9,175	$ 9,175		$ 9,175	$ 18,350	$ -	$ 18,350
1920-01	Computer Equipment - Hardware - Servers/Others	$ 581,679	$ 218,889	3.00	5.00	20.00%	$ 193,893	$ 21,889	$ 215,782		$ 215,782	$ 43,778	$ -	$ 237,671
1920	Computer Equip.-Hardware-Desktops	$ 223,434	$ 74,436	2.00	4.00	25.00%	$ 111,717	$ 9,305	$ 121,022		$ 121,022	$ 18,609	$ -	$ 130,326
1920	Computer Equip.-Hardware-laptops	$ 48,309	$ 29,185	2.00	3.00	33.33%	$ 24,155	$ 4,864	$ 29,019	$ 374,997	-$ 345,978	$ 9,728	$ -	$ 33,883
1930-01	Transportation Equipment-Light Vehicles		$ 128,856		6.00	16.67%	$ -	$ 10,738	$ 10,738		$ 10,738	$ 21,476	$ -	$ 21,476
1930-02	Transportation Equipment-Bucket Trucks		$ 273,774		12.00	8.33%	$ -	$ 11,407	$ 11,407		$ 11,407	$ 22,815	$ -	$ 22,815
1930-03	Transportation Equipment Heavy Duty Trucks		$ 126,054		15.00	6.67%	$ -	$ 4,202	$ 4,202		$ 4,202	$ 8,404	$ -	$ 8,404
1930	Transportation Equipment	$ 540,505		12.00		0.00%	$ 45,042	$ -	$ 45,042		$ 45,042	$ -	$ -	$ 45,042
1930	Transportation Equipment	$ 48,378		11.00		0.00%	$ 4,398	$ -	$ 4,398		$ 4,398	$ -	$ -	$ 4,398
1930	Transportation Equipment	$ 59,766		10.00		0.00%	$ 5,977	$ -	$ 5,977		$ 5,977	$ -	$ -	$ 5,977
1930	Transportation Equipment	$ 99,162		9.00		0.00%	$ 11,018	$ -	$ 11,018		$ 11,018	$ -	$ -	$ 11,018
1930	Transportation Equipment	$ 328,804		8.00		0.00%	$ 41,101	$ -	$ 41,101		$ 41,101	$ -	$ -	$ 41,101
1930	Transportation Equipment	$ 425,289		7.00		0.00%	$ 60,756	$ -	$ 60,756		$ 60,756	$ -	$ -	$ 60,756
1930	Transportation Equipment	$ 557		5.00		0.00%	$ 111	$ -	$ 111		$ 111	$ -	$ -	$ 111
1930	Transportation Equipment	$ 88,063		3.00		0.00%	$ 29,354	$ -	$ 29,354		$ 29,354	$ -	$ -	$ 29,354
1930	Transportation Equipment	$ 14,231		2.00		0.00%	$ 7,116	$ -	$ 7,116		$ 7,116	$ -	$ -	$ 7,116
1930	Transportation Equipment	$ 9		1.00		0.00%	$ 9	$ -	$ 9		$ 9	$ -	$ 9	$ -
1930	Transportation Equipment	$ 206,156		4.50		0.00%	$ 45,812	$ -	$ 45,812		$ 45,812	$ -	$ -	$ 45,812
1930	Transportation Equipment	$ 321,492		5.50		0.00%	$ 58,453	$ -	$ 58,453		$ 58,453	$ -	$ -	$ 58,453
1930	Transportation Equipment	$ 1,161,555		10.50		0.00%	$ 110,624	$ -	$ 110,624		$ 110,624	$ -	$ -	$ 110,624
1930	Transportation Equipment	$ 251,344		11.50		0.00%	$ 21,856	$ -	$ 21,856		$ 21,856	$ -	$ -	$ 21,856
1930	Transportation Equipment	$ 495,173		13.50		0.00%	$ 36,679	$ -	$ 36,679		$ 36,679	$ -	$ -	$ 36,679
1930	Transportation Equipment	$ 94,930		14.50		0.00%	$ 6,547	$ -	$ 6,547	$ 511,200	-$ 504,653	$ -	$ -	$ 6,547
1935	Stores Equipment	$ 10,361		9.00		0.00%	$ 1,151	$ -	$ 1,151	$ 1,151	$ 0	$ -	$ -	$ 1,151
1940	Tools, Shop & Garage Equipment	$ 212,791	$ 42,845	7.00	10.00	10.00%	$ 30,399	$ 2,142	$ 32,541	$ 32,541	-$ 0	$ 4,285	$ -	$ 34,683
1945	Measurement & Testing Equipment	$ 54,182		9.00		0.00%	$ 6,020	$ -	$ 6,020	$ 6,020	$ 0	$ -	$ -	$ 6,020
1950	Power Operated Equipment	$ -				0.00%	$ -	$ -	$ -		$ -	$ -	$ -	$ -
1955	Communications Equipment	$ 73,951	$ 229,446	6.00	10.00	10.00%	$ 12,325	$ 11,472	$ 23,797	$ 23,797	$ 0	$ 22,945	$ -	$ 35,270
1955	Communication Equipment (Smart Meters)	$ -				0.00%	$ -	$ -	$ -		$ -	$ -	$ -	$ -

1960	Miscellaneous Equipment	$ 188,559	$ 49,736	7.00	10.00	10.00%	$ 26,937	$ 2,487	$ 29,424	$ 29,424	-$ 0	$ 4,974	$ -	$ 31,911
1970	Load Management Controls - Customer Premises	$ -				0.00%	$ -	$ -	$ -		$ -	$ -	$ -	$ -
1975	Load Management Controls Utility Premises	$ -				0.00%	$ -	$ -	$ -		$ -	$ -	$ -	$ -
1980	System Supervisor Equipment	$ 2,078,058	$ 121,294	9.00	15.00	6.67%	$ 226,437	$ 4,043	$ 230,480	$ 234,938	-$ 4,458	$ 8,086	$ -	$ 234,524
1985	Miscellaneous Fixed Assets	$ -				0.00%	$ -	$ -	$ -		$ -	$ -	$ -	$ -
1990	Other Tangible Property	$ -				0.00%	$ -	$ -	$ -		$ -	$ -	$ -	$ -
1995	Contributions & Grants		-$ 6,006,797		30.00	3.33%	$ -	-$ 100,113	-$ 100,113		-$ 100,113	-$ 200,227	$ -	-$ 200,227
1995	Contributions & Grants	-$ 1,524,088		35.00		0.00%	-$ 43,545	$ -	-$ 43,545		-$ 43,545	$ -	$ -	-$ 43,545
1995	Contributions & Grants	-$ 227,737		55.00		0.00%	-$ 4,141	$ -	-$ 4,141		-$ 4,141	$ -	$ -	-$ 4,141
1995	Contributions & Grants	-$ 347,395		56.00		0.00%	-$ 6,203	$ -	-$ 6,203		-$ 6,203	$ -	$ -	-$ 6,203
1995	Contributions & Grants	-$ 874,920		16.00		0.00%	-$ 54,683	$ -	-$ 54,683		-$ 54,683	$ -	$ -	-$ 54,683
1995	Contributions & Grants	-$ 64,332		36.00		0.00%	-$ 1,787	$ -	-$ 1,787		-$ 1,787	$ -	$ -	-$ 1,787
1995	Contributions & Grants	-$ 23,557		50.00		0.00%	-$ 471	$ -	-$ 471		-$ 471	$ -	$ -	-$ 471
1995	Contributions & Grants	-$ 108,823		32.00		0.00%	-$ 3,401	$ -	-$ 3,401		-$ 3,401	$ -	$ -	-$ 3,401
1995	Contributions & Grants	-$ 14,843		37.00		0.00%	-$ 401	$ -	-$ 401		-$ 401	$ -	$ -	-$ 401
1995	Contributions & Grants	-$ 1,887,347		32.00		0.00%	-$ 58,980	$ -	-$ 58,980		-$ 58,980	$ -	$ -	-$ 58,980
1995	Contributions & Grants	-$ 233,267		52.00		0.00%	-$ 4,486	$ -	-$ 4,486		-$ 4,486	$ -	$ -	-$ 4,486
1995	Contributions & Grants	-$ 1,657,094		49.00		0.00%	-$ 33,818	$ -	-$ 33,818		-$ 33,818	$ -	$ -	-$ 33,818
1995	Contributions & Grants	-$ 230,734		9.00		0.00%	-$ 25,637	$ -	-$ 25,637		-$ 25,637	$ -	$ -	-$ 25,637
1995	Contributions & Grants	-$ 209,758		29.00		0.00%	-$ 7,233	$ -	-$ 7,233		-$ 7,233	$ -	$ -	-$ 7,233
1995	Contributions & Grants	-$ 5,242,970		49.00		0.00%	-$ 106,999	$ -	-$ 106,999		-$ 106,999	$ -	$ -	-$ 106,999
1995	Contributions & Grants	-$ 11,882,563		35.00		0.00%	-$ 339,502	$ -	-$ 339,502		-$ 339,502	$ -	$ -	-$ 339,502
1995	Contributions & Grants	-$ 663,193		20.00		0.00%	-$ 33,160	$ -	-$ 33,160		-$ 33,160	$ -	$ -	-$ 33,160
1995	Contributions & Grants	-$ 10,413,771		22.00		0.00%	-$ 473,353	$ -	-$ 473,353		-$ 473,353	$ -	$ -	-$ 473,353
1995	Contributions & Grants	-$ 1,420,059		32.00		0.00%	-$ 44,377	$ -	-$ 44,377		-$ 44,377	$ -	$ -	-$ 44,377
1995	Contributions & Grants	-$ 3,134,472		44.00		0.00%	-$ 71,238	$ -	-$ 71,238		-$ 71,238	$ -	$ -	-$ 71,238
1995	Contributions & Grants	-$ 2,269,790		34.00		0.00%	-$ 66,759	$ -	-$ 66,759	-$ 1,480,287	$ 1,413,528	$ -	$ -	-$ 66,759
1995	Contributions & Grants					0.00%	$ -	$ -	$ -		$ -	$ -	$ -	$ -
1995	Contributions & Grants					0.00%	$ -	$ -	$ -		$ -	$ -	$ -	$ -
						0.00%	$ -	$ -	$ -		$ -	$ -	$ -	$ -
	Total	**$ 158,589,415**	**$ 34,149,447**				**$ 8,799,350**	**$ 1,186,019**	**$ 9,985,369**	**$ 9,985,369**	**-$ 0**	**$ 2,372,038**	**$ 559,984**	**$ 10,611,404**

Notes:

1 Board policy of the "half-year" rule - the applicant must ensure that additions in the year attract a half-year depreciation expense in the first year. Deviations from this standard practice must be supported in the application.

2 The applicant must provide an explanation of material variances in evidence.

3 The applicant should ensure that the years for new additions of assets are the asset useful lives determined by management in accordance with the Board's regulatory accounting policies. The capitalization and depreciation expense accounting changes should be implemented consistent with the Board's regulatory accounting policies as set out for modified IFRS as contained in the Report of the Board, Transition to International Financial Reporting Standards, EB-2008-0408, the Kinectrics Report, and the Revised 2012 Accounting Procedures Handbook for Electricity Distributors ("APH").

4 A recalculation should be performed to determine the average remaining life of opening balance of assets (i.e. excluding 2012 additions) under the change in policies under CGAAP. For example, Asset A had a useful life of 20 years under CGAAP without the change in policies. On January 1, 2012, the effective date of the changes in policies, Asset A was 3 years depreciated. As a result, Asset A would have a remaining service life of 17 years (20 years less 3 years) as of January 1, 2012. Due to making the change in policies under CGAAP, management re-assessed the asset useful lives and concluded that the revised useful life of Asset A is now 30 years. Therefore, the average remaining useful life of the opening balance of Asset A is determined to be 27 years (30 years less 3 years) under the revised CGAAP as of January 1, 2012.

5 NBV must exclude assets still on the books but which have been fully amortized or depreciated.

6 This column refers to the calculated full year depreciation but excludes the depreciation expense on assets fully depreciated during the year. This column is used for the purpose of calculating depreciation expense in the following year on the next worksheet.

General: Applicants must provide a breakdown of depreciation and amortization expense in the above format for all relevant accounts. Asset Retirement Obligations (AROs), depreciation and accretion expense should be disclosed separately consistent with the Notes of historical Audited Financial Statements.

Attachment 3 of 5

OEB Appendix 2-CP 2013 Depreciation and Amortization Expense (New CGAAP)

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Appendix 2-CP
Depreciation and Amortization Expense

Assumes the applicant made capitalization and depreciation expense accounting policy changes under CGAAP effective January 1, 2012

2013 Revised CGAAP or ASPE - CGAAP or ASPE with the changes to the policies

Account	Description	Additions (d)	Years (new additions only) (f)	Depreciation Rate on New Additions (g) = 1 / (f)	2013 Depreciation Expense [1] (h)=2012 Full Year Deprecation + ((d)*0.5)/(f)	2013 Depreciation Expense per Apppendix 2-B Fixed Assets, Column K (l)	Variance [2] (m) = (h) - (l)	Depreciation Expense on 2013 Full Year Additions (n)=((d))/(f)	Less Depreciation Expense on Assets Fully Depreciated during the year (o)	2013 Full Year Depreciation [3] (p) = 2012 Full Year Depreciation + (n) - (o)
1610	Miscellaneous Intangible Plant	$ 400,000	3.00	33.33%	$ 313,957	$ 313,957	$ 0	$ 133,333	$ 85,971	$ 294,653
1611-01	Computer Software (Formally known as Account 1925) - Acquired	$ 1,468,633	3.00	33.33%	$ 435,106		$ 435,106	$ 489,544	$ -	$ 679,878
1611-01	Computer Software (Formally known as Account 1925) - Acquired			0.00%	$ 1,638,370		$ 1,638,370	$ -	$ 895,224	$ 743,146
1611-02	Computer Software (Formally known as Account 1925) - Internally generated	$ 12,000	5.00	20.00%	$ 40,123		$ 40,123	$ 2,400	$ -	$ 41,323
1611-02	Computer Software (Formally known as Account 1925) - Internally generated			0.00%	$ 288,618	$ 2,402,217	-$ 2,113,599	$ -	$ -	$ 288,618
1612	Land Rights (Formally known as Account 1906)			0.00%	$ 10,846	$ 10,846	$ 0	$ -	$ -	$ 10,846
1805	Land			0.00%	$ -		$ -	$ -	$ -	$ -
1808	Buildings	$ 1,606	50.00	2.00%	$ 5,582	$ 5,582	-$ 0	$ 32	$ -	$ 5,598
1810	Leasehold Improvements			0.00%	$ -		$ -	$ -	$ -	$ -
1815	Transformer Station Equipment >50 kV			0.00%	$ 4,821	$ 4,821	-$ 0	$ -	$ -	$ 4,821
1820-01	Distribution Station Equipment <50 kV- Transformers	$ 2,267,831	40.00	2.50%	$ 55,153		$ 55,153	$ 56,696	$ -	$ 83,500
1820-01	Distribution Station Equipment <50 kV- Transformers			0.00%	$ 13,679		$ 13,679	$ -	$ -	$ 13,679
1820-01	Distribution Station Equipment <50 kV- Transformers			0.00%	$ 12,520		$ 12,520	$ -	$ -	$ 12,520
1820-01	Distribution Station Equipment <50 kV- Transformers			0.00%	$ 15,390		$ 15,390	$ -	$ -	$ 15,390
1820-01	Distribution Station Equipment <50 kV- Transformers			0.00%	$ 6,596		$ 6,596	$ -	$ -	$ 6,596
1820-01	Distribution Station Equipment <50 kV- Transformers			0.00%	$ 9,764		$ 9,764	$ -	$ -	$ 9,764
1820-01	Distribution Station Equipment <50 kV- Transformers			0.00%	$ 11,021		$ 11,021	$ -	$ -	$ 11,021
1820-01	Distribution Station Equipment <50 kV- Transformers			0.00%	$ 10,378		$ 10,378	$ -	$ -	$ 10,378
1820-01	Distribution Station Equipment <50 kV- Transformers			0.00%	$ 4,086		$ 4,086	$ -	$ -	$ 4,086
1820-01	Distribution Station Equipment <50 kV- Transformers			0.00%	$ 8,813		$ 8,813	$ -	$ -	$ 8,813

1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 9,230		$ 9,230	$ -	$ -	$ 9,230
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 3,042		$ 3,042	$ -	$ -	$ 3,042
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 4,825		$ 4,825	$ -	$ -	$ 4,825
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 57,935		$ 57,935	$ -	$ -	$ 57,935
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 7,200		$ 7,200	$ -	$ -	$ 7,200
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 15,906		$ 15,906	$ -	$ -	$ 15,906
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 7,410		$ 7,410	$ -	$ -	$ 7,410
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 2,959		$ 2,959	$ -	$ -	$ 2,959
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 1,254		$ 1,254	$ -	$ -	$ 1,254
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 6,501		$ 6,501	$ -	$ -	$ 6,501
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 3,061		$ 3,061	$ -	$ -	$ 3,061
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 10,654		$ 10,654	$ -	$ -	$ 10,654
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 17,407		$ 17,407	$ -	$ -	$ 17,407
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 1,275		$ 1,275	$ -	$ -	$ 1,275
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 5,050		$ 5,050	$ -	$ -	$ 5,050
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 2,058		$ 2,058	$ -	$ -	$ 2,058
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 3,096		$ 3,096	$ -	$ -	$ 3,096
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 264,867	40.00	2.50%	$ 6,704		$ 6,704	$ 6,622	$ -	$ 10,015
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$ 2,470		$ 2,470	$ -	$ -	$ 2,470
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$ 5,557		$ 5,557	$ -	$ -	$ 5,557
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$ 1,072		$ 1,072	$ -	$ -	$ 1,072
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$ 1,588		$ 1,588	$ -	$ -	$ 1,588
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$ 2,150		$ 2,150	$ -	$ -	$ 2,150
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$ 1,687		$ 1,687	$ -	$ -	$ 1,687
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$ 1,993		$ 1,993	$ -	$ -	$ 1,993
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$ 2,150		$ 2,150	$ -	$ -	$ 2,150
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$ 1,488		$ 1,488	$ -	$ -	$ 1,488
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$ 495		$ 495	$ -	$ -	$ 495
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$ 1,177		$ 1,177	$ -	$ -	$ 1,177
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$ 9,139		$ 9,139	$ -	$ -	$ 9,139

1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	**$ 1,857**		**$ 1,857**	**$ -**	$ -	**$ 1,857**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	**$ 4,257**		**$ 4,257**	**$ -**	$ -	**$ 4,257**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	**$ 1,108**		**$ 1,108**	**$ -**	$ -	**$ 1,108**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	**$ 949**		**$ 949**	**$ -**	$ -	**$ 949**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	**$ 433**		**$ 433**	**$ -**	$ -	**$ 433**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	**$ 184**		**$ 184**	**$ -**	$ -	**$ 184**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	**$ 634**		**$ 634**	**$ -**	$ -	**$ 634**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	**$ 448**		**$ 448**	**$ -**	$ -	**$ 448**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	**$ 520**		**$ 520**	**$ -**	$ -	**$ 520**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	**$ 849**		**$ 849**	**$ -**	$ -	**$ 849**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	**$ 123**		**$ 123**	**$ -**	$ -	**$ 123**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	**$ 493**		**$ 493**	**$ -**	$ -	**$ 493**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	**$ 301**		**$ 301**	**$ -**	$ -	**$ 301**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	**$ 605**		**$ 605**	**$ -**	$ -	**$ 605**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	**$ 17,606**		**$ 17,606**	**$ -**	$ -	**$ 17,606**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 135,551	40.00	2.50%	**$ 4,569**		**$ 4,569**	**$ 3,389**	$ -	**$ 6,264**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 9,263**		**$ 9,263**	**$ -**	$ -	**$ 9,263**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 10,411**		**$ 10,411**	**$ -**	$ -	**$ 10,411**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 10,427**		**$ 10,427**	**$ -**	$ -	**$ 10,427**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 4,290**		**$ 4,290**	**$ -**	$ -	**$ 4,290**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 6,350**		**$ 6,350**	**$ -**	$ -	**$ 6,350**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 8,064**		**$ 8,064**	**$ -**	$ -	**$ 8,064**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 6,750**		**$ 6,750**	**$ -**	$ -	**$ 6,750**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 7,973**		**$ 7,973**	**$ -**	$ -	**$ 7,973**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 8,061**		**$ 8,061**	**$ -**	$ -	**$ 8,061**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 5,952**		**$ 5,952**	**$ -**	$ -	**$ 5,952**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 1,979**		**$ 1,979**	**$ -**	$ -	**$ 1,979**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 4,707**		**$ 4,707**	**$ -**	$ -	**$ 4,707**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 21,363**		**$ 21,363**	**$ -**	$ -	**$ 21,363**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 6,196**		**$ 6,196**	**$ -**	$ -	**$ 6,196**

1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 14,548**		**$ 14,548**	**$ -**	$ -	**$ 14,548**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 4,432**		**$ 4,432**	**$ -**	$ -	**$ 4,432**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 3,796**		**$ 3,796**	**$ -**	$ -	**$ 3,796**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 284**		**$ 284**	**$ -**	$ -	**$ 284**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 299,813	25.00	4.00%	**$ 14,819**		**$ 14,819**	**$ 11,993**	$ -	**$ 20,815**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 1,941**		**$ 1,941**	**$ -**	$ -	**$ 1,941**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 1,735**		**$ 1,735**	**$ -**	$ -	**$ 1,735**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 1,738**		**$ 1,738**	**$ -**	$ -	**$ 1,738**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 2,547**		**$ 2,547**	**$ -**	$ -	**$ 2,547**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 1,644**		**$ 1,644**	**$ -**	$ -	**$ 1,644**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 2,554**		**$ 2,554**	**$ -**	$ -	**$ 2,554**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 1,635**		**$ 1,635**	**$ -**	$ -	**$ 1,635**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 1,676**		**$ 1,676**	**$ -**	$ -	**$ 1,676**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 2,553**		**$ 2,553**	**$ -**	$ -	**$ 2,553**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 1,674**		**$ 1,674**	**$ -**	$ -	**$ 1,674**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ -**		**$ -**	**$ -**	$ -	**$ -**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 2,059**		**$ 2,059**	**$ -**	$ -	**$ 2,059**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 5,227**		**$ 5,227**	**$ -**	$ -	**$ 5,227**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 1,663**		**$ 1,663**	**$ -**	$ -	**$ 1,663**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 8,743**		**$ 8,743**	**$ -**	$ 8,743	**$ -**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 691,442	60.00	1.67%	**$ 10,123**		**$ 10,123**	**$ 11,524**	$ -	**$ 15,886**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	**$ 1,456**		**$ 1,456**	**$ -**	$ -	**$ 1,456**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	**$ 1,735**		**$ 1,735**	**$ -**	$ -	**$ 1,735**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	**$ 1,738**		**$ 1,738**	**$ -**	$ -	**$ 1,738**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	**$ 1,176**		**$ 1,176**	**$ -**	$ -	**$ 1,176**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	**$ 2,114**		**$ 2,114**	**$ -**	$ -	**$ 2,114**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	**$ 1,179**		**$ 1,179**	**$ -**	$ -	**$ 1,179**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	**$ 2,308**		**$ 2,308**	**$ -**	$ -	**$ 2,308**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	**$ 2,911**		**$ 2,911**	**$ -**	$ -	**$ 2,911**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	**$ 1,178**		**$ 1,178**	**$ -**	$ -	**$ 1,178**

1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$ 1,923		$ 1,923	$ -	$ -	$ 1,923
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$ 395		$ 395	$ -	$ -	$ 395
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$ 1,356		$ 1,356	$ -	$ -	$ 1,356
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$ 18,791		$ 18,791	$ -	$ -	$ 18,791
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$ 797		$ 797	$ -	$ -	$ 797
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$ 2,806		$ 2,806	$ -	$ -	$ 2,806
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$ 2,127		$ 2,127	$ -	$ -	$ 2,127
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$ 163		$ 163	$ -	$ -	$ 163
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$ 58		$ 58	$ -	$ -	$ 58
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$ 103		$ 103	$ -	$ -	$ 103
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$ 172		$ 172	$ -	$ -	$ 172
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$ 173		$ 173	$ -	$ -	$ 173
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$ 154		$ 154	$ -	$ -	$ 154
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$ 194		$ 194	$ -	$ -	$ 194
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$ 197		$ 197	$ -	$ -	$ 197
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$ 89		$ 89	$ -	$ -	$ 89
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$ 251		$ 251	$ -	$ -	$ 251
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$ 4,620		$ 4,620	$ -	$ -	$ 4,620
1820-06	Distribution Station Equipment <50 kV-Cable	$ 451,021	40.00	2.50%	$ 8,486		$ 8,486	$ 11,276	$ -	$ 14,124
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 371		$ 371	$ -	$ -	$ 371
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 834		$ 834	$ -	$ -	$ 834
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 322		$ 322	$ -	$ -	$ 322
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 476		$ 476	$ -	$ -	$ 476
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 323		$ 323	$ -	$ -	$ 323
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 506		$ 506	$ -	$ -	$ 506
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 598		$ 598	$ -	$ -	$ 598
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 322		$ 322	$ -	$ -	$ 322
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 446		$ 446	$ -	$ -	$ 446
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 148		$ 148	$ -	$ -	$ 148
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 353		$ 353	$ -	$ -	$ 353
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 1,659		$ 1,659	$ -	$ -	$ 1,659
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 536		$ 536	$ -	$ -	$ 536
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 11,187		$ 11,187	$ -	$ -	$ 11,187
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 582		$ 582	$ -	$ -	$ 582
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 332		$ 332	$ -	$ -	$ 332
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 285		$ 285	$ -	$ -	$ 285
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 11,674		$ 11,674	$ -	$ -	$ 11,674
1820-07	Distribution Station Equipment <50 kV-Wholesale Meters			0.00%	$ 22,903		$ 22,903	$ -	$ -	$ 22,903

1820-07	Distribution Station Equipment <50 kV-Wholesale Meters			0.00%	$ 75,316	$ 763,868	-$ 688,552	$ -	$ -	$ 75,316
1825	Storage Battery Equipment			0.00%	$ -		$ -	$ -	$ -	$ -
1830-01	Poles, Towers & Fixtures-wood	$ 6,341,502	40.00	2.50%	$ 162,026		$ 162,026	$ 158,538	$ -	$ 241,295
1830-01	Poles, Towers & Fixtures-wood			0.00%	$ 193,184		$ 193,184	$ -	$ -	$ 193,184
1830-01	Poles, Towers & Fixtures-wood			0.00%	$ 411,395		$ 411,395	$ -	$ -	$ 411,395
1830-02	Poles, Towers & Fixtures-concrete	$ 787,638	60.00	1.67%	$ 11,330		$ 11,330	$ 13,127	$ -	$ 17,894
1830-02	Poles, Towers & Fixtures-concrete			0.00%	$ 18,890		$ 18,890	$ -	$ -	$ 18,890
1830-02	Poles, Towers & Fixtures-concrete			0.00%	$ 31,290	$ 828,115	-$ 796,825	$ -	$ -	$ 31,290
1835-01	Overhead Conductors	$ 3,038,084	60.00	1.67%	$ 71,968		$ 71,968	$ 50,635	$ -	$ 97,285
1835-01	Overhead Conductors			0.00%	$ 26,476		$ 26,476	$ -	$ -	$ 26,476
1835-01	Overhead Conductors			0.00%	$ 350,640		$ 350,640	$ -	$ -	$ 350,640
1835-02	Overhead LIS	$ 897,158	20.00	5.00%	$ 32,522		$ 32,522	$ 44,858	$ -	$ 54,951
1835-02	Overhead LIS			0.00%	$ 233,381		$ 233,381	$ -	$ -	$ 233,381
1835-02	Overhead LIS			0.00%	$ 262,093		$ 262,093	$ -	$ -	$ 262,093
1835-03	Overhead Disconnect	$ 1,079,567	40.00	2.50%	$ 18,144		$ 18,144	$ 26,989	$ -	$ 31,639
1835-03	Overhead Disconnect			0.00%	$ 7,627		$ 7,627	$ -	$ -	$ 7,627
1835-03	Overhead Disconnect			0.00%	$ 73,945	$ 1,076,796	-$ 1,002,851	$ -	$ -	$ 73,945
1840	Underground Conduit	$ 4,722,280	60.00	1.67%	$ 100,253		$ 100,253	$ 78,705	$ -	$ 139,605
1840	Underground Conduit			0.00%	$ 12,717		$ 12,717	$ -	$ -	$ 12,717
1840	Underground Conduit			0.00%	$ 406,766	$ 519,736	-$ 112,970	$ -	$ -	$ 406,766
1845-01	Underground Conductors	$ 2,617,820	40.00	2.50%	$ 137,821		$ 137,821	$ 65,446	$ -	$ 170,544
1845-01	Underground Conductors			0.00%	$ 31,989		$ 31,989	$ -	$ -	$ 31,989
1845-01	Underground Conductors			0.00%	$ 487,478		$ 487,478	$ -	$ -	$ 487,478
1845-02	Underground Switchgear - Padmount	$ 618,314	25.00	4.00%	$ 256,617	$ 913,905	-$ 657,288	$ 24,733	$ -	$ 268,983
1850-01	Line Transformers-Padmount	$ 1,261,290	30.00	3.33%	$ 1,450,187		$ 1,450,187	$ 42,043	$ -	$ 1,471,208
1850-02	Line Transformers-Polemount	$ 685,523	40.00	2.50%	$ 143,605	$ 1,593,792	-$ 1,450,187	$ 17,138	$ -	$ 152,174
1855-01	Services -Overhead	$ 712,313	50.00	2.00%	$ 279,068		$ 279,068	$ 14,246	$ -	$ 286,191
1855-02	Services - Underground	$ 1,168,085	40.00	2.50%	$ 282,617	$ 561,685	-$ 279,068	$ 29,202	$ -	$ 297,218
1860-01	Meters - Smart Meters	$ 217,000	15.00	6.67%	$ 340,277		$ 340,277	$ 14,467	$ -	$ 347,510
1860-01	Meters - Smart Meters			0.00%	$ 447,531		$ 447,531	$ -	$ -	$ 447,531
1860-02	Meters - Stranded Meters			0.00%	$ 259,450		$ 259,450	$ -	$ 254,992	$ 4,458
1860-03	Meters - Collectors	$ 81,500	15.00	6.67%	$ 153,128		$ 153,128	$ 5,433	$ -	$ 155,844
1860-03	Meters - Collectors			0.00%	$ 23,656		$ 23,656	$ -	$ -	$ 23,656
1860-04	Meters - Interval	$ 180,000	25.00	4.00%	$ 28,003	$ 1,247,587	-$ 1,219,584	$ 7,200	$ -	$ 31,603
1905	Land			0.00%	$ -		$ -	$ -	$ -	$ -
1908-01	Buildings - Structure	$ 397,000	50.00	2.00%	$ 157,401		$ 157,401	$ 7,940	$ -	$ 161,371
1908-01	Buildings - Structure			0.00%	$ 54,682		$ 54,682	$ -	$ -	$ 54,682
1908-01	Buildings - Structure			0.00%	$ 3,928		$ 3,928	$ -	$ -	$ 3,928
1908-01	Buildings - Structure			0.00%	$ 3,820		$ 3,820	$ -	$ 3,820	$ -
1908-01	Buildings - Structure			0.00%	$ 43,576		$ 43,576	$ -	$ -	$ 43,576
1908-01	Buildings - Structure			0.00%	$ 1,692		$ 1,692	$ -	$ -	$ 1,692
1908-02	Buildings - Exterior	$ 182,000	25.00	4.00%	$ 16,668		$ 16,668	$ 7,280	$ -	$ 20,308
1908-02	Buildings - Exterior			0.00%	$ 36,526		$ 36,526	$ -	$ 36,526	$ -
1908-02	Buildings - Exterior			0.00%	$ 280,415		$ 280,415	$ -	$ -	$ 280,415
1908-02	Buildings - Exterior			0.00%	$ 117,575		$ 117,575	$ -	$ -	$ 117,575
1908-03	Buildings - Interior	$ 73,000	15.00	6.67%	$ 31,900		$ 31,900	$ 4,867	$ -	$ 34,334
1908-03	Buildings - Interior			0.00%	$ 86,070		$ 86,070	$ -	$ -	$ 86,070
1908-03	Buildings - Interior			0.00%	$ 13,199		$ 13,199	$ -	$ -	$ 13,199
1908-03	Buildings - Interior			0.00%	$ 2,229		$ 2,229	$ -	$ -	$ 2,229
1908-03	Buildings - Interior			0.00%	$ 495		$ 495	$ -	$ -	$ 495

1908-03	Buildings - Interior			0.00%	$ 36,950		$ 36,950	$ -	$ -	$ 36,950
1908-04	Buildings - HVAC	$ 60,000	25.00	4.00%	$ 2,407		$ 2,407	$ 2,400	$ -	$ 3,607
1908-04	Buildings - HVAC			0.00%	$ 2,674		$ 2,674	$ -	$ 2,674	$ -
1908-04	Buildings - HVAC			0.00%	$ 2,749		$ 2,749	$ -	$ -	$ 2,749
1908-04	Buildings - HVAC			0.00%	$ 38,277		$ 38,277	$ -	$ -	$ 38,277
1908-04	Buildings - HVAC			0.00%	$ 141,958		$ 141,958	$ -	$ -	$ 141,958
1908-04	Buildings - HVAC			0.00%	$ 30,503		$ 30,503	$ -	$ -	$ 30,503
1908-04	Buildings - HVAC			0.00%	$ 5,453		$ 5,453	$ -	$ -	$ 5,453
1908-04	Buildings - HVAC			0.00%	$ -		$ -	$ -	$ -	$ -
1908-04	Buildings - HVAC			0.00%	$ -	$ 1,111,147	-$ 1,111,147	$ -	$ -	$ -
1910	Leasehold Improvements			0.00%	$ -		$ -	$ -	$ -	$ -
1915	Office Furniture & Equipment	$ 25,000	10.00	10.00%	$ 204,243	$ 204,243	$ 0	$ 2,500	$ -	$ 205,493
1920-01	Computer Equipment - Hardware - Servers/Others	$ 777,367	5.00	20.00%	$ 96,087		$ 96,087	$ 155,473	$ -	$ 173,823
1920-01	Computer Equipment - Hardware - Servers/Others				$ 237,671		$ 237,671	$ -	$ -	$ 237,671
1920	Computer Equip.-Hardware-Desktops	$ 5,000	4.00	25.00%	$ 130,951		$ 130,951	$ 1,250	$ 111,717	$ 19,859
1920	Computer Equip.-Hardware-laptops	$ 2,500	3.00	33.33%	$ 34,300	$ 499,008	-$ 464,709	$ 833	$ 24,155	$ 10,562
1930-01	Transportation Equipment-Light Vehicles	$ 180,000	6.00	16.67%	$ 36,476		$ 36,476	$ 30,000	$ -	$ 51,476
1930-02	Transportation Equipment-Bucket Trucks				$ 22,815		$ 22,815	$ -	$ -	$ 22,815
1930-03	Transportation Equipment Heavy Duty Trucks	$ 113,000	15.00	6.67%	$ 12,170		$ 12,170	$ 7,533	$ -	$ 15,937
1930	Transportation Equipment			0.00%	$ 45,042		$ 45,042	$ -	$ -	$ 45,042
1930	Transportation Equipment			0.00%	$ 4,398		$ 4,398	$ -	$ -	$ 4,398
1930	Transportation Equipment			0.00%	$ 5,977		$ 5,977	$ -	$ -	$ 5,977
1930	Transportation Equipment			0.00%	$ 11,018		$ 11,018	$ -	$ -	$ 11,018
1930	Transportation Equipment			0.00%	$ 41,101		$ 41,101	$ -	$ -	$ 41,101
1930	Transportation Equipment			0.00%	$ 60,756		$ 60,756	$ -	$ -	$ 60,756
1930	Transportation Equipment			0.00%	$ 111		$ 111	$ -	$ -	$ 111
1930	Transportation Equipment			0.00%	$ 29,354		$ 29,354	$ -	$ -	$ 29,354
1930	Transportation Equipment			0.00%	$ 7,116		$ 7,116	$ -	$ 7,116	$ -
1930	Transportation Equipment			0.00%	$ -		$ -	$ -	$ -	$ -
1930	Transportation Equipment			0.00%	$ 45,812		$ 45,812	$ -	$ -	$ 45,812
1930	Transportation Equipment			0.00%	$ 58,453		$ 58,453	$ -	$ -	$ 58,453
1930	Transportation Equipment			0.00%	$ 110,624		$ 110,624	$ -	$ -	$ 110,624
1930	Transportation Equipment			0.00%	$ 21,856		$ 21,856	$ -	$ -	$ 21,856
1930	Transportation Equipment			0.00%	$ 36,679		$ 36,679	$ -	$ -	$ 36,679
1930	Transportation Equipment			0.00%	$ 6,547	$ 556,305	-$ 549,758	$ -	$ -	$ 6,547
1935	Stores Equipment			0.00%	$ 1,151	$ 1,151	$ 0	$ -	$ -	$ 1,151
1940	Tools, Shop & Garage Equipment	$ 75,000	10.00	10.00%	$ 38,433	$ 38,433	$ 0	$ 7,500	$ -	$ 42,183
1945	Measurement & Testing Equipment	$ 25,000	10.00	10.00%	$ 7,270	$ 7,270	$ 0	$ 2,500	$ -	$ 8,520
1950	Power Operated Equipment			0.00%	$ -		$ -	$ -	$ -	$ -
1955	Communications Equipment	$ 88,000	10.00	10.00%	$ 39,670	$ 39,670	-$ 0	$ 8,800	$ -	$ 44,070
1955	Communication Equipment (Smart Meters)			0.00%	$ -		$ -	$ -	$ -	$ -
1960	Miscellaneous Equipment			0.00%	$ 31,911	$ 31,911	-$ 0	$ -	$ -	$ 31,911
1970	Load Management Controls - Customer Premises			0.00%	$ -		$ -	$ -	$ -	$ -
1975	Load Management Controls Utility Premises			0.00%	$ -		$ -	$ -	$ -	$ -
1980	System Supervisor Equipment	$ 806,000	15.00	6.67%	$ 261,390	$ 265,848	-$ 4,458	$ 53,733	$ -	$ 288,257
1985	Miscellaneous Fixed Assets			0.00%	$ -		$ -	$ -	$ -	$ -
1990	Other Tangible Property			0.00%	$ -		$ -	$ -	$ -	$ -
1995	Contributions & Grants	-$ 9,524,524	38.50	2.60%	-$ 323,922		-$ 323,922	-$ 247,390	$ -	-$ 447,617
1995	Contributions & Grants			0.00%	-$ 43,545		-$ 43,545	$ -	$ -	-$ 43,545

1995	Contributions & Grants			0.00%	-$ 4,141		-$ 4,141	$ -	$ -	-$ 4,141
1995	Contributions & Grants			0.00%	-$ 6,203		-$ 6,203	$ -	$ -	-$ 6,203
1995	Contributions & Grants			0.00%	-$ 54,683		-$ 54,683	$ -	$ -	-$ 54,683
1995	Contributions & Grants			0.00%	-$ 1,787		-$ 1,787	$ -	$ -	-$ 1,787
1995	Contributions & Grants			0.00%	-$ 471		-$ 471	$ -	$ -	-$ 471
1995	Contributions & Grants			0.00%	-$ 3,401		-$ 3,401	$ -	$ -	-$ 3,401
1995	Contributions & Grants			0.00%	-$ 401		-$ 401	$ -	$ -	-$ 401
1995	Contributions & Grants			0.00%	-$ 58,980		-$ 58,980	$ -	$ -	-$ 58,980
1995	Contributions & Grants			0.00%	-$ 4,486		-$ 4,486	$ -	$ -	-$ 4,486
1995	Contributions & Grants			0.00%	-$ 33,818		-$ 33,818	$ -	$ -	-$ 33,818
1995	Contributions & Grants			0.00%	-$ 25,637		-$ 25,637	$ -	$ -	-$ 25,637
1995	Contributions & Grants			0.00%	-$ 7,233		-$ 7,233	$ -	$ -	-$ 7,233
1995	Contributions & Grants			0.00%	-$ 106,999		-$ 106,999	$ -	$ -	-$ 106,999
1995	Contributions & Grants			0.00%	-$ 339,502		-$ 339,502	$ -	$ -	-$ 339,502
1995	Contributions & Grants			0.00%	-$ 33,160		-$ 33,160	$ -	$ -	-$ 33,160
1995	Contributions & Grants			0.00%	-$ 473,353		-$ 473,353	$ -	$ -	-$ 473,353
1995	Contributions & Grants			0.00%	-$ 44,377		-$ 44,377	$ -	$ -	-$ 44,377
1995	Contributions & Grants			0.00%	-$ 71,238		-$ 71,238	$ -	$ -	-$ 71,238
1995	Contributions & Grants			0.00%	-$ 66,759	-$ 1,704,095	$ 1,637,336	$ -	$ -	-$ 66,759
1995	Contributions & Grants			0.00%	$ -		$ -	$ -	$ -	$ -
1995	Contributions & Grants			0.00%	$ -		$ -	$ -	$ -	$ -
etc.				0.00%	$ -		$ -	$ -		$ -
				0.00%			$ -	$ -		
	Total	$ 23,685,181			$ 11,293,797	$ 11,293,798	-$ 1	$ 1,364,787	$ 1,430,936	$ 10,545,255
	Less: Disposal of Stranded Meters	-$ 8,461,023			-$ 4,041,461					
	Net Additions	$ 15,224,158			$ 7,252,336					

Notes:

1 Board policy of the "half-year" rule - the applicant must ensure that additions in the year attract a half-year depreciation expense in the first year. Deviations from this standard practice must be supported in the application.

2 The applicant must provide an explanation of material variances in evidence.

3 This column refers to the calculated full year depreciation but excludes the depreciation expense on assets fully depreciated during the year. This column is used for the purpose of calculating depreciation expense in the following year on the next worksheet.

General: **Applicants must provide a breakdown of depreciation and amortization expense in the above format for all relevant accounts. Asset Retirement Obligations (AROs), depreciation and accretion expense should be disclosed separately consistent with the Notes of historical Audited Financial Statements.**

Attachment 4 of 5

OEB Appendix 2-CQ 2014 Depreciation and Amortization Expense (New CGAAP)

File Number:	EB-2013-0174
Exhibit:	4
Tab:	6
Schedule:	2
Page:	
Date:	31-Oct-13

Appendix 2-CQ
Depreciation and Amortization Expense

Assumes the applicant made capitalization and depreciation expense accounting policy changes under CGAAP effective January 1, 2012

2014 **Revised CGAAP or ASPE - CGAAP or ASPE with the changes to the policies**

Account	Description	Additions (d)	Years (new additions only) (f)	Depreciation Rate on New Additions (g) = 1 / (f)	2014 Depreciation Expense [1] (h)=2013 Full Year Depreciation + ((d)*0.5)/(f)	2014 Depreciation Expense per Appendix 2-B Fixed Assets, Column K (l)	Variance [2] (m) = (h) - (l)
1610	Miscellaneous Intangible Plant	$ 400,000	3.00	33.33%	**$ 361,320**	$ 361,320	**$ 0**
1611-01	Computer Software (Formally known as Account 1925) - Acquired	$ 1,215,000	3.00	33.33%	**$ 882,378**		**$ 882,378**
1611-01	Computer Software (Formally known as Account 1925) - Acquired			0.00%	**$ 743,146**		**$ 743,146**
1611-02	Computer Software (Formally known as Account 1925) - Internally generated			0.00%	**$ 41,323**		**$ 41,323**
1611-02	Computer Software (Formally known as Account 1925) - Internally generated			0.00%	**$ 288,618**	$ 1,955,465	**-$ 1,666,847**
1612	Land Rights (Formally known as Account 1906)			0.00%	**$ 10,846**	$ 10,846	**$ 0**
1805	Land	$ 20,000	-	0.00%	**$ -**		**$ -**
1808	Buildings			0.00%	**$ 5,598**	$ 5,598	**-$ 0**
1810	Leasehold Improvements			0.00%	**$ -**		**$ -**
1815	Transformer Station Equipment >50 kV			0.00%	**$ 4,821**	$ 4,821	**-$ 0**
1820-01	Distribution Station Equipment <50 kV- Transformers	$ 2,346,500	40.00	2.50%	**$ 112,832**		**$ 112,832**
1820-01	Distribution Station Equipment <50 kV- Transformers			0.00%	**$ 13,679**		**$ 13,679**
1820-01	Distribution Station Equipment <50 kV- Transformers			0.00%	**$ 12,520**		**$ 12,520**
1820-01	Distribution Station Equipment <50 kV- Transformers			0.00%	**$ 15,390**		**$ 15,390**

1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 6,596		$ 6,596
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 9,764		$ 9,764
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 11,021		$ 11,021
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 10,378		$ 10,378
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 4,086		$ 4,086
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 8,813		$ 8,813
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 9,230		$ 9,230
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 3,042		$ 3,042
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 4,825		$ 4,825
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 57,935		$ 57,935
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 7,200		$ 7,200
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 15,906		$ 15,906
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 7,410		$ 7,410
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 2,959		$ 2,959
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 1,254		$ 1,254
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 6,501		$ 6,501
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 3,061		$ 3,061
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 10,654		$ 10,654
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 17,407		$ 17,407
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 1,275		$ 1,275
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 5,050		$ 5,050
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 2,058		$ 2,058
1820-01	Distribution Station Equipment <50 kV-Transformers			0.00%	$ 3,096		$ 3,096
1820-02	Distribution Station Equipment <50 kV-HV Switchgear	$ 125,000	40.00	2.50%	$ 11,577		$ 11,577

1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$	**2,470**		$	**2,470**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$	**5,557**		$	**5,557**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$	**1,072**		$	**1,072**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$	**1,588**		$	**1,588**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$	**2,150**		$	**2,150**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$	**1,687**		$	**1,687**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$	**1,993**		$	**1,993**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$	**2,150**		$	**2,150**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$	**1,488**		$	**1,488**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$	**495**		$	**495**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$	**1,177**		$	**1,177**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$	**9,139**		$	**9,139**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$	**1,857**		$	**1,857**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$	**4,257**		$	**4,257**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$	**1,108**		$	**1,108**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$	**949**		$	**949**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$	**433**		$	**433**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$	**184**		$	**184**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$	**634**		$	**634**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$	**448**		$	**448**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$	**520**		$	**520**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$	**849**		$	**849**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	$	**123**		$	**123**

1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	**$ 493**		**$ 493**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	**$ 301**		**$ 301**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	**$ 605**		**$ 605**
1820-02	Distribution Station Equipment <50 kV-HV Switchgear			0.00%	**$ 17,606**		**$ 17,606**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear	$ 339,000	40.00	2.50%	**$ 10,501**		**$ 10,501**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 9,263**		**$ 9,263**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 10,411**		**$ 10,411**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 10,427**		**$ 10,427**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 4,290**		**$ 4,290**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 6,350**		**$ 6,350**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 8,064**		**$ 8,064**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 6,750**		**$ 6,750**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 7,973**		**$ 7,973**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 8,061**		**$ 8,061**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 5,952**		**$ 5,952**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 1,979**		**$ 1,979**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 4,707**		**$ 4,707**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 21,363**		**$ 21,363**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 6,196**		**$ 6,196**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 14,548**		**$ 14,548**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 4,432**		**$ 4,432**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 3,796**		**$ 3,796**
1820-03	Distribution Station Equipment <50 kV-LV Switchgear			0.00%	**$ 284**		**$ 284**

1820-04	Distribution Station Equipment <50 kV-Breaker & Relay	$ 1,151,000	25.00	4.00%	**$ 43,835**		**$ 43,835**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 1,941**		**$ 1,941**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 1,735**		**$ 1,735**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 1,738**		**$ 1,738**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 2,547**		**$ 2,547**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 1,644**		**$ 1,644**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 2,554**		**$ 2,554**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 1,635**		**$ 1,635**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 1,676**		**$ 1,676**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 2,553**		**$ 2,553**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 1,674**		**$ 1,674**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ -**		**$ -**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 2,059**		**$ 2,059**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 5,227**		**$ 5,227**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ 1,663**		**$ 1,663**
1820-04	Distribution Station Equipment <50 kV-Breaker & Relay			0.00%	**$ -**		**$ -**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil	$ 673,000	60.00	1.67%	**$ 21,494**		**$ 21,494**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	**$ 1,456**		**$ 1,456**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	**$ 1,735**		**$ 1,735**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	**$ 1,738**		**$ 1,738**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	**$ 1,176**		**$ 1,176**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	**$ 2,114**		**$ 2,114**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	**$ 1,179**		**$ 1,179**

1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$	**2,308**		$ **2,308**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$	**2,911**		$ **2,911**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$	**1,178**		$ **1,178**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$	**1,923**		$ **1,923**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$	**395**		$ **395**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$	**1,356**		$ **1,356**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$	**18,791**		$ **18,791**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$	**797**		$ **797**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$	**2,806**		$ **2,806**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$	**2,127**		$ **2,127**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$	**163**		$ **163**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$	**58**		$ **58**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$	**103**		$ **103**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$	**172**		$ **172**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$	**173**		$ **173**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$	**154**		$ **154**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$	**194**		$ **194**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$	**197**		$ **197**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$	**89**		$ **89**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$	**251**		$ **251**
1820-05	Distribution Station Equipment <50 kV-Containment and Civil			0.00%	$	**4,620**		$ **4,620**
1820-06	Distribution Station Equipment <50 kV-Cable	$ 180,000	40.00	2.50%	$	**16,374**		$ **16,374**
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$	**371**		$ **371**

1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 834		$ 834
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 322		$ 322
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 476		$ 476
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 323		$ 323
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 506		$ 506
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 598		$ 598
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 322		$ 322
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 446		$ 446
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 148		$ 148
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 353		$ 353
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 1,659		$ 1,659
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 536		$ 536
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 11,187		$ 11,187
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 582		$ 582
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 332		$ 332
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 285		$ 285
1820-06	Distribution Station Equipment <50 kV-Cable			0.00%	$ 11,674		$ 11,674
1820-07	Distribution Station Equipment <50 kV-Wholesale Meters			0.00%	$ 22,903		$ 22,903
1820-07	Distribution Station Equipment <50 kV-Wholesale Meters			0.00%	$ 75,316	$ 871,884	-$ 796,568
1825	Storage Battery Equipment			0.00%	$ -		$ -
1830-01	Poles, Towers & Fixtures-wood	$ 5,864,763	40.00	2.50%	$ 314,604		$ 314,604
1830-01	Poles, Towers & Fixtures-wood			0.00%	$ 193,184		$ 193,184
1830-01	Poles, Towers & Fixtures-wood			0.00%	$ 411,395		$ 411,395

1830-02	Poles, Towers & Fixtures-concrete	$ 4,176,888	60.00	1.67%	**$ 52,701**		**$ 52,701**
1830-02	Poles, Towers & Fixtures-concrete			0.00%	**$ 18,890**		**$ 18,890**
1830-02	Poles, Towers & Fixtures-concrete			0.00%	**$ 31,290**	$ 1,022,065	**-$ 990,775**
1835-01	Overhead Conductors	$ 5,631,352	60.00	1.67%	**$ 144,213**		**$ 144,213**
1835-01	Overhead Conductors			0.00%	**$ 26,476**		**$ 26,476**
1835-01	Overhead Conductors			0.00%	**$ 350,640**		**$ 350,640**
1835-02	Overhead LIS	$ 1,262,192	20.00	5.00%	**$ 86,506**		**$ 86,506**
1835-02	Overhead LIS			0.00%	**$ 233,381**		**$ 233,381**
1835-02	Overhead LIS			0.00%	**$ 262,093**		**$ 262,093**
1835-03	Overhead Disconnect	$ 838,147	40.00	2.50%	**$ 42,116**		**$ 42,116**
1835-03	Overhead Disconnect			0.00%	**$ 7,627**		**$ 7,627**
1835-03	Overhead Disconnect			0.00%	**$ 73,945**	$ 1,226,996	**-$ 1,153,051**
1840	Underground Conduit	$ 5,163,957	60.00	1.67%	**$ 182,638**		**$ 182,638**
1840	Underground Conduit			0.00%	**$ 12,717**		**$ 12,717**
1840	Underground Conduit			0.00%	**$ 406,766**	$ 602,121	**-$ 195,355**
1845-01	Underground Conductors	$ 4,493,340	40.00	2.50%	**$ 226,711**		**$ 226,711**
1845-01	Underground Conductors			0.00%	**$ 31,989**		**$ 31,989**
1845-01	Underground Conductors			0.00%	**$ 487,478**		**$ 487,478**
1845-02	Underground Switchgear - Padmount	$ 989,227	25.00	4.00%	**$ 288,768**	$ 1,034,945	**-$ 746,177**
1850-01	Line Transformers-Padmount	$ 4,252,147	30.00	3.33%	**$ 1,542,078**		**$ 1,542,078**
1850-02	Line Transformers-Polemount	$ 1,201,423	40.00	2.50%	**$ 167,192**	$ 1,709,269	**-$ 1,542,077**
1855-01	Services -Overhead	$ 983,468	50.00	2.00%	**$ 296,026**		**$ 296,026**
1855-02	Services - Underground	$ 1,658,675	40.00	2.50%	**$ 317,952**	$ 613,977	**-$ 296,025**

1860-01	Meters - Smart Meters	$ 226,990	15.00	6.67%	$	**355,076**		$	**355,076**
1860-01	Meters - Smart Meters			0.00%	$	**447,531**		$	**447,531**
1860-02	Meters - Stranded Meters			0.00%	$	**4,458**		$	**4,458**
1860-03	Meters - Collectors	$ 180,000	15.00	6.67%	$	**161,844**		$	**161,844**
1860-03	Meters - Collectors			0.00%	$	**23,656**		$	**23,656**
1860-04	Meters - Interval	$ 81,500	25.00	4.00%	$	**33,233**	$ 1,021,341	-$	**988,108**
1905	Land			0.00%	$	**-**		$	**-**
1908-01	Buildings - Structure	$ 25,000	50.00	2.00%	$	**161,621**		$	**161,621**
1908-01	Buildings - Structure			0.00%	$	**54,682**		$	**54,682**
1908-01	Buildings - Structure			0.00%	$	**3,928**		$	**3,928**
1908-01	Buildings - Structure			0.00%	$	**-**		$	**-**
1908-01	Buildings - Structure			0.00%	$	**43,576**		$	**43,576**
1908-01	Buildings - Structure			0.00%	$	**1,692**		$	**1,692**
1908-02	Buildings - Exterior	$ 90,000	25.00	4.00%	$	**22,108**		$	**22,108**
1908-02	Buildings - Exterior			0.00%	$	**-**		$	**-**
1908-02	Buildings - Exterior			0.00%	$	**280,415**		$	**280,415**
1908-02	Buildings - Exterior			0.00%	$	**117,575**		$	**117,575**
1908-03	Buildings - Interior	$ 130,000	15.00	6.67%	$	**38,667**		$	**38,667**
1908-03	Buildings - Interior			0.00%	$	**86,070**		$	**86,070**
1908-03	Buildings - Interior			0.00%	$	**13,199**		$	**13,199**
1908-03	Buildings - Interior			0.00%	$	**2,229**		$	**2,229**
1908-03	Buildings - Interior			0.00%	$	**495**		$	**495**
1908-03	Buildings - Interior			0.00%	$	**36,950**		$	**36,950**

1908-04	Buildings - HVAC	$ 70,000	25.00	4.00%	**$ 5,007**		**$ 5,007**
1908-04	Buildings - HVAC			0.00%	**$ -**		**$ -**
1908-04	Buildings - HVAC			0.00%	**$ 2,749**		**$ 2,749**
1908-04	Buildings - HVAC			0.00%	**$ 38,277**		**$ 38,277**
1908-04	Buildings - HVAC			0.00%	**$ 141,958**		**$ 141,958**
1908-04	Buildings - HVAC			0.00%	**$ 30,503**		**$ 30,503**
1908-04	Buildings - HVAC			0.00%	**$ 5,453**		**$ 5,453**
1908-04	Buildings - HVAC			0.00%	**$ -**		**$ -**
1908-04	Buildings - HVAC			0.00%	**$ -**	$ 1,087,155	**-$ 1,087,155**
1910	Leasehold Improvements			0.00%	**$ -**		**$ -**
1915	Office Furniture & Equipment	$ 35,000	10.00	10.00%	**$ 207,243**	$ 207,243	**$ 0**
1920-01	Computer Equipment - Hardware - Servers/Others	$ 278,000	5.00	20.00%	**$ 201,623**		**$ 201,623**
1920-01	Computer Equipment - Hardware - Servers/Others			0.00%	**$ 237,671**		**$ 237,671**
1920	Computer Equip.-Hardware-Desktops			0.00%	**$ 19,859**		**$ 19,859**
1920	Computer Equip.-Hardware-laptops			0.00%	**$ 10,562**	$ 469,715	**-$ 459,153**
1930-01	Transportation Equipment-Light Vehicles	$ 200,000	6.00	16.67%	**$ 68,143**		**$ 68,143**
1930-02	Transportation Equipment-Bucket Trucks	$ 450,000	12.00	8.33%	**$ 41,565**		**$ 41,565**
1930-03	Transportation Equipment Heavy Duty Trucks	$ 291,000	15.00	6.67%	**$ 25,637**		**$ 25,637**
1930	Transportation Equipment			0.00%	**$ 45,042**		**$ 45,042**
1930	Transportation Equipment			0.00%	**$ 4,398**		**$ 4,398**
1930	Transportation Equipment			0.00%	**$ 5,977**		**$ 5,977**
1930	Transportation Equipment			0.00%	**$ 11,018**		**$ 11,018**
1930	Transportation Equipment			0.00%	**$ 41,101**		**$ 41,101**

1930	Transportation Equipment			0.00%	**$ 60,756**		**$ 60,756**
1930	Transportation Equipment			0.00%	**$ 111**		**$ 111**
1930	Transportation Equipment			0.00%	**$ 29,354**		**$ 29,354**
1930	Transportation Equipment			0.00%	**$ -**		**$ -**
1930	Transportation Equipment			0.00%	**$ -**		**$ -**
1930	Transportation Equipment			0.00%	**$ 45,812**		**$ 45,812**
1930	Transportation Equipment			0.00%	**$ 58,453**		**$ 58,453**
1930	Transportation Equipment			0.00%	**$ 110,624**		**$ 110,624**
1930	Transportation Equipment			0.00%	**$ 21,856**		**$ 21,856**
1930	Transportation Equipment			0.00%	**$ 36,679**		**$ 36,679**
1930	Transportation Equipment			0.00%	**$ 6,547**	$ 613,073	**-$ 606,526**
1935	Stores Equipment			0.00%	**$ 1,151**	$ 1,151	**$ 0**
1940	Tools, Shop & Garage Equipment	$ 75,000	10.00	10.00%	**$ 45,933**	$ 45,933	**$ 0**
1945	Measurement & Testing Equipment	$ 40,000	10.00	10.00%	**$ 10,520**	$ 10,520	**$ 0**
1950	Power Operated Equipment			0.00%	**$ -**		**$ -**
1955	Communications Equipment	$ 154,312	10.00	10.00%	**$ 51,785**	$ 51,785	**$ 0**
1955	Communication Equipment (Smart Meters)			0.00%	**$ -**		**$ -**
1960	Miscellaneous Equipment			0.00%	**$ 31,911**	$ 31,911	**-$ 0**
1970	Load Management Controls - Customer Premises			0.00%	**$ -**		**$ -**
1975	Load Management Controls Utility Premises			0.00%	**$ -**		**$ -**
1980	System Supervisor Equipment	$ 733,032	15.00	6.67%	**$ 312,691**	$ 317,149	**-$ 4,458**
1985	Miscellaneous Fixed Assets			0.00%	**$ -**		**$ -**
1990	Other Tangible Property			0.00%	**$ -**		**$ -**

1995	Contributions & Grants	-$ 15,334,242	47.00	2.13%	-$ 610,747		-$ 610,747
1995	Contributions & Grants			0.00%	-$ 43,545		-$ 43,545
1995	Contributions & Grants			0.00%	-$ 4,141		-$ 4,141
1995	Contributions & Grants			0.00%	-$ 6,203		-$ 6,203
1995	Contributions & Grants			0.00%	-$ 54,683		-$ 54,683
1995	Contributions & Grants			0.00%	-$ 1,787		-$ 1,787
1995	Contributions & Grants			0.00%	-$ 471		-$ 471
1995	Contributions & Grants			0.00%	-$ 3,401		-$ 3,401
1995	Contributions & Grants			0.00%	-$ 401		-$ 401
1995	Contributions & Grants			0.00%	-$ 58,980		-$ 58,980
1995	Contributions & Grants			0.00%	-$ 4,486		-$ 4,486
1995	Contributions & Grants			0.00%	-$ 33,818		-$ 33,818
1995	Contributions & Grants			0.00%	-$ 25,637		-$ 25,637
1995	Contributions & Grants			0.00%	-$ 7,233		-$ 7,233
1995	Contributions & Grants			0.00%	-$ 106,999		-$ 106,999
1995	Contributions & Grants			0.00%	-$ 339,502		-$ 339,502
1995	Contributions & Grants			0.00%	-$ 33,160		-$ 33,160
1995	Contributions & Grants			0.00%	-$ 473,353		-$ 473,353
1995	Contributions & Grants			0.00%	-$ 44,377		-$ 44,377
1995	Contributions & Grants			0.00%	-$ 71,238		-$ 71,238
1995	Contributions & Grants			0.00%	-$ 66,759	-$ 1,990,920	$ 1,924,161
				0.00%	$ -		$ -
					$ -		

					$ -		
				0.00%	$ -		$ -
	Total	**$ 30,690,671**			**$ 11,285,363**	**$ 11,285,363**	**$ 0**
	Total Depreciation expense to be included in the test year revenue requirement				**$ 11,285,363**		

Notes:

1 Board policy of the "half-year" rule - the applicant must ensure that additions in the year attract a half-year depreciation expense in the first year. Deviations from this standard practice must be supported in the application.

2 The applicant must provide an explanation of material variances in evidence.

General: **Applicants must provide a breakdown of depreciation and amortization expense in the above format for all relevant accounts. Asset Retirement Obligations (AROs), depreciation and accretion expense should be disclosed separately consistent with the Notes of historical Audited Financial Statements.**

Attachment 5 of 5

OEB Appendix 2-BB Service Life Comparison

File Number:	EB-2013-0174
Exhibit:	4
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Date:	31-Oct-13

Appendix 2-BB
Service Life Comparison
Table F-1 from Kinetrics Report[1]

		Asset Details			Useful Life			USoA Account Number	USoA Account Description	Current		Proposed	
Parent*	**#**	**Category| Component | Type**			**MIN UL**	**TUL**	**MAX UL**			**Years**	**Rate**	**Years**	**Rate**
	1	Fully Dressed Wood Poles	Overall		35	45	75						
			Overall		35	45	75	1830.001	'Poles Towers & Fixtures - Wooden	25	4%	40	3%
			Cross Arm	Wood	20	40	55						
				Steel	30	70	95						
			Overall		50	60	80						
	2	Fully Dressed Concrete Poles	Overall		50	60	80						
			Cross Arm	Wood	20	40	55	1830.002	Poles Towers & Fixtures - Concrete Poles	25	4%	30	3%
				Steel	30	70	95						
	3	Fully Dressed Steel Poles	Overall		60	60	80						
			Cross Arm	Wood	20	40	55						
				Steel	30	70	95						
	4	OH Line Switch			30	45	55						
	4	OH Line Switch			30	45	55						
OH	5	OH Line Switch Motor			15	25	25						
	5	OH Line Switch Motor			15	25	25	1835.002	O/H Conductors & Devices - Load Interupter Switch	25	4%	20	5%
	6	OH Line Switch RTU			15	20	20						
	6	OH Line Switch RTU			15	20	20	1835.002	O/H Conductors & Devices - Load Interupter Switch	25	4%	20	5%
	7	OH Integral Switches			35	45	60						
	7	OH Integral Switches			35	45	60	1835.003	O/H Conductors & Devices - Disconnect In-Line Swit	25	4%	40	3%
	8	OH Conductors			50	60	75	1855.001	Services - Overhead	25	4%	50	2%
	8	OH Conductors			50	60	75	1835.001	O/H Conductors & Devices - Conductors	25	4%	60	2%
	9	OH Transformers & Voltage Regulators			30	40	60	1850.002	Transformers - Polemount	25	4%	40	3%
	10	OH Shunt Capacitor Banks			25	30	40						
	11	Reclosers			25	40	55						
	12	Power Transformers	Overall		30	45	60	1815.001	Transformer Station Equipment	25	4%	40	3%
			Bushing		10	20	30						
			Tap Changer		20	30	60						
	13	Station Service Transformer			30	45	55	1820.101	Substations - Transformer	40	3%	40	3%
	14	Station Grounding Transformer			30	40	40						
	15	Station DC System	Overall		10	20	30						
			Battery Bank		10	15	15						
			Charger		20	20	30						
	16	Station Metal Clad Switchgear	Overall		30	40	60						
TS & MS			Removable Breaker		25	40	60						
	17	Station Independent Breakers			35	45	65						
	18	Station Switch			30	50	60	1820.102	Substations - High Voltage Switchgear	40	3%	40	3%
	18	Station Switch			30	50	60	1820.103	Substations - Low Voltage Switchgear	40	3%	40	3%
	19	Electromechanical Relays			25	35	50	1820.104	Substations - Breaker & Relay	40	3%	25	4%
	20	Solid State Relays			10	30	45	1820.104	Substations - Breaker & Relay	40	3%	25	4%
	21	Digital & Numeric Relays			15	20	20						
	22	Rigid Busbars			30	55	60						
	23	Steel Structure			35	50	90	1820.105	Substations - Building Structure	40	3%	60	2%
	24	Primary Paper Insulated Lead Covered (PILC) Cables			60	65	75						
	25	Primary Ethylene-Propylene Rubber (EPR) Cables			20	25	25						
	26	Primary Non-Tree Retardant (TR) Cross Linked			20	25	30						
	27	Primary Non-TR XLPE Cables in Duct			20	25	30						
	28	Primary TR XLPE Cables Direct Buried			25	30	35						
	29	Primary TR XLPE Cables in Duct			35	40	55	1820.106	Substations - Cable	40	3%	40	3%
	29	Primary TR XLPE Cables in Duct			35	40	55						
	29	Primary TR XLPE Cables in Duct			35	40	55	1845.001	U/G Conductors & Devices - Conductor	25	4%	40	3%
	30	Secondary PILC Cables			70	75	80						
	31	Secondary Cables Direct Buried			25	35	40						
	32	Secondary Cables in Duct			35	40	60	1855.002	Services - U/G	25	4%	40	3%
UG	33	Network Tranformers	Overall		20	35	50						
			Protector		20	35	40						
	34	Pad-Mounted Transformers			25	40	45	1850.001	Line Transformers - Padmount	25	4%	30	3%
	35	Submersible/Vault Transformers			25	35	45						
	36	UG Foundation			35	55	70						
	37	UG Vaults	Overall		40	60	80						
			Roof		20	30	45						
	38	UG Vault Switches			20	35	50						
	39	Pad-Mounted Switchgear			20	30	45	1845.002	U/G Conductors & Devices - Switchgear & Padmount	25	4%	25	4%
	40	Ducts			30	50	85						
	40	Ducts			30	50	85	1840.001	Underground Conduit	25	4%	60	2%
	41	Concrete Encased Duct Banks			35	55	80						
	42	Cable Chambers			50	60	80						
S	43	Remote SCADA			15	20	30	1980.001	S.C.A.D.A.	15	7%	15	7%

Table F-2 from Kinetrics Report[1]

	Asset Details		Useful Life Range	USoA Account Number	USoA Account Description	Current		Proposed	
#	**Category| Component | Type**					**Years**	**Rate**	**Years**	**Rate**
1	Office Equipment		5-15	1915.001	Office Furniture & Equipment	10	10%	10	10%
2	Vehicles	Trucks & Buckets	5-15	1930.003	Vehicles - Bucket Trucks	8	13%	12	8%
		Trailers	5-20	1930.004	Vehicles - Heavy Duty Trucks	8	13%	15	7%
		Vans	5-10	1930.002	Vehicles-Cars & Vans & Electric	5	20%	6	17%
				1930.005	Vehicles - Tension machines	8	13%	20	5%
3	Administrative Buildings		50-75	1908.003	Service Ctr Building - Structure Foundatio	50	2%	50	2%
3	Administrative Buildings		50-75	1908.001	Service Ctr Building - Exterior	50	2%	25	4%

3	Administrative Buildings		50-75	1908.002	Service Centre Building - Interior	50	2%	15	7%
3	Administrative Buildings		50-75	1908.004	Service Centre Building - HVAC	50	2%	25	4%
4	Leasehold Improvements		Lease dependent	1910.002	Leasehold Improvements	Life of Lease		Life of Lease	
5	Station Buildings	Station Buildings	50-75	1808.001	Distribution Buildings and Fixtures	50	2%	50	2%
		Parking	25-30						
		Fence	25-60						
		Roof	20-30						
6	Computer Equipment	Hardware	3-5	1920.002	Computer Hardware - Desktop	5	20%	4	25%
		Hardware	3-5	1920.003	Computer Hardware - Laptop	5	20%	3	33%
		Hardware	3-5	1920.001	Computer Hardware - Other	5	20%	5	20%
		Software	2-5	1611.001	Computer Sftw - Acquired	3	33%	3	33%
		Software	2-5	1611.002	Computer Sftw - Internal Sftw	5	20%	5	20%
7	Equipment	Power Operated	5-10						
		Stores	5-10	1935.001	Stores equipment	10	10%	10	10%
		Tools, Shop, Garage Equipment	5-10	1940.001	Tools & Equipment	10	10%	10	10%
		Tools, Shop, Garage Equipment	5-10	1960.001	Miscellaneous Equipment	10	10%	10	10%
		Measurement & Testing Equipment	5-10	1945.001	Measure and Test Equipment	10	10%	10	10%
8	Communication	Towers	60-70						
		Wireless	2-10	1955.001	Communication Equipment	10	10%	10	10%
		Wireless	2-10	1955.002	Communications Equip - Fibre	10	10%	10	10%
9	Residential Energy Meters		25-35						
10	Industrial/Commercial Energy Meters		25-35	1860.033	Interval Meters	25	4%	25	4%
11	Wholesale Energy Meters		15-30	1820.100	Subst - Wholesale Metering	40	3%	25	4%
12	Current & Potential Transformer (CT & PT)		35-50						
13	Smart Meters		5-15	1860.030	Smart Meters -Residential	15	7%	15	7%
13	Smart Meters		5-15	1860.031	Smart Meters Commerical	15	7%	15	7%
13	Smart Meters		5-15	1860.032	Smart Meters Collectors	15	7%	15	7%
14	Repeaters - Smart Metering		10-15						
15	Data Collectors - Smart Metering		15-20						

File Number: EB-2013-0174

Date Filed: October 31, 2013

Exhibit 4

Tab 7 of 8

Income & Capital Taxes

Overview of Provision In Lieu of Taxes (PILs)

Overview

Veridian is required to make payments in lieu of taxes ("PILs") to the Province under section 93 of the *Electricity Act*. The amount of actual PILs is based on Veridian's taxable income.

The corporate PILs provision for the 2014 test year has been calculated as $822,451. The grossed-up PILs amount included in the calculation of the 2014 test year revenue requirement is $1,104,396.

Veridian has used the OEB Income Tax/PILs Workform model (the "Tax Model") to calculate the test year PILs. This model is provided at Exhibit 4, Tab 8, Schedule 3, Attachment 1.

Veridian has provided copies of its 2012 corporate income tax returns at Exhibit 4, Tab 8, Schedule 3, Attachment 3. For privacy reasons, Veridian has removed personal employee information that was included in the original filings. Veridian confirms that the financial statements filed with its 2012 corporate income tax returns are the same as the 2012 audited financial statements filed with this application.

Table 1 below summarizes Veridian's taxes for the 2012 historical year, 2013 bridge year and 2014 test year.

Table 1: Summary of Taxes

	2012 Historical Year	2013 Bridge Year	2014 Test Year
Net Income Before Taxes	$ 10,023,164	$ 9,186,759	$ 8,748,056
Taxable Income	$ 8,029,200	$ 4,901,175	$ 3,605,977
Taxes	$ 1,772,564	$ 1,108,240	$ 822,451
Effective Tax Rate	22.1%	22.6%	22.8%

Note: Taxes do not include gross-up value. 2013 and 2014 Net Income Before Taxes are Target Regulatory Net Income, 2012 Net Income Before Taxes are Actual

Net Income Before Taxes for 2013 bridge year and 2014 test year are at deemed net income amounts and therefore include deemed interest.

Table 2 shows the legislated tax rates used in calculating the tax amounts:

Table 2: Legislated Tax Rates

	Effective 1/1/2012	Effective 1/1/2013	Effective 1/1/2014
Federal income tax			
General corporate rate	38.00%	38.00%	38.00%
Federal tax abatement	-10.00%	-10.00%	-10.00%
Adjusted federal rate	28.00%	28.00%	28.00%
Rate reduction	-13.00%	-13.00%	-13.00%
	15.00%	15.00%	15.00%
Ontario income tax	11.50%	11.50%	11.50%
Combined federal and Ontario	26.50%	26.50%	26.50%
Federal & Ontario Small Business			
Federal small business threshold	500,000	500,000	500,000
Ontario Small Business Threshold	500,000	500,000	500,000
Federal small business rate	11.00%	11.00%	11.00%
Ontario small business rate	4.50%	4.50%	4.50%

Regulatory Taxes Expense Methodology

The PILs amount to be included in the revenue requirement is based upon the general principles and methodologies as described in Chapter 2 of the Filing Requirements.

No expenses that are non-recoverable or disallowed for regulatory purposes have been included in the 2014 Test Year amounts.

As stated in the Filing Requirements, regulatory assets and regulatory liabilities have been excluded from PILs calculations.

Veridian has no capital or non-capital loss carry-forward amounts.

2012 Reserves from financial statements – balance at end of year

In the Tax Model, Veridian has provided detailed 2012 historical tax information. On Sheet G. Adj. Taxable Income Historic, the amount of $2,471,816 is noted as the Reserves from financial statements-balance at end of year.

These reserves are compromised of amounts for employee future benefits, environmental liability provision and a provision for GST expensed for accounting as noted below in table 3.

Employee Future Benefits	2,048,552
Environmental Liability Provision	206,000
Provision for GST expensed for accounting	217,264
	2,471,816

As per the Filing Requirements, the amount recognized for employee future benefits in the most recent historical period should agree with the most recent actuary report as provided at Exhibit 4, Tab 3, Schedule 1, Attachment 7. Veridian contracts actuary valuation services every 2 years with 2011 being the most recent actuary report completed. Veridian updates assumptions, values and calculations of its employee future benefits reserve amounts for the years where no actuary report is completed.

Table 4 below provides the detailed reconciliation for the employee future benefit amounts of $2,048,552 noted above and the values from the actuary report filed.

Table 4: Reconciliation of Employee Future benefits at Dec 31, 2012

		Reference
ABO at Jan 1, 2011	1,972,205	Page 2 of Feb 13, 2012 Actuary Report
Current Service Cost	55,189	Page 5 of Feb 13, 2012 Actuary Report
Interest on Benefits (5%)	100,003	Page 5 of Feb 13, 2012 Actuary Report
Retiree insurance premiums paid by Veridian	(54,667)	Page 1 of Dion Durrell-CICA 3461 Final Report
Expected ABO at Dec 31, 2011	2,072,730	
(Gain)/Loss on ABO due to change in discount rate assumption		
Expected ABO at Dec 31, 2011	2,072,730	From above
Actual ABO at Dec 31, 2011	2,235,950	Page 1 of Dion Durrell-CICA 3461 Final Report
(Gain)/Loss on ABO due to change in discount rate assumption	163,220	Due to change in discount rate from 5% to 4.5%
Unfunded ABO at Dec 31, 2011	2,235,950	From above
Unrecognized loss/(gain)	(163,220)	From above
Unrecognized Past Service Cost/(Gain)	(391,788)	Page 8 of Feb 13, 2012 Actuary Report
Accrued Liability at Dec 31, 2011	1,680,942	Page 1 of Dion Durrell-CICA 3461 Final Report
Accrued Benefit Asset / Liability at Jan 1, 2012	1,680,942	From above
(Gain)/Loss on ABO due to change in discount rate assumption	210,420	Change from actuarial assumption of 5.0% to 4.0%
Current service Cost-actual 2012 cost of premiums	83,551	From 2012 actuals
Amortized Past Service (Gain)/ Cost	39,179	Page 5 of Feb 13, 2012 Actuary Report
Interest on benefits (4%)	91,109	
Retiree insurance premiums paid by Veridian	(56,649)	From 2012 actuals
1 Accrued Liability at Dec 31, 2012	2,048,552	

Specific Items in Tax Calculations

Un-depreciated capital cost (UCC) and capital cost allowance (CCA)

Closing 20013 UCC/Opening 2014 UCC balances have been calculated using the 2012 actual closing UCC balances and applying forecasted changes resulting from 2013 projected and additions and retirements and the forecasted 2013 CCA.

The remaining NBV of stranded meters has been included as a disposal on the 2014 Test Year Schedule 8 as these assets are removed from rate base and will be considered for tax purposes a sale/disposal at NBV when the costs are recovered from customers through the proposed rate rider.

The half-year rule has been applied and the maximum amount of CCA has been claimed and includes the effect of the 2001 FMV adjustments ("FMV bump").

Regulatory treatment of Eligible Capital Expenditures (ECE)

ECE arising from FMV bump at October 1, 2001:

The FMV bump has been included in the calculation of the Cumulative Eligible Capital Deduction.

Section 7.25 of the 2006 EDR Handbook states:

"In respect of ECE related to other disallowed or non-recoverable expense

> *Subject to the above, where a distributor's Cumulative Eligible Capital ("ECE") Amounts includes purchased goodwill or other intangible assets that are non-recoverable or disallowed for regulatory purposes, such amounts will also be excluded from the 2006 regulatory tax calculation. The OEB regulatory tax calculation will not take into account any increase in capital cost allowance when distribution assets are purchased above book value."*

Accordingly, Veridian has not included within its CEC Deduction the component of Cumulative Eligible Capital associated with goodwill arising from purchase price on acquisitions. The goodwill component of the 2012 closing balance of CEC has been calculated and removed from the 2014 forecast calculation of the CEC deduction. A continuity schedule of the components of CEC from 2001 – 2012 has been filed as Exhibit 4, Tab 8, Schedule 3, Attachment 2.

Capitalized Interest

Veridian has not capitalized interest incurred on construction work in progress (allowance for funds used during construction) for tax purposes; however, interest in capitalized for accounting purposes.

Tax Credits

Table 1 below summarizes tax credits included in the Tax Model.

Table 1: Tax Credits	2012 Historical Year	2013 Bridge Year	2014 Test Year
Investment Tax Credits	$ 206,006	$ 62,025	$ 48,133
Miscellaneous Tax Credits			
- Apprentice Credits	$ 81,546	$ 81,546	$ 32,000
- Co-operative Education Credits	$ 18,000	$ 18,000	$ 18,000
	$ 305,552	**$ 161,571**	**$ 98,133**

In 2014 the number of apprentices eligible for the provincial tax credit falls to three and the number eligible for the federal tax credit falls to one. Full year, maximum tax credits have been forecast for the test year.

In 2014 the number of eligible co-operative students is forecast to be the same as in 2012 and 2013 at six students. The maximum tax credit per student has been forecast.

Investment Tax Credits consists of the Scientific Research and Experimental Development ("SR&ED") investment tax credit. These credits vary considerably from year to year, depending upon which of Veridian's project investments qualify in any given year. The forecast for the 2013 bridge year and 2014 test year are based on qualifying forecast projects and operations in those years. The number and investment level of qualifying projects is expected to be significantly lower in 2013 and 2014, than in 2012.

Table 2 below provides the list of qualifying expenditures and the forecast of amounts eligible within each qualifying expenditure.

Table 2 - Forecast of claims by qualifying expenditures (SR&ED)

	2013 Bridge Year	2014 Test Year
Mobile Computing	$ 30,000	$ 22,000
Distribution Automation Enhancements	$ 100,500	$ 36,000
GIS Enhancements	$ 22,500	$ 24,000
System Planning	$ 61,500	$ 77,500
	$ 214,500	$ 159,500

Integrity Checks

As per the Filing Requirements, Veridian verifies the following data integrity checks with respect to the PILs calculations for the test year.

1) Depreciation and amortization added back within the Model agree with the numbers disclosed in the rate base section of the application

Amortization added back (2014)	$10,672,290
Vehicle amortization added back (2014)	$613,073
Total amortization added back (2014)	$11,285,363
Total 2014 amortization Appendix 2-BA	$11,285,363

2) The capital additions and deductions in the UCC/CCA Schedule 8 agree with the rate base section for bridge and test years

Capital Additions/Deductions	2013 Bridge	2014 Test
From Schedule 8 in Model	$23,118,181	$30,270,671
Assets capitalized for accounting deducted for tax	$400,000	$400,000
Interest Capitalized for accounting deducted for tax	$167,000	$167,000
Total Additions	$23,685,181	$30,837,671
Total Additions Appendix 2-BA	$23,685,181	$30,837,671

3) Schedule 8 of the most recent federal T2 tax return filed with the application has a closing December 31st historic year UCC that agrees with the opening bridge year UCC

at January 1st. If the amounts do not agree, then the applicant must provide a reconciliation with explanations for the reasons

	Historic Tax Return	Bridge Year UCC January 1st in Model
UCC Balance at Dec 31, 2012	$202,883,399	$202,341,364
Less: Non-Distribution (Clean Energy Generation Equipment)	($542,305)	
	$202,341,364	

4) The CCA deductions in the application's PILs tax model for historic, bridge and test years agree with the numbers in the UCC schedules for the same years filed in the application. Veridian confirms.

5) Loss carry-forwards, if any, from the tax returns (Schedule 4) agree with those disclosed in the application. Veridian has no loss carry-forwards.
6) CCA is maximized even if there are tax loss carry-forwards. Veridian confirms that CCA is maximized.

7) Accounting OPEB and pension amounts added back on Schedule 1 reconciliation of accounting income to net income for tax purposes must agree with the OM&A analysis for compensation. Veridian confirms.

8) The income tax rate used to calculate the tax expense must be consistent with the utility's actual tax facts and evidence filed in the proceeding. Veridian confirms.

Attachment 1 of 3

Tax Workform Model

In
Workf

Utility Name	Veridian Connections Inc.
Assigned EB Number	
Name and Title	
Phone Number	
Email Address	
Date	
Last COS Re-based Year	**2010**

Note: Drop-down lists are shaded blue; Input cells are shaded green.

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applications, the onus remains on the applicant to ensure the accuracy of

Algoma Power Inc.
Atikokan Hydro Inc.
Attawapiskat Power Corp.
Bluewater Power Distribution Corporation
Brant County Power Inc.
Brantford Power Inc.
Burlington Hydro Inc.
Cambridge and North Dumfries Hydro Inc.
Canadian Niagara Power Inc. - Eastern Ontario Power
Canadian Niagara Power Inc. - Fort Erie

Canadian Niagara Power Inc. - Port Colborne Hydro Inc.
Centre Wellington Hydro Ltd.

Clinton Power Corporation
COLLUS Power Corporation
Cooperative Hydro Embrun Inc.
E.L.K. Energy Inc.
Enersource Hydro Mississauga Inc.
Entegrus Powerlines Inc. - Chatham-Kent
Entegrus Powerlines Inc. - Dutton
Entegrus Powerlines Inc. - Newbury
Entegrus Powerlines Inc. - Strathroy, Mounth Brydges & Parkhill
ENWIN Utilities Ltd.
Erie Thames Powerlines Corporation
Espanola Regional Hydro Distribution Corporation
Essex Powerlines Corporation
Festival Hydro Inc.
Festival Hydro Inc. - Hensall
Fort Albany Power Corporation
Fort Frances Power Corporation
Greater Sudbury Hydro Inc.
Grimsby Power Inc.
Guelph Hydro Electric Systems Inc.
Haldimand County Hydro Inc.
Halton Hills Hydro Inc.
Hearst Power Distribution Company Limited
Horizon Utilities Corporation
Hydro 2000 Inc.
Hydro Hawkesbury Inc.
Hydro One Brampton Networks Inc.
Hydro One Networks Inc.
Hydro Ottawa Limited

Innisfil Hydro Distribution Systems Limited
Kashechewan Power Corporation
Kenora Hydro Electric Corporation Ltd.
Kingston Hydro Corporation
Kitchener-Wilmot Hydro Inc.
Lakefront Utilities Inc.
Lakeland Power Distribution Ltd.
London Hydro Inc.
Midland Power Utility Corporation
Milton Hydro Distribution inc.
Newmarket - Tay Power Distribution Ltd. - Newmarket
Newmarket - Tay Power Distribution Ltd. - Tay
Niagara Peninsula Energy Inc. - Niagara Falls
Niagara Peninsula Energy Inc. - Peninsula West
Niagara-on-the-Lake Hydro Inc.
Norfolk Power Distribution Inc.
North Bay Hydro Distribution Limited
Northern Ontario Wires Inc.
Oakville Hydro Electricity Distribution Inc.
Orangeville Hydro Limited
Orillia Power Distribution Corporation
Oshawa PUC Networks Inc.
Ottawa River Power Corporation
Parry Sound Power Corporation
Peterborough Distribution Incorporated
PowerStream Inc. - Barrie
PowerStream Inc. - South
PUC Distribution Inc.
Renfrew Hydro Inc.
Rideau St. Lawrence Distribution Inc.
Sioux Lookout Hydro Inc.
St. Thomas Energy Inc.
Thunder Bay Hydro Electricity Distribution Inc.
Tillsonburg Hydro Inc.
Toronto Hydro-Electric System Limited
Veridian Connections Inc.
Veridian Connections Inc. - Gravenhurst
Wasaga Distribution Inc.
Waterloo North Hydro Inc.
Welland Hydro-Electric System Corp.
Wellington North Power Inc.
West Coast Huron Energy Inc.
West Perth Power Inc.
Westario Power Inc.
Whitby Hydro Electric Corporation
Woodstock Hydro Services Inc.


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Income Tax/PILs Workform for 2014 Filers

Rate Base			**$**	**243,542,771**	
Return on Ratebase					
Deemed ShortTerm Debt %	4.00%	T	$	9,741,711	*W = S * T*
Deemed Long Term Debt %	56.00%	U	$	136,383,952	*X = S * U*
Deemed Equity %	40.00%	V	$	97,417,108	*Y = S * V*
Short Term Interest Rate	2.07%	Z	$	201,653	*AC = W * Z*
Long Term Interest	5.10%	AA	$	6,956,945	*AD = X * AA*
Return on Equity (Regulatory Income)	8.98%	AB	**$**	**8,748,056**	*AE = Y * AB*
Return on Rate Base			**$**	**15,906,655**	*AF = AC + AD + AE*

Questions that must be answered

Question	Historic	Bridge	Test Year
1. Does the applicant have any Investment Tax Credits (ITC)?	Yes	Yes	Yes
2. Does the applicant have any SRED Expenditures?	Yes	Yes	Yes
3. Does the applicant have any Capital Gains or Losses for tax purposes?	No	No	No
4. Does the applicant have any Capital Leases?	No	No	No
5. Does the applicant have any Loss Carry-Forwards (non-capital or net capital)?	No	No	No
6. Since 1999, has the applicant acquired another regulated applicant's assets?	Yes	Yes	Yes
7. Did the applicant pay dividends? *If Yes, please describe what was the tax treatment in the manager's summary.*	Yes	Yes	Yes
8. Did the applicant elect to capitalize interest incurred on CWIP for tax purposes?	Yes	Yes	Yes

Income Tax/PILs Workform for 2014 Filers

Tax Rates Federal & Provincial As of June 20, 2012	Effective ################	Effective ################	Effective ################	Effective ################
Federal income tax				
General corporate rate	38.00%	38.00%	38.00%	38.00%
Federal tax abatement	-10.00%	-10.00%	-10.00%	-10.00%
Adjusted federal rate	28.00%	28.00%	28.00%	28.00%
Rate reduction	-11.50%	-13.00%	-13.00%	-13.00%
	16.50%	15.00%	15.00%	15.00%
Ontario income tax	11.75%	11.50%	11.50%	11.50%
Combined federal and Ontario	28.25%	26.50%	26.50%	26.50%
Federal & Ontario Small Business				
Federal small business threshold	500,000	500,000	500,000	500,000
Ontario Small Business Threshold	500,000	500,000	500,000	500,000
Federal small business rate	11.00%	11.00%	11.00%	11.00%
Ontario small business rate	4.50%	4.50%	4.50%	4.50%

Income Tax/PILs Workform for 2014 Filers

Schedule 8 - Historical Year

Class	Class Description	UCC End of Year Historic per tax returns	Less: Non-Distribution Portion	UCC Regulated Historic Year
1	Distribution System - post 1987	102,134,443		102,134,443
1 Enhanced	Non-residential Buildings Reg. 1100(1)(a.1) election	9,938,810		9,938,810
2	Distribution System - pre 1988	0		0
8	General Office/Stores Equip	2,694,340		2,694,340
10	Computer Hardware/ Vehicles	2,485,450		2,485,450
10.1	Certain Automobiles	37,651		37,651
12	Computer Software	1,013,716		1,013,716
13 $_1$	Lease # 1	45,531		45,531
13 $_2$	Lease #2			0
13 $_3$	Lease # 3			0
13 $_4$	Lease # 4			0
14	Franchise			0
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs			0
42	Fibre Optic Cable	4,674		4,674
43.1	Certain Energy-Efficient Electrical Generating Equipment			0
43.2	Certain Clean Energy Generation Equipment	542,035	542,035	0
45	Computers & Systems Software acq'd post Mar 22/04	21,233		21,233
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)			0
47	Distribution System - post February 2005	78,372,847		78,372,847
50	Data Network Infrastructure Equipment - post Mar 2007	304,484		304,484
52	Computer Hardware and system software			0
95	CWIP	5,288,185		5,288,185
				0
				0
				0
				0
				0
				0
				0
				0
				0
				0
	SUB-TOTAL - UCC	**202,883,399**	**542,035**	**202,341,364**

Income Tax/PILs Workform for 2014 Filers

Schedule 10 CEC - Historical Year

Cumulative Eligible Capital				**2,702,729**
Additions				
Cost of Eligible Capital Property Acquired during Test Year	9,051			
Other Adjustments	0			
Subtotal	9,051	**x 3/4 =**	6,788	
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday, December 20, 2002	0	**x 1/2 =**	0	
			6,788	**6,788**
Amount transferred on amalgamation or wind-up of subsidiary	0			**0**
Subtotal				**2,709,517**
Deductions				
Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during Test Year				
Other Adjustments	0			
Subtotal	0	**x 3/4 =**		**0**
Cumulative Eligible Capital Balance				**2,709,517**
Current Year Deduction		**2,709,517**	**x 7% =**	**189,666**
Cumulative Eligible Capital - Closing Balance				**2,519,851**

Income Tax/PILs Workform for 2014 Filers

Schedule 13 Tax Reserves - Historical

Continuity of Reserves

Description	Historical Balance as per tax returns	Non-Distribution Eliminations	Utility Only
Capital Gains Reserves ss.40(1)			0
Tax Reserves Not Deducted for accounting purposes			
Reserve for doubtful accounts ss. 20(1)(l)			0
Reserve for goods and services not delivered ss. 20(1)(m)			0
Reserve for unpaid amounts ss. 20(1)(n)			0
Debt & Share Issue Expenses ss. 20(1)(e)			0
Other tax reserves			0
			0
			0
			0
			0
			0
Total	**0**	**0**	**0**
Financial Statement Reserves (not deductible for Tax Purposes)			
General Reserve for Inventory Obsolescence (non-specific)			0
General reserve for bad debts			0
Accrued Employee Future Benefits:	2,048,552		2,048,552
- Medical and Life Insurance			0
-Short & Long-term Disability			0
-Accmulated Sick Leave			0
- Termination Cost			0
- Other Post-Employment Benefits			0
Provision for Environmental Costs			0
Restructuring Costs			0
Accrued Contingent Litigation Costs			0
Accrued Self-Insurance Costs			0
Other Contingent Liabilities	206,000		206,000
Bonuses Accrued and Not Paid Within 180 Days of Year-End ss. 78(4)			0
Unpaid Amounts to Related Person and Not Paid Within 3 Taxation Years ss. 78(1)			0
Other	217,264		217,264
			0
			0
Total	**2,471,816**	**0**	**2,471,816**

Schedule 7-1 Loss Carry Forward - Historic

Corporation Loss Continuity and Application

Non-Capital Loss Carry Forward Deduction	Total	Non-Distribution Portion	Utility Balance
Actual Historic	0		0

Net Capital Loss Carry Forward Deduction	Total	Non-Distribution Portion	Utility Balance
Actual Historic	0		0

Income Tax/PILs Workform for 2014 Filers

Adjusted Taxable Income - Historic Year

	T2S1 line #	Total for Legal Entity	Non-Distribution Eliminations	Historic Wires Only
Income before PILs/Taxes	**A**	10,023,164		10,023,164
Additions:				
Interest and penalties on taxes	103	151,017		151,017
Amortization of tangible assets	104	8,757,627		8,757,627
Amortization of intangible assets	106			0
Recapture of capital cost allowance from Schedule 8	107			0
Gain on sale of eligible capital property from Schedule 10	108			0
Income or loss for tax purposes- joint ventures or partnerships	109			0
Loss in equity of subsidiaries and affiliates	110			0
Loss on disposal of assets	111			0
Charitable donations	112	75,141	75,141	0
Taxable Capital Gains	113			0
Political Donations	114			0
Deferred and prepaid expenses	116			0
Scientific research expenditures deducted on financial statements	118	177,586		177,586
Capitalized interest	119			0
Non-deductible club dues and fees	120	12,926		12,926
Non-deductible meals and entertainment expense	121	8,233		8,233
Non-deductible automobile expenses	122			0
Non-deductible life insurance premiums	123			0
Non-deductible company pension plans	124			0
Tax reserves deducted in prior year	125			0
Reserves from financial statements- balance at end of year	126	2,471,816		2,471,816
Soft costs on construction and renovation of buildings	127			0
Book loss on joint ventures or partnerships	205			0
Capital items expensed	206			0
Debt issue expense	208			0
Development expenses claimed in current year	212			0
Financing fees deducted in books	216			0
Gain on settlement of debt	220			0
Non-deductible advertising	226			0
Non-deductible interest	227			0
Non-deductible legal and accounting fees	228			0
Recapture of SR&ED expenditures	231			0
Share issue expense	235			0
Write down of capital property	236			0
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237			0
Other Additions				
Interest Expensed on Capital Leases	290			0
Realized Income from Deferred Credit Accounts	291			0
Pensions	292			0
Non-deductible penalties	293			0
Vehicle amort. Not included in amortization addback above	294	194,765		194,765
Other non-current assets	295	135,539		135,539
ARO Accretion expense				0
Capital Contributions Received (ITA 12(1)(x))		6,006,797		6,006,797
Lease Inducements Received (ITA 12(1)(x))				0
Deferred Revenue (ITA 12(1)(a))		4,766,810		4,766,810
Prior Year Investment Tax Credits received				0
Unrealized loss on interest rate swaps		352,073		352,073

Apprenticeship and Co-operative EducationTax Credits		97,313		97,313
OITC/ORDTC from prior year-12(1)(x)-4.5% of proxy		10,864		10,864
				0
				0
				0
				0
				0
				0
				0
Total Additions		**23,218,507**	**75,141**	**23,143,366**
Deductions:				
Gain on disposal of assets per financial statements	401	11,400		11,400
Dividends not taxable under section 83	402			0
Capital cost allowance from Schedule 8	403	14,341,634		14,341,634
Terminal loss from Schedule 8	404			0
Cumulative eligible capital deduction from Schedule 10	405	446,732		446,732
Allowable business investment loss	406			0
Deferred and prepaid expenses	409			0
Scientific research expenses claimed in year	411	422,054		422,054
Tax reserves claimed in current year	413			0
Reserves from financial statements - balance at beginning of year	414	2,092,942		2,092,942
Contributions to deferred income plans	416			0
Book income of joint venture or partnership	305			0
Equity in income from subsidiary or affiliates	306			0
Other deductions: (Please explain in detail the nature of the item)				
Interest capitalized for accounting deducted for tax	390	196,730		196,730
Capital Lease Payments	391			0
Non-taxable imputed interest income on deferral and variance accounts	392			0
	393			0
	394			0
ARO Payments - Deductible for Tax when Paid				0
ITA 13(7.4) Election - Capital Contributions Received		6,006,797		6,006,797
ITA 13(7.4) Election - Apply Lease Inducement to cost of Leaseholds				0
Deferred Revenue - ITA 20(1)(m) reserve				0
Principal portion of lease payments				0
Lease Inducement Book Amortization credit to income				0
Financing fees for tax ITA 20(1)(e) and (e.1)				0
Proceeds on sales recorded for acctg, reduce UCC for tax		160,685		160,685
Assets capitalized for acctg.		483,960		483,960
Smart Meter Receivable		803,169		803,169
Pension contribution capitalized for Acctg		343,441		343,441
POEB Capitalized for Acctg		84,852		84,852
				0
				0
Total Deductions		**25,394,396**	**0**	**25,394,396**
Net Income for Tax Purposes		**7,847,275**	**75,141**	**7,772,134**
Charitable donations from Schedule 2	311			0
Taxable dividends deductible under section 112 or 113, from Schedule 3 (item 82)	320			0
Non-capital losses of preceding taxation years from Schedule 4	331			0
Net-capital losses of preceding taxation years from Schedule 4 *(Please include explanation and calculation in Manager's summary)*	332			0
Limited partnership losses of preceding taxation years from Schedule 4	335			0
TAXABLE INCOME		**7,847,275**	**75,141**	**7,772,134**

Income Tax/PILs
Workform for 2014 Filers

PILs Tax Provision - Historic Year

Note: Input the actual information from the tax returns for the historic year.

						Wires Only	
Regulatory Taxable Income						$ 7,772,134	**A**
Ontario Income Taxes							
Income tax payable	**Ontario Income Tax**	11.50%	**B**	$ 893,795	**C = A * B**		
Small business credit	Ontario Small Business Threshold	$ 500,000	**D**				
	Rate reduction (negative)	-7.50%	**E**	-$ 37,500	**F = D * E**		
Ontario Income tax						$ 856,295	**J = C + F**
Combined Tax Rate and PILs	Effective Ontario Tax Rate			11.02%	**K = J / A**		
	Federal tax rate			15.00%	**L**		
	Combined tax rate					26.02%	**M = K + L**
Total Income Taxes						**$ 2,022,116**	**N = A * M**
Investment Tax Credits						$ 206,006	**O**
Miscellaneous Tax Credits						$ 93,546	**P**
Total Tax Credits						**$ 299,552**	**Q = O + P**
Corporate PILs/Income Tax Provision for Historic Year						**$ 1,722,564**	**R = N - Q**

Income Tax/PILs Workform for 2014 Filers

Schedule 8 CCA - Bridge Year

Class	Class Description	UCC Regulated Historic Year	Additions	Disposals (Negative)	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions Less Disposals}
1	Distribution System - post 1987	$ 102,134,443			$ 102,134,443	$ -
1 Enhanced	Non-residential Buildings Reg. 1100(1)(a.1) election	$ 9,938,810	$ 712,000		$ 10,650,810	$ 356,000
2	Distribution System - pre 1988	$ -			$ -	$ -
8	General Office/Stores Equip	$ 2,694,340	$ 1,019,000		$ 3,713,340	$ 509,500
10	Computer Hardware/ Vehicles	$ 2,485,450	$ 293,000		$ 2,778,450	$ 146,500
10.1	Certain Automobiles	$ 37,651			$ 37,651	$ -
12	Computer Software	$ 1,013,716	$ 1,480,633		$ 2,494,349	$ 740,317
13 1	Lease # 1	$ 45,531			$ 45,531	$ -
13 2	Lease #2				$ -	$ -
13 3	Lease # 3				$ -	$ -
13 4	Lease # 4				$ -	$ -
14	Franchise				$ -	$ -
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than Bldgs				$ -	$ -
42	Fibre Optic Cable	$ 4,674			$ 4,674	$ -
43.1	Certain Energy-Efficient Electrical Generating Equipment				$ -	$ -
43.2	Certain Clean Energy Generation Equipment	$ -			$ -	$ -
45	Computers & Systems Software acq'd post Mar 22/04	$ 21,233			$ 21,233	$ -
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)				$ -	$ -
47	Distribution System - post February 2005	$ 78,372,847	$ 18,828,681		$ 97,201,528	$ 9,414,341
50	Data Network Infrastructure Equipment - post Mar 2007	$ 304,484	$ 784,867		$ 1,089,351	$ 392,434
52	Computer Hardware and system software				$ -	$ -
95	CWIP	$ 5,288,185			$ 5,288,185	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
	TOTAL	$ 202,341,364	$ 23,118,181	$ -	$ 225,459,545	$ 11,559,091

Reduced UCC	Rate %	Bridge Year CCA	UCC End of Bridge Year
$ 102,134,443	4%	$ 4,085,378	$ 98,049,065
$ 10,294,810	6%	$ 617,689	$ 10,033,121
$ -	6%	$ -	$ -
$ 3,203,840	20%	$ 640,768	$ 3,072,572
$ 2,631,950	30%	$ 789,585	$ 1,988,865
$ 37,651	30%	$ 11,295	$ 26,356
$ 1,754,033	100%	$ 1,754,033	$ 740,317
$ 45,531		$ -	$ 45,531
$ -		$ -	$ -
$ -		$ -	$ -
$ -		$ -	$ -
$ -		$ -	$ -
$ -	8%	$ -	$ -
$ 4,674	12%	$ 561	$ 4,113
$ -	30%	$ -	$ -
$ -	50%	$ -	$ -
$ 21,233	45%	$ 9,555	$ 11,678
$ -	30%	$ -	$ -
$ 87,787,188	8%	$ 7,022,975	$ 90,178,553
$ 696,918	55%	$ 383,305	$ 706,046
$ -	100%	$ -	$ -
$ 5,288,185		$ -	$ 5,288,185
$ -		$ -	$ -
$ -		$ -	$ -
$ -		$ -	$ -
$ -		$ -	$ -
$ -		$ -	$ -
$ -		$ -	$ -
$ -		$ -	$ -
$ -		$ -	$ -
$ -		$ -	$ -
$ -		$ -	$ -
$ 213,900,455		**$ 15,315,142**	**$ 210,144,403**

Income Tax/PILs Workform for 2014 Filers

Schedule 10 CEC - Bridge Year

Cumulative Eligible Capital				2,519,851
Additions				
Cost of Eligible Capital Property Acquired during Test Year				
Other Adjustments	0			
Subtotal	0	x 3/4 =	0	
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday, December 20, 2002	0	x 1/2 =	0	
			0	0
Amount transferred on amalgamation or wind-up of subsidiary	0			0
Subtotal				2,519,851
Deductions				
Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during Test Year				
Other Adjustments	0			
Subtotal	0	x 3/4 =		0
Cumulative Eligible Capital Balance				2,519,851
Current Year Deduction		2,519,851	x 7% =	176,390
Cumulative Eligible Capital - Closing Balance				2,343,461

Income Tax/PILs
Workform for 2014 Filers

Schedule 13 Tax Reserves - Bridge Year

Continuity of Reserves

Description	Historic Utility Only	Eliminate Amounts Not Relevant for Bridge Year	Adjusted Utility Balance	Bridge Year Adjustments		Balance for Bridge Year	Change During the Year	Disallowed Expenses
				Additions	Disposals			
Capital Gains Reserves ss.40(1)	0		0			0	0	
Tax Reserves Not Deducted for accounting purposes								
Reserve for doubtful accounts ss. 20(1)(l)	0		0			0	0	
Reserve for goods and services not delivered ss. 20(1)(m)	0		0			0	0	
Reserve for unpaid amounts ss. 20(1)(n)	0		0			0	0	
Debt & Share Issue Expenses ss. 20(1)(e)	0		0			0	0	
Other tax reserves	0		0			0	0	
	0		0			0	0	
	0		0			0	0	
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Financial Statement Reserves (not deductible for Tax Purposes)								
General Reserve for Inventory Obsolescence (non-specific)	0		0			0	0	
General reserve for bad debts	0		0			0	0	
Accrued Employee Future Benefits:	2,048,552		2,048,552	163,798		2,212,350	163,798	
- Medical and Life Insurance	0		0			0	0	
-Short & Long-term Disability	0		0			0	0	
-Accmulated Sick Leave	0		0			0	0	
- Termination Cost	0		0			0	0	
- Other Post-Employment Benefits	0		0			0	0	
Provision for Environmental Costs	0		0			0	0	
Restructuring Costs	0		0			0	0	
Accrued Contingent Litigation Costs	0		0			0	0	
Accrued Self-Insurance Costs	0		0			0	0	
Other Contingent Liabilities	206,000	-206,000	0			0	0	
Bonuses Accrued and Not Paid Within 180 Days of Year-End ss. 78(4)	0		0			0	0	
Unpaid Amounts to Related Person and Not Paid Within 3 Taxation Years ss. 78(1)	0		0			0	0	
Other	217,264	-217,264	0			0	0	
	0		0			0	0	
	0		0			0	0	
Total	**2,471,816**	**-423,264**	**2,048,552**	**163,798**	**0**	**2,212,350**	**163,798**	**0**

Income Tax/PILs Workform for 2014 Filers

Corporation Loss Continuity and Application

Schedule 7-1 Loss Carry Forward - Bridge Year

Non-Capital Loss Carry Forward Deduction	**Total**
Actual Historic	0
Application of Loss Carry Forward to reduce taxable income in Bridge Year	
Other Adjustments Add (+) Deduct (-)	
Balance available for use in Test Year	0
Amount to be used in Bridge Year	
Balance available for use post Bridge Year	0

Net Capital Loss Carry Forward Deduction	**Total**
Actual Historic	0
Application of Loss Carry Forward to reduce taxable income in Bridge Year	
Other Adjustments Add (+) Deduct (-)	
Balance available for use in Test Year	0
Amount to be used in Bridge Year	
Balance available for use post Bridge Year	0

Income Tax/PILs Workform for 2014 Filers

Adjusted Taxable Income - Bridge Year

	T2S1 line #	Total for Regulated Utility
Income before PILs/Taxes	**A**	9,186,759

Additions:		
Interest and penalties on taxes	103	
Amortization of tangible assets	104	10,737,493
Amortization of intangible assets	106	
Recapture of capital cost allowance from Schedule 8	107	
Gain on sale of eligible capital property from Schedule 10	108	
Income or loss for tax purposes- joint ventures or partnerships	109	
Loss in equity of subsidiaries and affiliates	110	
Loss on disposal of assets	111	
Charitable donations	112	
Taxable Capital Gains	113	
Political Donations	114	
Deferred and prepaid expenses	116	
Scientific research expenditures deducted on financial statements	118	61,599
Capitalized interest	119	
Non-deductible club dues and fees	120	12,926
Non-deductible meals and entertainment expense	121	8,233
Non-deductible automobile expenses	122	
Non-deductible life insurance premiums	123	
Non-deductible company pension plans	124	
Tax reserves deducted in prior year	125	0
Reserves from financial statements- balance at end of year	126	2,212,350
Soft costs on construction and renovation of buildings	127	
Book loss on joint ventures or partnerships	205	
Capital items expensed	206	
Debt issue expense	208	
Development expenses claimed in current year	212	
Financing fees deducted in books	216	
Gain on settlement of debt	220	
Non-deductible advertising	226	
Non-deductible interest	227	
Non-deductible legal and accounting fees	228	
Recapture of SR&ED expenditures	231	
Share issue expense	235	
Write down of capital property	236	
Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237	

Income Tax/PILs Workform for 2014 Filers

Adjusted Taxable Income - Bridge Year

Other Additions		
Interest Expensed on Capital Leases	290	
Realized Income from Deferred Credit Accounts	291	
Pensions	292	
Non-deductible penalties	293	
	294	
	295	
ARO Accretion expense		
Capital Contributions Received (ITA 12(1)(x))		
Lease Inducements Received (ITA 12(1)(x))		
Deferred Revenue (ITA 12(1)(a))		
Prior Year Investment Tax Credits received		
Vehicle Amortization not included in amortization addback above		556,305
Apprenticeship and co-op tax credits		99,546
OITC/ORDTC from prior year-12(1)(x)-4.5% of proxy		8,767
Total Additions		**13,697,219**
Deductions:		
Gain on disposal of assets per financial statements	401	
Dividends not taxable under section 83	402	
Capital cost allowance from Schedule 8	403	15,315,142
Terminal loss from Schedule 8	404	
Cumulative eligible capital deduction from Schedule 10	405	176,390
Allowable business investment loss	406	
Deferred and prepaid expenses	409	
Scientific research expenses claimed in year	411	42,719
Tax reserves claimed in current year	413	0
Reserves from financial statements - balance at beginning of year	414	2,048,552
Contributions to deferred income plans	416	
Book income of joint venture or partnership	305	
Equity in income from subsidiary or affiliates	306	
Other deductions: (Please explain in detail the nature of the item)		

Income Tax/PILs Workform for 2014 Filers

Adjusted Taxable Income - Bridge Year

Interest capitalized for accounting deducted for tax	390	0
Capital Lease Payments	391	
Non-taxable imputed interest income on deferral and variance accounts	392	
	393	
	394	
ARO Payments - Deductible for Tax when Paid		
ITA 13(7.4) Election - Capital Contributions Received		
ITA 13(7.4) Election - Apply Lease Inducement to cost of Leaseholds		
Deferred Revenue - ITA 20(1)(m) reserve		
Principal portion of lease payments		
Lease Inducement Book Amortization credit to income		
Financing fees for tax ITA 20(1)(e) and (e.1)		
Assets capitalized for acctg.		400,000
Total Deductions		**17,982,803**
Net Income for Tax Purposes		**4,901,175**
Charitable donations from Schedule 2	311	
Taxable dividends deductible under section 112 or 113, from Schedule 3 (item 82)	320	
Non-capital losses of preceding taxation years from Schedule 4	331	
Net-capital losses of preceding taxation years from Schedule 4 *(Please include explanation and calculation in Manager's summary)*	332	
Limited partnership losses of preceding taxation years from Schedule 4	335	
TAXABLE INCOME		**4,901,175**

Income Tax/PILs Workform for 2014 Filers

PILS Tax Provision - Bridge Year

						Wires Only	
Regulatory Taxable Income						$ 4,901,175	**A**
Ontario Income Taxes							
Income tax payable	**Ontario Income Tax**	11.50%	**B**	$ 563,635	**C = A * B**		
Small business credit	Ontario Small Business Threshold	$ 500,000	**D**				
	Rate reduction	-7.00%	**E**	-$ 35,000	**F = D * E**		
Ontario Income tax						$ 528,635	**J = C + F**
Combined Tax Rate and PILs	Effective Ontario Tax Rate			10.79%	**K = J / A**		
	Federal tax rate			15.00%	**L**		
	Combined tax rate					25.79%	**M = K + L**
Total Income Taxes						**$ 1,263,811**	**N = A * M**
Investment Tax Credits						$ 62,025	**O**
Miscellaneous Tax Credits						$ 93,546	**P**
Total Tax Credits						**$ 155,571**	**Q = O + P**
Corporate PILs/Income Tax Provision for Bridge Year						**$ 1,108,240**	**R = N - Q**

Note:

1. This is for the derivation of Bridge year PILs income tax expense and should not be used for Test year revenue requirement calculations.

Income Tax/PILs
Workform for 2014 Filers

Schedule 8 CCA - Test Year

Class	Class Description	UCC Test Year Opening Balance	Additions	Disposals (Negative)	UCC Before 1/2 Yr Adjustment	1/2 Year Rule {1/2 Additions Less Disposals}
1	Distribution System - post 1987	$ 98,049,065	315,000		$ 98,364,065	$ 157,500
1 Enhanced	Non-residential Buildings Reg. 1100(1)(a.1) election	$ 10,033,121			$ 10,033,121	$ -
2	Distribution System - pre 1988	$ -			$ -	$ -
8	General Office/Stores Equip	$ 3,072,572	1,037,344		$ 4,109,916	$ 518,672
10	Computer Hardware/ Vehicles	$ 1,988,865	941,000		$ 2,929,865	$ 470,500
10.1	Certain Automobiles	$ 26,356			$ 26,356	$ -
12	Computer Software	$ 740,317	1,215,000		$ 1,955,317	$ 607,500
13 1	Lease # 1	$ 45,531			$ 45,531	$ -
13 2	Lease #2	$ -			$ -	$ -
13 3	Lease # 3	$ -			$ -	$ -
13 4	Lease # 4	$ -			$ -	$ -
14	Franchise	$ -			$ -	$ -
17	New Electrical Generating Equipment Acq'd after Feb 27/00 Other Than B	$ -			$ -	$ -
42	Fibre Optic Cable	$ 4,113			$ 4,113	$ -
43.1	Certain Energy-Efficient Electrical Generating Equipment	$ -			$ -	$ -
43.2	Certain Clean Energy Generation Equipment	$ -			$ -	$ -
45	Computers & Systems Software acq'd post Mar 22/04	$ 11,678			$ 11,678	$ -
46	Data Network Infrastructure Equipment (acq'd post Mar 22/04)	$ -			$ -	$ -
47	Distribution System - post February 2005	$ 90,178,553	26,484,327	-4,419,562	$ 112,243,318	$ 11,032,383
50	Data Network Infrastructure Equipment - post Mar 2007	$ 706,046	278,000		$ 984,046	$ 139,000
52	Computer Hardware and system software	$ -			$ -	$ -
95	CWIP	$ 5,288,185			$ 5,288,185	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
					$ -	$ -
	TOTAL	$ 210,144,403	$ 30,270,671	-$ 4,419,562	$ 235,995,512	$ 12,925,555

Reduced UCC	Rate %	Test Year CCA	UCC End of Test Year
$ 98,206,565	4%	$ 3,928,263	$ 94,435,803
$ 10,033,121	6%	$ 601,987	$ 9,431,134
$ -	6%	$ -	$ -
$ 3,591,244	20%	$ 718,249	$ 3,391,667
$ 2,459,365	30%	$ 737,810	$ 2,192,056
$ 26,356	30%	$ 7,907	$ 18,449
$ 1,347,817	100%	$ 1,347,817	$ 607,500
$ 45,531		$ -	$ 45,531
$ -		$ -	$ -
$ -		$ -	$ -
$ -		$ -	$ -
$ -		$ -	$ -
$ -	8%	$ -	$ -
$ 4,113	12%	$ 494	$ 3,620
$ -	30%	$ -	$ -
$ -	50%	$ -	$ -
$ 11,678	45%	$ 5,255	$ 6,423
$ -	30%	$ -	$ -
$ 101,210,936	8%	$ 8,096,875	$ 104,146,443
$ 845,046	55%	$ 464,776	$ 519,271
$ -	100%	$ -	$ -
$ 5,288,185	0%	$ -	$ 5,288,185
$ -	0%	$ -	$ -
$ -	0%	$ -	$ -
$ -	0%	$ -	$ -
$ -	0%	$ -	$ -
$ -	0%	$ -	$ -
$ -	0%	$ -	$ -
$ -	0%	$ -	$ -
$ -	0%	$ -	$ -
$ -	0%	$ -	$ -
$ -	0%	$ -	$ -
$ 223,069,957		**$ 15,909,430**	**$ 220,086,081**

Income Tax/PILs Workform for 2014 Filers

Schedule 10 CEC - Test Year

Cumulative Eligible Capital				**2,343,461**
Additions				
Cost of Eligible Capital Property Acquired during Test Year	0			
Other Adjustments	0			
Subtotal	0	**x 3/4 =**	0	
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an ECP to the Corporation after Friday, December 20, 2002	0	**x 1/2 =**	0	
			0	**0**
Amount transferred on amalgamation or wind-up of subsidiary	0			**0**
Subtotal				**2,343,461**
Deductions				
Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all ECP during Test Year	0			
Other Adjustments	0			
Subtotal	0	**x 3/4 =**		**0**
Cumulative Eligible Capital Balance				**2,343,461**
Current Year Deduction (Carry Forward to Tab "Test Year Taxable Income")		**2,343,461**	**x 7% =**	**164,042**
Cumulative Eligible Capital - Closing Balance				**2,179,419**

Schedule 13 Tax Reserves - Test Year

Continuity of Reserves

Description	Bridge Year	Eliminate Amounts Not Relevant for Bridge Year	Adjusted Utility Balance	Test Year Adjustments: Additions	Test Year Adjustments: Disposals	Balance for Test Year	Change During the Year	Disallowed Expenses
Capital Gains Reserves ss.40(1)	0		0			0	0	
Tax Reserves Not Deducted for accounting purposes								
Reserve for doubtful accounts ss. 20(1)(l)	0		0			0	0	
Reserve for goods and services not delivered ss. 20(1)(m)	0		0			0	0	
Reserve for unpaid amounts ss. 20(1)(n)	0		0			0	0	
Debt & Share Issue Expenses ss. 20(1)(e)	0		0			0	0	
Other tax reserves	0		0			0	0	
	0		0			0	0	
	0		0			0	0	
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Financial Statement Reserves (not deductible for Tax Purposes)								
General Reserve for Inventory Obsolescence (non-specific)	0		0			0	0	
General reserve for bad debts	0		0			0	0	
Accrued Employee Future Benefits:	2,212,350		2,212,350	114,998		2,327,348	114,998	
- Medical and Life Insurance	0		0			0	0	
-Short & Long-term Disability	0		0			0	0	
-Accmulated Sick Leave	0		0			0	0	
- Termination Cost	0		0			0	0	
- Other Post-Employment Benefits	0		0			0	0	
Provision for Environmental Costs	0		0			0	0	
Restructuring Costs	0		0			0	0	
Accrued Contingent Litigation Costs	0		0			0	0	
Accrued Self-Insurance Costs	0		0			0	0	
Other Contingent Liabilities	0		0			0	0	
Bonuses Accrued and Not Paid Within 180 Days of Year-End ss. 78(4)	0		0			0	0	
Unpaid Amounts to Related Person and Not Paid Within 3 Taxation Years ss. 78(1)	0		0			0	0	
Other	0		0			0	0	
	0		0			0	0	
	0		0			0	0	
Total	**2,212,350**	**0**	**2,212,350**	**114,998**	**0**	**2,327,348**	**114,998**	**0**

Schedule 7-1 Loss Carry Forward - Test Year

Corporation Loss Continuity and Application

Non-Capital Loss Carry Forward Deduction	**Total**	**Non-Distribution Portion**	**Utility Balance**
Actual/Estimated Bridge Year			0
Application of Loss Carry Forward to reduce taxable income in 2005			0
Other Adjustments Add (+) Deduct (-)			0
Balance available for use in Test Year	0	0	0
Amount to be used in Test Year			0
Balance available for use post Test Year	0	0	0

Net Capital Loss Carry Forward Deduction	**Total**	**Non-Distribution Portion**	**Utility Balance**
Actual/Estimated Bridge Year			0
Application of Loss Carry Forward to reduce taxable income in 2005			0
Other Adjustments Add (+) Deduct (-)			0
Balance available for use in Test Year	0	0	0
Amount to be used in Test Year			0
Balance available for use post Test Year	0	0	0

Income Tax/PILs Workform for 2014 Filers

Taxable Income - Test Year

	T2 S1 line #	Test Year Taxable Income
Net Income Before Taxes		8,748,056
Additions:		
Interest and penalties on taxes	103	
Amortization of tangible assets *2-4 ADJUSTED ACCOUNTING DATA P489*	104	10,672,290
Amortization of intangible assets *2-4 ADJUSTED ACCOUNTING DATA P490*	106	
Recapture of capital cost allowance from Schedule 8	107	
Gain on sale of eligible capital property from Schedule 10	108	
Income or loss for tax purposes- joint ventures or partnerships	109	
Loss in equity of subsidiaries and affiliates	110	
Loss on disposal of assets	111	
Charitable donations	112	
Taxable Capital Gains	113	
Political Donations	114	
Deferred and prepaid expenses	116	
Scientific research expenditures deducted on financial statements	118	77,533
Capitalized interest	119	
Non-deductible club dues and fees	120	12,926
Non-deductible meals and entertainment expense	121	8,233
Non-deductible automobile expenses	122	
Non-deductible life insurance premiums	123	
Non-deductible company pension plans	124	
Tax reserves beginning of year	125	0
Reserves from financial statements- balance at end of year	126	2,327,348
Soft costs on construction and renovation of buildings	127	
Book loss on joint ventures or partnerships	205	
Capital items expensed	206	
Debt issue expense	208	
Development expenses claimed in current year	212	
Financing fees deducted in books	216	
Gain on settlement of debt	220	
Non-deductible advertising	226	
Non-deductible interest	227	
Non-deductible legal and accounting fees	228	
Recapture of SR&ED expenditures	231	
Share issue expense	235	
Write down of capital property	236	

Amounts received in respect of qualifying environment trust per paragraphs 12(1)(z.1) and 12(1)(z.2)	237	
Other Additions: (please explain in detail the nature of the item)		
Interest Expensed on Capital Leases	290	
Realized Income from Deferred Credit Accounts	291	
Pensions	292	
Non-deductible penalties	293	
	294	
	295	
	296	
	297	
ARO Accretion expense		
Capital Contributions Received (ITA 12(1)(x))		
Lease Inducements Received (ITA 12(1)(x))		
Deferred Revenue (ITA 12(1)(a))		
Prior Year Investment Tax Credits received		
Vehicle amortization not included in amortization addback above		613,073
Apprenticeship and Co-operative EducationTax Credits		99,546
OITC/ORDTC from prior year-12(1)(x)-4.5% of proxy		5,187
Total Additions		**13,816,136**
Deductions:		
Gain on disposal of assets per financial statements	401	
Dividends not taxable under section 83	402	
Capital cost allowance from Schedule 8	403	15,909,430
Terminal loss from Schedule 8	404	
Cumulative eligible capital deduction from Schedule 10 CEC	405	164,042
Allowable business investment loss	406	
Deferred and prepaid expenses	409	
Scientific research expenses claimed in year	411	105,393
Tax reserves end of year	413	0
Reserves from financial statements - balance at beginning of year	414	2,212,350
Contributions to deferred income plans	416	
Book income of joint venture or partnership	305	
Equity in income from subsidiary or affiliates	306	
Other deductions: (Please explain in detail the nature of the item)		
Interest capitalized for accounting deducted for tax	390	167,000
Capital Lease Payments	391	

Non-taxable imputed interest income on deferral and variance accounts	392	
	393	
	394	
	395	
	396	
	397	
ARO Payments - Deductible for Tax when Paid		
ITA 13(7.4) Election - Capital Contributions Received		
ITA 13(7.4) Election - Apply Lease Inducement to cost of Leaseholds		
Deferred Revenue - ITA 20(1)(m) reserve		
Principal portion of lease payments		
Lease Inducement Book Amortization credit to income		
Financing fees for tax ITA 20(1)(e) and (e.1)		
Assets Capitalized for Acctg		400,000
Total Deductions		**18,958,216**
NET INCOME FOR TAX PURPOSES		**3,605,977**
Charitable donations	311	
Taxable dividends received under section 112 or 113	320	
Non-capital losses of preceding taxation years from Schedule 7-1	331	
Net-capital losses of preceding taxation years (Please show calculation)	332	
Limited partnership losses of preceding taxation years from Schedule 4	335	
REGULATORY TAXABLE INCOME		**3,605,977**

PILs Tax Provision - Test Year

						Wires Only	
Regulatory Taxable Income						$ 3,605,977	A
Ontario Income Taxes							
Income tax payable	**Ontario Income Tax**	11.50%	B	$ 414,687	C = A * B		
Small business credit	Ontario Small Business Threshold	$ 500,000	D				
	Rate reduction	-7.00%	E	-$ 35,000	F = D * E		
Ontario Income tax						$ 379,687	J = C + F
Combined Tax Rate and PILs	Effective Ontario Tax Rate			10.53%	K = J / A		
	Federal tax rate			15.00%	L		
	Combined tax rate					25.53%	M = K + L
Total Income Taxes						**$ 920,584**	N = A * M
Investment Tax Credits						$ 48,133	O
Miscellaneous Tax Credits						$ 50,000	P
Total Tax Credits						**$ 98,133**	Q = O + P
Corporate PILs/Income Tax Provision for Test Year						**$ 822,451**	R = N - Q
Corporate PILs/Income Tax Provision Gross Up [1]				74.47%	S = 1 - M	**$ 281,946**	T = R / S - R
Income Tax (grossed-up)						**$ 1,104,396**	U = R + T

Note:

1. This is for the derivation of revenue requirement and should not be used for sufficiency/deficiency calculations.

Attachment 2 of 3

CEC Continuity Schedule

Continuity Schedule - CEC - 2001 - 2012

CEC - Components	Opening Balance	Acquired YE Dec 31/01	Pro-rated to 75%	Subtotal	Amortization in 2001 (7% for 1/4 year)	Ending Year Balance -2001
FMV bump-up	$ -	$ 7,447,020	$ 5,585,265	$ 5,585,265	$ 98,545	$ 5,486,720
Goodwill - purchase price on acquisitions	$ -	$ 3,775,980	$ 2,831,985	$ 2,831,985	$ 49,967	$ 2,782,018
	$ -	$ 11,223,000	$ 8,417,250	$ 8,417,250	$ 148,513	$ 8,268,737

CEC - Components	Opening Balance	Acquired YE Dec 31/02	Pro-rated to 75%	Subtotal	Amortization in 2002 (7%)	Ending Year Balance -2002
FMV bump-up	$ 5,486,720	$ -	$ -	$ 5,486,720	$ 384,070	$ 5,102,649
Goodwill - purchase price on acquisitions	$ 2,782,018	$ 3,775,980	$ 2,831,985	$ 5,614,003	$ 392,980	$ 5,221,023
	$ 8,268,737	$ 3,775,980	$ 2,831,985	$ 11,100,722	$ 777,051	$ 10,323,672

CEC - Components	Opening Balance	Acquired YE Dec 31/03	Pro-rated to 75%	Subtotal	Amortization in 2003 (7%)	Ending Year Balance -2003
FMV bump-up	$ 5,102,649	$ -	$ -	$ 5,102,649	$ 357,185	$ 4,745,464
Goodwill - purchase price on acquisitions	$ 5,221,023	$ -	$ -	$ 5,221,023	$ 365,472	$ 4,855,551
	$ 10,323,672	$ -	$ -	$ 10,323,672	$ 722,657	$ 9,601,015

CEC - Components	Opening Balance	Acquired YE Dec 31/04	Pro-rated to 75%	Subtotal	Amortization in 2004 (7%)	Ending Year Balance -2004
FMV bump-up	$ 4,745,464	$ -	$ -	$ 4,745,464	$ 332,182	$ 4,413,281
Goodwill - purchase price on acquisitions	$ 4,855,551	$ (3,265,766)	$ (2,449,325)	$ 2,406,227	$ 168,436	$ 2,237,791
	$ 9,601,015	$ (3,265,766)	$ (2,449,325)	$ 7,151,690	$ 500,618	$ 6,651,072

CEC - Components	Opening Balance	Acquired to Aug 8/05	Pro-rated to 75%	Subtotal	Amortization for 220 days in 2005 (7%)	Balance as at August 8, 2005
FMV bump-up	$ 4,413,281			$ 4,413,281	$ 186,204	$ 4,227,077
Goodwill - purchase price on acquisitions	$ 2,237,791	$ 1,266,765	$ 950,074	$ 3,187,865	$ 134,502	$ 3,053,363
	$ 6,651,072	$ 1,266,765	$ 950,074	$ 7,601,146	$ 320,706	$ 7,280,440

CEC - Components	Opening Balance	Acquired to Nov 21/05	Pro-rated to 75%	Subtotal	Amortization for 105 days in 2005 (7%)	Balance as at Nov 21st, 2005
FMV bump-up	$ 4,227,077			$ 4,227,077	$ 85,121	$ 4,141,956
Goodwill - purchase price on acquisitions	$ 3,053,363	$ 3,281,957	$ 2,461,468	$ 5,514,831	$ 111,052	$ 5,403,779
	$ 7,280,440	$ 3,281,957	$ 2,461,468	$ 9,741,908	$ 196,173	$ 9,545,735

CEC - Components	Opening Balance	Acquired to Dec 31/05	Pro-rated to 75%	Subtotal	Amortization for 40 days in 2005 (7%)	Balance as at Dec 31st, 2005
FMV bump-up	$ 4,141,956			$ 4,141,956	$ 31,774	$ 4,110,183
Goodwill - purchase price on acquisitions	$ 5,403,779	$ 421,587	$ 316,190	$ 5,719,969	$ 43,879	$ 5,676,090
	$ 9,545,735	$ 421,587	$ 316,190	$ 9,861,925	$ 75,653	$ 9,786,272

CEC - Components	Opening Balance	Acquired to Dec 31/06	Pro-rated to 75%	Subtotal	Amortization for in 2006 (7%)	Balance as at Dec 31st, 2006
FMV bump-up	$ 4,110,183			$ 4,110,183	$ 287,713	$ 3,822,470
Goodwill - purchase price on acquisitions	$ 5,676,090	$ -	$ -	$ 5,676,090	$ 397,326	$ 5,278,763
	$ 9,786,272	$ -	$ -	$ 9,786,272	$ 685,039	$ 9,101,233

CEC - Components	Opening Balance	Acquired to Dec 31/07	Pro-rated to 75%	Subtotal	Amortization for in 2007 (7%)	Balance as at Dec 31st, 2007
FMV bump-up	$ 3,822,470			$ 3,822,470	$ 267,573	$ 3,554,897
Goodwill - purchase price on acquisitions	$ 5,278,763	$ -	$ -	$ 5,278,763	$ 369,513	$ 4,909,250
	$ 9,101,233	$ -	$ -	$ 9,101,233	$ 637,086	$ 8,464,147

CEC - Components	Opening Balance	Acquired to Dec 31/08	Pro-rated to 75%	Subtotal	Amortization for in 2008 (7%)	Balance as at Dec 31st, 2008
FMV bump-up	$ 3,554,897			$ 3,554,897	$ 248,843	$ 3,306,054
Goodwill - purchase price on acquisitions	$ 4,909,250	$ -	$ -	$ 4,909,250	$ 343,647	$ 4,565,602
	$ 8,464,147	$ -	$ -	$ 8,464,147	$ 592,490	$ 7,871,656

CEC - Components	Opening Balance	Acquired to Dec 31/09	Pro-rated to 75%	Subtotal	Amortization for in 2009 (7%)	Balance as at Dec 31st, 2009
FMV bump-up	$ 3,306,054			$ 3,306,054	$ 231,424	$ 3,074,630

Other eligible property	$ -	$ 3,887	$ 2,915	$ 2,915	$ 204	$ 2,711
Goodwill - purchase price on acquisitions	$ 4,565,602	$ -	$ -	$ 4,565,602	$ 319,592	$ 4,246,010
	$ 7,871,656	$ 3,887	$ 2,915	$ 7,874,572	$ 551,220	$ 7,323,352

CEC - Components	Opening Balance	Acquired to Dec 31/10	Pro-rated to 75%	Subtotal	Amortization for in 2010 (7%)	Balance as at Dec 31st, 2010
FMV bump-up	$ 3,074,630			$ 3,074,630	$ 215,224	$ 2,859,406
Other eligible property	$ 2,711	$ 250	$ 188	$ 2,899	$ 203	$ 2,696
Goodwill - purchase price on acquisitions	$ 4,246,010	$ -	$ -	$ 4,246,010	$ 297,221	$ 3,948,789
	$ 7,323,352	$ 250	$ 188	$ 7,323,539	$ 512,648	$ 6,810,891

CEC - Components	Opening Balance	Acquired to Dec 31/11	Pro-rated to 75%	Subtotal	Amortization for in 2011 (7%)	Balance as at Dec 31st, 2011
FMV bump-up	$ 2,859,406			$ 2,859,406	$ 200,158	$ 2,659,248
Other eligible property	$ 2,696	$ 58,745	$ 44,059	$ 46,755	$ 3,273	$ 43,482
Goodwill - purchase price on acquisitions	$ 3,948,789	$ -	$ -	$ 3,948,789	$ 276,415	$ 3,672,374
	$ 6,810,891	$ 58,745	$ 44,059	$ 6,854,950	$ 479,847	$ 6,375,104

CEC - Components	Opening Balance	Acquired to Dec 31/12	Pro-rated to 75%	Subtotal	Amortization for in 2012 (7%)	Balance as at Dec 31st, 2012
FMV bump-up	$ 2,659,248			$ 2,659,248	$ 186,147	$ 2,473,100
Other eligible property	$ 43,482	$ 9,051	$ 6,788	$ 50,270	$ 3,519	$ 46,751
Goodwill - purchase price on acquisitions	$ 3,672,374	$ -	$ -	$ 3,672,374	$ 257,066	$ 3,415,308
	$ 6,375,104	$ 9,051	$ 6,788	$ 6,381,892	$ 446,732	$ 5,935,159

December 31, 2012 Balance for Inclusion in Regulatory PILs Calculation **$ 2,519,851**

Attachment 3 of 3

2012 Corporate Tax Returns

Canada Revenue Agency / Agence du revenu du Canada

Code 1201

SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT (SR&ED) EXPENDITURES CLAIM

Use this form:

- to provide technical information on your SR&ED projects;
- to calculate your SR&ED expenditures; and
- to calculate your qualified SR&ED expenditures for investment tax credits (ITC).

To claim an ITC, use either:

- Schedule T2SCH31, *Investment Tax Credit – Corporations*, or
- Form T2038(IND), *Investment Tax Credit (Individuals)*.

The information requested in this form and documents supporting your expenditures are prescribed information.

Your SR&ED claim must be filed within 12 months of the filing due date of your income tax return.

To help you fill out this form, use the T4088, *Guide to Form T661*, which is available on our Web site: **www.cra.gc.ca/sred**.

Part 1 – General information

010 Name of claimant

Veridian Connections Inc.

Enter one of the following:

88628 2920 RC0001
Business Number (BN)

Social Insurance Number (SIN)

Tax year

From: 2012-01-01 (Year Month Day)

To: 2012-12-31 (Year Month Day)

050 Total number of projects you are claiming this tax year: 6

100 Contact person for the financial information	**105** Telephone number/extension	**110** Fax number
Mr. Andrew Hermans	(905) 427-9870	(905) 619-0210
115 Contact person for the technical information	**120** Telephone number/extension	**125** Fax number
Laurie McLorg	(905) 427-9870	(905) 619-0210

151 If this claim is filed for a partnership, was Form T5013 filed? . . . . 1 ☐ Yes 2 ☐ No

If you answered **no** to line 151, complete lines 153, 156 and 157.

153 Name of the partners	**156** %	**157** BN or SIN
1		
2		
3		
4		
5		

Part 2 - Project information

CRA internal form identifier 060
Code 1101

Complete a separate Part 2 for each project claimed this year.

Section A - Project identification

200 Project title (and identification code if applicable)

See schedule

Canada

Part 3 – Calculation of SR&ED expenditures

What did you spend on your SR&ED projects?

Section A – Select the method to calculate the SR&ED expenditures

I elect (choose) to use the following method to calculate my SR&ED expenditures and related investment tax credits (ITC) for this tax year.
I understand that my election is irrevocable (cannot be changed) for this tax year.

160 [X] I elect to use the proxy method
(Enter "0" on line 360. Complete Part 5 and you do not need to track any expenditure incurred for overhead)

162 [ ] I choose to use the traditional method
(Enter "0" on line 355. Complete line 360, and track any expenditure incurred for overhead)

Section B – Calculation of allowable SR&ED expenditures (to the nearest dollar)

	Line		Amount
• SR&ED portion of salary or wages of employees directly engaged in the SR&ED:			
a) Employees other than specified employees for work performed in Canada	300	+	321,874
b) Specified employees for work performed in Canada	305	+	
Subtotal (add lines 300 and 305)	306	=	321,874
c) Employees other than specified employees for work performed outside Canada (subject to limitations – see guide)	307	+	
d) Specified employees for work performed outside Canada (subject to limitations – see guide)	309	+	
• Salary or wages identified on line 315 in prior years that were paid in this tax year	310	+	
• Salary or wages incurred in the year but not paid within 180 days of the tax year end	315		
• Cost of materials consumed in performing SR&ED	320	+	
• Cost of materials transformed in performing SR&ED	325	+	
• Contract expenditures for SR&ED performed on your behalf:			
a) Arm's length contracts	340	+	330,778
b) Non-arm's length contracts	345	+	
• Lease costs of equipment used:			
a) All or substantially all (90% of the time or more) for SR&ED	350	+	
b) Primarily (more than 50% of the time but less than 90%) for SR&ED. (Enter 50% of lease costs if you use the proxy method or enter "0" if you use the traditional method)	355	+	
• Overhead and other expenditures (enter "0" if you use the proxy method)	360	+	
• Third-party payments (complete Form T1263*)	370	+	
Total current SR&ED expenditures (add lines 306 to 370; do not add line 315) (Corporations need to adjust line 118 of schedule T2SCH1)	380	=	652,652
• **Capital Expenditures** (see guide for what qualifies for SR&ED) (Do not include these capital expenditures on schedule T2SCH8)	390	+	
Total allowable SR&ED expenditures (add lines 380 and 390)	400	=	652,652

Section C – Calculation of pool of deductible SR&ED expenditures (to the nearest dollar)

	Line		Amount
Amount from line 400	420		652,652
Deduct			
• provincial government assistance for expenditures included on line 400	429	–	29,369
• other government assistance for expenditures included on line 400	431	–	
• non-government assistance for expenditures included on line 400	432	–	
• SR&ED ITCs applied and/or refunded in the prior year (see guide)	435	–	201,229
• sale of SR&ED capital assets and other deductions	440	–	
Subtotal (line 420 minus lines 429 to 440)	442	=	422,054
Add			
• repayments of government and non-government assistance that previously reduced the SR&ED expenditure pool	445	+	
• prior year's pool balance of deductible SR&ED expenditures (from line 470 of prior year T661)	450	+	
• SR&ED expenditure pool transfer from amalgamation or wind-up	452	+	
• amount of SR&ED ITC recaptured in the prior year	453	+	
Amount available for deduction (add lines 442 to 453) (enter positive amount only, include negative amount in income)	455	=	422,054
• Deduction claimed in the year (Corporations should enter this amount on line 411 of schedule T2SCH1)	460	–	422,054
Pool balance of deductible SR&ED expenditures to be carried forward to future years (line 455 minus 460)	470	=	

* Form T1263, *Third-Party Payments for Scientific Research and Experimental Development (SR&ED)*

Part 4 – Calculation of qualified SR&ED expenditures for investment tax credit (ITC) purposes

The resulting amount is used to calculate your refundable and/or non refundable ITC.

Enter the breakdown between current and capital expenditures (to the nearest dollar)

	Line	Current Expenditures	Line	Capital Expenditures
Total expenditures for SR&ED (from line 380 and 390)	492	652,652	496	
Add				
• payment of prior years' unpaid amounts (other than salary or wages)	500 +			
• prescribed proxy amount (complete Part 5) (Enter "0" if you use the traditional method)	502 +	194,830		
• expenditures on shared-use equipment (see guide)			504 +	
• qualified expenditures transferred to you (complete Form T1146**)	508 +		510 +	
Subtotal (add lines 492 to 508, and add lines 496 to 510)	511 =	847,482	512 =	
Deduct				
• provincial government assistance	513 –	38,137	514 –	
• other government assistance	515 –		516 –	
• non-government assistance and contract payments	517 –		518 –	
• current expenditures (other than salary or wages) not paid within 180 days of the tax year end	520 –			
• amounts paid in respect of an SR&ED contract to a person or partnership that is not taxable supplier	528 –			
• 20% of expenditures included on lines 340 and 370 that were incurred after December 31, 2012	529 –			
• prescribed expenditures not allowed by regulations (see guide)	530 –		532 –	
• other deductions (see guide)	533 –		535 –	
• non-arm's length transactions				
– assistance allocated to you (complete Form T1145*)	538 –		540 –	
– expenditures for non-arm's length SR&ED contracts (from line 345)	541 –			
– adjustments to purchases (limited to costs) of goods and services from non-arm's length suppliers (see guide)	542 –		543 –	
– qualified expenditures you transferred (complete Form T1146**)	544 –		546 –	
Subtotal (line 511 minus lines 513 to 544 and line 512 minus lines 514 to 546)	557 =	809,345	558 =	
Qualified SR&ED expenditures (add lines 557 and 558)			559 =	809,345
Add				
• repayments of assistance and contract payments made in the year			560 +	
Total qualified SR&ED expenditures for ITC purposes (add lines 559 and 560)			570 =	809,345

* Form T1145, *Agreement to Allocate Assistance for SR&ED Between Persons Not Dealing at Arm's Length*

** Form T1146, *Agreement to Transfer Qualified Expenditures Incurred in Respect of SR&ED Contracts Between Persons Not Dealing at Arm's Length*

Part 5 – Calculation of prescribed proxy amount (PPA)

A notional amount representing your overhead and other expenditures.

This part calculates the PPA to enter on line 502 in Part 4. Do not complete this part if you have chosen to use the traditional method in Part 3 (line 162).
You can only claim a PPA if you elected to use the proxy method for the year in Part 3 (line 160).

Special rules apply for specified employees. Calculate your salary base in Section A and the PPA in section B.

Section A – Salary base

	Line		Amount
Salary or wages of employees other than specified employees (from line 300 and 307)	810	+	321,874
Deduct			
Bonuses, remuneration based on profits, and taxable benefits that were included on line 810	812	–	22,135
Subtotal (line 810 minus 812)	814	=	299,739

Salary or wages of specified employees

850	852	854	856	858	860
Column 1	**Column 2**	**Column 3**	**Column 4**	**Column 5**	**Column 6**
Name of specified employee	Total salary or wages for the year (SR&ED and non-SR&ED) excluding bonuses, remuneration based on profits, and taxable benefits (to the nearest dollar)	% of time spent on SR&ED (maximum 75%)	Amount in column 2 multiplied by percentage in column 3	2,5 x A x B/365 A = Year's maximum pensionable earnings B = Number of days employed in tax year	Amount in column 4 or 5, whichever amount is less

(Enter total of column 6 on line 816) | 816 | + |

Salary base (total of lines 814 and 816) | 818 | = | 299,739

Section B – Prescribed proxy amount (PPA)

Enter 65% of the salary base (line 818) less 5% of the salary base for the number of 2013 calendar days in the tax year (use formula in the guide – line 820) | 820 | = | 194,830

Enter the amount from line 820 on line 502 in Part 4 unless the overall cap on PPA applies to you.

(See the guide for explanation and example of the overall cap on PPA)

Part 6 – Project costs

Information requested in this part must be provided for **all** SR&ED projects claimed in the year.
Expenditures should be recorded and allocated on a project basis.

750	752	754	756
Project title or identification code	Salary or wages in the tax year (Total of lines 306 to 309)	Cost of materials in the tax year (Total of lines 320 and 325)	Contract expenditures for SR&ED performed on your behalf in the tax year (Total of lines 340 and 345)
1. Distribution system automation	30,615		17,953
2. Operations Information Systems improvements	124,291		296,325
3. System planning/analysis to develop the distribution networl	85,840		
4. Developing/applying Smart Grid concepts/techniques	38,722		
5. Mobile Workforce Management System pilot implementation	29,747		
6. Engineering project design integration	12,659		16,500
Total	321,874		330,778

Part 7 – Additional information

Expenditures for SR&ED performed by you in Canada (line 400 minus lines 307, 309, 340, 345, and 370) **605** 321,874

From the total you entered on line 605, estimate the percentage of distribution of the sources of funds for SR&ED performed within your organization.

		Canadian (%)		Foreign (%)
Internal	600	100.000		
Parent companies, subsidiaries, and affiliated companies	602		604	
Federal grants (do not include funds or tax credits from SR&ED tax incentives)	606			
Federal contracts	608			
Provincial funding	610			
SR&ED contract work performed for other companies on their behalf	612		614	
Other funding (e.g., universities, foreign governments)	616		618	

Enter the number of SR&ED personnel in full-time equivalents (FTE):

Scientists and engineers	632	
Technologists and technicians	634	3
Managers and administrators	636	
Other technical supporting staff	638	

Part 8 – Claim checklist

To ensure your claim is complete, make sure you have:

1. used the current version of this form X
2. entered the method you have chosen for reporting your SR&ED expenditures in Section A of Part 3 X
3. completed Part 2 for each project X
4. filed a completed Schedule T2SCH31 or Form T2038(IND) to claim ITCs on your qualified SR&ED expenditures X
5. filed a completed Form T1145*, T1146**, T1174*** and/or T1263**** including any required attachments, if applicable X

To expedite the processing of your claim, make sure you have:

1. completed Form T2, *Corporation Income Tax Return* or Form T1, *Income Tax and Benefit Return* X
2. filed the appropriate provincial and/or territorial tax credit forms, if applicable X
3. retained documents to support the SR&ED expenditures you claimed X
4. checked boxes 231 and 232 on page 2 of your T2 return to indicate attachment of Form T661 and Schedule T2SCH31 X

* Form T1145, *Agreement to Allocate Assistance for SR&ED Between Persons Not Dealing at Arm's Length*

** Form T1146, *Agreement to Transfer Qualified Expenditures Incurred in Respect of SR&ED Contracts Between Persons Not Dealing at Arm's Length*

*** Form T1174, *Agreement Between Associated Corporations to Allocate Salary or Wages of Specified Employees for Scientific Research and Experimental Development (SR&ED)*

**** Form T1263, *Third·Party Payments for Scientific Research and Experimental Development (SR&ED)*

Part 9 – Certification

I certify that I have examined the information provided on this form and on the attachments and it is true, correct, and complete.

165 Laurie McLorg — Name of authorized signing officer of the corporation, or individual

Signature

170 2013-07-10 — Date

175 Deloitte LLP — Name of person/firm who completed this form

Part 2 - Project information (continued)

Project number **1**

CRA internal form identifier 060
Code 1201

Complete a separate Part 2 for each project claimed this year.

Section A – Project identification

200 Project title (and identification code if applicable)

Distribution system automation

202 Project start date: 2007-05 (Year Month)

204 Completion or expected completion date: 2013-12 (Year Month)

206 Field of science or technology code (See guide for list of codes): 2.02.01 Electrical and electronic engineering

Project claim history

208 1 [X] Continuation of a previously claimed project

210 1 [ ] First claim for the project

218 Was any of the work done jointly or in collaboration with other businesses? . . . . 1 [ ] Yes 2 [X] No

If you answered **yes** to line 218, complete lines 220 and 221.

220 Names of the businesses	**221** BN
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The work was carried out (Check any that apply)

223 1 [ ] In a laboratory

226 1 [X] In a commercial plant or facility

224 1 [ ] In a dedicated research facility

228 1 [X] Others, specify **229** At field sites & subcontractor facilities

Purpose of the work

230 1 [X] To achieve technological advancement for the purpose of creating new or improving existing materials, devices, products or processes. (**Go to Section B** – Experimental development)

232 1 [ ] For the advancement of scientific knowledge (**Go to Section C** – Basic or applied research)

Section B – Experimental development

The technological advancements you were trying to achieve with this work were required for:

	Materials, devices, or products	Processes
The creation of new	**235** 1 [ ]	**236** 1 [ ]
The improvement of existing	**237** 1 [X]	**238** 1 [X]

240 What **technological** advancements were you trying to achieve? (*Maximum 50 lines*)

1. The advancement sought was increased understanding of, and the application
2. know-how to implement distribution automation system (DAS) concepts with
3. intelligent switches to improve reliability performance in an area whose
4. performance was continuing to deteriorate. VCI wanted to use groups of

240 What **technological** advancements were you trying to achieve? (*Maximum 50 lines*)

switches, incorporating automatic sensing and operation, to sense/isolate faults, and then restore power to unaffected parts of the local network. VCI had examined the issues, challenges and obstacles associated with a DAS pilot for the 13.8kV O/H lines and U/G cables on the 4-feeders. Its analysis indicated an improvement potential to go to 24.4 minutes from 72.3 minutes/customer/year.

Previously, VCI had made detailed installation designs for the set of 9 automated intelligent O/H switches and 9 U/G switches and their installation & testing on a standalone basis. By the end of 2011, 5 U/G switches still had to be installed & tested. VCI had also designed & implemented the IT infrastructure arrangements and radio communication system using a separate IP

network, after deciding how to route information from O/H switch to U/G switchgear and vice versa, and on communications with the SCADA system master. As well, VCI had performed an analysis of fuses & protection levels that led to downsizing all fuses. It also resolved (a) a U/G switch water problem, (b) foundation issues for the low voltage control unit, (c) concerns over safe working by creating sophisticated switch covers, and (d) a retaining wall issue by switch relocation. In addition, self-operation of a U/G 5-way switch occurred, an event still unexplained at the end of 2011 when manual operation was in place. Spare considerations indicated that only 2 of the 9 U/G switches were a perfect fit as they were all gang operated 3-phase switches, i.e. a fault occurring on just 1-phase, meant all 3-phases would be disconnected. With 5 U/G switches still to be installed, the testing of the complete pilot application of DA was still outstanding entering 2012. Once this had been done, and the system approved to go live, then the field trial could begin.

242 What **technological** obstacles/uncertainties did you have to overcome to achieve the technological advancements described in Line 240? (*Maximum 50 lines*)

The obstacles that had to be resolved during the year were all connected with the completing the installation of the balance of the 5 U/G switches, testing them individually and then networked, and integrating their operations/communications within VCI s SCADA system. As the items involved were all new to VCI and had to be installed on, within or adjacent to existing facilities, physical limitations and accessibility issues were constraints in practically every case. More specifically the obstacles were: (1) Determining, for the U/G switch installations yet to be finished, the site specific design modifications to the base design used for the first partially completed installation, taking into consideration, as needed, locational and surrounding terrain constraints, potential foundation redesign for below grade installation, possible provision of a foundation for the low voltage control unit to be located above grade, and adding both drainage and sump pumping capability to deal with anticipated water incursions; (2) Understanding why any installed U/G switch unit malfunctions and developing solutions to eliminate any re-occurrence; (3) Integrating all 9 U/G switches with both the SCADA system and the 9 O/H switches with intelligence that controlled the operation of the U/G units, with reliable, fail-safe communications; (4) Deciding what spare parts and modules should be provided to support the pilot after it goes live; (5) Conceiving and planning how the DAS pilot would be brought into service after the balance of the 18 switches were installed, and their operation verified on a standalone basis; and (6) Establishing what monitoring and reporting was required to establish the reliability performance improvements that were actually achieved in its first year of operation.

Whether or not the switch installations would be completed before the end of 2012 was an open question entering the year. While VCI was used to operating switches remotely through its SCADA system tool, it would be a new mode of network operations for local automated switch operation to be performed on its own without any centralized intelligence or SCADA intervention.

244 What work did you perform **in the tax year** to overcome the technological obstacles/uncertainties described in Line 242? (Summarize the systematic investigation) (*Maximum 100 lines*)

1. Efforts continued throughout the year with the result that the physical
2. installation was completed by the year end. However, a couple of component
3. replacements were found to be necessary to move to the next stage in which the
4. DA pilot is running on its own and opening and closing switches based upon
5. distribution network grid events. Testing on a standalone switch basis was
6. also continued throughout the year to verify communications linkages with the
7. SCADA system. This work led to a decision to a decision to replace a below
8. grade switchgear with a pad mounted switchgear at grade. Proceeding towards
9. the pilot DA to go live would continue in 2013 without this unit in place.
10. With the experience gained to date on the communications and control side, the
11. DA configuration and programming will be readily adjusted when this new unit

12. is installed. The target date for going live with a configuration of 17 of the
13. 18 original switches was set for Q3 of 2013.
14.
15. The same subcontractor, who participated in development activities in prior
16. years, provided support during the current year. A portion of the work was
17. performed by contractors listed in Part D.

Section C – Basic or applied research

250 What advancements in scientific knowledge were you trying to achieve? (*Maximum 50 lines*)

1.
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252 What work did you perform **in the tax year**, how did that work contribute to the advancements described in Line 250? (Summarize the systematic investigation) (*Maximum 100 lines*)

1.
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Section D – Additional project information

Who prepared the responses for Section B or Section C?

253 1 [ ] Employee directly involved in the project	**254** Name		
255 1 [ ] Other employee of the company	**256** Name		
257 1 [X] External consultant	**258** Name Deloitte LLP	**259** Firm Deloitte LLP	

List the key individuals directly involved in the project and indicate their qualifications/experience.

	260 Names	**261** Qualifications/experience and position title
1	Peter Petriw	P.Eng., 22 years' experience, VP, Engineering & Construction
2	Zhi Ming Li	C.E.T., 18 years' experience, DA Technician
3	Mathew Aceto	C.E.T., 8 years' experience, Sub-station Technician

265 Are you claiming any salary or wages for SR&ED performed outside Canada? . . . . 1 [ ] Yes 2 [X] No

266 Are you claiming expenditures for SR&ED carried out on behalf of another party? . . . . 1 [ ] Yes 2 [X] No

267 Are you claiming expenditures for SR&ED performed by people other than your employees? . . . . 1 [X] Yes 2 [ ] No

If you answered **yes** to line 267, complete lines 268 and 269.

268 Names of individuals or companies	269 BN
1 S & C Electric Canada	10473 9925 RC0001
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What evidence do you have to support your claim? (Check any that apply)
You do not need to submit these items with the claim. However, you are required to retain them in the event of a review.

270	1 X	Project planning documents	276	1 X	Progress reports, minutes of project meetings
271	1 X	Records of resources allocated to the project, time sheets	277	1 X	Test protocols, test data, analysis of test results, conclusions
272	1	Design of experiments	278	1 X	Photographs and videos
273	1 X	Project records, laboratory notebooks	279	1	Samples, prototypes, scrap or other artefacts
274	1	Design, system architecture and source code	280	1	Contracts
275	1 X	Records of trial runs	281	1 X	Others, specify 282 E-mails, switch installation drgs

Part 2 - Project information (continued)

Project number **2**

CRA internal form identifier 060
Code 1201

Complete a separate Part 2 for each project claimed this year.

Section A – Project identification

200 Project title (and identification code if applicable)

Operations Information Systems improvements

202 Project start date	**204** Completion or expected completion date	**206** Field of science or technology code (See guide for list of codes)
2008-01 (Year Month)	2013-12 (Year Month)	2.02.01 Electrical and electronic engineering

Project claim history

208 1 [X] Continuation of a previously claimed project   **210** 1 [ ] First claim for the project

218 Was any of the work done jointly or in collaboration with other businesses? . . . . 1 [ ] Yes 2 [X] No

If you answered **yes** to line 218, complete lines 220 and 221.

220 Names of the businesses	**221** BN
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The work was carried out (Check any that apply)

223 1 [ ] In a laboratory   **226** 1 [X] In a commercial plant or facility

224 1 [ ] In a dedicated research facility   **228** 1 [X] Others, specify **229** At field sites & subcontractor facilities

Purpose of the work

230 1 [X] To achieve technological advancement for the purpose of creating new or improving existing materials, devices, products or processes. (**Go to Section B** – Experimental development)

232 1 [ ] For the advancement of scientific knowledge (**Go to Section C** – Basic or applied research)

Section B – Experimental development

The technological advancements you were trying to achieve with this work were required for:

	Materials, devices, or products	Processes
The creation of new	**235** 1 [ ]	**236** 1 [X]
The improvement of existing	**237** 1 [ ]	**238** 1 [X]

240 What **technological** advancements were you trying to achieve? (*Maximum 50 lines*)

1. VCI has a number of Operations Information Systems, such a Geographic
2. Information System (GIS), Advanced Metering Infrastructure (AMI) and SCADA.
3. For the past few years, VCI had endeavored to design/develop/implement an
4. Outage Management System (OMS) tool to facilitate improving its network

240 What **technological** advancements were you trying to achieve? (*Maximum 50 lines*)

reliability performance. To make this advance required a comprehensive understanding of new interfaces to four key systems: (1) the GIS for maintaining the distribution network model, the service territory land base of facilities and their electrical connectivity from the source feeder breaker to the customer meter point, and that receives customer related data from the Customer Information System; (2) a SCADA system for control/monitoring of distribution network status and operation of breakers/switches; (3) AMI with two-way communication; and (4) an Interactive Voice Response (IVR) system for routing trouble calls during normal operating and storm conditions. The issues experienced resulted in the deferment of the last interface. In 2011, testing of the core OMS with a new version of the database continued intermittently while pursuing: (a) establishing a digital backup to the paper based maps that the Control Room used; (2) creating effective automatic reporting of customer outages; and (3) completing the integration with SCADA. Implementing an Enterprise Service Bus (ESB) was deferred until upgraded releases of the software tools were installed. The core OMS and the GIS solutions were made more robust by migrating all GIS data to an Oracle platform. The last service area Gravenhurst ? was incorporated in the GIS database. Going into 2012 the OMS tool was in service with a fully functional interface with GIS - even though data quality issues arose occasionally -and an acceptable performing interface with SCADA. Meter read data tests had shown that the OMS side of the AMI interface was performing satisfactorily. However, automatic operation had not been achieved with the AMI for reasons that still had to be resolved with its supplier. In addition, enhancements to the GIS were being contemplated as was a proof of concept ESB going into 2012.

242 What **technological** obstacles/uncertainties did you have to overcome to achieve the technological advancements described in Line 240? (*Maximum 50 lines*)

Going into 2012, interfacing the OMS tool with IVR was still an issue as was the interface with the AMI. Whether or not the work undertaken last year was sufficient to diminish the potential for erroneous data transmission through the AMI/OMS interface still needed to be verified from additional testing. The improvement contribution from using an Enterprise Service Bus (ESB) and whether one was worth implementing was a continuing uncertainty that would not be resolved until a pilot was undertaken. Finally, continuing to make progress with enhancements to the GIS that were being worked on going into the year was important to improve its responsiveness and the isolation of useful data from erroneous data.

244 What work did you perform **in the tax year** to overcome the technological obstacles/uncertainties described in Line 242? (Summarize the systematic investigation) (*Maximum 100 lines*)

1. During the year VCI worked on clearing up the OMS issues that were carried
2. over from the PY. The subcontractor involved in previous years participated
3. in these efforts. By the fall the outstanding issues had been substantially
4. resolved.
5. GIS improvements and enhancements were also pursued all year to facilitate
6. better performance from it and the OMS as the accuracy of the former, despite
7. its upgrade to version 10 and the upgrading of the database to Oracle Object
8. Model format, was on ongoing concern.
9. Consideration was also given to proceeding with efforts to upgrade the IVR and
10. its interface that was needed with the OMS. Little headway, however, was
11. made.

12. A start was also made on a proof of concept study for ESB implementation to
13. investigate if its use would confer further benefits to the progress that had
14. already been made. A second subcontractor facilitated this work.
15. Efforts to make further improvements to the state and current performance
16. level of its Operations Information Systems would continue in the next fiscal
17. year. A portion of the work was performed by contractors listed in Part D.

Section C – Basic or applied research

250 What advancements in scientific knowledge were you trying to achieve? (*Maximum 50 lines*)

1.
2.
3.
4.

252 What work did you perform **in the tax year**, how did that work contribute to the advancements described in Line 250? (Summarize the systematic investigation) (*Maximum 100 lines*)

1.
2.
3.
4.

Section D – Additional project information

Who prepared the responses for Section B or Section C?

253 1 [ ] Employee directly involved in the project	**254** Name
255 1 [ ] Other employee of the company	**256** Name
257 1 [X] External consultant	**258** Name: Deloitte LLP — **259** Firm: Deloitte LLP

List the key individuals directly involved in the project and indicate their qualifications/experience.

	260 Names	**261** Qualifications/experience and position title
1	Maged Yackoub	B.A.Sc., 8 years' experience, Manager, Ops. Information Systems
2	Eva Szatmari	C.E.T., 7 years' experience, GIS Technician
3	Richard Yiu	B.Sc., 18 years' experience, Operations Programmer

265 Are you claiming any salary or wages for SR&ED performed outside Canada? . . . . 1 [ ] Yes 2 [X] No

266 Are you claiming expenditures for SR&ED carried out on behalf of another party? . . . . 1 [ ] Yes 2 [X] No

267 Are you claiming expenditures for SR&ED performed by people other than your employees? . . . . 1 [X] Yes 2 [ ] No

If you answered **yes** to line 267, complete lines 268 and 269.

268	Names of individuals or companies	269 BN
1	Intergraph Canada Ltd	10250 5419 RC0001
2	Angus GeoSolutions Inc.	88787 3784 RC0001
3	Clevest Solutions Inc.	86392 7885 RC0001
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What evidence do you have to support your claim? (Check any that apply)
You do not need to submit these items with the claim. However, you are required to retain them in the event of a review.

- 270 1 [X] Project planning documents
- 271 1 [X] Records of resources allocated to the project, time sheets
- 272 1 [ ] Design of experiments
- 273 1 [X] Project records, laboratory notebooks
- 274 1 [ ] Design, system architecture and source code
- 275 1 [X] Records of trial runs
- 276 1 [X] Progress reports, minutes of project meetings
- 277 1 [X] Test protocols, test data, analysis of test results, conclusions
- 278 1 [ ] Photographs and videos
- 279 1 [ ] Samples, prototypes, scrap or other artefacts
- 280 1 [X] Contracts
- 281 1 [X] Others, specify 282 E-mails, sub. Deliverables, etc.

Part 2 - Project information (continued)

Project number **3**

CRA internal form identifier 060
Code 1201

Complete a separate Part 2 for each project claimed this year.

Section A – Project identification

200 Project title (and identification code if applicable)

System planning/analysis to develop the distribution network

202 Project start date	**204** Completion or expected completion date	**206** Field of science or technology code (See guide for list of codes)
2008-01 (Year Month)	2013-12 (Year Month)	2.02.01 Electrical and electronic engineering

Project claim history

208 1 [X] Continuation of a previously claimed project **210** 1 [ ] First claim for the project

218 Was any of the work done jointly or in collaboration with other businesses? . . . . 1 [ ] Yes 2 [X] No

If you answered **yes** to line 218, complete lines 220 and 221.

220 Names of the businesses	**221** BN
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The work was carried out (Check any that apply)

223 1 [ ] In a laboratory **226** 1 [X] In a commercial plant or facility

224 1 [ ] In a dedicated research facility **228** 1 [X] Others, specify **229** At field sites as appropriate

Purpose of the work

230 1 [X] To achieve technological advancement for the purpose of creating new or improving existing materials, devices, products or processes. (**Go to Section B** – Experimental development)

232 1 [ ] For the advancement of scientific knowledge (**Go to Section C** – Basic or applied research)

Section B – Experimental development

The technological advancements you were trying to achieve with this work were required for:

	Materials, devices, or products	Processes
The creation of new	**235** 1 [ ]	**236** 1 [X]
The improvement of existing	**237** 1 [X]	**238** 1 [ ]

240 What **technological** advancements were you trying to achieve? (*Maximum 50 lines*)

1. They are, in general, a set of proposed improvements to the current
2. configuration and facilities of a distribution network - across an
3. unconsolidated service territory that have been developed for each specific
4. area and district from the modeling and analysis studies undertaken with a

240 What **technological** advancements were you trying to achieve? (*Maximum 50 lines*)

specialized simulation S/W tool. These proposed improvements are typically the results of analyzing aspects such as:

1. Feeder layout in an area to determine new transformer locations to maximize operational flexibility and minimize losses

2. Servicing requirements of a new proposed development to understand the best connection plans to the network such as that for the proposed Seaton community investigated last year through multiple analyses of voltage levels and fault currents to estimate increased loading and supply options with existing and possible new feeders

3. Substation loading across VCI s service territories to assess its network s operability with certain substations being off-line

4. The network s ability to handle new/expanded commercial/industrial loads

5. Evaluation and impact analysis of new distributed/embedded generators being proposed to feed into the VCI network as a consequence of the Green Energy and Green Economy Act (GEGEA) Feed-in-Tariff (FIT) and micro-FIT programs, and

6. Examining how areas with older, aging infrastructure can be reconfigured or reinforced using predictive modeling/forecasting to mitigate the impacts of possible substation failures during peak load times on customer service and system stability, to prepare contingency operational plans to prepare VCI s response in the event of failures, and to reduce the incidence of outages.

With a set of models for all sections of its service territory - from the 44kV through 6/4.2kV levels - of its existing configurations, VCI had the basis to investigate potential changes to deal with, for example, the impact of load changes, potential solutions to segments of the network with chronic problems, in order to improve its distribution system performance from the perspectives of reliability, balanced loading, level of losses and delivered power quality.

242 What **technological** obstacles/uncertainties did you have to overcome to achieve the technological advancements described in Line 240? (*Maximum 50 lines*)

VCI faces a number challenges with regards to its distribution network. These challenges include: (1) Its network s ability to accept the connection of new residential, commercial and industrial loads, (2) How to reinforce or augment the network based on existing loading, and deteriorating reliability issues, to create longer term plans for servicing future expected growth areas and reliability performance improvements, (3) Making proper load switching decisions for station outages due to maintenance given existing loading conditions, and (4) Its network s ability to accept FIT and micro-FIT sustainable generation connection applications approved by the OPA. At the core of resolving all these challenges is the need for an accurate picture/model of the network in its current state. Such models are invaluable to investigate and accurately assess the impact of accommodating any of the above proposed changes in network capability and capacity.

Even with an existing set of models of the configuration carried over from prior years, a specific challenge is to meet the essential need to keep the models up-to-date so that they continue to reflect the status quo. Ideally, GIS downloads, either manually or automatically, facilitate model updating. VCI relies on manual updates. If updating is not done, the results of studies and simulation runs in terms of impacts of proposed changes is compromised.

Even if up-to-date models are available for simulation studies to investigate capacity/capability issues, another important factor is that the network improvement proposals (that results from system planning and analysis activities) have to be both technically sound and cost effective. This challenge usually means that all the solution candidates identified as possibilities need to be investigated in detail before a preferred solution emerges from the modeling and simulation efforts that identified them in the first place.

With older areas, when modeling and simulation is being used to identify

242 What **technological** obstacles/uncertainties did you have to overcome to achieve the technological advancements described in Line 240? (*Maximum 50 lines*)

options from improving reliability performance, the other factor that has to be incorporated in the analysis is that of refurbishment or replacement of the existing infrastructure.

244 What work did you perform **in the tax year** to overcome the technological obstacles/uncertainties described in Line 242? (Summarize the systematic investigation) (*Maximum 100 lines*)

As per the PY, the main focus of modeling and simulation effort was on improving the configuration and performance of the network in the Ajax area. The area model was first updated before simulations were run. The Ajax area has the most complex network arrangements with deteriorating infrastructure and reliability performance. Unjacketed, direct buried cables with brittle neutrals are failing and these failures continued to be the driver of efforts to consider adding another transformer station, coupled with the possibility of using cable refurbishments with injections of insulating fluid. All proposed configuration changes were reviewed with Control Room personnel. A prioritized list of improvement actions was created for 2013 proposed capital budget consideration.

The existing system models were used to investigate potential improvements in the Belleville, Brockville and Clarington areas of VCI s service territory. Compared to last year   a new substation for the Belleville service area and a new transformer for the Clarington service area ? no significant improvement opportunities were identified.

As well as developing new load forecast taking into account the impact of embedded generation, long term planning for a new TS south of the proposed airport lands was performed, as well as much fault level modeling. This last item is involved when modeling and assessing the impact of proposed units of distributed generation ? that would be embedded inside the VCI system   were performed throughout the year. While mainly Solar PV proposals were involved, some wind and bio-gas proposals were included in the portfolio to be reviewed.

As referenced already, particular attention was paid to the predicted response of these proposed generators under fault conditions. Each application requires thorough analysis of impacts to system reliability and the stability of the supply voltage. Decisions are also involved about monitoring and control requirements when large capacity DG units are being proposed. As there are some known constraints that Hydro One has imposed on parts of the existing system, like acceptable DG penetration rates per feeder, VCI needs to manage and deal with them. While these customer requests are still being managed on a case-by-case basis, it is anticipated there will be a future need to develop new protocols as the distributed generators embedded in the VCI system become more common in the future.

The new initiative started last year was continued. It focused on short term planning for reliability improvements, worst performing feeders, and the causes of their outages over the past few years. Outage history and causes were examined to determine how the recurrence of similarly caused outages could be minimized, if not eliminated. Consideration was also given to the use of surge arresters and power line monitors to facilitate reliability improvements.

Section C – Basic or applied research

250 What advancements in scientific knowledge were you trying to achieve? (*Maximum 50 lines*)

252 What work did you perform **in the tax year**, how did that work contribute to the advancements described in Line 250? (Summarize the systematic investigation) (*Maximum 100 lines*)

252 What work did you perform **in the tax year**, how did that work contribute to the advancements described in Line 250? (Summarize the systematic investigation) (*Maximum 100 lines*)

2.
3.
4.

Section D – Additional project information

Who prepared the responses for Section B or Section C?

253 1 ☐ Employee directly involved in the project	**254** Name		
255 1 ☐ Other employee of the company	**256** Name		
257 1 ☒ External consultant	**258** Name Deloitte LLP	**259** Firm Deloitte LLP	

List the key individuals directly involved in the project and indicate their qualifications/experience.

	260 Names	**261** Qualifications/experience and position title
1	Ed Johnston	B.Sc., 37+ years' experience, Distribution Engineer
2	Craig Smith	P.Eng., 19 years' experience, Manager, Planning & Maintenance
3	Falguni Shah	P.Eng., 13 years' experience, Manager, Distribution Automation

265 Are you claiming any salary or wages for SR&ED performed outside Canada? . . . . . 1 ☐ Yes 2 ☒ No

266 Are you claiming expenditures for SR&ED carried out on behalf of another party? . . . . . 1 ☐ Yes 2 ☒ No

267 Are you claiming expenditures for SR&ED performed by people other than your employees? . . . . . 1 ☐ Yes 2 ☒ No

If you answered **yes** to line 267, complete lines 268 and 269.

	268 Names of individuals or companies	**269** BN
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What evidence do you have to support your claim? (Check any that apply)
You do not need to submit these items with the claim. However, you are required to retain them in the event of a review.

- **270** 1 ☒ Project planning documents
- **271** 1 ☒ Records of resources allocated to the project, time sheets
- **272** 1 ☐ Design of experiments
- **273** 1 ☒ Project records, laboratory notebooks
- **274** 1 ☐ Design, system architecture and source code
- **275** 1 ☒ Records of trial runs
- **276** 1 ☒ Progress reports, minutes of project meetings
- **277** 1 ☒ Test protocols, test data, analysis of test results, conclusions
- **278** 1 ☐ Photographs and videos
- **279** 1 ☐ Samples, prototypes, scrap or other artefacts
- **280** 1 ☒ Contracts
- **281** 1 ☒ Others, specify **282** E-mails, subcontractor models

Part 2 - Project information (continued)

Project number **4**

CRA internal form identifier 060
Code 1201

Complete a separate Part 2 for each project claimed this year.

Section A – Project identification

200 Project title (and identification code if applicable)

Developing/applying Smart Grid concepts/techniques

202 Project start date: 2010-01 (Year Month)

204 Completion or expected completion date: 2014-12 (Year Month)

206 Field of science or technology code (See guide for list of codes): 2.02.01 | Electrical and electronic engineering

Project claim history

208 1 [X] Continuation of a previously claimed project

210 1 [ ] First claim for the project

218 Was any of the work done jointly or in collaboration with other businesses? . . . . 1 [ ] Yes 2 [X] No

If you answered **yes** to line 218, complete lines 220 and 221.

	220 Names of the businesses	**221** BN
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The work was carried out (Check any that apply)

223 1 [ ] In a laboratory

224 1 [ ] In a dedicated research facility

226 1 [X] In a commercial plant or facility

228 1 [X] Others, specify **229** At field sites & subcontractor facilities

Purpose of the work

230 1 [X] To achieve technological advancement for the purpose of creating new or improving existing materials, devices, products or processes. (**Go to Section B** – Experimental development)

232 1 [ ] For the advancement of scientific knowledge (**Go to Section C** – Basic or applied research)

Section B – Experimental development

The technological advancements you were trying to achieve with this work were required for:

	Materials, devices, or products	Processes
The creation of new	**235** 1 [ ]	**236** 1 [ ]
The improvement of existing	**237** 1 [X]	**238** 1 [X]

240 What **technological** advancements were you trying to achieve? (*Maximum 50 lines*)

1. VCI wanted to acquire the knowledge and capabilities it needed to deploy and
2. implement a range of SG concepts and technologies across its existing
3. distribution network to transition it to one that has a fully intelligent
4. infrastructure with: (1) Compatible, durable and reliable equipment with built

240 What **technological** advancements were you trying to achieve? (*Maximum 50 lines*)

-in sensing and intelligent electronic devices for monitoring, fault diagnosis, and self-restoration capabilities; (2) Fail-safe, robust, fast, high band-width, 2-way advanced communications from customers to the grid control centre; (3) Centralized monitoring and control utilizing integrated data bases for customer information, for asset records including their geographic locations, for the management of outages, for grid operations and for making physical changes to the grid infrastructure; (4) Informed & intelligent operators and customers regarding electricity use and the assets for local generation, distribution & storage and initiatives to facilitate wise consumption for system-wide benefits; and (5) Unrestricted capability to accommodate, plug-in hybrid electric vehicles (EV), distributed generation

(DG), and potentially energy storage. In summary, an SG is one that supports the 2-way flows of electricity, data & information.

Over the past 2 years some progress was made in general & specific understanding on: (A) the applicability of different types & capabilities of SG systems and equipment either currently commercially available or at a prototype stage to permit their evaluation with a view to establishing a set of preferred concepts, techniques and methodologies that VCI could implement; (B) facilitating system reliability improvements via reduced outages and quicker response times; (C) making more efficient use of existing infrastructure and reducing losses; (D) empowering customers to participate in conservation; and (E) progressing towards the transition to a SG. However, more focused ongoing efforts were needed to deliver specific improvements.

Entering 2012, VCI would focus on completing two EV charging pilot trials, facilitating its own and 3rd party DG, and on the concrete steps it needed to take to improve its system reliability over the longer term.

242 What **technological** obstacles/uncertainties did you have to overcome to achieve the technological advancements described in Line 240? (*Maximum 50 lines*)

VCI had developed better understanding of the Ontario SG Forum s SG definition as one that Uses sensors, monitoring, communication, automation and computers to improve the flexibility, security, reliability, efficiency and safety of the electricity system , and Ontario s Green Energy & Green Economy Act requirements. It reviewed how existing tools/practices and those under development could be incorporated into a VCI specific SG framework. In addition, VCI had investigated: (1) the state-of-the-art in SG technologies; (2) actual and proposed SG-like innovations already available; (3) the principal drivers for SG efforts and their impact on work either undertaken or still in progress at VCI. From the data collected and analyzed, a preliminary approach was developed to deploy SG concepts, techniques, methodologies & related equipment. It was not, however, taken to the detailed level of a Green Plan. VCI s Plan has to be filed in 2014. Evaluations of third party S/W tools were also conducted to assess how well they could provide integrated data management solutions and operational capability across all elements of the VCI network and transition it to a higher level SG one. Similarly, initial investigations looked at available advanced sensors that could be used to provide real-time condition monitoring & communications across VCI s network to facilitate its SG evolution. Sample sets of data from the already deployed smart meters and their AMI were evaluated to determine how such data could be used to improve network performance. The activities previously undertaken carried VCI some way along the path to transition its existing network to an SG one. In 2011, VCI started two physical pilots/field trials to measure & collect EV charging data to investigate how such data can be used to minimize impacts on existing infrastructure, shed load and modulate power supplied in response to grid capacity constraints. These trials carried over into 2012, when VCI also wanted to take specific actions to improve VCI s reliability performance in the longer term, and to implement monitoring,

242 What **technological** obstacles/uncertainties did you have to overcome to achieve the technological advancements described in Line 240? (*Maximum 50 lines*)

communications and control measures determined as mandatory for DG units of specified capacity.

244 What work did you perform **in the tax year** to overcome the technological obstacles/uncertainties described in Line 242? (Summarize the systematic investigation) (*Maximum 100 lines*)

The two separate trials in progress going into the FY: (1) the provincially sponsored one with 2 EVs, 14 charging points at 6 locations, and a California located network operations centre; and (2) the Durham Strategic Energy Alliance (DSEA) initiated exercise. The first one was completed by the end of Q1 and VCI inherited the infrastructure involved upon its completion. The DSEA was completed later in the year. Reports and analysis of the trials were made available to VCI by the NOC for (1) and UOIT for (2).

Efforts were made during the year to prepare for transformer smart metering/monitoring pilot field trial with 1 or 2 pad-mounted units, a stripped down SCADA system for stations not covered by the existing system, a power line monitoring pilot field trial and to participate with adjacent LDCs in a SG demonstration project led by an industry supplier. The intent was that they would all be progressed to implementation in 2013. Issues were experienced with implementing the design of the 130kW PV Solar system being installed on the roof of VCI s head office by an EPC contractor. The configuration had to be modified due to the size of the inverter. Once this issue was resolved and construction and commissioning complete the system went into service in October. For the balance of the year its performance exceeded expectations. Third party proposals for bio-gas, district energy and PV solar systems were assess, but doing so only involved routine engineering. Exploratory work continued into the different approaches available to implement distribution automation/self-healing network technologies but further applications were deferred until the first pilot implementation using one particular supplier s technology, described in claim project #1, was in service and proven effective. More investigative work was undertaken into whether or not the use of smart devices like fault current indicators and trip savers would improve reliability performance of particular areas but decisions on proceeding to pilot scale field trials were still pending at the FY end.

Regular use of WPF and FESI approaches, introduced last year, as well as annual reviews of settings for P&C purposes, continued through the year. The decisions made last year that monitoring be designed into 3rd party DG systems with capacities of 250kW and greater were implemented this year, as was the decision that 3rd party DG systems, 400kW and larger, incorporate measures to allow VCI control over such connected DG. VCI also participated in SG related sessions with the IESO, the OEB, peers, and interest groups to exchange and share information about SG initiatives & intentions, and to learn from the SG efforts of members of the CLD.

Section C – Basic or applied research

250 What advancements in scientific knowledge were you trying to achieve? (*Maximum 50 lines*)

252 What work did you perform **in the tax year**, how did that work contribute to the advancements described in Line 250? (Summarize the systematic investigation) (*Maximum 100 lines*)

Section D – Additional project information

Who prepared the responses for Section B or Section C?

253 1 ☐ Employee directly involved in the project	254 Name
255 1 ☐ Other employee of the company	256 Name
257 1 ☒ External consultant	258 Name: Deloitte LLP — 259 Firm: Deloitte LLP

List the key individuals directly involved in the project and indicate their qualifications/experience.

	260 Names	261 Qualifications/experience and position title
1	Mark Turney	C.E.T., 31 years' experience, Vice President, Operations
2	Falguni Shah	P.Eng., 13 years' experience, Manager, Distribution Automation
3	Terry Britton	C.E.T., 27 years' experience, Manager, Distribution Services

265 Are you claiming any salary or wages for SR&ED performed outside Canada? . . . . 1 ☐ Yes 2 ☒ No

266 Are you claiming expenditures for SR&ED carried out on behalf of another party? . . . . 1 ☐ Yes 2 ☒ No

267 Are you claiming expenditures for SR&ED performed by people other than your employees? . . . . 1 ☐ Yes 2 ☒ No

If you answered **yes** to line 267, complete lines 268 and 269.

	268 Names of individuals or companies	269 BN
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What evidence do you have to support your claim? (Check any that apply)
You do not need to submit these items with the claim. However, you are required to retain them in the event of a review.

- 270 1 ☒ Project planning documents
- 271 1 ☒ Records of resources allocated to the project, time sheets
- 272 1 ☐ Design of experiments
- 273 1 ☒ Project records, laboratory notebooks
- 274 1 ☐ Design, system architecture and source code
- 275 1 ☒ Records of trial runs
- 276 1 ☒ Progress reports, minutes of project meetings
- 277 1 ☒ Test protocols, test data, analysis of test results, conclusions
- 278 1 ☒ Photographs and videos
- 279 1 ☐ Samples, prototypes, scrap or other artefacts
- 280 1 ☐ Contracts
- 281 1 ☒ Others, specify 282 E-mails, reports

Part 2 - Project information (continued)

Project number **5**

CRA internal form identifier 060
Code 1201

Complete a separate Part 2 for each project claimed this year.

Section A – Project identification

200 Project title (and identification code if applicable)

Mobile Workforce Management System pilot implementation

202 Project start date: 2010-01 (Year Month)

204 Completion or expected completion date: 2012-12 (Year Month)

206 Field of science or technology code (See guide for list of codes): 2.02.01 | Electrical and electronic engineering

Project claim history

208 1 [X] Continuation of a previously claimed project   **210** 1 [ ] First claim for the project

218 Was any of the work done jointly or in collaboration with other businesses? . . . . 1 [ ] Yes   2 [X] No

If you answered **yes** to line 218, complete lines 220 and 221.

220 Names of the businesses	**221** BN
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The work was carried out (Check any that apply)

223 1 [ ] In a laboratory   **226** 1 [X] In a commercial plant or facility

224 1 [ ] In a dedicated research facility   **228** 1 [X] Others, specify **229** At field sites & subcontractor facilities

Purpose of the work

230 1 [X] To achieve technological advancement for the purpose of creating new or improving existing materials, devices, products or processes. (**Go to Section B** – Experimental development)

232 1 [ ] For the advancement of scientific knowledge (**Go to Section C** – Basic or applied research)

Section B – Experimental development

The technological advancements you were trying to achieve with this work were required for:

	Materials, devices, or products	Processes
The creation of new	**235** 1 [ ]	**236** 1 [ ]
The improvement of existing	**237** 1 [ ]	**238** 1 [X]

240 What **technological** advancements were you trying to achieve? (*Maximum 50 lines*)

1. It is the capability to achieve increased back office & field resource
2. efficiencies through the development & implementation of enhanced office/field
3. communications using MWFMS. The objectives established for the MWFMS were to:
4. (1) improve safe vehicle use and efficiency through a combination of software

240 What **technological** advancements were you trying to achieve? (*Maximum 50 lines*)

& hardware; (2) reduce or eliminate paper-based communication of in-field conditions to in-office personnel; (3) improve customer experience through faster response times & consistent, effective service; (4) provide easier access to enterprise-wide information & ensure data accuracy to/from the field ; (5) improve visibility into workforce & workload for tactical & strategic decisions; and (6) assure flexibility and scale-ability through an open, distributed architecture.

In prior years, technical specifications/functional requirements for the proposed MWFMS were created based on VCI s knowledge and experience with existing databases and scheduling systems. Following a pilot trial involving hardware to test & evaluate communications range and reliability for vehicle tracking using GPS, all VCI vehicles were outfitted with this technology using the preferred hardware identified during the trial. In addition, VCI investigated and field trialed a number of tablet computer devices to find the preferred hardware of two tablet computers for use in further system development. Several commercially available software tools were investigated and evaluated for their potential to effectively interface with VCI s existing internal systems. Based on this knowledge, an initial RFI was prepared and issued to S/W tool suppliers to assist them and VCI with the identification of packages and tools which merited further investigation for incorporation within MWFMS, either as-is or adapted to suit VCI s needs.

Discussions with one supplier of operational tools such as a GIS led to a decision to conduct trials with a server it supplied with its GIS tool sitting on top of the existing server and tools used by VCI s existing GIS and OMS tools, as VCI wanted to implement solutions that were vendor independent.

Going into 2012, a subcontractor had been selected to facilitate the piloting of the MWFMS tool.

242 What **technological** obstacles/uncertainties did you have to overcome to achieve the technological advancements described in Line 240? (*Maximum 50 lines*)

For a MWFMS to be an effective tool for VCI, it must be integrated with a diverse range of existing tools and systems which include a custom Geographic Information System (GIS), Customer Information System (CIS), Outage Management System (OMS), Veridian Equipment Database (VED), major financial and inventory and work estimation systems among others. VCI was challenged to define processes encompassed by these systems and where mobile computing could benefit them, and devise methods of interfacing such systems and processes to meet the project s objectives for VCI s MWFMS.

As per 2011, the emphasis in 2012 continued to be on the software side of the MWFMS with a stated purpose of using existing available commercial S/W tools to the maximum extent possible. The key obstacle that VCI faced was resolving interface issues of candidate tools with its existing suite of tools and systems. Discussions with a specialist subcontractor at the end of 2011 would likely lead to its retention early in 2012 to assist resolve these issues.

244 What work did you perform **in the tax year** to overcome the technological obstacles/uncertainties described in Line 242? (Summarize the systematic investigation) (*Maximum 100 lines*)

1. The specialist subcontractor already referenced was retained in mid-January
2. and complete the definition and specification of the MWFMS by the end of
3. February. Lines Department personnel participated in this effort. The
4. subcontractor then proceeded to develop and test all the interfaces, some of
5. which were major efforts such as with the GIS. All testing of the original
6. scope of the MWFMS was completed by November. Change requests were made by
7. VCI to accommodate the creation and configuration of 2 order types, one for 3
8. pad mount transformers and the other for gang operated switches. This
9. additional work was completed before the pilot went live in December. While
10. early experience with the pilot s performance was satisfactory, monitoring it
11. would continue in 2013 when an assessment of the pilot would be undertaken.

Section C – Basic or applied research

250 What advancements in scientific knowledge were you trying to achieve? (*Maximum 50 lines*)

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252 What work did you perform **in the tax year**, how did that work contribute to the advancements described in Line 250? (Summarize the systematic investigation) (*Maximum 100 lines*)

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Section D – Additional project information

Who prepared the responses for Section B or Section C?

253 1 ☐ Employee directly involved in the project	**254** Name	
255 1 ☐ Other employee of the company	**256** Name	
257 1 ☒ External consultant	**258** Name Deloitte LLP	**259** Firm Deloitte LLP

List the key individuals directly involved in the project and indicate their qualifications/experience.

	260 Names	**261** Qualifications/experience and position title
1	Maged Yackoub	B.A.Sc., 8 years' experience, Manager, Ops. Information Systems
2		
3		

265 Are you claiming any salary or wages for SR&ED performed outside Canada? . . . 1 ☐ Yes 2 ☒ No

266 Are you claiming expenditures for SR&ED carried out on behalf of another party? . . . 1 ☐ Yes 2 ☒ No

267 Are you claiming expenditures for SR&ED performed by people other than your employees? . . . 1 ☐ Yes 2 ☒ No

If you answered **yes** to line 267, complete lines 268 and 269.

	268 Names of individuals or companies	**269** BN
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268 Names of individuals or companies	269 BN
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What evidence do you have to support your claim? (Check any that apply)
You do not need to submit these items with the claim. However, you are required to retain them in the event of a review.

- 270 1 [X] Project planning documents
- 271 1 [X] Records of resources allocated to the project, time sheets
- 272 1 [ ] Design of experiments
- 273 1 [X] Project records, laboratory notebooks
- 274 1 [ ] Design, system architecture and source code
- 275 1 [X] Records of trial runs
- 276 1 [X] Progress reports, minutes of project meetings
- 277 1 [X] Test protocols, test data, analysis of test results, conclusions
- 278 1 [ ] Photographs and videos
- 279 1 [ ] Samples, prototypes, scrap or other artefacts
- 280 1 [ ] Contracts
- 281 1 [X] Others, specify 282 E-mails, etc.

Part 2 - Project information (continued)

Project number **6**

CRA internal form identifier 060
Code 1201

Complete a separate Part 2 for each project claimed this year.

Section A – Project identification

200 Project title (and identification code if applicable)

Engineering project design integration

202 Project start date: 2012-09 (Year Month)

204 Completion or expected completion date: 2013-12 (Year Month)

206 Field of science or technology code (See guide for list of codes): 2.02.01 Electrical and electronic engineering

Project claim history

208 1 [ ] Continuation of a previously claimed project

210 1 [X] First claim for the project

218 Was any of the work done jointly or in collaboration with other businesses? . . . . 1 [ ] Yes 2 [X] No

If you answered **yes** to line 218, complete lines 220 and 221.

220 Names of the businesses	**221** BN
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The work was carried out (Check any that apply)

223 1 [ ] In a laboratory

226 1 [X] In a commercial plant or facility

224 1 [ ] In a dedicated research facility

228 1 [X] Others, specify **229** At subcontractor facilities

Purpose of the work

230 1 [X] To achieve technological advancement for the purpose of creating new or improving existing materials, devices, products or processes. (**Go to Section B** – Experimental development)

232 1 [ ] For the advancement of scientific knowledge (**Go to Section C** – Basic or applied research)

Section B – Experimental development

The technological advancements you were trying to achieve with this work were required for:

	Materials, devices, or products	Processes
The creation of new	**235** 1 [ ]	**236** 1 [ ]
The improvement of existing	**237** 1 [ ]	**238** 1 [X]

240 What **technological** advancements were you trying to achieve? (*Maximum 50 lines*)

1. VCI wanted to create, verify and validate a new methodology to standardize the
2. look and content of its digitally created engineering drawings released for
3. construction by either is internal line crews or external line or specialist
4. contractors. So it needed to acquire the knowledge to do so. In addition, it

240 What **technological** advancements were you trying to achieve? (*Maximum 50 lines*)

5. wanted the new CAD tool, which would be at the core of the new methodology, to
6. be integrated with its GIS so that the preparation of W.O. packages could be
7. made more efficient as well as more consistent and understandable by the
8. personnel who have to interpret the drawings that these packages contain. As
9. it did not have expertise in developing solutions within AutoCad, the tool it
10. used for electrical drawing production for infrastructure additions and
11. modifications, VCI recognized at the outset that it would likely need to
12. obtain assistance from an external specialist contractor.

242 What **technological** obstacles/uncertainties did you have to overcome to achieve the technological advancements described in Line 240? (*Maximum 50 lines*)

1. A common problem when CAD software tools are being used to generate
2. engineering design drawings is the lack of a common methodology so that no
3. matter which designer prepares the drawings, all of the drawings released for
4. construction look the same, and use the same symbolism and conventions. The
5. problem exists in a single engineering office with multiple technical staff
6. creating drawings, and tends to be much worse when multiple offices are
7. involved working on the same multi-disciplinary project.
8. The obstacles/uncertainties faced going in were: (1) the criteria that should
9. be adopted to rationalize and standardize the existing practices used across
10. the design staff in the Engineering Department using the AutoCad S/W tool for
11. design development with their individual approaches, practices,
12. subroutines/macros and symbolism; (2) whether or not the scope of the design
13. work the new methodology would cover would include all aspects of the
14. Engineering Departments activities and not just the areas already using
15. AutoCad; and (3) the testing protocols that should be used to verify the
16. components of the new methodology and to ensure application consistency across
17. all of its users.

244 What work did you perform **in the tax year** to overcome the technological obstacles/uncertainties described in Line 242? (Summarize the systematic investigation) (*Maximum 100 lines*)

1. A small project team was formed in early fall with representatives from
2. different areas to contribute their expertise to the definition and
3. specification of what the new methodology had to achieve, and what its outputs
4. had had to deliver. Various sessions were held before the working documents
5. were sufficiently detailed for a suitable subcontractor to take matters
6. forward by customizing a solution in the AutoCad format for testing and
7. trials. A suitable subcontractor was selected and started the development of
8. an AutoCad template, complete with custom layer structure and line types, as
9. part of the new methodology. This work was still in progress going into 2013,
10. when testing of the template would begin, while the interface between the
11. AutoCad template and the GIS tools was being developed. A portion of the work
12. was performed by contractors listed in Part D.

Section C – Basic or applied research

250 What advancements in scientific knowledge were you trying to achieve? (*Maximum 50 lines*)

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252 What work did you perform **in the tax year**, how did that work contribute to the advancements described in Line 250? (Summarize the systematic investigation) (*Maximum 100 lines*)

1.
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Section D – Additional project information

Who prepared the responses for Section B or Section C?

253 1 ☐ Employee directly involved in the project	254 Name		
255 1 ☐ Other employee of the company	256 Name		
257 1 ☒ External consultant	258 Name Deloitte LLP	259 Firm Deloitte LLP	

List the key individuals directly involved in the project and indicate their qualifications/experience.

	260 Names	261 Qualifications/experience and position title
1	Ken Gallen	C.E.T., 15 years' experience, Supervisor , Engineering
2	Jordan Young	C.E.T, 11 years' experience, Engineering Technician, Standards
3	Maged Yackoub	B.A.Sc. 8 years' experience, Operations S/W Engineer

265 Are you claiming any salary or wages for SR&ED performed outside Canada? . . . . 1 ☐ Yes 2 ☒ No

266 Are you claiming expenditures for SR&ED carried out on behalf of another party? . . . . 1 ☐ Yes 2 ☒ No

267 Are you claiming expenditures for SR&ED performed by people other than your employees? . . . . 1 ☒ Yes 2 ☐ No

If you answered **yes** to line 267, complete lines 268 and 269.

	268 Names of individuals or companies	269 BN
1	Solid Caddgroup Inc.	87350 2264 RC0001
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What evidence do you have to support your claim? (Check any that apply)
You do not need to submit these items with the claim. However, you are required to retain them in the event of a review.

- 270 1 ☒ Project planning documents
- 271 1 ☒ Records of resources allocated to the project, time sheets
- 272 1 ☐ Design of experiments
- 273 1 ☒ Project records, laboratory notebooks
- 274 1 ☐ Design, system architecture and source code
- 275 1 ☒ Records of trial runs
- 276 1 ☒ Progress reports, minutes of project meetings
- 277 1 ☒ Test protocols, test data, analysis of test results, conclusions
- 278 1 ☐ Photographs and videos
- 279 1 ☐ Samples, prototypes, scrap or other artefacts
- 280 1 ☒ Contracts
- 281 1 ☒ Others, specify 282 E-mails, etc.

Federal Tax Instalments

Federal tax instalments

For the taxation year ended 2013-12-31

Business number 88628 2920 RC0001

The following is a list of federal instalments payable for the current taxation year. The last column indicates the instalments payable to Revenue Canada. The instalments are due no later than on the dates indicated, otherwise non-deductible interest will be charged. A cheque or money order should be made payable to the Receiver General. Payment may be made by cheque or money order payable to the Receiver General either to an authorized financial institution or filed with **the appropriate remittance voucher to the following address**:

Canada Revenue Agency
875 Heron Road
Ottawa ON K1A 1B1

Note that you may also be able to pay by telephone or Internet banking. For more information, consult the *Corporation Instalment Guide*.

Monthly instalment workchart

Date	Monthly tax instalments	Refund transferred to instalments	Instalments paid	Cumulative difference	Instalments payable
2013-01-31	143,548				143,548
2013-02-28	143,548				143,548
2013-03-31	143,548				143,548
2013-04-30	143,548				143,548
2013-05-31	143,548				143,548
2013-06-30	143,548				143,548
2013-07-31	143,548				143,548
2013-08-31	143,548				143,548
2013-09-30	143,548				143,548
2013-10-31	143,548				143,548
2013-11-30	143,548				143,548
2013-12-31	143,547				143,547
Totals	1,722,575				1,722,575

Quarterly instalment workchart

Date	Quarterly tax instalments	Refund transferred to instalments	Instalments paid	Cumulative difference	Instalments payable
2013-03-31					
2013-06-30					
2013-09-30					
2013-12-31					
Totals					

Instalment method

Indicate instalment method chosen [1-3] 1

1st Instalment base method

If payment of instalments other than quarterly instalments is delayed, indicate the MONTH in which you want them to begin (1=January, 2=February, etc.). 1

Select this box if you want the instalments to be calculated without taking the applicable threshold into account ☐

Quarterly instalments calculation

The corporation must meet requirements 1 to 5 to be eligible for quarterly instalments for a tax year.

		Yes	No
1 –	Is the corporation a Canadian-controlled private corporation (CCPC)?	X	
2 –	Did the corporation claim any deduction under the section 125, during either the current or previous year?		X
3 –	Is the corporation's, or any of its associated corporations', taxable income for the current or previous year less than or equal to $500,000?		
4 –	Is the corporation and any associated corporations' taxable capital employed in Canada for the current or previous year less than or equal to $10,000,000?		
5 –	Does the corporation have a perfect compliance history in the last 12 months?		

If you do not want to use the quarterly instalments option, select this box to go back to monthly instalments. ☐

1 – 1st Instalment base method

1st Instalment base amount (amount N below)	1,722,575	÷ 12	=	143,548
	Monthly instalments required			143,548
Quarterly tax instalments required	1,722,575	÷ 4	=	

2 – Combined 1st and 2nd instalment base method

Select this box if you want the first 2 payments* to be calculated without taking the applicable threshold into account? ☐

2nd Monthly instalment base amount

Indicate: Part I tax		1,873,924				
Part VI, VI.1 and XIII.1 tax	+					
Federal adjustment for amalgamation, winding up or transfer	+					
Provincial tax, other than Alberta, Québec and Ontario	+					
Ontario tax	+	1,399,647				
Provincial adjustment for amalgamation, winding up or transfer	+					
Total	=	3,273,571	÷ 12	=	272,798	**A**
1/12 of estimated current year credits (M below /12)				–		
Each of the first two instalment payments				=	272,798	**B**
Total tax from N below		1,722,575				
Amount B above x 2	–	545,596				
	=	1,176,979	÷ 10	=	117,698	
Each of the remaining ten instalment payments				=	117,698	

2nd Quarterly instalment base amount

Indicate: Part I tax		1,873,924				
Part VI, VI.1 and XIII.1 tax	+					
Federal adjustment for amalgamation, winding up or transfer	+					
Provincial tax, other than Alberta, Québec and Ontario	+					
Ontario tax	+	1,399,647				
Provincial adjustment for amalgamation, winding up or transfer	+					
Total	=	3,273,571	÷ 4	=	818,393	**A**
1/4 of estimated current year credits (M below /4)				–		
The first instalment payment				=		**B**
Total tax from N below		1,722,575				
Amount B above	–					
	=	1,722,575	÷ 3	=	574,192	
Each of the remaining three instalment payments				=		

* It is the first payment if the quarterly instalments are applicable.

3 – Estimated tax method

Instalment base amount (amount N below)		÷ 12	=	
	Monthly instalments required			
Quarterly tax instalments required		÷ 4	=	

Instalment base calculation

Federal tax

		1st instalment base method		Estimated tax method	
Taxable income		7,772,134			
Calculation of tax payable					
Federal part I tax		2,953,411			
Recapture of investment tax credit	+		+		
Refundable tax on a CCPC's investment income	+		+		
Subtotal	=	2,953,411	=		**A**
Deduction					
Small business deduction					
Investment corporation deduction	+		+		
Federal tax abatement	+	777,213	+		
Manufacturing and processing profits deduction	+		+		
Non-business foreign tax credit	+		+		
Business foreign tax credit	+		+		
Tax reduction, general and accelerated	+	1,010,377	+		
Logging tax credit	+		+		
Investment tax credit per Schedule 31	+	167,869	+		
Qualifying environmental trust tax credit	+		+		
Subtotal	=	1,955,459	=		**B**
Federal tax summary					
Total part I tax payable (A minus B)		997,952			**C**
Part VI tax	+		+		**D**
Part VI.1 tax	+		+		**E1**
Part XIII.1 tax	+		+		**E2**
Parts I, VI, VI.1 and XIII.1 **Total**	=	997,952	=		**F**
Federal adjustments					
Adjustment for short taxation years multiplied by 365 and divided by the number of days in the year if less than 365	x	365 / 365	x	365 / 365	
Subtotal	=	997,952	=		
Federal adjustment for amalgamation, winding up or transfer	+		+	N/A	
Total federal tax after adjustments	=	997,952	=		**G**

Provincial tax

				1st instalment base method		Estimated tax method	
Provincial/territorial tax, other than Alberta, Québec and Ontario*			+		+		**H**
Ontario tax							
Income tax		818,169					
Corporate minimum tax paid (credited)	+						
Special additional tax on life insurance corporations	+						
Refundable tax credits*	–	93,546					
Total Ontario tax	=	724,623	▶ +	724,623	+		**I**
Harmonized provincial tax (H + I) **Total harmonized provincial tax**			=	724,623	=		**J**
Provincial adjustments							
Adjustment for short taxation years multiplied by 365 and divided by the number of days in the year if less than 365			x	365 / 365	x	365 / 365	
Subtotal			=	724,623	=		
Provincial adjustment for amalgamation, winding up or transfer			+		+	N/A	
Total provincial tax after adjustments			=	724,623	=		**K**
Total of tax before federal refundable credits** (G + K)			=	1,722,575	=		**L**

Instalment base calculation (continued)

Estimated current year credits					
Investment tax credit refund					
Dividend refund	+		+		
Federal capital gains refund	+		+		
Provincial and territorial capital gains refund	+		+		
NRO allowable refund per Schedule 26	+		+		
Tax withheld at source	+		+		
Other estimated credits	+		+		
Total estimated current year credits	=		=		**M**
Instalment base amount (L – M)		1,722,575			**N**

* For more details with regards to the impact of the refundable tax credits in the instalment base calculation, consult the Help.

** For instalments payable, the amount on line G will only be included in the amount on line L when it exceeds $3,000, while the amount on line K is always included in the amount on line L, because it takes provincial refundable tax credits into account. If you determine that the corporation should not include the amount from line K, or a portion of this amount, in its instalments calculation, enter the desired amount on line K using an override.

Canada Revenue Agency   Agence du revenu du Canada

T2 Corporation Income Tax Return

200

055 Do not use this area

This form serves as a federal, provincial, and territorial corporation income tax return, unless the corporation is located in Quebec or Alberta. If the corporation is located in one of these provinces, you have to file a separate provincial corporation return.

All legislative references on this return are to the federal *Income Tax Act*. This return may contain changes that had not yet become law at the time of publication.

Send one completed copy of this return, including schedules and the *General Index of Financial Information* (GIFI), to your tax centre or tax services office. You have to file the return within six months after the end of the corporation's tax year.

For more information see **www.cra.gc.ca** or Guide T4012, *T2 Corporation – Income Tax Guide*.

Identification

Business number (BN) **001** 88628 2920 RC0001

Corporation's name

002 Veridian Connections Inc.

Address of head office

Has this address changed since the last time we were notified? . . . . **010** 1 Yes [ ] 2 No [X]

(If **yes**, complete lines 011 to 018.)

011 55 Taunton Road East

012

City	Province, territory, or state
015 Ajax	**016** ON
Country (other than Canada)	Postal code/Zip code
017	**018** L1T 3V3

Mailing address (if different from head office address)

Has this address changed since the last time we were notified? . . . . **020** 1 Yes [ ] 2 No [X]

(If **yes**, complete lines 021 to 028.)

021 c/o

022

023

City	Province, territory, or state
025	**026**
Country (other than Canada)	Postal code/Zip code
027	**028**

Location of books and records

Has the location of books and records changed since the last time we were notified? . . . . **030** 1 Yes [ ] 2 No [X]

(If **yes**, complete lines 031 to 038.)

031 55 Taunton Road East

032

City	Province,territory, or state
035 Ajax	**036** ON
Country (other than Canada)	Postal code/Zip code
037	**038** L1T 3V3

040 Type of corporation at the end of the tax year

1 [X] Canadian-controlled private corporation (CCPC)

2 [ ] Other private corporation

3 [ ] Public corporation

4 [ ] Corporation controlled by a public corporation

5 [ ] Other corporation (specify, below)

If the type of corporation changed during the tax year, provide the effective date of the change . . . . **043** ______ YYYY MM DD

To which tax year does this return apply?

Tax year start **060** 2012-01-01 (YYYY MM DD)   Tax year-end **061** 2012-12-31 (YYYY MM DD)

Has there been an acquisition of control to which subsection 249(4) applies since the previous tax year? . . . . **063** 1 Yes [ ] 2 No [X]

If **yes**, provide the date control was acquired . . . . **065** ______ YYYY MM DD

Is the date on line 061 a deemed tax year-end according to:

subparagraph 88(2)(a)(iv)? . . . . **064** 1 Yes [ ] 2 No [X]

subsection 249(3.1)? . . . . **066** 1 Yes [ ] 2 No [X]

Is the corporation a professional corporation that is a member of a partnership? . . . . **067** 1 Yes [ ] 2 No [X]

Is this the first year of filing after:

Incorporation? . . . . **070** 1 Yes [ ] 2 No [X]

Amalgamation? . . . . **071** 1 Yes [ ] 2 No [X]

If **yes**, complete lines 030 to 038 and attach Schedule 24.

Has there been a wind-up of a subsidiary under section 88 during the current tax year? . . . . **072** 1 Yes [ ] 2 No [X]

If **yes**, complete and attach Schedule 24.

Is this the final tax year before amalgamation? . . . . **076** 1 Yes [ ] 2 No [X]

Is this the final return up to dissolution? . . . . **078** 1 Yes [ ] 2 No [X]

If an election was made under section 261, state the functional currency used . . . . **079** ______

Is the corporation a resident of Canada?

080 1 Yes [X] 2 No [ ]   If **no**, give the country of residence on line 081 and complete and attach Schedule 97.

081 ______

Is the non-resident corporation claiming an exemption under an income tax treaty? . . . . **082** 1 Yes [ ] 2 No [X]

If **yes**, complete and attach Schedule 91.

If the corporation is exempt from tax under section 149, tick one of the following boxes:

085

1 [ ] Exempt under paragraph 149(1)(e) or (l)

2 [ ] Exempt under paragraph 149(1)(j)

3 [ ] Exempt under paragraph 149(1)(t)

4 [ ] Exempt under other paragraphs of section 149

Do not use this area

095   **096**

Canada

Attachments

Financial statement information: Use GIFI schedules 100, 125, and 141.
Schedules – Answer the following questions. For each **yes** response, **attach** the schedule to the T2 return, unless otherwise instructed.

		Yes	Schedule
Is the corporation related to any other corporations?	150	X	9
Is the corporation an associated CCPC?	160	X	23
Is the corporation an associated CCPC that is claiming the expenditure limit?	161		49
Does the corporation have any non-resident shareholders who own voting shares?	151		19
Has the corporation had any transactions, including section 85 transfers, with its shareholders, officers, or employees, other than transactions in the ordinary course of business? Exclude non-arm's length transactions with non-residents	162		11
If you answered **yes** to the above question, and the transaction was between corporations not dealing at arm's length, were all or substantially all of the assets of the transferor disposed of to the transferee?	163		44
Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada?	164		14
Is the corporation claiming a deduction for payments to a type of employee benefit plan?	165		15
Is the corporation claiming a loss or deduction from a tax shelter acquired after August 31, 1989?	166		T5004
Is the corporation a member of a partnership for which a partnership account number has been assigned?	167		T5013
Did the corporation, a foreign affiliate controlled by the corporation, or any other corporation or trust that did not deal at arm's length with the corporation have a beneficial interest in a non-resident discretionary trust (without reference to section 94)?	168		22
Did the corporation have any foreign affiliates during the year?	169		25
Has the corporation made any payments to non-residents of Canada under subsections 202(1) and/or 105(1) of the federal *Income Tax Regulations*?	170		29
Has the corporation had any non-arm's length transactions with a non-resident?	171		T106
For private corporations: Does the corporation have any shareholders who own 10% or more of the corporation's common and/or preferred shares?	173	X	50
Has the corporation made payments to, or received amounts from, a retirement compensation plan arrangement during the year?	172		
Is the net income/loss shown on the financial statements different from the net income/loss for income tax purposes?	201	X	1
Has the corporation made any charitable donations; gifts to Canada, a province, or a territory; gifts of cultural or ecological property; or gifts of medicine?	202	X	2
Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund?	203	X	3
Is the corporation claiming any type of losses?	204		4
Is the corporation claiming a provincial or territorial tax credit or does it have a permanent establishment in more than one jurisdiction?	205	X	5
Has the corporation realized any capital gains or incurred any capital losses during the tax year?	206		6
i) Is the corporation claiming the small business deduction and reporting income from: a) property (other than dividends deductible on line 320 of the T2 return), b) a partnership, c) a foreign business, or d) a personal services business; or ii) does the corporation have aggregate investment income at line 440?	207		7
Does the corporation have any property that is eligible for capital cost allowance?	208	X	8
Does the corporation have any property that is eligible capital property?	210	X	10
Does the corporation have any resource-related deductions?	212		12
Is the corporation claiming deductible reserves (other than transitional reserves under section 34.2)?	213		13
Is the corporation claiming a patronage dividend deduction?	216		16
Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction?	217		17
Is the corporation an investment corporation or a mutual fund corporation?	218		18
Is the corporation carrying on business in Canada as a non-resident corporation?	220		20
Is the corporation claiming any federal or provincial foreign tax credits, or any federal or provincial logging tax credits?	221		21
Does the corporation have any Canadian manufacturing and processing profits?	227		27
Is the corporation claiming an investment tax credit?	231	X	31
Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures?	232	X	T661
Is the total taxable capital employed in Canada of the corporation and its related corporations over $10,000,000?	233	X	
Is the total taxable capital employed in Canada of the corporation and its associated corporations over $10,000,000?	234	X	
Is the corporation claiming a surtax credit?	237		37
Is the corporation subject to gross Part VI tax on capital of financial institutions?	238		38
Is the corporation claiming a Part I tax credit?	242		42
Is the corporation subject to Part IV.1 tax on dividends received on taxable preferred shares or Part VI.1 tax on dividends paid?	243		43
Is the corporation agreeing to a transfer of the liability for Part VI.1 tax?	244		45
Is the corporation subject to Part II - Tobacco Manufacturers' surtax?	249		46
For financial institutions: Is the corporation a member of a related group of financial institutions with one or more members subject to gross Part VI tax?	250		39
Is the corporation claiming a Canadian film or video production tax credit refund?	253		T1131
Is the corporation claiming a film or video production services tax credit refund?	254		T1177
Is the corporation subject to Part XIII.1 tax? (Show your calculations on a sheet that you identify as Schedule 92.)	255		92

Attachments – continued from page 2

		Yes	Schedule
Did the corporation have any foreign affiliates that are not controlled foreign affiliates?	256		T1134
Did the corporation have any controlled foreign affiliates?	258		T1134
Did the corporation own specified foreign property in the year with a cost amount over $100,000?	259		T1135
Did the corporation transfer or loan property to a non-resident trust?	260		T1141
Did the corporation receive a distribution from or was it indebted to a non-resident trust in the year?	261		T1142
Has the corporation entered into an agreement to allocate assistance for SR&ED carried out in Canada?	262		T1145
Has the corporation entered into an agreement to transfer qualified expenditures incurred in respect of SR&ED contracts?	263		T1146
Has the corporation entered into an agreement with other associated corporations for salary or wages of specified employees for SR&ED?	264		T1174
Did the corporation pay taxable dividends (other than capital gains dividends) in the tax year?	265	X	55
Has the corporation made an election under subsection 89(11) not to be a CCPC?	266		T2002
Has the corporation revoked any previous election made under subsection 89(11)?	267		T2002
Did the corporation (CCPC or deposit insurance corporation (DIC)) pay eligible dividends, or did its general rate income pool (GRIP) change in the tax year?	268	X	53
Did the corporation (other than a CCPC or DIC) pay eligible dividends, or did its low rate income pool (LRIP) change in the tax year?	269		54

Additional information

		1 Yes	2 No
Did the corporation use the International Financial Reporting Standards (IFRS) when it prepared its financial statements?	270		X
Is the corporation inactive?	280		X

What is the corporation's main revenue-generating business activity? 221122 Electric Power Distribution

Specify the principal product(s) mined, manufactured, sold, constructed, or services provided, giving the approximate percentage of the total revenue that each product or service represents.

284	Electric Power Distribution in Canada	285	100.000 %
286		287	%
288		289	%

		1 Yes	2 No
Did the corporation immigrate to Canada during the tax year?	291		X
Did the corporation emigrate from Canada during the tax year?	292		X
Do you want to be considered as a quarterly instalment remitter if you are eligible?	293		

If the corporation was eligible to remit instalments on a quarterly basis for part of the tax year, provide the date the corporation ceased to be eligible 294 ______ YYYY MM DD

If the corporation's major business activity is construction, did you have any subcontractors during the tax year? 295 1 Yes ☐ 2 No ☐

Taxable income

Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFI.	300		7,847,275	A
Deduct: Charitable donations from Schedule 2	311	75,141		
Gifts to Canada, a province, or a territory from Schedule 2	312			
Cultural gifts from Schedule 2	313			
Ecological gifts from Schedule 2	314			
Gifts of medicine from Schedule 2	315			
Taxable dividends deductible under section 112 or 113, or subsection 138(6) from Schedule 3	320			
Part VI.1 tax deduction*	325			
Non-capital losses of previous tax years from Schedule 4	331			
Net capital losses of previous tax years from Schedule 4	332			
Restricted farm losses of previous tax years from Schedule 4	333			
Farm losses of previous tax years from Schedule 4	334			
Limited partnership losses of previous tax years from Schedule 4	335			
Taxable capital gains or taxable dividends allocated from a central credit union	340			
Prospector's and grubstaker's shares	350			
Subtotal		75,141	▶ 75,141	B
Subtotal (amount A **minus** amount B) (if negative, enter "0")			7,772,134	C
Add: Section 110.5 additions or subparagraph 115(1)(a)(vii) additions	355			D
Taxable income (amount C **plus** amount D)	360		7,772,134	
Income exempt under paragraph 149(1)(t)	370			
Taxable income for a corporation with exempt income under paragraph 149(1)(t) (line 360 **minus** line 370)			7,772,134	Z

* This amount is equal to 3.5 times the Part VI.1 tax payable at line 724 on page 8. Use 3.2 for tax years ending before 2012.

Small business deduction

Canadian-controlled private corporations (CCPCs) throughout the tax year

Income from active business carried on in Canada from Schedule 7	400	7,847,275	A
Taxable income from line 360 on page 3, **minus** 100/28* 3.57143 of the amount on line 632** on page 7, **minus** 1/(0.38 - X***) 4 times the amount on line 636**** on page 7, and **minus** any amount that, because of federal law, is exempt from Part I tax	405	7,772,134	B
Business limit (see notes 1 and 2 below)	410	500,000	C

Notes:

1. For CCPCs that are not associated, enter $ 500,000 on line 410. However, if the corporation's tax year is less than 51 weeks, prorate this amount by the number of days in the tax year divided by 365, and enter the result on line 410.

2. For associated CCPCs, use Schedule 23 to calculate the amount to be entered on line 410.

Business limit reduction:

Amount C 500,000 x **415** ***** 482,912 D / 11,250 = 21,462,756 E

Reduced business limit (amount C **minus** amount E) (if negative, enter "0")	425		F

Small business deduction

Amount A, B, C, or F, whichever is the least ______ x 17 % =	430		G

Enter amount G on line 1 on page 7.

* 10/3 for tax years ending before November 1, 2011. The result of the multiplication by line 632 has to be pro-rated based on the number of days in the tax year that are in each period: before November 1, 2011, and after October 31, 2011.

** Calculate the amount of foreign non-business income tax credit deductible on line 632 without reference to the refundable tax on the CCPC's investment income (line 604) and without reference to the corporate tax reductions under section 123.4.

*** General rate reduction percentage for the tax year. It has to be pro-rated based on the number of days in the tax year that are in each calendar year. See page 5.

**** Calculate the amount of foreign business income tax credit deductible on line 636 without reference to the corporation tax reductions under section 123.4.

***** **Large corporations**

- If the corporation is not associated with any corporations in both the current and previous tax years, the amount to be entered on line 415 is: (total taxable capital employed in Canada for the **prior year** minus $10,000,000) x 0.225%.
- If the corporation is not associated with any corporations in the current tax year, but was associated in the previous tax year, the amount to be entered on line 415 is: (total taxable capital employed in Canada for the **current year** minus $10,000,000) x 0.225%.
- For corporations associated in the current tax year, see Schedule 23 for the special rules that apply.

General tax reduction for Canadian-controlled private corporations

Canadian-controlled private corporations throughout the tax year

Taxable income from line 360 on page 3*			7,772,134	A
Lesser of amounts V and Y (line Z1) from Part 9 of Schedule 27		B		
Amount QQ from Part 13 of Schedule 27		C		
Personal service business income**	**432**	D		
Amount used to calculate the credit union deduction from Schedule 17		E		
Amount from line 400, 405, 410, or 425 on page 4, whichever is the least		F		
Aggregate investment income from line 440 on page 6***		G		
Total of amounts B to G		►		H
Amount A **minus** amount H (if negative, enter "0")			7,772,134	I

Amount I	7,772,134	x	Number of days in the tax year before January 1, 2011 / Number of days in the tax year	/ 366	x 10 %	=	J
Amount I	7,772,134	x	Number of days in the tax year after December 31, 2010, and before January 1, 2012 / Number of days in the tax year	/ 366	x 11.5 %	=	K
Amount I	7,772,134	x	Number of days in the tax year after December 31, 2011 / Number of days in the tax year	366 / 366	x 13 %	= 1,010,377	L

General tax reduction for Canadian-controlled private corporations – Total of amounts J to L ..... 1,010,377 M

Enter amount M on line 638 on page 7.

* For tax years ending after October 31, 2011, line 360 or amount Z, whichever applies.

** For tax years beginning after October 31, 2011.

*** Except for a corporation that is, throughout the year, a cooperative corporation (within the meaning assigned by subsection 136(2)) or a credit union.

General tax reduction

Do not complete this area if you are a Canadian-controlled private corporation, an investment corporation, a mortgage investment corporation, a mutual fund corporation, or any corporation with taxable income that is not subject to the corporation tax rate of 38%.

Taxable income from page 3 (line 360 or amount Z, whichever applies)				N
Lesser of amounts V and Y (line Z1) from Part 9 of Schedule 27		O		
Amount QQ from Part 13 of Schedule 27		P		
Personal service business income*	**434**	Q		
Amount used to calculate the credit union deduction from Schedule 17		R		
Total of amounts O to R		►		S
Amount N **minus** amount S (if negative, enter "0")				T

Amount T		x	Number of days in the tax year before January 1, 2011 / Number of days in the tax year	/ 366	x 10 %	=	U
Amount T		x	Number of days in the tax year after December 31, 2010, and before January 1, 2012 / Number of days in the tax year	/ 366	x 11.5 %	=	V
Amount T		x	Number of days in the tax year after December 31, 2011 / Number of days in the tax year	366 / 366	x 13 %	=	W

General tax reduction – Total of amounts U to W X

Enter amount X on line 639 on page 7.

* For tax years beginning after October 31, 2011.

Refundable portion of Part I tax

Canadian-controlled private corporations throughout the tax year

Aggregate investment income from Schedule 7	**440**		x 26 2 / 3 % =		A
Foreign non-business income tax credit from line 632 on page 7					
Deduct:					
Foreign investment income from Schedule 7	**445**		x 9 1 / 3 % =		
			(if negative, enter "0")	▶	B
Amount A **minus** amount B (if negative, enter "0")					C

Taxable income from line 360 on page 3		7,772,134	
Deduct:			
Amount from line 400, 405, 410, or 425 on page 4, whichever is the least			
Foreign non-business income tax credit from line 632 on page 7 ... x 25/9* 100 / 35 =			
Foreign business income tax credit from line 636 on page 7 ... x 1(0.38 - X**) / 4 =			
	▶		
		7,772,134	
		x 26 2 / 3 % =	2,072,569 D
Part I tax payable minus investment tax credit refund (line 700 **minus** line 780 from page 8)			997,952 E
Refundable portion of Part I tax – Amount C, D, or E, whichever is the least	**450**		F

* 100/35 for tax years beginning after October 31, 2011.

** General rate reduction percentage for the tax year. It has to be pro-rated based on the number of days in the tax year that are in each calendar year. See page 5.

Refundable dividend tax on hand

Refundable dividend tax on hand at the end of the previous tax year	**460**	2,526		
Deduct: Dividend refund for the previous tax year	**465**	2,526		
			▶	G
Add the total of:				
Refundable portion of Part I tax from line 450 above				
Total Part IV tax payable from Schedule 3				
Net refundable dividend tax on hand transferred from a predecessor corporation on amalgamation, or from a wound-up subsidiary corporation	**480**			
			▶	H
Refundable dividend tax on hand at the end of the tax year – Amount G **plus** amount H	**485**			

Dividend refund

Private and subject corporations at the time taxable dividends were paid in the tax year

Taxable dividends paid in the tax year from line 460 on page 2 of Schedule 3	4,600,000	x 1 / 3	1,533,333	I
Refundable dividend tax on hand at the end of the tax year from line 485 above				J
Dividend refund – Amount I or J, whichever is less (enter this amount on line 784 on page 8)				

Part I tax

Base amount of Part I tax – Taxable income from page 3 (line 360 or amount Z, whichever applies) **multiplied** by 38 %		550	2,953,411	A
Recapture of investment tax credit from Schedule 31		602		B

Calculation for the refundable tax on the Canadian-controlled private corporation's (CCPC) investment income
(if it was a CCPC throughout the tax year)

Aggregate investment income from line 440 on page 6			i
Taxable income from line 360 on page 3	7,772,134		
Deduct:			
Amount from line 400, 405, 410, or 425 on page 4, whichever is the least			
Net amount	7,772,134 ▶	7,772,134	ii

Refundable tax on CCPC's investment income – 6 2 / 3 % of whichever is less: amount i or ii	604		C
Subtotal (**add** amounts A to C)		2,953,411	D

Deduct:

Small business deduction from line 430 on page 4			1
Federal tax abatement	608	777,213	
Manufacturing and processing profits deduction from Schedule 27	616		
Investment corporation deduction	620		
Taxed capital gains 624			
Additional deduction – credit unions from Schedule 17	628		
Federal foreign non-business income tax credit from Schedule 21	632		
Federal foreign business income tax credit from Schedule 21	636		
General tax reduction for CCPCs from amount M on page 5	638	1,010,377	
General tax reduction from amount X on page 5	639		
Federal logging tax credit from Schedule 21	640		
Federal qualifying environmental trust tax credit	648		
Investment tax credit from Schedule 31	652	167,869	
Subtotal		1,955,459 ▶	1,955,459 E

Part I tax payable – Amount D **minus** amount E	997,952	F

Enter amount F on line 700 on page 8.

Summary of tax and credits

Federal tax

Part I tax payable from page 7	700	997,952
Part II surtax payable from Schedule 46	708	
Part III.1 tax payable from Schedule 55	710	
Part IV tax payable from Schedule 3	712	
Part IV.1 tax payable from Schedule 43	716	
Part VI tax payable from Schedule 38	720	
Part VI.1 tax payable from Schedule 43	724	
Part XIII.1 tax payable from Schedule 92	727	
Part XIV tax payable from Schedule 20	728	
Total federal tax		997,952

Add provincial or territorial tax:

Provincial or territorial jurisdiction . . . 750 ON
(if more than one jurisdiction, enter "multiple" and complete Schedule 5)

Net provincial or territorial tax payable (except Quebec and Alberta)	760	724,623	
Provincial tax on large corporations (Nova Scotia Schedule 342)	765		
(The Nova Scotia tax on large corporations is eliminated effective July 2012.)		724,623 ▶	724,623
Total tax payable	770		1,722,575 A

Deduct other credits:

Investment tax credit refund from Schedule 31	780		
Dividend refund from page 6	784		
Federal capital gains refund from Schedule 18	788		
Federal qualifying environmental trust tax credit refund	792		
Canadian film or video production tax credit refund (Form T1131)	796		
Film or video production services tax credit refund (Form T1177)	797		
Tax withheld at source	800		
Total payments on which tax has been withheld 801			
Provincial and territorial capital gains refund from Schedule 18	808		
Provincial and territorial refundable tax credits from Schedule 5	812		
Tax instalments paid	840	2,520,000	
Total credits	890	2,520,000 ▶	2,520,000 B

Refund code 894 1   Overpayment 797,425 ◀   Balance (amount A **minus** amount B) -797,425

If the result is negative, you have an **overpayment**.
If the result is positive, you have a **balance unpaid**.
Enter the amount on whichever line applies.

Generally, we do not charge or refund a difference of $2 or less.

Balance unpaid . . . .

Enclosed payment 898

Direct deposit request

To have the corporation's refund deposited directly into the corporation's bank account at a financial institution in Canada, or to change banking information you already gave us, complete the information below:

☐ Start   ☐ Change information   910 ______ Branch number

914 ______ Institution number   918 ______ Account number

If the corporation is a Canadian-controlled private corporation throughout the tax year, does it qualify for the one-month extension of the date the balance of tax is due? . . . 896 1 Yes ☐ 2 No ☒

If this return was prepared by a tax preparer for a fee, provide their EFILE number . . . 920

Certification

I, 950 McLorg (Last name (print)), 951 Laurie (First name (print)), 954 VP Financial Services and CFO (Position, office, or rank),

am an authorized signing officer of the corporation. I certify that I have examined this return, including accompanying schedules and statements, and that the information given on this return is, to the best of my knowledge, correct and complete. I also certify that the method of calculating income for this tax year is consistent with that of the previous tax year except as specifically disclosed in a statement attached to this return.

955 2013-07-10 Date (yyyy/mm/dd)   ______ Signature of the authorized signing officer of the corporation   956 (905) 427-9870 Telephone number

Is the contact person the same as the authorized signing officer? If **no**, complete the information below . . . 957 1 Yes ☐ 2 No ☒

958 Mr. Andrew Hermans Name (print)   959 (905) 427-9870 Telephone number

Language of correspondence – Langue de correspondance

Indicate your language of correspondence by entering **1** for English or **2** for French.
Indiquez votre langue de correspondance en inscrivant **1** pour anglais ou **2** pour français.   990 1

Privacy Act, Personal Information Bank number CRA PPU 047

Schedule of Instalment Remittances

Name of corporation contact: Veridian Connections Inc.
Telephone number: (905) 427-9870

Effective interest date	Description (instalment remittance, split payment, assessed credit)	Amount of credit
	PILS instalments	2,520,000
	PILS instalments	

Total amount of instalments claimed (carry the result to line 840 of the T2 Return)	2,520,000	A
Total instalments credited to the taxation year per T9	2,520,000	B

Transfer

	Account number	Taxation year end	Amount	Effective interest date	Description
From:					
To:					
From:					
To:					
From:					
To:					
From:					
To:					
From:					
To:					

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 100

Form identifier 100

GENERAL INDEX OF FINANCIAL INFORMATION – GIFI

Name of corporation	Business Number	Tax year end Year Month Day
Veridian Connections Inc.	88628 2920 RC0001	2012-12-31

Balance sheet information

Account	Description	GIFI		Current year	Prior year
	Assets				
	Total current assets	1599	+	60,812,149	54,902,203
	Total tangible capital assets	2008	+	374,617,360	375,579,546
	Total accumulated amortization of tangible capital assets	2009	–	197,203,072	200,430,553
	Total intangible capital assets	2178	+	36,699,165	16,197,454
	Total accumulated amortization of intangible capital assets	2179	–	11,960,108	
	Total long-term assets	2589	+	11,292,589	11,786,903
	* Assets held in trust	2590	+		
	Total assets (mandatory field)	2599	=	274,258,083	258,035,553
	Liabilities				
	Total current liabilities	3139	+	50,829,569	54,053,575
	Total long-term liabilities	3450	+	141,926,222	127,958,405
	* Subordinated debt	3460	+		
	* Amounts held in trust	3470	+		
	Total liabilities (mandatory field)	3499	=	192,755,791	182,011,980
	Shareholder equity				
	Total shareholder equity (mandatory field)	3620	+	81,502,292	76,023,573
	Total liabilities and shareholder equity	3640	=	274,258,083	258,035,553
	Retained earnings				
	Retained earnings/deficit – end (mandatory field)	3849	=	17,177,525	11,698,806

***** Generic item

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 125

Form identifier 125

GENERAL INDEX OF FINANCIAL INFORMATION – GIFI

Name of corporation	Business Number	Tax year end Year Month Day
Veridian Connections Inc.	88628 2920 RC0001	2012-12-31

Income statement information

Description	GIFI	
Operating name	0001	
Description of the operation	0002	
Sequence number	0003	01

Account	Description	GIFI		Current year	Prior year
Income statement information					
	Total sales of goods and services	8089	+	295,957,112	286,271,260
	Cost of sales	8518	–	245,348,801	238,330,731
	Gross profit/loss	8519	=	50,608,311	47,940,529
	Cost of sales	8518	+	245,348,801	238,330,731
	Total operating expenses	9367	+	40,039,198	41,064,316
	Total expenses (mandatory field)	9368	=	285,387,999	279,395,047
	Total revenue (mandatory field)	8299	+	299,871,197	289,977,670
	Total expenses (mandatory field)	9368	–	285,387,999	279,395,047
	Net non-farming income	9369	=	14,483,198	10,582,623
Farming income statement information					
	Total farm revenue (mandatory field)	9659	+		
	Total farm expenses (mandatory field)	9898	–		
	Net farm income	9899	=		
	Net income/loss before taxes and extraordinary items	9970	=	14,483,198	10,582,623
	Total other comprehensive income	9998	=		
Extraordinary items and income (linked to Schedule 140)					
	Extraordinary item(s)	9975	–		
	Legal settlements	9976	–		
	Unrealized gains/losses	9980	+	-4,460,034	-1,629,813
	Unusual items	9985	–		
	Current income taxes	9990	–	-55,555	2,037,696
	Future (deferred) income tax provision	9995	–		
	Total – Other comprehensive income	9998	+		
	Net income/loss after taxes and extraordinary items (mandatory field)	9999	=	10,078,719	6,915,114

Canada Revenue Agency / Agence du revenu du Canada

Schedule 141

Notes checklist

Corporation's name	Business number	Tax year-end Year Month Day
Veridian Connections Inc.	88628 2920 RC0001	2012-12-31

- Parts 1, 2, and 3 of this schedule must be completed from the perspective of the person (referred to in these parts as the **accountant**) who prepared or reported on the financial statements. If the person preparing the tax return is not the accountant referred to above, they must still complete Parts 1, 2, 3, and 4, as applicable.
- For more information, see Guide RC4088, *General Index of Financial Information (GIFI)* and Guide T4012, *T2 Corporation – Income Tax Guide*.
- Complete this schedule and include it with your T2 return along with the other GIFI schedules.

Part 1 – Information on the accountant who prepared or reported on the financial statements

Does the accountant have a professional designation? . . . . . **095** 1 Yes [X] 2 No [ ]

Is the accountant connected* with the corporation? . . . . . **097** 1 Yes [ ] 2 No [X]

* A person connected with a corporation can be: (i) a shareholder of the corporation who owns more than 10% of the common shares; (ii) a director, an officer, or an employee of the corporation; or (iii) a person not dealing at arm's length with the corporation.

Note

If the accountant does not have a professional designation **or** is connected to the corporation, you do not have to complete Parts 2 and 3 of this schedule. However, you **do have** to complete Part 4, as applicable.

Part 2 – Type of involvement with the financial statements

Choose the option that represents the highest level of involvement of the accountant: **198**

Completed an auditor's report . . . . . 1 [X]

Completed a review engagement report . . . . . 2 [ ]

Conducted a compilation engagement . . . . . 3 [ ]

Part 3 – Reservations

If you selected option **1** or **2** under **Type of involvement with the financial statements** above, answer the following question:

Has the accountant expressed a reservation? . . . . . **099** 1 Yes [ ] 2 No [X]

Part 4 – Other information

If you have a professional designation and are not the accountant associated with the financial statements in Part 1 above, choose one of the following options: **110**

Prepared the tax return (financial statements prepared by client) . . . . . 1 [ ]

Prepared the tax return and the financial information contained therein (financial statements have not been prepared) . . . . . 2 [ ]

Were notes to the financial statements prepared? . . . . . **101** 1 Yes [X] 2 No [ ]

If **yes**, complete lines 104 to 107 below:

Are subsequent events mentioned in the notes? . . . . . **104** 1 Yes [ ] 2 No [X]

Is re-evaluation of asset information mentioned in the notes? . . . . . **105** 1 Yes [ ] 2 No [X]

Is contingent liability information mentioned in the notes? . . . . . **106** 1 Yes [X] 2 No [ ]

Is information regarding commitments mentioned in the notes? . . . . . **107** 1 Yes [X] 2 No [ ]

Does the corporation have investments in joint venture(s) or partnership(s)? . . . . . **108** 1 Yes [ ] 2 No [X]

Canada

Part 4 – Other information (continued)

Impairment and fair value changes

In any of the following assets, was an amount recognized in net income or other comprehensive income (OCI) as a result of an impairment loss in the tax year, a reversal of an impairment loss recognized in a previous tax year, or a change in fair value during the tax year? . . . . . **200** 1 Yes [ ] 2 No [X]

If **yes**, enter the amount recognized:

		In net income Increase (decrease)		**In OCI** Increase (decrease)
Property, plant, and equipment	**210**		**211**	
Intangible assets	**215**		**216**	
Investment property	**220**			
Biological assets	**225**			
Financial instruments	**230**		**231**	
Other	**235**		**236**	

Financial instruments

Did the corporation derecognize any financial instrument(s) during the tax year (other than trade receivables)? . . . . . **250** 1 Yes [ ] 2 No [X]

Did the corporation apply hedge accounting during the tax year? . . . . . **255** 1 Yes [ ] 2 No [X]

Did the corporation discontinue hedge accounting during the tax year? . . . . . **260** 1 Yes [ ] 2 No [X]

Adjustments to opening equity

Was an amount included in the opening balance of retained earnings or equity, in order to correct an error, to recognize a change in accounting policy, or to adopt a new accounting standard in the current tax year? . . . . . **265** 1 Yes [ ] 2 No [X]

If **yes**, you have to maintain a separate reconciliation.

SCHEDULE 100

GENERAL INDEX OF FINANCIAL INFORMATION – GIFI

Form identifier 100

Name of corporation	Business Number	Tax year-end Year Month Day
Veridian Connections Inc.	88628 2920 RC0001	2012-12-31

Assets – lines 1000 to 2599

1000	-1,398,345	1060	30,181,728	1061	-653,300
1062	28,055,484	1066	1,214,020	1120	1,703,513
1402	2,414	1480	813,239	1484	893,396
1599	60,812,149	1900	374,617,360	1901	-197,203,072
2008	374,617,360	2009	-197,203,072	2010	27,952,968
2011	-11,960,108	2012	8,746,197	2178	36,699,165
2179	-11,960,108	2420	142,168	2421	11,150,421
2589	11,292,589	2599	274,258,083		

Liabilities – lines 2600 to 3499

2620	50,829,558	2960	11	3139	50,829,569
3140	141,926,222	3450	141,926,222	3499	192,755,791

Shareholder equity – lines 3500 to 3640

3500	64,302,002	3540	22,765	3600	17,177,525
3620	81,502,292	3640	274,258,083		

Retained earnings – lines 3660 to 3849

3660	11,698,806	3680	10,078,719	3700	-4,600,000
3849	17,177,525				

SCHEDULE 125

GENERAL INDEX OF FINANCIAL INFORMATION – GIFI

Form identifier 125

Name of corporation	Business Number	Tax year-end Year Month Day
Veridian Connections Inc.	88628 2920 RC0001	2012-12-31

Description

Sequence number **0003** 01

Revenue – lines 8000 to 8299

8000	295,957,112	8089	295,957,112	8210	11,400
8230	3,902,685	8299	299,871,197		

Cost of sales – lines 8300 to 8519

8320	245,348,801	8518	245,348,801	8519	50,608,311

Operating expenses – lines 8520 to 9369

8523	16,466	8670	8,757,627	8710	6,560,964
9270	24,704,141	9367	40,039,198	9368	285,387,999
9369	14,483,198				

Extraordinary items and taxes – lines 9970 to 9999

9970	14,483,198	9980	-4,460,034	9990	-55,555
9999	10,078,719				

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Net Income (Loss) for Income Tax Purposes

SCHEDULE 1

Corporation's name	Business Number	Tax year end Year Month Day
Veridian Connections Inc.	88628 2920 RC0001	2012-12-31

- The purpose of this schedule is to provide a reconciliation between the corporation's net income (loss) as reported on the financial statements and its net income (loss) for tax purposes. For more information, see the T2 *Corporation Income Tax Guide*.
- All legislative references are to the *Income Tax Act*.

Amount calculated on line 9999 from Schedule 125 . . . . . 10,078,719 A

Add:

	Line	Amount	
Provision for income taxes – current	101	-55,555	
Interest and penalties on taxes	103	151,017	
Amortization of tangible assets	104	8,757,627	
Charitable donations and gifts from Schedule 2	112	75,141	
Scientific research expenditures deducted per financial statements	118	177,586	
Non-deductible club dues and fees	120	12,926	
Non-deductible meals and entertainment expenses	121	8,233	
Reserves from financial statements – balance at the end of the year	126	2,471,816	
Subtotal of additions		11,598,791 ▶	11,598,791

Other additions:

Miscellaneous other additions:

600	Inducement - ITA 12(1)(X)		290	108,177	
601	Vehicle amort. not included in amortization addback above		291	194,765	
602	other non-current assets rate app		292	135,539	
604	Revenue deferred for acctg. (increase in reg liability)	4,107,961			
	unrealized loss on interest rate swaps	352,073			
	deferred Revenue OPA	629,882			
	regulatory assets decreased	28,967			
	12(1)(X) CIAC	6,006,797			
	Total	11,125,680	294	11,125,680	
	Subtotal of other additions		199	11,564,161 ▶	11,564,161
	Total additions		500	23,162,952 ▶	23,162,952 B

Amount A **plus** amount B 33,241,671

Deduct:

	Line	Amount	
Gain on disposal of assets per financial statements	401	11,400	
Capital cost allowance from Schedule 8	403	14,341,634	
Cumulative eligible capital deduction from Schedule 10	405	446,732	
SR&ED expenditures claimed in the year from Form T661 (line 460)	411	422,054	
Reserves from financial statements – balance at the beginning of the year	414	2,092,942	
Subtotal of deductions		17,314,762 ▶	17,314,762

Other deductions:

Miscellaneous other deductions:

700	Allowance for funds used during construction		390	196,730
701	Assets capitalized for acctg.		391	483,960
702	Proceeds on sales recorded for acctg, reduce UCC for tax		392	160,685
704	13(7.4) election CIAC	6,006,797		
	Smart Meter Receivable	803,169		
	Pension Contrib Capitalized for Acctg	343,441		

POEB Capitalized for Acctg	84,852			
Total	7,238,259	394	7,238,259	
Subtotal of other deductions		499	8,079,634 ▶	8,079,634
Total deductions		510	25,394,396 ▶	25,394,396
Net income (loss) for income tax purposes – enter on line 300 of the T2 return				7,847,275

T2 SCH 1 E (12)

Canada

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 2

CHARITABLE DONATIONS AND GIFTS

Name of corporation	Business Number	Tax year-end Year Month Day
Veridian Connections Inc.	88628 2920 RC0001	2012-12-31

- For use by corporations to claim any of the following:
  - charitable donations;
  - gifts to Canada, a province, or a territory;
  - gifts of certified cultural property;
  - gifts of certified ecologically sensitive land; or
  - additional deduction for gifts of medicine.
- The donations and gifts are eligible for a five-year carryforward.
- Use this schedule to show a credit transfer following an amalgamation or the wind-up of a subsidiary as described under subsections 87(1) and 88(1) of the *Income Tax Act*.
- For donations and gifts made after March 22, 2004, subsection 110.1(1.2) of the *Income Tax Act* provides as follows:
  - Where a particular corporation has undergone an acquisition of control, for tax years that end on or after the acquisition of control, no corporation can claim a deduction for a gift made by the particular corporation to a qualified donee before the acquisition of control
  - If a particular corporation makes a gift to a qualified donee pursuant to an arrangement under which both the gift and the acquisition of control is expected, no corporation can claim a deduction for the gift unless the person acquiring control of the particular corporation is the qualified donee.
- Under proposed changes, the eligible amount of a charitable gift is the amount by which the fair market value of the gift exceeds the amount of an advantage, if any, for the gift.
- Under proposed changes, a gift of medicine made after March 18, 2007, to qualifying organizations for activities outside of Canada, may be eligible for an additional deduction if the gift is an eligible medical gift. This additional deduction is calculated in Part 6.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- For more information, see the *T2 Corporation – Income Tax Guide*.

Part 1 – Charitable donations

Charity/Recipient	Amount ($100 or more only)
Charitable Donations	75,141
Subtotal	75,141
Add: Total donations of less than $100 each	
Total donations in current tax year	75,141

	Line		Federal	Québec	Alberta
Charitable donations at the end of the previous tax year					
Deduct: Charitable donations expired after five tax years*	239				
Charitable donations at the beginning of the tax year	240				
Add:					
Charitable donations transferred on an amalgamation or the wind-up of a subsidiary	250				
Total current-year charitable donations made (enter this amount on line 112 of Schedule 1)	210	75,141		75,141	
Subtotal (line 250 **plus** line 210)			75,141	75,141	75,141
Deduct: Adjustment for an acquisition of control (for donations made after March 22, 2004)	255				
Total charitable donations available			75,141 A	75,141	75,141
Deduct: Amount applied against taxable income (cannot be more than amount K in Part 2) (enter this amount on line 311 of the T2 return)	260		75,141	75,141	75,141
Charitable donations closing balance	280				

* For the federal and Alberta, the gifts expire after five tax years. For Québec, gifts made in a tax year that ended before March 24, 2006, expire after five tax years and gifts made in a tax year that ended after March 23, 2006, expire after twenty tax years.

Amounts carried forward – Charitable donations

Year of origin:		Federal	Québec	Alberta
1st prior year	2011-12-31			
2nd prior year	2010-12-31			
3rd prior year	2009-12-31			
4th prior year	2008-12-31			
5th prior year	2007-12-31			
6th prior year*	2006-12-31			
7th prior year	2005-12-31			
8th prior year	2005-11-21			
9th prior year	2005-08-08			
10th prior year	2004-12-31			
11th prior year	2003-12-31			
12th prior year	2002-12-31			
13th prior year	2001-12-31			
14th prior year	2000-12-31			
15th prior year	1999-12-31			
16th prior year	1998-12-31			
17th prior year	1997-12-31			
18th prior year	1996-12-31			
19th prior year	1995-12-31			
20th prior year	1994-12-31			
21st prior year*	1993-12-31			
Total (to line A)				

* For the federal and Alberta, the 6th prior year gifts expire in the current year. For Québec, the 6th prior year gifts made in a tax year that ended before March 24, 2006, expire in the current year and the 21st prior year gifts made in a tax year that ended after March 23, 2006, expire in the current year.

Part 2 – Calculation of the maximum allowable deduction for charitable donations

Net income for tax purposes* **multiplied** by 75 %				5,885,456 B
Taxable capital gains arising in respect of gifts of capital property included in Part 1**		225	C	
Taxable capital gain in respect of deemed gifts of non-qualifying securities per subsection 40(1.01)		227	D	
The amount of the recapture of capital cost allowance in respect of charitable gifts	230			
Proceeds of disposition, less outlays and expenses**	E			
Capital cost**	F			
Amount E or F, whichever is less	235			
Amount on line 230 or 235, whichever is less			G	
Subtotal (**add** amounts C, D, and G)			H	
Amount H **multiplied** by 25 %				I
Subtotal (amount B **plus** amount I)				5,885,456 J
Maximum allowable deduction for charitable donations (enter amount A from Part 1, amount J, or net income for tax purposes, whichever is less)				75,141 K

* For credit unions, this amount is before the deduction of payments pursuant to allocations in proportion to borrowing and bonus interest.

** This amount must be prorated by the following calculation: eligible amount of the gift **divided by** the proceeds of disposition of the gift.

Part 3 – Gifts to Canada, a province, or a territory

	Line		
Gifts to Canada, a province, or a territory at the end of the previous tax year			
Deduct: Gifts to Canada, a province, or a territory expired after five tax years	339		
Gifts to Canada, a province, or a territory at the beginning of the tax year	340		▶
Add: Gifts to Canada, a province, or a territory transferred on an amalgamation or the windup of a subsidiary	350		
Total current-year gifts made to Canada, a province, or a territory*	310		
Subtotal (line 350 **plus** line 310)			
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)	355		
Total gifts to Canada, a province, or a territory available			
Deduct: Amount applied against taxable income (enter this amount on line 312 of the T2 return).	360		
Gifts to Canada, a province, or a territory closing balance	380		

***** Not applicable for gifts made after February 18, 1997, unless a written agreement was made before this date. If no written agreement exists, enter the amount on line 210 and complete Part 2.

Part 4 – Gifts of certified cultural property

	Line	Federal	Québec	Alberta
Gifts of certified cultural property at the end of the previous tax year				
Deduct: Gifts of certified cultural property expired after five tax years*	439			
Gifts of certified cultural property at the beginning of the tax year	440			
Add: Gifts of certified cultural property transferred on an amalgamation or the windup of a subsidiary	450			
Total current-year gifts of certified cultural property	410			
Subtotal (line 450 **plus** line 410)				
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)	455			
Total gifts of certified cultural property available				
Deduct: Amount applied against taxable income (enter this amount on line 313 of the T2 return)	460			
Gifts of certified cultural property closing balance	480			

* For the federal and Alberta, the gifts expire after five tax years. For Québec, gifts made in a tax year that ended before March 24, 2006, expire after five tax years and gifts made in a tax year that ended after March 23, 2006, expire after twenty tax years.

Amount carried forward – Gifts of certified cultural property

Year of origin:		Federal	Québec	Alberta
1st prior year	2011-12-31			
2nd prior year	2010-12-31			
3rd prior year	2009-12-31			
4th prior year	2008-12-31			
5th prior year	2007-12-31			
6th prior year*	2006-12-31			
7th prior year	2005-12-31			
8th prior year	2005-11-21			
9th prior year	2005-08-08			
10th prior year	2004-12-31			
11th prior year	2003-12-31			
12th prior year	2002-12-31			
13th prior year	2001-12-31			
14th prior year	2000-12-31			
15th prior year	1999-12-31			
16th prior year	1998-12-31			
17th prior year	1997-12-31			
18th prior year	1996-12-31			
19th prior year	1995-12-31			
20th prior year	1994-12-31			
21st prior year*	1993-12-31			
Total				

***** For the federal and Alberta, the 6th prior year gifts expire in the current year. For Québec, the 6th prior year gifts made in a tax year that ended before March 24, 2006, expire in the current year and the 21st prior year gifts made in a tax year that ended after March 23, 2006, expire in the current year.

Part 5 – Gifts of certified ecologically sensitive land

	Line	Federal	Québec	Alberta
Gifts of certified ecologically sensitive land at the end of the previous tax year				
Deduct: Gifts of certified ecologically sensitive land expired after five tax years*	539			
Gifts of certified ecologically sensitive land at the beginning of the tax year	540			
Add: Gifts of certified ecologically sensitive land transferred on an amalgamation or the windup of a subsidiary	550			
Total current-year gifts of certified ecologically sensitive land	510			
Subtotal (line 550 **plus** line 510)				
Deduct: Adjustment for an acquisition of control (for gifts made after March 22, 2004)	555			
Total gifts of certified ecologically sensitive land available				
Deduct: Amount applied against taxable income (enter this amount on line 314 of the T2 return)	560			
Gifts of certified ecologically sensitive land closing balance	580			

* For the federal and Alberta, the gifts expire after five tax years. For Québec, gifts made in a tax year that ended before March 24, 2006, expire after five tax years and gifts made in a tax year that ended after March 23, 2006, expire after twenty tax years.

Amounts carried forward – Gifts of certified ecologically sensitive land

Year of origin:		Federal	Québec	Alberta
1st prior year	2011-12-31			
2nd prior year	2010-12-31			
3rd prior year	2009-12-31			
4th prior year	2008-12-31			
5th prior year	2007-12-31			
6th prior year*	2006-12-31			
7th prior year	2005-12-31			
8th prior year	2005-11-21			
9th prior year	2005-08-08			
10th prior year	2004-12-31			
11th prior year	2003-12-31			
12th prior year	2002-12-31			
13th prior year	2001-12-31			
14th prior year	2000-12-31			
15th prior year	1999-12-31			
16th prior year	1998-12-31			
17th prior year	1997-12-31			
18th prior year	1996-12-31			
19th prior year	1995-12-31			
20th prior year	1994-12-31			
21st prior year*	1993-12-31			
Total				

* For the federal and Alberta, the 6th prior year gifts expire in the current year. For Québec, the 6th prior year gifts made in a tax year that ended before March 24, 2006, expire in the current year and the 21st prior year gifts made in a tax year that ended after March 23, 2006, expire in the current year.

Part 6 – Additional deduction for gifts of medicine

		Federal		Québec		Alberta	
Additional deduction for gifts of medicine at the end of the previous tax year							
Deduct: Additional deduction for gifts of medicine expired after five tax years	639						
Additional deduction for gifts of medicine at the beginning of the tax year	640						
Add: Additional deduction for gifts of medicine transferred on an amalgamation or the wind-up of a subsidiary	650						
Additional deduction for gifts of medicine for the current year:							
Proceeds of disposition	602		1		1		1
Cost of gifts of medicine	601		2		2		2
Subtotal (line 1 **minus** line 2)			3		3		3
Line 3 **multiplied** by 50 %			4		4		4
Eligible amount of gifts	600		5		5		5

Federal

A ______ x (B ______ / C) = Additional deduction for gifts of medicine for the current year **610** ______

Québec

A ______ x (B ______ / C) = Additional deduction for gifts of medicine for the current year ______

Alberta

A ______ x (B ______ / C) = Additional deduction for gifts of medicine for the current year ______

where:

A is the **lesser** of line 2 and line 4

B is the eligible amount of gifts (line 600)

C is the proceeds of disposition (line 602)

		Federal	Québec	Alberta
Subtotal (line 650 **plus** line 610)				
Deduct: Adjustment for an acquisition of control	655			
Total additional deduction for gifts of medicine available				
Deduct: Amount applied against taxable income (enter this amount on line 315 of the T2 return)	660			
Additional deduction for gifts of medicine closing balance	680			

Amounts carried forward – Additional deduction for gifts of medicine

Year of origin:		Federal	Québec	Alberta
1st prior year	2011-12-31			
2nd prior year	2010-12-31			
3rd prior year	2009-12-31			
4th prior year	2008-12-31			
5th prior year	2007-12-31			
6th prior year*	2006-12-31			
Total				

***** These donations expired in the current year.

Québec – Gifts of musical instruments

Gifts of musical instruments at the end of the previous tax year		A
Deduct: Gifts of musical instruments expired after twenty tax years		B
Gifts of musical instruments at the beginning of the tax year		C
Add:		
Gifts of musical instruments transferred on an amalgamation or the wind-up of a subsidiary		D
Total current-year gifts of musical instruments		E
Subtotal (line D **plus** line E)		F
Deduct: Adjustment for an acquisition of control		G
Total gifts of musical instruments available		H
Deduct: Amount applied against taxable income		I
Gifts of musical instruments closing balance		J

Amounts carried forward – Gifts of musical instruments

Year of origin:		Québec
1st prior year	2011-12-31	
2nd prior year	2010-12-31	
3rd prior year	2009-12-31	
4th prior year	2008-12-31	
5th prior year	2007-12-31	
6th prior year*	2006-12-31	
7th prior year	2005-12-31	
8th prior year	2005-11-21	
9th prior year	2005-08-08	
10th prior year	2004-12-31	
11th prior year	2003-12-31	
12th prior year	2002-12-31	
13th prior year	2001-12-31	
14th prior year	2000-12-31	
15th prior year	1999-12-31	
16th prior year	1998-12-31	
17th prior year	1997-12-31	
18th prior year	1996-12-31	
19th prior year	1995-12-31	
20th prior year	1994-12-31	
21st prior year*	1993-12-31	
Total		

* These gifts expired in the current year.

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DIVIDENDS RECEIVED, TAXABLE DIVIDENDS PAID, AND PART IV TAX CALCULATION

SCHEDULE 3

Name of corporation	Business Number	Tax year-end Year Month Day
Veridian Connections Inc.	88628 2920 RC0001	2012-12-31

- This schedule is for the use of any corporation to report:
  - non-taxable dividends under section 83;
  - deductible dividends under subsection 138(6);
  - taxable dividends deductible from income under section 112, subsection 113(2) and paragraphs 113(1)(a), (b) or (d); or
  - taxable dividends paid in the tax year that qualify for a dividend refund.
- The calculations in this schedule apply only to private or subject corporations.
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the federal *Income Tax Act.*
- A recipient corporation is connected with a payer corporation at any time in a tax year, if at that time the recipient corporation:
  - controls the payer corporation, other than because of a right referred to in paragraph 251(5)(b); or
  - owns more than 10% of the issued share capital (with full voting rights), and shares that have a fair market value of more than 10% of the fair market value of all shares of the payer corporation.
- File one completed copy of this schedule with your *T2 Corporation Income Tax Return*.
- Column A – Enter "X" if dividends received from a foreign source (connected corporation only).
- Column F1 – Enter the amount of dividends received reported in column 240 that are eligible.
- Column F2 – Enter the code that applies to the deductible taxable dividend.
- Column F3 – Enter if dividends have been received or not after December 20, 2012. This information is required for corporations that must complete Schedules 71 and 72. For more details with regards to this column, consult the Help.

Part 1 – Dividends received in the tax year

Do not include dividends received from foreign non-affiliates.

Name of payer corporation (from which the corporation received the dividend) 200	A	B Enter 1 if payer corporation is connected 205 (Complete if payer corporation is connected)	C Business Number of connected corporation 210 (Complete if payer corporation is connected)	D Tax year-end of the payer corporation in which the sections 112/113 and subsection 138(6) dividends in column F were paid YYYY/MM/DD (See note) 220 (Complete if payer corporation is connected)	E Non-taxable dividend under section 83 230
				Total (enter on line 402 of Schedule 1)	

Note: If your corporation's tax year-end is different than that of the connected payer corporation, your corporation could have received dividends from more than one tax year of the payer corporation. If so, use a separate line to provide the information for each tax year of the payer corporation.
For more details, consult the Help.

F Taxable dividends deductible from taxable income under section 112, subsections 113(2) and 138(6), and paragraphs 113(1)(a), (b), or (d)* 240	F1 Eligible dividends (included in column F)	F2	F3	G Total taxable dividends paid by connected payer corporation (for tax year in column D) 250 (Complete if payer corporation is connected)	H Dividend refund of the connected payer corporation (for tax year in column D)** 260 (Complete if payer corporation is connected)	I Part IV tax before deductions F x 1 / 3 *** 270	
							J

Total (enter the amount from column F on line 320 of the T2 return and amount J in Part 2)

* If taxable dividends are received, enter the amount in column 240, but if the corporation is not subject to Part IV tax (such as a public corporation other than a subject corporation as defined in subsection 186(3)), enter "0" in column 270. Life insurers are not subject to Part IV tax on subsection 138(6) dividends.

** If the connected payer corporation's tax year ends after the corporation's balance-due day for the tax year (two or three months, as applicable), you have to estimate the payer's dividend refund when you calculate the corporation's Part IV tax payable.

*** For dividends received from connected corporations: Part IV tax = $\frac{\text{Column F x Column H}}{\text{Column G}}$

Part 2 – Calculation of Part IV tax payable

Part IV tax before deductions (amount J in Part 1) . . . .

Deduct:

Part IV.I tax payable on dividends subject to Part IV tax **320**

Subtotal

Deduct:

Current-year non-capital loss claimed to reduce Part IV tax	**330**	
Non-capital losses from previous years claimed to reduce Part IV tax	**335**	
Current-year farm loss claimed to reduce Part IV tax	**340**	
Farm losses from previous years claimed to reduce Part IV tax	**345**	
Total losses applied against Part IV tax		x 1 / 3 =

Part IV tax payable (enter amount on line 712 of the T2 return) **360**

Part 3 – Taxable dividends paid in the tax year that qualify for a dividend refund

	A	B	C	D	D1
	Name of connected recipient corporation	Business Number	Tax year end of connected recipient corporation in which the dividends in column D were received YYYY/MM/DD (See note)	Taxable dividends paid to connected corporations	Eligible dividends (included in column D)
	400	**410**	**420**	**430**	
1	Veridian Corporation	86697 3076 RC0001	2012-12-31	4,600,000	

Note

If your corporation's tax year-end is different than that of the connected recipient corporation, your corporation could have paid dividends in more than one tax year of the recipient corporation. If so, use a separate line to provide the information for each tax year of the recipient corporation. For more details, consult the Help.

Total 4,600,000

Total taxable dividends paid in the tax year to other than connected corporations **450**

Eligible dividends (included in line 450) 450a

Total taxable dividends paid in the tax year that qualify for a dividend refund (total of column D above **plus** line 450) **460** 4,600,000

Part 4 – Total dividends paid in the tax year

Complete this part if the total taxable dividends paid in the tax year that qualify for a dividend refund (line 460 above) is different from the total dividends paid in the tax year.

Total taxable dividends paid in the tax year for the purposes of a dividend refund (from above)		4,600,000
Other dividends paid in the tax year (total of 510 to 540)		
Total dividends paid in the tax year	**500**	4,600,000

Deduct:

Dividends paid out of capital dividend account	**510**	
Capital gains dividends	**520**	
Dividends paid on shares described in subsection 129(1.2)	**530**	
Taxable dividends paid to a controlling corporation that was bankrupt at any time in the year	**540**	
Subtotal		▶

Total taxable dividends paid in the tax year that qualify for a dividend refund 4,600,000

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Schedule 5

TAX CALCULATION SUPPLEMENTARY – CORPORATIONS

Corporation's name	Business Number	Tax year-end Year Month Day
Veridian Connections Inc.	88628 2920 RC0001	2012-12-31

- Use this schedule if, during the tax year, the corporation:
  - had a permanent establishment in more than one jurisdiction (corporations that have no taxable income should only complete columns A, B and D in Part 1);
  - is claiming provincial or territorial tax credits or rebates (see Part 2); or
  - has to pay taxes, other than income tax, for Newfoundland and Labrador, or Ontario (see Part 2).
- Regulations mentioned in this schedule are from the *Income Tax Regulations.*
- For more information, see the *T2 Corporation – Income Tax Guide.*
- Enter the regulation number in field 100 of Part 1.

Part 1 – Allocation of taxable income

100 Enter the Regulation that applies (402 to 413).

A Jurisdiction Tick yes if the corporation had a permanent establishment in the jurisdiction during the tax year. *		B Total salaries and wages paid in jurisdiction	C (B x taxable income**) / G	D Gross revenue	E (D x taxable income**) / H	F Allocation of taxable income (C + E) x 1/2*** (where either G or H is nil, do not multiply by 1/2)
Newfoundland and Labrador	003 1 Yes	103		143		
Newfoundland and Labrador offshore	004 1 Yes	104		144		
Prince Edward Island	005 1 Yes	105		145		
Nova Scotia	007 1 Yes	107		147		
Nova Scotia offshore	008 1 Yes	108		148		
New Brunswick	009 1 Yes	109		149		
Quebec	011 1 Yes	111		151		
Ontario	013 1 Yes	113		153		
Manitoba	015 1 Yes	115		155		
Saskatchewan	017 1 Yes	117		157		
Alberta	019 1 Yes	119		159		
British Columbia	021 1 Yes	121		161		
Yukon	023 1 Yes	123		163		
Northwest Territories	025 1 Yes	125		165		
Nunavut	026 1 Yes	126		166		
Outside Canada	027 1 Yes	127		167		
Total		129 G		169 H		

* "Permanent establishment" is defined in Regulation 400(2).

** If the corporation has income or loss from an international banking centre: the taxable income is the amount on line 360 or line Z of the T2 return **plus** the total amount not required to be included, or **minus** the total amount not allowed to be deducted, in calculating the corporation's income under section 33.1 of the federal *Income Tax Act*.

*** For corporations other than those described under Regulation 402, use the appropriate calculation described in the Regulations to allocate taxable income.

Notes:

1. After determining the allocation of taxable income, you have to calculate the corporation's provincial or territorial tax payable. For more information on how to calculate the tax for each province or territory, see the instructions for Schedule 5 in the *T2 Corporation – Income Tax Guide*.
2. If the corporation has provincial or territorial tax payable, complete Part 2.

Part 2 – Ontario tax payable, tax credits, and rebates

Total taxable income	Income eligible for small business deduction	Provincial or territorial allocation of taxable income	Provincial or territorial tax payable before credits
7,772,134		7,772,134	858,795

	Line	Amount		Total	
Ontario basic income tax (from Schedule 500)	270	893,795			
Deduct: Ontario small business deduction (from Schedule 500)	402	35,000			
Subtotal		858,795	▶	858,795	A6
Add:					
Ontario additional tax re Crown royalties (from Schedule 504)	274				
Ontario transitional tax debits (from Schedule 506)	276				
Recapture of Ontario research and development tax credit (from Schedule 508)	277				
Subtotal			▶		B6
Subtotal (amount A6 **plus** amount B6)				858,795	C6
Deduct:					
Ontario resource tax credit (from Schedule 504)	404				
Ontario tax credit for manufacturing and processing (from Schedule 502)	406				
Ontario foreign tax credit (from Schedule 21)	408				
Ontario credit union tax reduction (from Schedule 500)	410				
Ontario transitional tax credits (from Schedule 506)	414	2,489			
Ontario political contributions tax credit (from Schedule 525)	415				
Subtotal		2,489	▶	2,489	D6
Subtotal (amount C6 **minus** amount D6) (if negative, enter "0")				856,306	E6
Deduct: Ontario research and development tax credit (from Schedule 508)	416			38,137	
Ontario corporate income tax payable before Ontario corporate minimum tax credit (amount E6 **minus** amount on line 416) (if negative, enter "0")				818,169	F6
Deduct: Ontario corporate minimum tax credit (from Schedule 510)	418				
Ontario corporate income tax payable (amount F6 **minus** amount on line 418) (if negative, enter "0")				818,169	G6
Add:					
Ontario corporate minimum tax (from Schedule 510)	278				
Ontario special additional tax on life insurance corporations (from Schedule 512)	280				
Subtotal			▶		H6
Total Ontario tax payable before refundable credits (amount G6 **plus** amount H6)				818,169	I6
Deduct:					
Ontario qualifying environmental trust tax credit	450				
Ontario co-operative education tax credit (from Schedule 550)	452	18,000			
Ontario apprenticeship training tax credit (from Schedule 552)	454	75,546			
Ontario computer animation and special effects tax credit (from Schedule 554)	456				
Ontario film and television tax credit (from Schedule 556)	458				
Ontario production services tax credit (from Schedule 558)	460				
Ontario interactive digital media tax credit (from Schedule 560)	462				
Ontario sound recording tax credit (from Schedule 562)	464				
Ontario book publishing tax credit (from Schedule 564)	466				
Ontario innovation tax credit (from Schedule 566)	468				
Ontario business-research institute tax credit (from Schedule 568)	470				
Other Ontario tax credits					
Subtotal		93,546	▶	93,546	J6
Net Ontario tax payable or refundable credit (amount I6 **minus** amount J6) (if a credit, enter a negative amount) Include this amount on line 255.	290			724,623	K6

Summary

Enter the total net tax payable or refundable credits for all provinces and territories on line 255.

Net provincial and territorial tax payable or refundable credits **255** 724,623

If the amount on line 255 is positive, enter the net provincial and territorial tax payable on line 760 of the T2 return.
If the amount on line 255 is negative, enter the net provincial and territorial refundable tax credits on line 812 of the T2 return.

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SCHEDULE 8

CAPITAL COST ALLOWANCE (CCA)

Name of corporation	Business Number	Tax year end Year Month Day
Veridian Connections Inc.	88628 2920 RC0001	2012-12-31

For more information, see the section called "Capital Cost Allowance" in the *T2 Corporation Income Tax Guide*.

Is the corporation electing under regulation 1101(5q)? **101** 1 Yes [ ] 2 No [X]

	1 Class number (See Note) 200	Description	2 Undepreciated capital cost at the beginning of the year (undepreciated capital cost at the end of last year) 201	3 Cost of acquisitions during the year (new property must be available for use)* 203	4 Net adjustments** 205	5 Proceeds of dispositions during the year (amount not to exceed the capital cost) 207	6 50% rule (1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5)*** 211	7 Reduced undepreciated capital cost	8 CCA rate % **** 212	9 Recapture of capital cost allowance (line 107 of Schedule 1) 213	10 Terminal loss (line 404 of Schedule 1) 215	11 Capital cost allowance (for declining balance method, column 7 **multiplied** by column 8, or a lower amount) (line 403 of Schedule 1) ***** 217	12 Undepreciated capital cost at the end of the year (column 6 **plus** column 7 **minus** column 11) 220
1.	1	Trans/dist before Feb 22/05	106,390,045			0		106,390,045	4	0	0	4,255,602	102,134,443
2.	1b	Building - Office	9,749,872	797,866		0	398,933	10,148,805	6	0	0	608,928	9,938,810
3.	8	Equipment	2,822,980	484,396		0	242,198	3,065,178	20	0	0	613,036	2,694,340
4.	10	Vehicles	2,920,320	530,489		11,400	259,545	3,179,864	30	0	0	953,959	2,485,450
5.	10.1	Vehicle #115 2012 Chevy Volt				N/A			30	N/A	N/A		
6.	10.1	Vehicle #116 2012 Chevy Volt				N/A			30	N/A	N/A		
7.	10.1	Vehicle #250 2009 Silverado Hyt	14,119			N/A		14,119	30	N/A	N/A	4,236	9,883
8.	10.1	Vehicle #284 2008 Ford Escape	9,759			N/A		9,759	30	N/A	N/A	2,928	6,831
9.	10.1	Vehicle #285 2008 Ford Escape	9,742			N/A		9,742	30	N/A	N/A	2,923	6,819
10.	10.1	Vehicle #302 2009 Ford Escape I	20,169			N/A		20,169	30	N/A	N/A	6,051	14,118
11.	12	Software	446,790	2,027,431		0	1,013,716	1,460,505	100	0	0	1,460,505	1,013,716
12.	13	Leaseholds	120,176			0		120,176	NA	0	0	74,645	45,531
13.	42	Fibre Optics	5,311			0		5,311	12	0	0	637	4,674
14.	45	Computers >22-03-04 & <19-03	38,606			0		38,606	45	0	0	17,373	21,233
15.	47	Trans/Distrib acquired after Feb	66,542,840	19,861,167	-1,911,987	160,685	9,850,241	74,481,094	8	0	0	5,958,488	78,372,847
16.	50	Hardware acquisitions	227,127	279,002		0	139,501	366,628	55	0	0	201,645	304,484
17.	95	WIP no depreciation taken	12,537,073		-7,248,888	0		5,288,185	0	0	0		5,288,185
18.	43.2	Clean energy generation		722,713		0	361,357	361,356	50	0	0	180,678	542,035
		Totals	201,854,929	24,703,064	-9,160,875	172,085	12,265,491	204,959,542				14,341,634	202,883,399

Note: Class numbers followed by a letter indicate the basic rate of the class taking into account the additional deduction allowed.
Class 1a: 4% + 6% = 10% (class 1 to 10%), class 1b: 4% + 2% = 6% (class 1 to 6%).

* Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule, see Regulation 1100(2) and (2.2).

** Include amounts transferred under section 85, or on amalgamation and winding-up of a subsidiary. See the *T2 Corporation Income Tax Guide* for other examples of adjustments to include in column 4.

*** The net cost of acquisitions is the cost of acquisitions (column 3) **plus** or **minus** certain adjustments from column 4. For exceptions to the 50% rule, see Interpretation Bulletin IT-285, *Capital Cost Allowance – General Comments*.

**** Enter a rate only, if you are using the declining balance method. For any other method (for example the straignt-line method, where calculations are always based on the cost of acquisitions), enter N/A. Then enter the amount you are claiming in column 11.

***** If the tax year is shorter than 365 days, prorate the CCA claim. Some classes of property do not have to be prorated. See the *T2 Corporation Income Tax Guide* for more information.

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SCHEDULE 9

RELATED AND ASSOCIATED CORPORATIONS

Name of corporation	Business Number	Tax year end Year Month Day
Veridian Connections Inc.	88628 2920 RC0001	2012-12-31

- Complete this schedule if the corporation is related to or associated with at least one other corporation.
- For more information, see the *T2 Corporation Income Tax Guide*.

	Name	Country of residence (other than Canada)	Business number (see note 1)	Relationship code (see note 2)	Number of common shares you own	% of common shares you own	Number of preferred shares you own	% of preferred shares you own	Book value of capital stock
	100	200	300	400	500	550	600	650	700
1.	Veridian Corporation		86697 3076 RC0001	1					
2.	Veridian Energy Inc.		87098 3186 RC0001	3					
3.									

Note 1: Enter "NR" if the corporation is not registered or does not have a business number.

Note 2: Enter the code number of the relationship that applies from the following order: 1 - Parent 2 - Subsidiary 3 - Associated 4 - Related but not associated

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SCHEDULE 10

CUMULATIVE ELIGIBLE CAPITAL DEDUCTION

Name of corporation	Business Number	Tax year-end Year Month Day
Veridian Connections Inc.	88628 2920 RC0001	2012-12-31

- For use by a corporation that has eligible capital property. For more information, see the *T2 Corporation Income Tax Guide*.
- A separate cumulative eligible capital account must be kept for each business.

Part 1 – Calculation of current year deduction and carry-forward

Description	Code	Amount	Calculation	Code	Amount	
Cumulative eligible capital - Balance at the end of the preceding taxation year (if negative, enter "0")				200	6,375,103	A
Add: Cost of eligible capital property acquired during the taxation year	222	9,051				
Other adjustments	226					
Subtotal (line 222 plus line 226)		9,051	x 3 / 4 = 6,788			B
Non-taxable portion of a non-arm's length transferor's gain realized on the transfer of an eligible capital property to the corporation after December 20, 2002	228		x 1 / 2 =			C
amount B minus amount C (if negative, enter "0")			6,788 ▶		6,788	D
Amount transferred on amalgamation or wind-up of subsidiary				224		E
Subtotal (add amounts A, D, and E)				230	6,381,891	F
Deduct: Proceeds of sale (less outlays and expenses not otherwise deductible) from the disposition of all eligible capital property during the taxation year	242					G
The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7)	244					H
Other adjustments	246					I
(add amounts G,H, and I)			x 3 / 4 =	248		J
Cumulative eligible capital balance (amount F minus amount J)					6,381,891	K
(if amount K is negative, enter "0" at line M and proceed to Part 2)						
Cumulative eligible capital for a property no longer owned after ceasing to carry on that business				249		
amount K		6,381,891				
less amount from line 249						
Current year deduction		6,381,891	x 7.00 % =	250	446,732 *	
(line 249 plus line 250) (enter this amount at line 405 of Schedule 1)			446,732 ▶		446,732	L
Cumulative eligible capital – Closing balance (amount K minus amount L) (if negative, enter "0")				300	5,935,159	M

* You can claim any amount up to the maximum deduction of 7%. The deduction may not exceed the maximum amount prorated by the number of days in the taxation year divided by 365.

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Part 2 – Amount to be included in income arising from disposition

(complete this part only if the amount at line K is negative)

Amount from line K (show as positive amount)					N
Total of cumulative eligible capital (CEC) deductions from income for taxation years beginning after June 30, 1988			400		1
Total of all amounts which reduced CEC in the current or prior years under subsection 80(7)			401		2
Total of CEC deductions claimed for taxation years beginning before July 1, 1988	402		3		
Negative balances in the CEC account that were included in income for taxation years beginning before July 1, 1988	408		4		
Line 3 minus line 4 (if negative, enter "0")		▶			5
Total of lines 1, 2 and 5					6
Amounts included in income under paragraph 14(1)(b), as that paragraph applied to taxation years ending after June 30, 1988 and before February 28, 2000, to the extent that it is for an amount described at line 400			7		
Amounts at line T from Schedule 10 of previous taxation years ending after February 27, 2000			8		
Subtotal (line 7 plus line 8)	409	▶			9
Line 6 minus line 9 (if negative, enter "0")				▶	O
Line N minus line O (if negative, enter "0")					P
Line 5		x 1 / 2 =			Q
Line P minus line Q (if negative, enter "0")					R
Amount R		x 2 / 3 =			S
Amount N or amount O, whichever is less					T
Amount to be included in income (amount S plus amount T) (enter this amount on line 108 of Schedule 1)				410	

Continuity of financial statement reserves (not deductible)

Financial statement reserves (not deductible)

	Description	Balance at the beginning of the year	Transfer on an amalgamation or the wind-up of a subsidiary	Add	Deduct	Balance at the end of the year
1	Employee Future Liability	1,680,942		367,610		2,048,552
2	Contingent environ liability	412,000			206,000	206,000
3	Provision for GST			217,264		217,264
4						
	Reserves from Part 2 of Schedule 13					
	Totals	2,092,942		584,874	206,000	2,471,816

The total opening balance plus the total transfers should be entered on line 414 of Schedule 1 as a deduction.
The total closing balance should be entered on line 126 of Schedule 1 as an addition.

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SCHEDULE 23

AGREEMENT AMONG ASSOCIATED CANADIAN-CONTROLLED PRIVATE CORPORATIONS TO ALLOCATE THE BUSINESS LIMIT

- For use by a Canadian-controlled private corporation (CCPC) to identify all associated corporations and to assign a percentage for each associated corporation. This percentage will be used to allocate the business limit for purposes of the small business deduction. Information from this schedule will also be used to determine the date the balance of tax is due and to calculate the reduction to the business limit.
- An associated CCPC that has more than one tax year ending in a calendar year, is required to file an agreement for each tax year ending in that calendar year.

Column 1: Enter the legal name of each of the corporations in the associated group. Include non-CCPCs and CCPCs that have filed an election under subsection 256(2) of the *Income Tax Act* (ITA) not to be associated for purposes of the small business deduction.

Column 2: Provide the Business Number for each corporation (if a corporation is not registered, enter "NR").

Column 3: Enter the association code that applies to each corporation:

1 – Associated for purposes of allocating the business limit (unless code 5 applies)
2 – CCPC that is a "third corporation" that has elected under subsection 256(2) not to be associated for purposes of the small business deduction
3 – Non-CCPC that is a "third corporation" as defined in subsection 256(2)
4 – Associated non-CCPC
5 – Associated CCPC to which code 1 does not apply because of a subsection 256(2) election made by a "third corporation"

Column 4: Enter the business limit for the year of each corporation in the associated group. The business limit is computed at line 4 on page 4 of each respective corporation's T2 return.

Column 5: Assign a percentage to allocate the business limit to each corporation that has an association code 1 in column 3. The total of all percentages in column 5 cannot exceed 100%.

Column 6: Enter the business limit allocated to each corporation by multiplying the amount in column 4 by the percentage in column 5. Add all business limits allocated in column 6 and enter the total at line A. Ensure that the total at line A falls within the range for the calendar year to which the agreement applies:

Calendar year	Acceptable range
2006	maximum $300,000
2007	$300,001 to $400,000

Calendar year	Acceptable range
2008	maximum $400,000
2009	$400,001 to $500,000

If the calendar year to which this agreement applies is after 2009, ensure that the total at line A does not exceed $500,000.

Allocating the business limit

Date filed (do not use this area) . . . . . **025** Year Month Day

Enter the calendar year to which the agreement applies . . . . . **050** Year 2012

Is this an amended agreement for the above-noted calendar year that is intended to replace an agreement previously filed by any of the associated corporations listed below? . . . . . **075** 1 Yes [ ] 2 No [X]

	1 Names of associated corporations **100**	2 Business Number of associated corporations **200**	3 Association code **300**	4 Business limit for the year (before the allocation) $	5 Percentage of the business limit % **350**	6 Business limit allocated* $ **400**
1	Veridian Connections Inc.	88628 2920 RC0001	1	500,000	100.0000	500,000
2	Veridian Corporation	86697 3076 RC0001	1	500,000		
3	Veridian Energy Inc.	87098 3186 RC0001	1	500,000		
				Total	100.0000	500,000 A

Business limit reduction under subsection 125(5.1) of the ITA

The business limit reduction is calculated in the small business deduction area of the T2 return. One of the factors used in this calculation is the "Large corporation amount" at line 415 of the T2 return. If the corporation is a member of an associated group** of corporations in the current tax year, the amount at line 415 of the T2 return is equal to 0.225% x (A - $10,000,000) where, "A" is the total of taxable capital employed in Canada*** of each corporation in the associated group for its last tax year ending in the preceding calendar year.

* Each corporation will enter on line 410 of the T2 return, the amount allocated to it in column 6. However, if the corporation's tax year is less than 51 weeks, prorate the amount in column 6 by the number of days in the tax year divided by 365, and enter the result on line 410 of the T2 return.

Special rules apply if a CCPC has more than one tax year ending in a calendar year and is associated in more than one of those years with another CCPC that has a tax year ending in the same calendar year. If the tax year straddles January 1, 2009, the business limit for the second (or subsequent) tax year(s) will be equal to the lesser of the business limit that would have been determined for the first tax year ending in the calendar year, if $500,000 was used in allocating the amounts among associated corporations and the business limit determined for the second (or subsequent) tax year(s) ending in the same calendar year. Otherwise, the business limit for the second (or subsequent) tax year(s) will be equal to the lesser of the business limit determined for the first tax year ending in the calendar year and the business limit determined for the second (or subsequent) tax year(s) ending in the same calendar year.

** The associated group includes the corporation filing this schedule and each corporation that has an "association code" of 1 or 4 in column 3.

*** "Taxable capital employed in Canada" has the meaning assigned by subsection 181.2(1) or 181.3(1) or section 181.4 of the ITA.

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Schedule 31

Investment Tax Credit – Corporations

General information

- Use this schedule:
  - to calculate an investment tax credit (ITC) earned during the tax year;
  - to claim a deduction against Part I tax payable;
  - to claim a refund of credit earned during the current tax year;
  - to claim a carryforward of credit from previous tax years;
  - to transfer a credit following an amalgamation or wind-up of a subsidiary, as described under subsections 87(1) and 88(1) of the federal *Income Tax Act*;
  - to request a credit carryback to one or more previous years; or
  - if you are subject to a recapture of ITC.

- The ITC is eligible for a three-year carryback (if not deductible in the year earned). It is also eligible for a twenty-year carryforward.
- All legislative references are to the federal *Income Tax Act* and *Income Tax Regulations*.
- Investments or expenditures, described in subsection 127(9) of the Act and Part XLVI of the Regulations, that earn an ITC are:
  - qualified property and qualified resource property (Parts 4 to 7 of this schedule);
  - expenditures that are part of the SR&ED qualified expenditure pool (Parts 8 to 17). File Form T661, *Scientific Research and Experimental Development (SR&ED) Expenditures Claim;*
  - pre-production mining expenditures (Parts 18 to 20);
  - apprenticeship job creation expenditures (Parts 21 to 23); and
  - child care spaces expenditures (Parts 24 to 28).
- Include a completed copy of this schedule with the *T2 Corporation Income Tax Return*. If you need more space, attach additional schedules.
- For more information on ITCs, see the section called "Investment Tax Credit" in Guide T4012, *T2 Corporation – Income Tax Guide*, Information Circular IC 78-4, *Investment Tax Credit Rates*, and its related Special Release*.*
- For more information on SR&ED, see Brochure RC4472, *Overview of the Scientific Research and Experimental Development Program (SR&ED) Tax Incentive Program*; Brochure RC4467, *Support for your R&D in Canada*, and T4088*, Guide to Form T661 – Scientific Research and Experimental Development (SR&ED) Expenditures Claim.* Also see the *Eligibility of Work for SR&ED Investment Tax Credits Policy* at **www.cra.gc.ca//txcrdt/sred-rsde/clmng/lgbltywrkfrsrdnvstmnttxcrdts-eng.html**.

Detailed information

- For the purpose of this schedule, **investment** means the capital cost of the property (excluding amounts added by an election under section 21 of the Act), determined without reference to subsections 13(7.1) and 13(7.4), minus the amount of any government or non-government assistance that the corporation has received, is entitled to receive, or can reasonably be expected to receive for that property when it files the income tax return for the year in which the property was acquired.
- An ITC deducted or refunded in a tax year for a depreciable property, other than a depreciable property deductible under paragraph 37(1)(b), reduces the capital cost of that property in the next tax year. It also reduces the undepreciated capital cost of that class in the next tax year. An ITC for SR&ED deducted or refunded in a tax year will reduce the balance in the pool of deductible SR&ED expenditures and the adjusted cost base (ACB) of an interest in a partnership in the next tax year. An ITC from pre-production mining expenditures deducted in a tax year reduces the balance in the pool of deductible cumulative Canadian exploration expenses in the next tax year.
- Property acquired has to be **available for use** before a claim for an ITC can be made. See subsections 127(11.2) and 248(19) for more information.
- Expenditures for SR&ED and capital costs for a property qualifying for an ITC must be identified by the claimant on Form T661 and Schedule 31 no later than 12 months after the claimant's income tax return is due for the tax year in which it incurred the expenditures or capital costs.
- Partnership allocations – Subsection 127(8) provides for the allocation of the amount that may reasonably be considered to be a partner's share of the ITCs of the partnership at the end of the fiscal period of the partnership. An allocation of ITCs is generally considered to be the partner's reasonable share of the ITCs if it is made in the same proportion in which the partners have agreed to share any income or loss and if section 103 is not applicable for the agreement to share any income or loss. Special rules apply to specified and limited partners. For more information, see Guide T4068, *Guide for the Partnership Information Return*.
- For SR&ED expenditures, the expression **in Canada** includes the "exclusive economic zone" (as defined in the *Oceans Act* to generally consist of an area that is within 200 nautical miles from the Canadian coastline), including the airspace, seabed and subsoil for that zone.
- For the purpose of this schedule, the expression **Atlantic Canada** includes the Gaspé Peninsula and the provinces of Newfoundland and Labrador, Prince Edward Island, Nova Scotia, and New Brunswick, as well as their respective offshore regions (prescribed in Regulation 4609).
- For the purpose of this schedule, **qualified property** means property in Atlantic Canada that is used primarily for manufacturing and processing, farming or fishing, logging, storing grain, or harvesting peat. Property in Atlantic Canada that is used primarily for oil and gas, and mining activities is considered qualified property only if acquired by the taxpayer **before** March 29, 2012. Qualified property includes new buildings and new machinery and equipment (prescribed in Regulation 4600), and if acquired by the taxpayer **after** March 28, 2012, new energy generation and conservation property (prescribed in Regulation 4600). Qualified property can also be used primarily to produce or process electrical energy or steam in a prescribed area (as described in Regulation 4610). See the definition of **qualified property** in subsection 127(9) of the Act for more details.
- For the purpose of this schedule, **qualified resource property** means property in Atlantic Canada that is used primarily for oil and gas, and mining activities, if acquired by the taxpayer **after** March 28, 2012, and **before** January 1, 2016. Qualified resource property includes new buildings and new machinery and equipment (prescribed in Regulation 4600). See the definition of **qualified resource property** in subsection 127(9) of the Act for more details.

Canada

Detailed information (continued)

- For the purpose of this schedule, **pre-production mining exploration expenditures** are expenses incurred **after** March 28, 2012, by the taxpayer to determine the existence, location, extent, or quality of certain mineral resources in Canada, excluding expenses incurred in the exploration of an oil or gas well. See subparagraph (a)(i) of the definition of **pre-production mining expenditure** in subsection 127(9) for more details.
- For the purpose of this schedule, **pre-production mining development expenditures** are expenses incurred **after** March 28, 2012, by the taxpayer to bring a new mineral resource mine in Canada into production, excluding expenses in the development of a bituminous sands deposit or an oil shale deposit. See subparagraph (a)(ii) of the definition of **pre-production mining expenditure** in subsection 127(9) for more details.

Part 1 – Investments, expenditures and percentages

	Specified percentage
Investments	
Qualified property acquired primarily for use in Atlantic Canada	10 %
Qualified resource property acquired primarily for use in Atlantic Canada and acquired:	
– after March 28, 2012, and before 2014	10 %
– after 2013 and before 2016	5 %
– after 2015*	0 %
Expenditures	
If you are a Canadian-controlled private corporation (CCPC), this percentage may apply to the portion that you claim of the SR&ED qualified expenditure pool that does not exceed your expenditure limit (see Part 10)	35 %
Note: If your current year's qualified expenditures are more than the corporation's expenditure limit (see Part 10), the excess is eligible for an ITC calculated at the 20 % rate**.	
If you are a corporation that is not a CCPC and have incurred qualified expenditures for SR&ED in any area in Canada:	
– before 2014**	20 %
– after 2013**	15 %
If you are a taxable Canadian corporation that incurred pre-production mining expenditures before March 29, 2012	10 %
If you are a taxable Canadian corporation that incurred pre-production mining exploration expenditures***:	
– after March 28, 2012, and before 2013	10 %
– in 2013	5 %
– after 2013***	0 %
If you are a taxable Canadian corporation that incurred pre-production mining development expenditures****:	
– after March 28, 2012, and before 2014****	10 %
– in 2014	7 %
– in 2015	4 %
– after 2015****	0 %
If you paid salary and wages to apprentices in the first 24 months of their apprenticeship contract for employment	10 %
If you incurred eligible expenditures after March 18, 2007, for the creation of licensed child care spaces for the children of your employees and, potentially, for other children	25 %

* A transitional relief rate of 10% may apply to property acquired after 2013 and before 2017, if the property is acquired under a written agreement entered into before March 29, 2012, or the property is acquired as part of a phase of a project where the construction or the engineering and design work for the construction started before March 29, 2012. See paragraph (a.1) of the definition of **specified percentage** in subsection 127(9) for more details.

** The reduction of the rate from 20% to 15% applies to 2014 and later tax years, except that, for 2014 tax years that start before 2014, the reduction is pro-rated based on the number of days in the tax year that are after 2013.

*** Pre-production mining exploration expenditures are described in subparagraph (a)(i) of the definition of **pre-production mining expenditure** in subsection 127(9).

**** A transitional relief rate of 10% may apply to expenditures incurred after 2013 and before 2016, if the expenditure is incurred under a written agreement entered into before March 29, 2012, or the expenditure is incurred as part of the development of a new mine where the construction or the engineering and design work for the construction of the new mine started before March 29, 2012. See subparagraph (k)(ii) of the definition of **specified percentage** in subsection 127(9) for more details. Pre-production mining development expenditures are described in subparagraph (a)(ii) of the definition of **pre-production mining expenditure** in subsection 127(9).

Corporation's name	Business number	Tax year-end Year Month Day
Veridian Connections Inc.	88628 2920 RC0001	2012-12-31

Part 2 – Determination of a qualifying corporation

Is the corporation a qualifying corporation? . . . . **101** 1 Yes [ ] 2 No [X]

For the purpose of a refundable ITC, a **qualifying corporation** is defined under subsection 127.1(2). The corporation has to be a CCPC and its taxable income (before any loss carrybacks) for its previous tax year cannot be more than its **qualifying income limit** for the particular tax year. If the corporation is associated with any other corporations during the tax year, the total of the taxable incomes of the corporation and the associated corporations (before any loss carrybacks), for their last tax year ending in the previous calendar year, cannot be more than their qualifying income limit for the particular tax year.

Note: A CCPC calculating a refundable ITC, is considered to be associated with another corporation if it meets any of the conditions in subsection 256(1), except where:

- one corporation is associated with another corporation solely because one or more persons own shares of the capital stock of both corporations; and
- one of the corporations has at least one shareholder who is not common to both corporations.

If you are a **qualifying** corporation, you will earn a **100%** refund on your share of any ITCs earned at the 35% rate on qualified **current** expenditures for SR&ED, up to the allocated expenditure limit. The 100% refund does not apply to qualified **capital** expenditures eligible for the 35% credit rate. They are only eligible for the **40%** refund*.

Some CCPCs that are **not qualifying** corporations may also earn a **100%** refund on their share of any ITCs earned at the 35% rate on qualified **current** expenditures for SR&ED, up to the allocated expenditure limit. The expenditure limit can be determined in Part 10. The 100% refund does not apply to qualified **capital** expenditures eligible for the 35% credit rate. They are only eligible for the **40%** refund*.

The 100% refund will not be available to a corporation that is an **excluded corporation** as defined under subsection 127.1(2). A corporation is an excluded corporation if, at any time during the year, it is a corporation that is either controlled by (directly or indirectly, in any manner whatever) or is related to:

a) one or more persons exempt from Part I tax under section 149;

b) Her Majesty in right of a province, a Canadian municipality, or any other public authority; or

c) any combination of persons referred to in a) or b) above.

* Capital expenditures incurred after December 31, 2013, including lease payments for property that would have been a capital expenditure if purchased directly, are **not** qualified SR&ED expenditures and are **not** eligible for an ITC on SR&ED expenditures.

Part 3 – Corporations in the farming industry

Complete this area if the corporation is making SR&ED contributions.

Is the corporation claiming a contribution in the current year to an agricultural organization whose goal is to finance SR&ED work (for example, check-off dues)? . . . . **102** 1 Yes [ ] 2 No [X]

Contributions to agricultural organizations for SR&ED* . . . . **103** ________

If **yes**, complete Schedule 125, *Income Statement Information*, to identify the type of farming industry the corporation is involved in. For more information on Schedule 125, see the *Guide to the General Index of Financial Information (GIFI) for Corporations*. Enter contributions on line 350 of Part 8.

* Enter only contributions not already included on Form T661. Include all of the contributions made before 2013 and 80% of the contributions made after 2012.

Qualified Property and Qualified Resource Property

Part 4 – Eligible investments for qualified property and qualified resource property from the current tax year

CCA* class number **105**	Description of investment **110**	Date available for use **115**	Location used (province or territory) **120**	Amount of investment **125**
			Total of investments for qualified property and qualified resource property	A

* CCA: capital cost allowance

Part 5 – Current-year credit and account balances – ITC from investments in qualified property and qualified resource property

ITC at the end of the previous tax year . . . . B

Deduct:

Credit deemed as a remittance of co-op corporations **210**

Credit expired **215**

Subtotal (line 210 **plus** line 215) ▶ C

ITC at the beginning of the tax year (amount B **minus** amount C) **220**

Add:

Credit transferred on amalgamation or wind-up of subsidiary **230**

ITC from repayment of assistance **235**

Qualified property; and qualified resource property acquired after March 28, 2012, and before January 1, 2014* (applicable part of amount A from Part 4) . . . . x 10 % = **240**

Qualified resource property acquired after December 31, 2013, and before January 1, 2016 (applicable part of amount A from Part 4) . . . . x 5 % = **242**

Credit allocated from a partnership **250**

Subtotal (total of lines 230 to 250) ▶ D

Total credit available (line 220 **plus** amount D) . . . . E

Deduct:

Credit deducted from Part I tax (enter at amount D in Part 30) **260**

Credit carried back to the previous year(s) (amount H from Part 6) . . . . a

Credit transferred to offset Part VII tax liability **280**

Subtotal (total of line 260, amount a, and line 280) ▶ F

Credit balance before refund (amount E **minus** amount F) . . . . G

Deduct:

Refund of credit claimed on investments from qualified property and qualified resource property (from Part 7) **310**

ITC closing balance of investments from qualified property and qualified resource property (amount G **minus** line 310) **320**

* Include investments acquired after 2013 and before 2017 that are eligible for transitional relief.

Part 6 – Request for carryback of credit from investments in qualified property and qualified resource property

	Year	Month	Day			
1st previous tax year				. . . . Credit to be applied	**901**	
2nd previous tax year				. . . . Credit to be applied	**902**	
3rd previous tax year				. . . . Credit to be applied	**903**	
				Total (enter at amount a in Part 5)		H

Part 7 – Refund for qualifying corporations on investments from qualified property and qualified resource property

Current-year ITCs (total of lines 240, 242, and 250 from Part 5) I

Credit balance before refund (amount G from Part 5) . . . . J

Refund (40 % of amount I or J, whichever is less) . . . . K

Enter amount K or a lesser amount on line 310 in Part 5 (also enter it on line 780 of the T2 return if the corporation does not claim an SR&ED ITC refund).

SR&ED

Part 8 – Qualified SR&ED expenditures

Current expenditures

Current expenditures (from line 557 on Form T661)	809,345		
Add:			
Contributions to agricultural organizations for SR&ED*			
Current expenditures (line 557 on Form T661 **plus** line 103 from Part 3)*	809,345 ►	350	809,345
Capital expenditures incurred **before** 2014 (from line 558 on Form T661)**		360	
Repayments made in the year (from line 560 on Form T661)		370	
Qualified SR&ED expenditures (total of lines 350 to 370)		380	809,345

* If you are claiming only contributions made to agricultural organizations for SR&ED, line 350 should equal line 103 in Part 3. Do not file Form T661.

** Capital expenditures incurred after December 31, 2013, are not qualified SR&ED expenditures.

Part 9 – Components of the SR&ED expenditure limit calculation

Part 9 only applies if the corporation is a CCPC.

Note: A CCPC that calculates SR&ED expenditure limit is considered to be associated with another corporation if it meets any of the conditions in subsection 256(1), except where:

- one corporation is associated with another corporation solely because one or more persons own shares of the capital stock of the corporation; and
- one of the corporations has at least one shareholder who is not common to both corporations.

Is the corporation associated with another CCPC for the purpose of calculating the SR&ED expenditure limit? . . . . **385** 1 Yes [X] 2 No [ ]

Complete lines 390 and 398, if you answered **no** to the question at line 385 above or if the corporation is not associated with any other corporations (the amounts for associated corporations will be determined on Schedule 49).

Enter your taxable income for the previous tax year* (prior to any loss carry-backs applied)	390	
Enter your taxable capital employed in Canada for the previous tax year minus $10 million. If this amount is nil or negative, enter "0". If this amount is over $40 million, enter $40 million	398	

* If either of the tax years referred to at line 390 is less than 51 weeks, **multiply** the taxable income by the following result: 365 **divided** by the number of days in these tax years.

Part 10 – SR&ED expenditure limit for a CCPC

For a stand-alone corporation:			$ 8,000,000	
Deduct:				
Taxable income for the previous tax year (line 390 from Part 9) or $500,000, whichever is more		x 10 =		A
Excess ($8,000,000 **minus** amount A; if negative, enter "0")				B
$ 40,000,000 **minus** line 398 from Part 9		a		
Amount a **divided** by $ 40,000,000				C
Expenditure limit for the stand-alone corporation (amount B **multiplied** by amount C)				D*
For an associated corporation:				
If associated, the allocation of the SR&ED expenditure limit as provided on Schedule 49		400		E*

Where the tax year of the corporation is less than 51 weeks, calculate the amount of the expenditure limit as follows:

Amount D or E ______ x $\frac{\text{Number of days in the tax year}}{365}$ 366 = ... ______ F

Your SR&ED expenditure limit for the year (enter the amount from line D, E, or F, whichever applies) . . . . **410** ______

* Amount D or E cannot be more than $3,000,000.

Part 11 – Investment tax credits on SR&ED expenditures

Current expenditures (line 350 from Part 8) or the expenditure limit (line 410 from Part 10), whichever is less*	420		x	35 % =		G
Line 350 **minus** line 410 (if negative, enter "0")**	430	809,345	x	20 % =	161,869	H
Line 410 **minus** line 350 (if negative, enter "0")			b			
Capital expenditures (line 360 from Part 8) or amount b above, whichever is less*	440		x	35 % =		I
Line 360 **minus** amount b above (if negative, enter "0")**	450		x	20 % =		J
Repayments (amount from line 370 in Part 8)						

If a corporation makes a repayment of any government or non-government assistance, or contract payments that reduced the amount of qualified expenditures for ITC purposes, the amount of the repayment is eligible for a credit at the rate that would have applied to the repaid amount. Enter the amount of the repayment on the line that corresponds to the appropriate rate.**

460		x	35 % =		c
480		x	20 % =		d
			Subtotal (amount c **plus** amount d)	▶	K

Current-year SR&ED ITC (total of amounts G to K; enter on line 540 in Part 12)	161,869	L

* For corporations that are not CCPCs, enter "0" for amounts G and I.

** For tax years that end after 2013, the general SR&ED rate is reduced from 20% to 15%, except that, for 2014 tax years that start before 2014, the reduction is pro-rated based on the number of days in the tax year that are after 2013.

Part 12 – Current-year credit and account balances – ITC from SR&ED expenditures

ITC at the end of the previous tax year					M
Deduct:					
Credit deemed as a remittance of co-op corporations	510				
Credit expired	515				
Subtotal (line 510 **plus** line 515)			▶		N
ITC at the beginning of the tax year (amount M **minus** amount N)			520		
Add:					
Credit transferred on amalgamation or wind-up of subsidiary	530				
Total current-year credit (from amount L in Part 11)	540	161,869			
Credit allocated from a partnership	550				
Subtotal (total of lines 530 to 550)		161,869	▶	161,869	O
Total credit available (line 520 **plus** amount O)				161,869	P
Deduct:					
Credit deducted from Part I tax (enter at amount E in Part 30)	560	161,869			
Credit carried back to the previous year(s) (amount S from Part 13)			e		
Credit transferred to offset Part VII tax liability	580				
Subtotal (total of line 560, amount e, and line 580)		161,869	▶	161,869	Q
Credit balance before refund (amount P **minus** amount Q)					R
Deduct:					
Refund of credit claimed on SR&ED expenditures (from Part 14 or 15, whichever applies)			610		
ITC closing balance on SR&ED (amount R **minus** line 610)			620		

Part 13 – Request for carryback of credit from SR&ED expenditures

	Year	Month	Day			
1st previous tax year				Credit to be applied	911	
2nd previous tax year				Credit to be applied	912	
3rd previous tax year				Credit to be applied	913	
				Total (enter at amount e in Part 12)		S

Part 14 – Refund of ITC for qualifying corporations – SR&ED

Complete this part only if you are a qualifying corporation as determined at line 101 in Part 2.

Is the corporation an excluded corporation as defined under subsection 127.1(2)? 650 1 Yes ☐ 2 No ☒

Current-year ITC (lines 540 **plus** 550 from Part 12 **minus** amount K from Part 11) ______ f

Refundable credits (amount f above or amount R from Part 12, whichever is less)* ______ T

Deduct:

Amount T or amount G from Part 11, whichever is less ______ U

Net amount (amount T **minus** amount U; if negative, enter "0") ______ V

Amount V **multiplied** by 40 % ______ W

Add:

Amount U ______ X

Refund of ITC (amount W **plus** amount X – enter this, or a lesser amount, on line 610 in Part 12) ______ Y

Enter the total of lines 310 from Part 5 and 610 from Part 12 on line 780 of the T2 return.

* If you are also an excluded corporation [as defined in subsection 127.1(2)], this amount must be multiplied by 40%. Claim this, or a lesser amount, as your refund of ITC for amount Y.

Part 15 – Refund of ITC for CCPCs that are not qualifying or excluded corporations – SR&ED

Complete this box only if you are a CCPC that is not a qualifying or excluded corporation as determined at line 101 in Part 2.

Credit balance before refund (amount R from Part 12) ______ Z

Deduct:

Amount Z or amount G from Part 11, whichever is less ______ AA

Net amount (amount Z **minus** amount AA; if negative, enter "0") ______ BB

Amount BB or amount I from Part 11, whichever is less ______ CC

Amount CC **multiplied** by 40 % ______ DD

Add :

Amount AA ______ EE

Refund of ITC (amount DD **plus** amount EE) ______ FF

Enter FF, or a lesser amount, on line 610 in Part 12 and also on line 780 of the T2 return.

Recapture – SR&ED

Part 16 – Recapture of ITC for corporations and corporate partnerships – SR&ED

You will have a recapture of ITC in a year when **all** of the following conditions are met:

- you acquired a particular property in the current year or in any of the 20 previous tax years, if the credit was earned in a tax year ending after 1997 and did not expire before 2008;
- you claimed the cost of the property as a qualified expenditure for SR&ED on Form T661;
- the cost of the property was included in calculating your ITC or was the subject of an agreement made under subsection 127(13) to transfer qualified expenditures; and
- you disposed of the property or converted it to commercial use after February 23, 1998. This condition is also met if you disposed of or converted to commercial use a property that incorporates the particular property previously referred to.

Note:

The recapture **does not apply** if you disposed of the property to a non-arm's-length purchaser who intended to use it all or substantially all for SR&ED. When the non-arm's-length purchaser later sells or converts the property to commercial use, the recapture rules will apply to the purchaser based on the historical ITC rate of the original user.

You will report a recapture on the T2 return for the year in which you disposed of the property or converted it to commercial use. In the following tax year, add the amount of the ITC recapture to the SR&ED expenditure pool.

If you have more than one disposition for calculations 1 and 2, complete the columns for each disposition for which a recapture applies, using the calculation formats below.

Calculation 1 – If you meet all of the above conditions

Amount of ITC you originally calculated for the property you acquired, or the original user's ITC where you acquired the property from a non-arm's length party, as described in the note above **700**	Amount calculated using ITC rate at the date of acquisition (or the original user's date of acquisition) on either the proceeds of disposition (if sold in an arm's length transaction) or the fair market value of the property (in any other case) **710**	Amount from column 700 or 710, whichever is less

Subtotal (enter this amount at amount C in Part 17) ______ A

Calculation 2 – Only if you transferred all or a part of the qualified expenditure to another person under an agreement described in subsection 127(13); otherwise, enter nil in amount B in Part 16 on page 9.

A Rate that the transferee used in determining its ITC for qualified expenditures under a subsection 127(13) agreement **720**	**B** Proceeds of disposition of the property if you dispose of it to an arm's length person; or, in any other case, enter the fair market value of the property at conversion or disposition **730**	**C** Amount, if any, already provided for in Calculation 1 (This allows for the situation where only part of the cost of a property is transferred under a subsection 127(13) agreement.) **740**

Calculation 2 (continued) – Only if you transferred all or a part of the qualified expenditure to another person under an agreement described in subsection 127(13); otherwise, enter nil in amount B below.

D Amount determined by the formula (A x B) – C	**E** ITC earned by the transferee for the qualified expenditures that were transferred **750**	**F** Amount from column D or E, whichever is less

Subtotal (enter this amount at amount D in Part 17) ______ B

Calculation 3

As a member of the partnership, you will report your share of the SR&ED ITC of the partnership after the SR&ED ITC has been reduced by the amount of the recapture. If this amount is a positive amount, you will report it on line 550 in Part 12. However, if the partnership does not have enough ITC otherwise available to offset the recapture, then the amount by which reductions to ITC exceed additions (the excess) will be determined and reported on line 760 below.

Corporate partner's share of the excess of SR&ED ITC (amount to be reported at amount E in Part 17) **760** ______

Part 17 – Total recapture of SR&ED investment tax credit

Recaptured ITC for calculation 1 from amount A in Part 16		C
Recaptured ITC for calculation 2 from amount B in Part 16		D
Recaptured ITC for calculation 3 from line 760 in Part 16		E
Total recapture of SR&ED investment tax credit – total of amounts C to E		F

Enter amount F at amount A in Part 29.

Pre-Production Mining

Part 18 – Pre-production mining expenditures

Exploration information

A mineral resource that qualifies for the credit means a mineral deposit from which the principal mineral to be extracted is diamond, a base or precious metal deposit, or a mineral deposit from which the principal mineral to be extracted is an industrial mineral that, when refined, results in a base or precious metal.

In column 800, list all minerals for which pre-production mining expenditures have taken place in the tax year.

For each of the minerals reported in column 800, identify each project (in column 805), mineral title (in column 806), and mining division (in column 807) where title is registered. If there is no mineral title, identify only the project and mining division.

List of minerals 800	Project name 805

Mineral title 806	Mining division 807

Pre-production mining expenditures*

Exploration:

Pre-production mining expenditures that the corporation incurred in the tax year for the purpose of determining the existence, location, extent, or quality of a mineral resource in Canada:

Prospecting . . . . 810 ______

Geological, geophysical, or geochemical surveys . . . . 811 ______

Drilling by rotary, diamond, percussion, or other methods . . . . 812 ______

Trenching, digging test pits, and preliminary sampling . . . . 813 ______

Development:

Pre-production mining expenditures incurred in the tax year for bringing a new mine in a mineral resource in Canada into production in reasonable commercial quantities and incurred before the new mine comes into production in such quantities:

Clearing, removing overburden, and stripping . . . . 820 ______

Sinking a mine shaft, constructing an adit, or other underground entry . . . . 821 ______

Other pre-production mining expenditures incurred in the tax year:

Description 825	Amount 826

Add amounts in column 826 ______ ► ______ A

Total pre-production mining expenditures (total of lines 810 to 821 and amount A) . . . . 830 ______

Deduct:

Total of all assistance (grants, subsidies, rebates, and forgivable loans) or reimbursements that the corporation has received or is entitled to receive in respect of the amounts referred to at line 830 above . . . . 832 ______

Excess (line 830 **minus** line 832) (if negative, enter "0") . . . . ______ B

Add:

Repayments of government and non-government assistance . . . . 835 ______

Pre-production mining expenditures (amount B **plus** line 835) . . . . ______ C

* A pre-production mining expenditure is defined under subsection 127(9).

Part 19 – Current-year credit and account balances – ITC from pre-production mining expenditures

ITC at the end of the previous tax year				D
Deduct:				
Credit deemed as a remittance of co-op corporations	841			
Credit expired	845			
Subtotal (line 841 **plus** line 845)				E
ITC at the beginning of the tax year (amount D **minus** amount E)			850	
Add:				
Credit transferred on amalgamation or wind-up of subsidiary			860	
Pre-production mining expenditures* incurred before January 1, 2013 (applicable part of amount C from Part 18)	870	x 10 % =	a	
Pre-production mining exploration expenditures incurred in 2013 (applicable part of amount C from Part 18)	872	x 5 % =	b	
Pre-production mining development expenditures incurred in 2014 (applicable part of amount C from Part 18)	874	x 7 % =	c	
Pre-production mining development expenditures incurred in 2015 (applicable part of amount C from Part 18)	876	x 4 % =	d	
Current year credit (total of amounts a to d)	880			F
Total credit available (total of lines 850, 860, and amount F)				G
Deduct:				
Credit deducted from Part I tax (enter at amount F in Part 30)	885			
Credit carried back to the previous year(s) (amount I from Part 20)		e		
Subtotal (line 885 **plus** amount e)				H
ITC closing balance from pre-production mining expenditures (amount G **minus** amount H)			890	

* Also include pre-production mining development expenditures incurred before 2014 and pre-production mining development expenditures incurred after 2013 and before 2016 that are eligible for transitional relief.

Part 20 – Request for carryback of credit from pre-production mining expenditures

	Year	Month	Day			
1st previous tax year				Credit to be applied	921	
2nd previous tax year				Credit to be applied	922	
3rd previous tax year				Credit to be applied	923	
				Total (enter at amount e in Part 19)		I

Apprenticeship Job Creation

Part 21 – Total current-year credit – ITC from apprenticeship job creation expenditures

If you are a related person as defined under subsection 251(2), has it been agreed in writing that you are the only employer who will be claiming the apprenticeship job creation tax credit for this tax year for each apprentice whose contract number (or social insurance number or name) appears below? (If not, you cannot claim the tax credit.) 611 1 Yes X 2 No ☐

For each apprentice in their first 24 months of the apprenticeship, enter the apprenticeship contract number registered with Canada, or a province or territory, under an apprenticeship program designed to certify or license individuals in the trade. For the province, the trade must be a Red Seal trade. If there is no contract number, enter the social insurance number (SIN) or the name of the eligible apprentice.

	A Contract number (SIN or name of apprentice) 601	B Name of eligible trade 602	C Eligible salary and wages* 603	D Column C x 10 % 604	E Lesser of column D or $ 2,000 605
1.	PC7622	Powerline Technician	56,716	5,672	2,000
2.	PC7708	Powerline Technician	47,985	4,799	2,000

	A Contract number (SIN or name of apprentice) 601	B Name of eligible trade 602	C Eligible salary and wages* 603	D Column C x 10 % 604	E Lesser of column D or $ 2,000 605
3.	PC7049	Powerline Technician	64,199	6,420	2,000

Total current-year credit (enter at line 640 in Part 22) 6,000 A

* Net of any other government or non-government assistance received or to be received.

Part 22 – Current-year credit and account balances – ITC from apprenticeship job creation expenditures

ITC at the end of the previous tax year . . . . . . B

Deduct:

Credit deemed as a remittance of co-op corporations 612

Credit expired after 20 tax years 615

Subtotal (line 612 **plus** line 615) ▶ C

ITC at the beginning of the tax year (amount B **minus** amount C) 625

Add:

Credit transferred on amalgamation or wind-up of subsidiary 630

ITC from repayment of assistance 635

Total current-year credit (amount A from Part 21) 640 6,000

Credit allocated from a partnership 655

Subtotal (total of lines 630 to 655) 6,000 ▶ 6,000 D

Total credit available (line 625 **plus** amount D) . . . . . . 6,000 E

Deduct:

Credit deducted from Part I tax (enter at amount G in Part 30) 660 6,000

Credit carried back to the previous year(s) (amount G from Part 23) . . . . . . a

Subtotal (line 660 **plus** amount a) 6,000 ▶ 6,000 F

ITC closing balance from apprenticeship job creation expenditures (amount E **minus** amount F) 690

Part 23 – Request for carryback of credit from apprenticeship job creation expenditures

	Year	Month	Day			
1st previous tax year				Credit to be applied	931	
2nd previous tax year				Credit to be applied	932	
3rd previous tax year				Credit to be applied	933	

Total (enter at amount a in Part 22) G

Child Care Spaces

Part 24 – Eligible child care spaces expenditures

Enter the eligible expenditures that the corporation incurred to create licensed child care spaces for the children of the employees and, potentially, for other children. The corporation cannot be carrying on a child care services business. The eligible expenditures include:

- the cost of depreciable property (other than specified property); and
- the specified child care start-up expenditures;

acquired or incurred only to create new child care spaces at a licensed child care facility.

Cost of depreciable property from the current tax year

	CCA* class number 665	Description of investment 675	Date available for use 685	Amount of investment 695
1.				

Total cost of depreciable property from the current tax year **715** ______

Add:

Specified child care start-up expenditures from the current tax year . . . . . **705** ______

Total gross eligible expenditures for child care spaces (line 715 **plus** line 705) . . . . . ______ A

Deduct:

Total of all assistance (including grants, subsidies, rebates, and forgivable loans) or reimbursements that the corporation has received or is entitled to receive in respect of the amounts referred to at line A) . . . . . **725** ______

Excess (amount A **minus** line 725) (if negative, enter "0") . . . . . ______ B

Add:

Repayments of government and non-government assistance . . . . . **735** ______

Total eligible expenditures for child care spaces (amount B **plus** line 735) . . . . . **745** ______

* CCA: capital cost allowance

Part 25 – Current-year credit – ITC from child care spaces expenditures

The credit is equal to 25% of eligible child care spaces expenditures incurred to a maximum of $10,000 per child care space created in a licensed child care facility.

Eligible expenditures (from line 745) . . . . . ______ x 25 % = ______ C

Number of child care spaces . . . . . **755** ______ x $ 10,000 = ______ D

ITC from child care spaces expenditures (amount C or D, whichever is less) . . . . . ______ E

Part 26 – Current-year credit and account balances – ITC from child care spaces expenditures

ITC at the end of the previous tax year				F
Deduct:				
Credit deemed as a remittance of co-op corporations	765			
Credit expired after 20 tax years	770			
Subtotal (line 765 **plus** line 770)			▶	G
ITC at the beginning of the tax year (amount F **minus** amount G)			775	
Add:				
Credit transferred on amalgamation or wind-up of subsidiary	777			
Total current-year credit (amount E from Part 25)	780			
Credit allocated from a partnership	782			
Subtotal (total of lines 777 to 782)			▶	H
Total credit available (line 775 **plus** amount H)				I
Deduct:				
Credit deducted from Part I tax (enter at amount H in Part 30)	785			
Credit carried back to the previous year(s) (amount K from Part 27)			a	
Subtotal (line 785 **plus** amount a)			▶	J
ITC closing balance from child care spaces expenditures (amount I **minus** amount J)			790	

Part 27 – Request for carryback of credit from child care space expenditures

	Year	Month	Day			
1st previous tax year	2011-12-31			Credit to be applied	941	
2nd previous tax year	2010-12-31			Credit to be applied	942	
3rd previous tax year	2009-12-31			Credit to be applied	943	
				Total (enter at amount a in Part 26)		K

Recapture – Child Care Spaces

Part 28 – Recapture of ITC for corporations and corporate partnerships – Child care spaces

The ITC will be recovered against the taxpayer's tax otherwise payable under Part I of the Act if, at any time within 60 months of the day on which the taxpayer acquired the property:

- the new child care space is no longer available; or
- property that was an eligible expenditure for the child care space is:
  - disposed of or leased to a lessee; or
  - converted to another use.

If the property disposed of is a child care space, the amount that can reasonably be considered to have been included in the original ITC (paragraph 127(27.12)(a)) . . . . **792** ______

In the case of eligible expenditures (paragraph 127(27.12)(b)), the lesser of:

The amount that can reasonably be considered to have been included in the original ITC . . . . **795** ______

25% of either the proceeds of disposition (if sold in an arm's length transaction) or the fair market value (in any other case) of the property . . . . **797** ______

Amount from line 795 or line 797, whichever is less . . . . ______ A

Corporate partnerships

As a member of the partnership, you will report your share of the child care spaces ITC of the partnership after the child care spaces ITC has been reduced by the amount of the recapture. If this amount is a positive amount, you will report it on line 782 in Part 26. However, if the partnership does not have enough ITC otherwise available to offset the recapture, then the amount by which reductions to ITC exceed additions (the excess) will be determined and reported on line 799 below.

Corporate partner's share of the excess of ITC **799** ______

Total recapture of child care spaces investment tax credit (total of line 792, amount A, and line 799) . . . . ______ B

Enter amount B at amount B in Part 29.

Summary of Investment Tax Credits

Part 29 – Total recapture of investment tax credit

Recaptured SR&ED ITC (from amount F in Part 17)		A
Recaptured child care spaces ITC (from amount B in Part 28)		B
Total recapture of investment tax credit (amount A **plus** amount B)		C

Enter amount C on line 602 of the T2 return.

Part 30 – Total ITC deducted from Part I tax

ITC from investments in qualified property deducted from Part I tax (from line 260 in Part 5)		D
ITC from SR&ED expenditures deducted from Part I tax (from line 560 in Part 12)	161,869	E
ITC from pre-production mining expenditures deducted from Part I tax (from line 885 in Part 19)		F
ITC from apprenticeship job creation expenditures deducted from Part I tax (from line 660 in Part 22)	6,000	G
ITC from child care space expenditures deducted from Part I tax (from line 785 in Part 26)		H
Total ITC deducted from Part I tax (total of amounts D to H)	167,869	I

Enter amount I at line 652 of the T2 return.

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Summary of Investment Tax Credit Carryovers

Continuity of investment tax credit carryovers

CCA class number 99 Cur. or cap. R&D for ITC

Current year

Addition current year (A)	Applied current year (B)	Claimed as a refund (C)	Carried back (D)	ITC end of year (A-B-C-D)
161,869	161,869			

Prior years

Taxation year	ITC beginning of year (E)	Adjustments (F)	Applied current year (G)	ITC end of year (E-F-G)
2011-12-31				
2010-12-31				
2009-12-31				
2008-12-31				
2007-12-31				
2006-12-31				
2005-12-31				
2005-11-21				
2005-08-08				
2004-12-31				*
2003-12-31				
2002-12-31				
2001-12-31				
2000-12-31				
1999-12-31				
1998-12-31				
1997-12-31				
1996-12-31				
1995-12-31				
1994-12-31				*
Total				

B+C+D+G **Total ITC utilized** 161,869

* The **ITC end of year** includes the amount of ITC expired from the 10th preceding year if it is before January 1, 1998, or the amount of ITC expired from the 20th preceding year if it is after December 31, 1997. Note that this credit will only expire at the beginning of the subsequent fiscal period. Consequently, this amount will be posted on line 215, 515, 615, 770 or 845, as applicable, in Schedule 31 of the subsequent fiscal year.

Summary of Investment Tax Credit Carryovers

Continuity of investment tax credit carryovers

CCA class number 97 Apprenticeship job creation ITC

Current year

Addition current year (A)	Applied current year (B)	Claimed as a refund (C)	Carried back (D)	ITC end of year (A-B-C-D)
6,000	6,000			

Prior years

Taxation year	ITC beginning of year (E)	Adjustments (F)	Applied current year (G)	ITC end of year (E-F-G)	
2011-12-31					
2010-12-31					
2009-12-31					
2008-12-31					
2007-12-31					
2006-12-31					
2005-12-31					
2005-11-21					
2005-08-08					
2004-12-31					*
2003-12-31					
2002-12-31					
2001-12-31					
2000-12-31					
1999-12-31					
1998-12-31					
1997-12-31					
1996-12-31					
1995-12-31					
1994-12-31					*
Total					

B+C+D+G **Total ITC utilized** 6,000

* The **ITC end of year** includes the amount of ITC expired from the 10th preceding year if it is before January 1, 1998, or the amount of ITC expired from the 20th preceding year if it is after December 31, 1997. Note that this credit will only expire at the beginning of the subsequent fiscal period. Consequently, this amount will be posted on line 215, 515, 615, 770 or 845, as applicable, in Schedule 31 of the subsequent fiscal year.

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SCHEDULE 50

SHAREHOLDER INFORMATION

Name of corporation	Business Number	Tax year end Year Month Day
Veridian Connections Inc.	88628 2920 RC0001	2012-12-31

All private corporations must complete this schedule for any shareholder who holds 10% or more of the corporation's common and/or preferred shares.

	Name of shareholder (after name, indicate in brackets if the shareholder is a corporation, partnership, individual, or trust)	Provide only one number per shareholder: Business Number (If a corporation is not registered, enter "NR")	Social insurance number	Trust number	Percentage common shares	Percentage preferred shares
	100	200	300	350	400	500
1	Veridian Corporation	86697 3076 RC0001			100.000	
2						
3						
4						
5						
6						
7						
8						
9						
10						

Canada

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 53

GENERAL RATE INCOME POOL (GRIP) CALCULATION

Name of corporation	Business Number	Tax year-end Year Month Day
Veridian Connections Inc.	88628 2920 RC0001	2012-12-31

On: 2012-12-31

- If you are a Canadian-controlled private corporation (CCPC) or a deposit insurance corporation (DIC), use this schedule to determine the general rate income pool (GRIP).
- When an eligible dividend was paid in the tax year, file a completed copy of this schedule with your *T2 Corporation Income Tax Return*. Do not send your worksheets with your return, but keep them in your records in case we ask to see them later.
- Subsections referred to in this schedule are from the *Income Tax Act*.
- Subsection 89(1) defines the terms eligible dividend, excessive eligible dividend designation, general rate income pool, and low rate income pool.

Eligibility for the various additions

Answer the following questions to determine the corporation's eligibility for the various additions:

2006 addition

1. Is this the corporation's first taxation year that includes January 1, 2006? ☐ Yes ☒ No
2. If not, what is the date of the taxation year end of the corporation's first year that includes January 1, 2006? Enter the date and go directly to question 4: 2006-12-31
3. During that first year, was the corporation a CCPC or would it have been a CCPC if not for the election of subsection 89(11) ITA? ☒ Yes ☐ No
   If the answer to question 3 is yes, complete Part "GRIP addition for 2006".

Change in the type of corporation

4. Was the corporation a CCPC during its preceding taxation year? ☒ Yes ☐ No
5. Corporations that become a CCPC or a DIC ☐ Yes ☒ No
   If the answer to question 5 is yes, complete Part 4.

Amalgamation (first year of filing after amalgamation)

6. Corporations that were formed as a result of an amalgamation ☐ Yes ☒ No
   If the answer to question 6 is yes, answer questions 7 and 8. If the answer is no, go to question 9.
7. Was one or more of the predecessor corporations neither a CCPC nor a DIC? ☐ Yes ☐ No
   If the answer to question 7 is yes, complete Part 4.
8. Was one or more of the predecessor corporation a CCPC or a DIC during the taxation year that ended immediately before amalgamation? ☐ Yes ☐ No
   If the answer to question 8 is yes, complete Part 3.

Winding-up

9. Corporations that wound-up a subsidiary ☐ Yes ☒ No
   If the answer to question 9 is yes, answer questions 10 and 11. If the answer is no, go to Part 1.
10. Was the subsidiary neither a CCPC nor a DIC during its last taxation year? ☐ Yes ☐ No
    If the answer to question 10 is yes, complete Part 4.
11. Was the subsidiary a CCPC or a DIC during its last taxation year? ☐ Yes ☐ No
    If the answer to question 11 is yes, complete Part 3.

Canada

Part 1 – Calculation of general rate income pool (GRIP)

GRIP at the end of the previous tax year					100	46,379,511 A
Taxable income for the year (DICs enter "0") *			110	7,772,134 B		
Income for the credit union deduction * (amount E in Part 3 of Schedule 17)	120					
Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less *	130					
For a CCPC, the lesser of aggregate investment income (line 440 of the T2 return) and taxable income *	140					
Subtotal (**add** lines 120, 130, and 140)			►	C		
Income taxable at the general corporate rate (line B **minus** line C) (if negative enter "0")			150	7,772,134		
After-tax income (line 150 x general rate factor for the tax year ** 0.72)					190	5,595,936 D
Eligible dividends received in the tax year			200			
Dividends deductible under section 113 received in the tax year			210			
Subtotal (**add** lines 200 and 210)					►	E
GRIP addition:						
Becoming a CCPC (line PP from Part 4)			220			
Post-amalgamation (total of lines EE from Part 3 and lines PP from Part 4)			230			
Post-wind-up (total of lines EE from Part 3 and lines PP from Part 4)			240			
Subtotal (**add** lines 220, 230, and 240)					► 290	F
Subtotal (**add** lines A, D, E, and F)						51,975,447 G
Eligible dividends paid in the previous tax year			300			
Excessive eligible dividend designations made in the previous tax year			310			

Note: If becoming a CCPC (subsection 89(4) applies), enter "0" on lines 300 and 310.

Subtotal (line 300 **minus** line 310)		►	H
GRIP before adjustment for specified future tax consequences (line G **minus** line H) (amount can be negative)	490	51,975,447	
Total GRIP adjustment for specified future tax consequences to previous tax years (amount W from Part 2)	560		
GRIP at the end of the tax year (line 490 **minus** line 560)	590	51,975,447	

Enter this amount on line 160 of Schedule 55.

* For lines 110, 120, 130, and 140, the income amount is the amount before considering specified future tax consequences. This phrase is defined in subsection 248(1). It includes the deduction of a loss carryback from subsequent tax years, a reduction of Canadian exploration expenses and Canadian development expenses that were renounced in subsequent tax years (e.g., flow-through share renunciations), reversals of income inclusions where an option is exercised in subsequent tax years, and the effect of certain foreign tax credit adjustments.

** The **general rate factor** for a tax year is 0.68 for any portion of the tax year that falls before 2010, 0.69 for any portion of the tax year that falls in 2010, 0.70 for any portion of the tax year that falls in 2011, and 0.72 for any portion of the tax year that falls after 2011. Calculate the general rate factor in Part 5 for tax years that straddle these dates.

Part 2 – GRIP adjustment for specified future tax consequences to previous tax years

Complete this part if the corporation's taxable income of any of the previous three tax years took into account the specified future tax consequences defined in subsection 248(1) from the current tax year. Otherwise, enter "0" on line 560.

First previous tax year 2011-12-31

Taxable income before specified future tax consequences from the current tax year		12,671,603 J1	
Enter the following amounts before specified future tax consequences from the current tax year:			
Income for the credit union deduction (amount E in Part 3 of Schedule 17)	K1		
Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less	L1		
Aggregate investment income (line 440 of the T2 return)	9,473 M1		
Subtotal (**add** lines K1, L1, and M1)	9,473 ►	9,473 N1	
Subtotal (line J1 **minus** line N1) (if negative, enter "0")		12,662,130 ►	12,662,130 O1

Part 2 – GRIP adjustment for specified future tax consequences to previous tax years (continued)

Future tax consequences that occur for the current year Amount carried back from the current year to a prior year					
Non-capital loss carry-back (paragraph 111 (1)(a) ITA)	**Capital loss carry-back**	**Restricted farm loss carry-back**	**Farm loss carry-back**	**Other**	**Total carrybacks**

Taxable income after specified future tax consequences . . . . ____ P1

Enter the following amounts after specified future tax consequences:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . ____ Q1

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less . . . . ____ R1

Aggregate investment income (line 440 of the T2 return) . . . . ____ S1

Subtotal (**add** lines Q1, R1, and S1) ____ ▶ ____ T1

Subtotal (line P1 **minus** line T1) (if negative, enter "0") ____ ▶ ____ U1

Subtotal (line O1 **minus** line U1) (if negative, enter "0") ____ V1

GRIP adjustment for specified future tax consequences to the first previous tax year

(line V1 **multiplied by** the general rate factor for the tax year 0.72) . . . . **500** ____

Second previous tax year 2010-12-31

Taxable income before specified future tax consequences from the current tax year . . . . ____ J2

Enter the following amounts before specified future tax consequences from the current tax year:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . ____ K2

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less . . . . ____ L2

Aggregate investment income (line 440 of the T2 return) . . . . ____ M2

Subtotal (**add** lines K2, L2, and M2) ____ ▶ ____ N2

Subtotal (line J2 **minus** line N2) (if negative, enter "0") ____ ▶ ____ O2

Future tax consequences that occur for the current year Amount carried back from the current year to a prior year					
Non-capital loss carry-back (paragraph 111 (1)(a) ITA)	**Capital loss carry-back**	**Restricted farm loss carry-back**	**Farm loss carry-back**	**Other**	**Total carrybacks**

Taxable income after specified future tax consequences . . . . ____ P2

Enter the following amounts after specified future tax consequences:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . ____ Q2

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less . . . . ____ R2

Aggregate investment income (line 440 of the T2 return) . . . . ____ S2

Subtotal (**add** lines Q2, R2, and S2) ____ ▶ ____ T2

Subtotal (line P2 **minus** line T2) (if negative, enter "0") ____ ▶ ____ U2

Subtotal (line O2 **minus** line U2) (if negative, enter "0") ____ V2

GRIP adjustment for specified future tax consequences to the second previous tax year

(line V2 **multiplied by** the general rate factor for the tax year 0.72) . . . . **520** ____

Part 2 – GRIP adjustment for specified future tax consequences to previous tax years (continued)

Third previous tax year 2009-12-31

Taxable income before specified future tax consequences from the current tax year . . . 10,574,349 J3

Enter the following amounts before specified future tax consequences from the current tax year:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . ______ K3

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less . . . . ______ L3

Aggregate investment income (line 440 of the T2 return) . . . . ______ M3

Subtotal (**add** lines K3, L3, and M3) ______ ▶ ______ N3

Subtotal (line J3 **minus** line N3) (if negative, enter "0") 10,574,349 ▶ 10,574,349 O3

Future tax consequences that occur for the current year Amount carried back from the current year to a prior year					
Non-capital loss carry-back (paragraph 111 (1)(a) ITA)	**Capital loss carry-back**	**Restricted farm loss carry-back**	**Farm loss carry-back**	**Other**	**Total carrybacks**

Taxable income after specified future tax consequences . . . . ______ P3

Enter the following amounts after specified future tax consequences:

Income for the credit union deduction (amount E in Part 3 of Schedule 17) . . . ______ Q3

Amount on line 400, 405, 410, or 425 of the T2 return, whichever is less . . . . ______ R3

Aggregate investment income (line 440 of the T2 return) . . . . ______ S3

Subtotal (**add** lines Q3, R3, and S3) ______ ▶ ______ T3

Subtotal (line P3 **minus** line T3) (if negative, enter "0") ______ ▶ ______ U3

Subtotal (line O3 **minus** line U3) (if negative, enter "0") ______ V3

GRIP adjustment for specified future tax consequences to the third previous tax year
(line V3 **multiplied by** the general rate factor for the tax year 0.72) . . . . **540** ______

Total GRIP adjustment for specified future tax consequences to previous tax years:
(**add** lines 500, 520, and 540) (if negative, enter "0") . . . . ______ W

Enter amount W on line 560.

Part 3 – Worksheet to calculate the GRIP addition post-amalgamation or post-wind-up (predecessor or subsidiary was a CCPC or a DIC in its last tax year)

nb. 1 Post amalgamation . . . ☐ Post wind-up . . . . . . ☐

Complete this part when there has been an amalgamation (within the meaning assigned by subsection 87(1)) or a wind-up (to which subsection 88(1) applies) and the predecessor or subsidiary corporation was a CCPC or a DIC in its last tax year. In the calculation below, **corporation** means a predecessor or a subsidiary. The last tax year for a predecessor corporation was its tax year that ended immediately before the amalgamation and for a subsidiary corporation was its tax year during which its assets were distributed to the parent on the wind-up.

For a post-wind-up, include the GRIP addition in calculating the parent's GRIP at the end of its tax year that immediately follows the tax year during which it receives the assets of the subsidiary.

Complete a separate worksheet for **each** predecessor and **each** subsidiary that was a CCPC or a DIC in its last tax year. Keep a copy of this calculation for your records, in case we ask to see it later.

Corporation's GRIP at the end of its last tax year . . . . ______ AA

Eligible dividends paid by the corporation in its last tax year . . . . ______ BB

Excessive eligible dividend designations made by the corporation in its last tax year . . . . ______ CC

Subtotal (line BB **minus** line CC) ______ ▶ ______ DD

GRIP addition post-amalgamation or post-wind-up (predecessor or subsidiary was a CCPC or a DIC in its last tax year)
(line AA **minus** line DD) . . . . ______ EE

After you complete this calculation for each predecessor and each subsidiary, calculate the total of all the EE lines. Enter this total amount on:

- line 230 for post-amalgamation; or
- line 240 for post-wind-up.

Part 4 – Worksheet to calculate the GRIP addition post-amalgamation, post-wind-up (predecessor or subsidiary was not a CCPC or a DIC in its last tax year), or the corporation is becoming a CCPC

nb. 1 Corporation becoming a CCPC . . . . . . ☐ Post amalgamation . . . . ☐ Post wind-up . . . . ☐

Complete this part when there has been an amalgamation (within the meaning assigned by subsection 87(1)) or a wind-up (to which subsection 88(1) applies) and the predecessor or subsidiary was not a CCPC or a DIC in its last tax year. Also, use this part for a corporation becoming a CCPC. In the calculation below, **corporation** means a corporation becoming a CCPC, a predecessor, or a subsidiary.

For a post-wind-up, include the GRIP addition in calculating the parent's GRIP at the end of its tax year that immediately follows the tax year during which it receives the assets of the subsidiary.

Complete a separate worksheet for **each** predecessor and **each** subsidiary that was not a CCPC or a DIC in its last tax year. Keep a copy of this calculation for your records, in case we ask to see it later.

Cost amount to the corporation of all property immediately before the end of its previous/last tax year . . . . ______ FF

The corporation's money on hand immediately before the end of its previous/last tax year . . . . ______ GG

Unused and unexpired losses at the end of the corporation's previous/last tax year:

Non-capital losses . . . . ______

Net capital losses . . . . ______

Farm losses . . . . ______

Restricted farm losses . . . . ______

Limited partnership losses . . . . ______

Subtotal ______ ► ______ HH

Subtotal (**add** lines FF, GG, and HH) ______ II

All the corporation's debts and other obligations to pay that were outstanding immediately before the end of its previous/last tax year . . . . ______ JJ

Paid-up capital of all the corporation's issued and outstanding shares of capital stock immediately before the end of its previous/last tax year . . . . ______ KK

All the corporation's reserves deducted in its previous/last tax year . . . . ______ LL

The corporation's capital dividend account immediately before the end of its previous/last tax year . . . . ______ MM

The corporation's low rate income pool immediately before the end of its previous/last tax year . . . . ______ NN

Subtotal (**add** lines JJ, KK, LL, MM, and NN) ______ ► ______ OO

GRIP addition post-amalgamation or post-wind-up (predecessor or subsidiary was not a CCPC or a DIC in its last tax year), or the corporation is becoming a CCPC (line II **minus** line OO) (if negative, enter "0") . . . . ______ PP

After you complete this worksheet for each predecessor and each subsidiary, calculate the total of all the PP lines. Enter this total amount on:

- line 220 for a corporation becoming a CCPC;
- line 230 for post-amalgamation; or
- line 240 for post-wind-up.

Part 5 – General rate factor for the tax year

Complete this part to calculate the general rate factor for the tax year.

0.68	x	number of days in the tax year before January 1, 2010 / number of days in the tax year	/ 366	. . . . =		QQ
0.69	x	number of days in the tax year in 2010 / number of days in the tax year	/ 366	. . . . =		RR
0.7	x	number of days in the tax year in 2011 / number of days in the tax year	/ 366	. . . . =		SS
0.72	x	number of days in the tax year after December 31, 2011 / number of days in the tax year	366 / 366	. . . . =	0.72000	TT

General rate factor for the tax year (total of lines QQ to TT) . . . . 0.72000 UU

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SCHEDULE 55

PART III.1 TAX ON EXCESSIVE ELIGIBLE DIVIDEND DESIGNATIONS

Name of corporation	Business Number	Tax year-end Year Month Day
Veridian Connections Inc.	88628 2920 RC0001	2012-12-31

Do not use this area

- Every corporation resident in Canada that pays a taxable dividend (other than a capital gains dividend within the meaning assigned by subsection 130.1(4) or 131(1)) in the tax year must file this schedule.
- Canadian-controlled private corporations (CCPC) and deposit insurance corporations (DIC) must complete Part 1 of this schedule. All other corporations must complete Part 2.
- Every corporation that has paid an eligible dividend must also file Schedule 53, *General Rate Income Pool (GRIP) Calculation*, or Schedule 54, *Low Rate Income Pool (LRIP) Calculation*, whichever is applicable.
- File the completed schedules with your *T2 Corporation Income Tax Return* no later than six months from the end of the tax year.
- All legislative references on this schedule are to the federal *Income Tax Act*.
- Subsection 89(1) defines the terms eligible dividend, excessive eligible dividend designation, general rate income pool (GRIP), and low rate income pool (LRIP).
- The calculations in Part 1 and Part 2 do not apply if the excessive eligible dividend designation arises from the application of paragraph (c) of the definition of excessive eligible dividend designation in subsection 89(1). This paragraph applies when an eligible dividend is paid to artificially maintain or increase the GRIP or to artificially maintain or decrease the LRIP.

Part 1 – Canadian-controlled private corporations and deposit insurance corporations

	Line	Amount	Line	Amount	
Taxable dividends paid in the tax year **not included** in Schedule 3					
Taxable dividends paid in the tax year **included** in Schedule 3		4,600,000			
Total taxable dividends paid in the tax year	100	4,600,000			
Total eligible dividends paid in the tax year			150		A
GRIP at the end of the tax year (line 590 on Schedule 53) (if negative, enter "0")			160	51,975,447	B
Excessive eligible dividend designation (line 150 **minus** line 160)					C
Deduct:					
Excessive eligible dividend designations elected under subsection 185.1(2) to be treated as ordinary dividends*			180		D
Subtotal (amount C **minus** amount D)					E
Part III.1 tax on excessive eligible dividend designations – CCPC or DIC (amount E **multiplied** by 20 %)			190		F

Enter the amount from line 190 on line 710 of the T2 return.

Part 2 – Other corporations

	Line	Amount	Line	Amount	
Taxable dividends paid in the tax year **not included** in Schedule 3					
Taxable dividends paid in the tax year **included** in Schedule 3					
Total taxable dividends paid in the tax year	200				
Total excessive eligible dividend designations in the tax year (amount from line A of Schedule 54)					G
Deduct:					
Excessive eligible dividend designations elected under subsection 185.1(2) to be treated as ordinary dividends*			280		H
Subtotal (amount G **minus** amount H)					I
Part III.1 tax on excessive eligible dividend designations – Other corporations (amount I **multiplied** by 20 %)			290		J

Enter the amount from line 290 on line 710 of the T2 return.

* You can elect to treat all or part of your excessive eligible dividend designation as a separate taxable dividend in order to eliminate or reduce the Part III.1 tax otherwise payable. You must file the election on or before the day that is 90 days **after** the day the notice of assessment for Part III.1 tax was sent. We will accept an election before the assessment of the tax. For more information on how to make this election, go to **www.cra.gc.ca/eligibledividends**.

Canada

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Schedule 500

Ontario Corporation Tax Calculation

Corporation's name	Business number	Tax year-end Year Month Day
Veridian Connections Inc.	88628 2920 RC0001	2012-12-31

- Use this schedule if the corporation had a permanent establishment (as defined in section 400 of the federal *Income Tax Regulations*) in Ontario at any time in the tax year and had Ontario taxable income in the year.
- All legislative references are to the federal *Income Tax Act* and *Income Tax Regulations*.
- This schedule is a worksheet only. You do not have to file it with your *T2 Corporation Income Tax Return*.

Part 1 – Calculation of Ontario basic rate of tax for the year

Number of days in the tax year before July 1, 2011 / Number of days in the tax year	/ 366	x	12.00 %	=	%	A1
Number of days in the tax year after June 30, 2011 / Number of days in the tax year	366 / 366	x	11.50 %	=	11.50000 %	A2

Ontario basic rate of tax for the year (rate A1 **plus** A2) 11.50000 ▶ 11.50000 % A3

Part 2 – Calculation of Ontario basic income tax

Ontario taxable income * . . . . 7,772,134 B

Ontario basic income tax: amount B **multiplied** by Ontario basic rate of tax for the year (rate A3 from Part 1) . . . . 893,795 C

If the corporation has a permanent establishment in more than one jurisdiction, or is claiming an Ontario tax credit in addition to Ontario basic income tax, or has Ontario corporate minimum tax or Ontario special additional tax on life insurance corporations payable, enter amount C on line 270 of Schedule 5, *Tax Calculation Supplementary – Corporations*. Otherwise, enter it on line 760 of the T2 return.

* If the corporation has a permanent establishment only in Ontario, enter the amount from line 360 or line Z, whichever applies, of the T2 return. Otherwise, enter the taxable income allocated to Ontario from column F in Part 1 of Schedule 5.

Canada

Part 3 – Ontario small business deduction (OSBD)

Complete this part if the corporation claimed the federal small business deduction under subsection 125(1) or would have claimed it if subsection 125(5.1) had not been applicable in the tax year.

Income from active business carried on in Canada (amount from line 400 of the T2 return)	7,847,275	1
Federal taxable income, less adjustment for foreign tax credit (amount from line 405 of the T2 return)	7,772,134	2
Federal business limit before the application of subsection 125(5.1) (amount from line 410 of the T2 return)	500,000	3
Enter the least of amounts 1, 2, and 3	500,000	D

Ontario domestic factor: Ontario taxable income * / Taxable income earned in all provinces and territories ** = 7,772,134.00 / 7,772,134 = ... 1.00000 E

Amount D x factor E	500,000	a
Ontario taxable income (amount B from Part 2)	7,772,134	b

Ontario small business income (lesser of amount a and amount b) . . . . . 500,000 F

Number of days in the tax year before July 1, 2011 / Number of days in the tax year	/ 366	x	7.50 %	=	%	G1
Number of days in the tax year after June 30, 2011 / Number of days in the tax year	366 / 366	x	7.00 %	=	7.00000 %	G2

OSBD rate for the year (rate G1 **plus** G2) . . . . . 7.00000 % G3

Ontario small business deduction: amount F **multiplied** by OSBD rate for the year (rate G3) . . . . . 35,000 H

Enter amount H on line 402 of Schedule 5.

* Enter amount B from Part 2.

** Includes the offshore jurisdictions for Nova Scotia and Newfoundland and Labrador.

Part 4 – Ontario adjusted small business income

Complete this part if the corporation was a Canadian-controlled private corporation throughout the tax year and is claiming the Ontario tax credit for manufacturing and processing or the Ontario credit union tax reduction.

Ontario adjusted small business income (lesser of amount D and amount b from Part 3) . . . . . 500,000 I

Enter amount I on line K in Part 5 of this schedule or on line B in Part 2 of Schedule 502, *Ontario Tax Credit for Manufacturing and Processing*, whichever applies.

Part 5 – Calculation of credit union tax reduction

Complete this part and Schedule 17, *Credit Union Deductions*, if the corporation was a credit union throughout the tax year.

Amount D from Part 3 of Schedule 17		J		
Deduct:				
Ontario adjusted small business income (amount I from Part 4)		K		
Subtotal (amount J **minus** amount K) (if negative, enter "0")		L		
OSBD rate for the year (rate G3 from Part 3)	7.00000 %			
Amount L **multiplied** by the OSBD rate for the year				M
Ontario domestic factor (factor E from Part 3)			1.00000	N
Ontario credit union tax reduction (amount M **multiplied** by factor N)				O

Enter amount O on line 410 of Schedule 5.

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SCHEDULE 506

ONTARIO TRANSITIONAL TAX DEBITS AND CREDITS

Name of corporation	Business Number	Tax year-end Year Month Day
Veridian Connections Inc.	88628 2920 RC0001	2012-12-31

- Complete this schedule if you are a specified corporation that is subject to the Ontario transitional tax debit or are claiming the Ontario transitional tax credit.
- Unless otherwise noted, all legislative references are to the federal *Income Tax Act*.
- File this schedule with the *T2 Corporation Income Tax Return*.
- Unless otherwise noted, terms on this page are defined under subsection 46(1) of the *Taxation Act, 2007* (Ontario).
- **Specified corporation** is defined under subsection 46(5) of the *Taxation Act, 2007* (Ontario) as a corporation:
  - that is not exempt at or immediately before its transition time from tax payable under Part I of the federal Act;
  - that has a tax year that ends before 2009 and a tax year that includes January 1, 2009; or has a tax year that begins after 2008 and a tax year that is deemed to end on December 31, 2008, under subsection 249(3) of the federal Act;
  - that has a permanent establishment (PE) in Ontario at its transition time;
  - that had a PE in Ontario at any time in its last tax year ending before 2009, and was subject to tax under Part II of the *Corporations Tax Act* (Ontario) for that tax year; and
  - whose assets have not been distributed in an eligible pre-2009 windup.
- A specified corporation also includes, under subsection 51(1) of *the Taxation Act, 2007* (Ontario), the parent corporation of an eligible post-2008 windup and the new corporation of an eligible amalgamation.
- A specified corporation may be subject to the Ontario transitional tax debit if:
  - the corporation's total federal balance is more than the total Ontario balance at the end of the tax year; or
  - the corporation has a post-2008 scientific research and experimental development (SR&ED) balance, as defined under subsection 49(2) of the *Taxation Act, 2007* (Ontario), and a federal SR&ED transitional balance, as defined under subsection 49(4) of the *Taxation Act, 2007* (Ontario), at the end of the tax year.
- A specified corporation may be able to claim the Ontario transitional tax credit if:
  - the corporation's total Ontario balance is more than the total federal balance at the end of the tax year; or
  - the corporation has an unused transitional tax credit balance from previous tax years.
- **Transition time** means:
  - the beginning of the corporation's first tax year that starts after 2008 if the previous tax year is deemed under subsection 249(3) of the federal Act to end on December 31, 2008, or
  - the beginning of the corporation's tax year that includes January 1, 2009, in any other case.
- An **eligible amalgamation** means an amalgamation or merger of a particular corporation and one or more other corporations to form a new corporation where:
  - the amalgamation or merger occurs after December 31, 2008, and does not occur at the new corporation's transition time;
  - the new corporation has a PE in Ontario immediately after the amalgamation or merger;
  - the particular corporation has a PE in Ontario immediately before the amalgamation or merger;
  - the particular corporation is a specified corporation at its transition time or at any time before the amalgamation or merger;
  - the amalgamation or merger occurs in the amortization period of the new corporation;
  - the amortization period of the new corporation does not end immediately after the beginning of its reference period; and
  - the amortization period of the particular corporation does not end before the amalgamation or merger.
- An **eligible post-2008 windup** means the windup of a subsidiary corporation into its parent corporation under subsection 88(1) where:
  - the completion time of the windup is after December 31, 2008, and the time immediately after the completion time is within the amortization periods of the subsidiary and parent;
  - the parent's tax year (during which it received the assets of the subsidiary) ends after December 31, 2008;
  - the subsidiary has a PE in Ontario during its tax year ending at the completion time; and
  - the parent has a PE in Ontario during its tax year in which it received the assets from the subsidiary.
- An **eligible pre-2009 windup** means the windup of a subsidiary under subsection 88(1) where:
  - the completion time of the windup is after December 31, 2008, and the parent's tax year (during which it received the assets of the subsidiary) ended before January 1, 2009; or
  - the completion time of the windup is before January 1, 2009, and the parent's tax year (during which it received the assets of the subsidiary) ended after December 31, 2008.
- The **completion time** of a windup means the end of the tax year of the subsidiary during which the subsidiary distributes its assets to the parent for the purposes of paragraph 88(1)(e.2).
- A **specified pre-2009 transfer** under section 52 of the *Taxation Act, 2007* (Ontario) means a transfer of property between corporations not at arm's length that changes the total federal or Ontario balance of either the transferee or the transferor and that occurs:
  - before 2009;
  - at different values under the *Corporations Tax Act* (Ontario) and the federal Act;
  - in a tax year ending after 2008 for either the transferee or the transferor corporation, and that corporation is a specified corporation; and
  - in a tax year of the other corporation ending before 2009, in which the other corporation has a PE in Ontario.

Canada

Part 1 – Total federal balance

Complete this part if:

- the tax year includes January 1, 2009; or
- the previous tax year-end is deemed to be December 31, 2008, under subsection 249(3).

If this is the first year after amalgamation, include the total of all amounts from the predecessor corporations that had a PE in Ontario immediately before the amalgamation.

If the corporation is a life insurer or a non-resident corporation, do not include the amounts under the additional rules in subsection 48(8) of the *Taxation Act, 2007* (Ontario).

For other tax years, go to Part 3.

Federal balances at the end of the previous tax year (tax year ending in 2008)

Total undepreciated capital cost of depreciable properties (total of column 220 from Schedule 8, *Capital Cost Allowance (CCA)*)	110	
Charitable donations not yet deducted from income (from line 280 of Schedule 2, *Charitable Donations and Gifts*) (see Note 1)	112	
Gifts to Canada, a province, or a territory (from line 380 of Schedule 2) (see Note 1)	114	
Gifts of certified cultural property (from line 480 of Schedule 2) (see Note 1)	116	
Gifts of certified ecologically sensitive land (from line 580 of Schedule 2) (see Note 1)	118	
Gifts of medicine (from line 680 of Schedule 2) (see Note 1)	120	
Cumulative eligible capital (from line 300 of Schedule 10, *Cumulative Eligible Capital Deduction*)	122	
Federal SR&ED expenditure pool (from line 470 of Form T661, *Scientific Research and Experimental Development (SR&ED) Expenditures Claim*) (see Note 2 and Note 3)	124	
Cumulative Canadian exploration expense (from line 249 of Schedule 12, *Resource-Related Deductions*) (see Note 2)	128	
Cumulative Canadian development expense (from line 349 of Schedule 12) (see Note 2)	130	
Cumulative Canadian oil and gas property expense (from line 449 of Schedule 12) (see Note 2)	132	

Federal balances at the beginning of the current tax year

Non-capital losses (line 102 of Schedule 4, *Corporation Loss Continuity and Application*, of the current tax year) (see Note 2 and Note 4)	134	
Net capital losses (from line 200 of Schedule 4 of the current tax year x 50 %) (see Note 2 and Note 4)	136	

Amounts included in the calculation of the Ontario income tax in the previous tax year

Total reserves deducted under paragraph 20(1)(l), (l.1), (m), (m.1), (n), or (o), subsection 32(1), section 61.4 or subparagraph 138(3)(a)(i), (ii), or (iv) of the federal Act, as it applies for the purposes of the *Corporations Tax Act* (Ontario)	150	
One half of the total reserves deducted under subparagraph 40(1)(a)(iii) or 44(1)(e)(iii) of the federal Act, as it applies under the *Corporations Tax Act* (Ontario)	152	
Other discretionary deductions claimed for Ontario income tax, but not claimed federally in the tax years ending after December 12, 2006, and before the transition time	154	

Other amounts

Total adjusted cost base of partnership interests owned by the corporation, under the federal Act, at the beginning of the tax year (see Note 5)	160		
Gain from a negative adjusted cost base of a partnership interest under subsection 40(3) of the federal Act, as it applies under the *Corporations Tax Act* (Ontario), as if all partnership interests were disposed of at the beginning of the tax year	162		
Amount of farming income specified under paragraph 28(1)(b) in the previous tax year	164		
Federal balance before election (total of lines 110 to 164)			A

Deduct:

Lesser of amount D or amount E from Part 4, if an election is made	170	
Total federal balance (amount A **minus** line 170)	180	

Enter amount on line 300 in Part 3.

Note 1: Enter "0" if the corporation was non-resident immediately before its transition time.

Note 2: Enter "0" if control of the corporation was acquired at transition time.

Note 3: Do not include the SR&ED expenditure pool earned before control of the corporation was last acquired.

Note 4: Do not include losses that arose before control of the corporation was last acquired.

Note 5: The adjusted cost base of any particular partnership interest cannot be less than "0".

Part 2 – Total Ontario balance

Complete this part if:

– the tax year includes January 1, 2009; or

– the previous tax year-end is deemed to be December 31, 2008, under subsection 249(3).

If this is the first year after amalgamation, include the total of all amounts from the predecessor corporations that had a PE in Ontario immediately before the amalgamation.

If the corporation is a life insurer or a non-resident corporation, do not include the amounts under the additional rules in subsection 48(8) of the *Taxation Act, 2007* (Ontario).

For other tax years, go to Part 3.

Ontario balances at the end of the previous tax year (tax year ending in 2008)

Total undepreciated capital cost of depreciable properties (total of column 13 from Ontario Schedule 8, *Ontario Capital Cost Allowance*)	210	
Charitable donations (amount I from Ontario *Schedule 2, Ontario Charitable Donations and Gifts*) (see Note 1)	212	
Gifts to Canada, a province, or a territory (total of closing balance amounts from parts 3 and 5 of Ontario Schedule 2) (see Note 1)	214	
Gifts of certified cultural property (closing balance amount from Part 6 of Ontario Schedule 2) (see Note 1)	216	
Gifts of certified ecologically sensitive land (closing balance amount from Part 7 of Ontario Schedule 2) (see Note 1)	218	
Gifts of medicine (see Note 1)	220	
Cumulative eligible capital (amount Q from Ontario *Schedule 10, Ontario Cumulative Eligible Capital Deduction*)	222	
Ontario SR&ED expenditure pool (line 480 from Ontario *CT23 Schedule 161, Ontario Scientific Research and Experimental Development Expenditures*) (see Note 2 and Note 3)	224	
Adjusted Ontario SR&ED incentive balance (see Note 2 and Note 5)	226	
Cumulative Canadian exploration expense (closing balance of Regular Expenses from Part 2 of Ontario *Schedule 12, Ontario Exploration Expenses*) (see Note 2)	228	
Cumulative Canadian development expense (closing balance of Regular Expenses, Canadian CCDE Expenses, from Part 3 of Ontario Schedule 12) (see Note 2)	230	
Cumulative Canadian oil and gas property expense (closing balance of Regular Expenses from Part 4 of Ontario Schedule 12) (see Note 2)	232	
Non-capital losses (from line 709 of Ontario *Corporations Tax Return CT8* or *CT23 Corporations Tax and Annual Return*) (see Note 2 and Note 4)	234	
Net capital losses (from line 719 of CT8 or CT23 x 50 %) (see Note 2 and Note 4)	236	

Amounts included In the calculation of the federal income tax in the previous tax year

Total reserves deducted under paragraph 20(1)(l), (l.1), (m), (m.1), (n), or (o), subsection 32(1), section 61.4 or subparagraph 138(3)(a)(i), (ii), or (iv)	250	
One half of the total reserves deducted under subparagraph 40(1)(a)(iii) or 44(1)(e)(iii)	252	

Other amounts

Total adjusted cost base of partnership interests owned by the corporation, for the purposes of the *Corporations Tax Act* (Ontario), at the beginning of the tax year (see Note 6)	260	
Gain from a "negative" adjusted cost base of a partnership interest under subsection 40(3) determined as if all partnership interests were disposed of at the beginning of the tax year	262	
Amount of farming income in the previous tax year specified under paragraph 28(1)(b) of the federal Act, as it applies for the purposes of the *Corporations Tax Act* (Ontario)	264	
Total Ontario balance (total of lines 210 to 264)	280	

Enter amount on line 340 in Part 3.

Note 1: Enter "0" if the corporation was non-resident immediately before its transition time.

Note 2: Enter "0" if control of the corporation was acquired at transition time.

Note 3: Do not include the SR&ED expenditure pool earned before control of the corporation was last acquired.

Note 4: Do not include losses that arose before control of the corporation was last acquired.

Note 5: The adjusted Ontario SR&ED incentive balance under subsection 49(7) of the *Taxation Act, 2007* (Ontario) is the total of federal investment tax credits that:

– have been earned and are available without restriction to the corporation;

– are attributable to qualifying Ontario SR&ED expenditures;

– have not been deducted under subsection 127(5) or (6) of the federal Act at the end of the corporation's tax year ending immediately before its transition time; and

– do not expire in the first tax year ending in 2009 under the 10-year carryforward limit,

divided by the relevant Ontario allocation factor as calculated in Part 11.

Note 6: The adjusted cost base of any particular partnership interest cannot be less than "0".

Part 3 – Total federal balance and total Ontario balance at the end of the tax year

Total federal balance:

Description	Line	Amount	Line	Amount
Total federal balance (amount from line 180 in Part 1, or amount from line 330 in Part 3 of Schedule 506 for the previous tax year)	300	170,177,732		
Add:				
Amount from eligible amalgamation*	310			
Amount from eligible post-2008 windup*	315			
Amount from eligible pre-2009 windup*	320			
Amount from specified pre-2009 transfers*	325			
Total federal balance at the end of the tax year		170,177,732 ►	330	170,177,732

Total Ontario balance:

Description	Line	Amount	Line	Amount
Total Ontario balance (amount from line 280 in Part 2, or amount from line 370 in Part 3 of Schedule 506 for the previous tax year)	340	170,285,961		
Add:				
Amount from eligible amalgamation*	350			
Amount from eligible post-2008 windup*	355			
Amount from eligible pre-2009 windup*	360			
Amount from specified pre-2009 transfers*	365			
Total Ontario balance at the end of the tax year		170,285,961 ►	370	170,285,961
Transitional balance at the end of the tax year (line 330 **minus** line 370)			390	-108,229

If line 390 is positive, the corporation may be subject to a transitional tax debit. Complete Part 7 of this schedule.
If line 390 is negative, the corporation may be eligible to claim a transitional tax credit. Complete Part 8 of this schedule.

* See page 1 for definitions of eligible amalgamation, eligible post-2008 windup, eligible pre-2009 windup, and specified pre-2009 transfers. To calculate these amounts, you can use *Schedule 507, Ontario Transitional Tax Debits and Credits Calculation*.

Part 4 – Election to reduce federal SR&ED expenditure pool

The corporation may make this election if:

- the tax year includes January 1, 2009; or
- the previous tax year-end is deemed to be December 31, 2008, under subsection 249(3).

Are you making an election under clause (b) of the definition of "I" in paragraph 1 of subsection 48(4) of the *Taxation Act, 2007* (Ontario)? **400** 1 Yes [ ] 2 No [X]

If you answered **no** to the question at line 400, go to Part 5. If you answered **yes** to the question at line 400, complete the following calculation:

Description	Amount		Amount	
Federal SR&ED expenditure pool closing balance at the end of the previous tax year (amount from line 124 in Part 1)				B
Deduct:				
Adjusted Ontario SR&ED incentive balance at the end of the previous tax year (amount from line 226 in Part 2)		1		
Ontario SR&ED expenditure pool closing balance at the end of the previous tax year (amount from line 224 in Part 2)		2		
Subtotal (amount 1 **plus** amount 2)		►		C
Subtotal (amount B **minus** amount C) (if negative, enter "0")				D
Federal balance before election (amount A from Part 1)				
Deduct:				
Total Ontario balance (amount from line 280 in Part 2)				
Subtotal (if negative, enter "0")				E

Enter the lesser of amount D and amount E on line 170 in Part 1.

Part 5 – Reference period and amortization period

Reference period

The reference period starts at the beginning of the corporation's first tax year ending after December 31, 2008, and ends on whichever date is earlier:
- five calendar years after the time immediately before the start of the corporation's reference period; or
- December 31, 2013.

Number of days in the corporation's reference period* (do not include February 29, 2008, and February 29, 2012) . . **410** 1,825

* The number of days in the corporation's reference period is 1825 unless:
- the previous tax year-end is deemed to be December 31, 2008, under subsection 249(3). In this case, count the number of days from the beginning of the 2009 tax year to December 31, 2013; or
- the corporation was incorporated or amalgamated after January 1, 2009. In this case, count the number of days from the date of incorporation or date of amalgamation to December 31, 2013.

Amortization period

The amortization period starts at the beginning of the corporation's reference period and ends on whichever date is earlier:
- the end of the corporation's reference period; or
- the early termination date as indicated under line 430.

Number of days in the amortization period that are in the tax year** (do not include February 29, 2008, or February 29, 2012) **420** 365

** The number of days in the amortization period that are in the tax year is the number of days in the tax year unless:
- the tax year-end is later than the end of the reference period. In this case, count the number of days from the beginning of the tax year to the end of the reference period; or
- the corporation terminates the amortization period before the end of the tax year. In this case, count the number of days from the beginning of the tax year to the day of early termination.

Early termination of the amortization period

The amortization period of the corporation usually coincides with the corporation's reference period. However, if the corporation's amortization period ends in the tax year and before the reference period ends, tick the applicable box below to indicate the reason for the early termination.

430 The corporation:

1 ☐ – ceases to have a PE in Ontario in the tax year for any reason other than an eligible amalgamation or eligible post-2008 windup.

2 ☐ – becomes exempt from tax under Part I of the federal Act immediately after the end of the tax year.

3 ☐ – elects under subsection 47(2) of the *Taxation Act, 2007* (Ontario) to prepay the transitional tax debit.
Note: The Ontario Allocation Factor, calculated in Part 6, has to be at least 90% or the amount on line 390 in Part 3 is not more than $10,000.

4 ☐ – does not object to early termination of the amortization period and accelerated payment of the transitional tax credit, under subsection 46(3) of the *Taxation Act, 2007* (Ontario).
Note: Amount T in Part 8 cannot be more than $1,000.

If you ticked one of the above boxes:
- enter the date of the early termination, if the date is different from the tax year-end and you ticked box 1 at line 430 . . . . **435** ______
- enter the number of days from the first day of the tax year to the end of the corporation's reference period (do not include February 29, 2008, or February 29, 2012) . . . . **440** ______

Part 6 – Calculation of Ontario allocation factor (OAF)

If the provincial or territorial jurisdiction entered on line 750 of the T2 return is "Ontario," enter "1" on line F.

If the provincial or territorial jurisdiction entered on line 750 of the T2 return is "multiple," complete the following calculation and enter the result on line F:

$$\frac{\text{Ontario taxable income*}}{\text{Taxable income**}} \quad \_\_\_\_\_\_ = \_\_\_\_\_\_$$

Ontario allocation factor (OAF) . . . . 1.00000 F

* Enter the amount allocated to Ontario from column F in Part 1 of Schedule 5, *Tax Calculation Supplementary – Corporations*. If taxable income is nil, calculate the amount in column F as if taxable income were $1,000.

** Enter taxable income from line 360 or amount Z of the T2 return, whichever applies. If taxable income is nil, enter "1,000."

Part 7 – Transitional tax debits

Complete this part if the amount on line 390 in Part 3 is positive.

Amount from line 390 in Part 3				G
Amount G x Ontario basic rate of tax*	11.5 % =			H
Amount H x OAF (from line F in Part 6)	1.00000			I

Number of days from line 440 (if applicable) or line 420 in Part 5 / Number of days in the corporation's reference period from line 410 in Part 5: 365 / 1,825 = 0.20000 J

Transitional tax debit before tax on elected reduced SR&ED pool (amount I **multiplied** by amount J) ..... K

Post-2008 SR&ED balance at the end of the year (amount HH from Part 12) **460**

Federal SR&ED transitional balance at the end of the year (amount QQ from Part 14) **470**

Tax on elected reduced SR&ED pool (the lesser of lines 460 and 470) L

Total transitional tax debits (amount K **plus** amount L) ..... M

Enter amount M on line 276 of Schedule 5.

Part 8 – Transitional tax credits

Complete this part if the amount on line 390 in Part 3 is negative.

Amount C6 from Schedule 5 ..... 858,795 N

Deduct:

Ontario resource tax credit (from line 404 of Schedule 5)		
Ontario tax credit for manufacturing and processing (from line 406 of Schedule 5)		
Ontario foreign tax credit (from line 408 of Schedule 5)		
Ontario credit union tax reduction (from line 410 of Schedule 5)		
Subtotal	▶	O
Subtotal (amount N **minus** amount 0)	858,795	P

Number of days from line 420 in Part 5 / Number of days in the tax year (do not include February 29, 2008, or February 29, 2012): 365 / 365 = 1.00000 Q

Ontario tax payable for purposes of the current year transitional tax credit (amount P **multiplied** by amount Q) **510** 858,795

Amount from line 390 in Part 3 (enter as a positive amount)		108,229	R
Amount R x Ontario basic rate of tax*	11.5 % =	12,446	S
Amount S x OAF (from line F in Part 6)		12,446	T

Number of days from line 440 (if applicable) or line 420 in Part 5 / Number of days in the corporation's reference period on line 410 in Part 5: 365 / 1,825 = 0.20000 U

Current-year transitional tax credit (amount T **multiplied** by amount U) **520** 2,489

Ontario tax payable for purposes of the unused transitional tax credit carryforward (line 510 **minus** line 520) (if negative, enter "0") **530** 856,306

Transitional tax credit:

Lesser of amounts on line 510 and 520 ..... 2,489 V

Lesser of unused transitional tax credit available (amount Y from Part 9) and amount on line 530 ..... W

Transitional tax credits (amount V **plus** amount W) ..... 2,489 X

Enter amount X on line 414 of Schedule 5.

* Enter the rate calculated in Part 1 of Schedule 500, *Ontario Corporation Tax Calculation*.

Part 9 – Unused transitional tax credit

Unused transitional tax credit carryforward from previous year (amount from line 580 of the previous year)*			1	
Add:				
Unused transitional tax credit transferred from a predecessor corporation or a subsidiary on an eligible amalgamation or an eligible post-2008 windup*	560		2	
Unused transitional tax credit available (amount 1 **plus** amount 2)			▶	Y
Add:				
Current-year transitional tax credit (amount from line 520 in Part 8)			2,489	Z
Subtotal (amount Y **plus** amount Z)			2,489	3
Deduct:				
Transitional tax credit applied (amount X from Part 8)			2,489	AA
Unused transitional tax credit (available for later years) (amount 3 **minus** amount AA)	580			

* Enter "0" if this is the first tax year ending after 2008.

Complete parts 10 to 14 if the corporation or a predecessor made an election in Part 4 at the transition time.

Part 10 – Federal current SR&ED limit and federal current SR&ED deficit

Current SR&ED expenditures in the year under paragraph 37(1)(a)	610			
Capital SR&ED expenditures in the year under paragraph 37(1)(b)	614			
Repayment of assistance under paragraph 37(1)(c)	618			
Investment tax credit recaptured under subsections 127(27), (29), and (34) in the previous tax year	624			
Subtotal (total of lines 610 to 624)			▶	BB
Deduct:				
Assistance under paragraph 37(1)(d)	638			
Investment tax credits deducted under paragraph 37(1)(e)	644			
Subtotal (line 638 **plus** line 644)			▶	CC
Federal current SR&ED limit or federal current SR&ED deficit (amount BB **minus** amount CC)	650			

If the amount on line 650 is positive, enter it on line II In Part 13.

If the amount on line 650 is negative, enter it as a positive amount on line DD in Part 12.

Part 11 – Relevant OAF

Enter on line 660 whichever of the following amounts is greatest:

– the corporation's OAF for the tax year that includes its transition time (from line F in Part 6)		%
– the greatest of the corporation's OAFs for a tax year ending in 2006, 2007, and 2008 as determined under subsection 12(1) of the *Corporations Tax Act* (Ontario)		%
– the greatest of the weighted OAFs* of the corporation and its designated corporations** for 2006, 2007, and 2008		%
Relevant OAF	660	%

* The weighted OAF for two or more corporations for their tax years ending in 2006, 2007, or 2008 is the total of the following for each corporation:

– the corporation's OAF as determined under subsection 12(1) of the *Corporations Tax Act* (Ontario) for the tax year **multiplied** by the corporation's and its share of partnerships' qualified Ontario SR&ED expenditures in the tax year, **divided** by the total of all the corporations' and their shares of partnerships' qualified Ontario SR&ED expenditures in the tax year.

Qualified Ontario SR&ED expenditure is defined in section 11.2 of the *Corporations Tax Act* (Ontario).

** A designated corporation in respect of a particular corporation is:

1) a corporation that amalgamated with the particular corporation under section 87;

2) a corporation that wound up into the particular corporation under subsection 88(1); or

3) a designated corporation to a corporation identified in 1) or 2).

Part 12 – Post-2008 SR&ED balance

Federal current SR&ED deficit for the year (amount from line 650 in Part 10, if negative) (enter as a positive amount) . . . . ____ DD

SR&ED expenditure amount deducted in the year under subsection 37(1) . . . . **670** ____

Deduct:
Cumulative post-2008 SR&ED limit at the end of the year (amount LL from Part 13) . . . . . **675** ____

Subtotal (line 670 **minus** line 675) (if negative, enter "0") ____ ▶ ____ EE

Subtotal (amount DD **plus** amount EE) ____ FF

Amount FF x 14 % ____ GG

Post-2008 SR&ED balance at the end of the year (amount GG **multiplied** by line 660 from Part 11) . . . . ____ HH
Enter amount HH on line 460 in Part 7.

Part 13 – Cumulative post-2008 SR&ED limit at the end of the year

Federal current SR&ED limit for the year (amount from line 650 in Part 10, if positive) . . . . ____ II
Total of all federal SR&ED limits from previous tax years ending after December 31, 2008 . . . . **700** ____

Subtotal (line II **plus** line 700) ____ JJ

Total of all amounts deducted under subsection 37(1)
for previous tax years ending after December 31, 2008 . . . . **705** ____

Total of all transitional tax debits on elected reduced
SR&ED pool calculated under subsection 48(3) of the
Taxation Act, 2007 (Ontario) in the previous years
(total of line L in Part 7 for previous years) . . . . **710** ____

Deduct:
Amounts included in line 710 that are
reasonably attributable to the federal
current SR&ED deficit for the year . . . . **715** ____

Subtotal (line 710 **minus** line 715) **720** ____

Line 720 / Relevant OAF (from line 660 in Part 11) x 14 % ____ = ... ____ KK

Subtotal (line 705 **minus** amount KK) ____ ▶ **730** ____

Cumulative post-2008 SR&ED limit at the end of the year (amount JJ **minus** line 730) (if negative, enter "0") . . . . ____ LL
Enter amount LL on line 675 in Part 12.

Part 14 – Federal SR&ED transitional balance at the end of the year

Amount from line 170 in Part 1 (see Note) . . . . **735** ____ MM
Relevant OAF (from line 660) (see Note) **multiplied** by amount MM . . . . ____ NN
Amount NN x 14 % . . . . ____ ▶ ____ OO

Federal SR&ED transitional balance transferred on an
eligible amalgamation or an eligible post-2008 wind-up . . . . **740** ____

Subtotal (amount OO **plus** line 740) ____ PP

Deduct:
Total of all transitional tax debits on elected reduced SR&ED pool calculated under subsection 48(3) of
the *Taxation Act, 2007* (Ontario) in the previous years (total of line L in Part 7 for previous years) . . . . **750** ____

Federal SR&ED transitional balance at the end of the year (amount PP **minus** line 750) . . . . ____ QQ
Enter amount QQ on line 470 in Part 7.

Note: For tax years ending after 2009, enter the amount from line 170 and the relevant OAF from the 2009 tax year.

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SCHEDULE 508

ONTARIO RESEARCH AND DEVELOPMENT TAX CREDIT

Name of corporation	Business Number	Tax year-end Year Month Day
Veridian Connections Inc.	88628 2920 RC0001	2012-12-31

- Use this schedule to:
  - calculate an Ontario research and development tax credit (ORDTC);
  - claim an ORDTC earned in the tax year or carried forward from any of the 20 previous tax years that are a tax year ending after December 31, 2008, to reduce Ontario corporate income tax payable in the current tax year;
  - carry back an ORDTC to reduce Ontario corporate income tax payable in any of the three previous tax years, but not to a tax year that ends before January 1, 2009;

  - add an ORDTC that was allocated to the corporation by a partnership of which it was a member;
  - transfer an ORDTC after an amalgamation or windup; or
  - calculate a recapture of the ORDTC.
- The ORDTC is a 4.5% non-refundable tax credit on eligible expenditures incurred by a corporation in a tax year that ends after December 31, 2008.
- An eligible expenditure is an expenditure for a permanent establishment in Ontario of a corporation, that is a qualified expenditure for the purposes of section 127 of the federal *Income Tax Act* for scientific research and experimental development (SR&ED) carried on in Ontario.
- Only corporations that are not exempt from Ontario corporate income tax and none of whose income is exempt income can claim the ORDTC.
- Attach a completed copy of this schedule to the *T2 Corporation Income Tax Return.*

Part 1 – Ontario SR&ED expenditure pool

Total eligible expenditures incurred by the corporation in Ontario in the tax year	100	847,482	A		
Deduct: Government assistance, non-government assistance, or a contract payment for eligible expenditures	105		B		
Net eligible expenditures for the tax year (amount A **minus** amount B) (if negative, enter "0")		847,482	C		
Add: Eligible expenditures transferred to the corporation by another corporation	110		D		
Subtotal (amount C **plus** amount D)		847,482	▶	847,482	E
Deduct: Eligible expenditures the corporation transferred to another corporation				115	F
Ontario SR&ED expenditure pool (amount E **minus** amount F) (if negative, enter "0")				120 847,482	G

Part 2 – Calculation of the current part of the ORDTC

Ontario SR&ED expenditure pool (amount G in Part 1)			847,482	x 4.50 % =	200	38,137	H
ORDTC allocated to a corporation by a partnership of which it is a member (other than a specified member) for a fiscal period that ends in the corporation's tax year *					205		I
Repayment made in the tax year of government or non-government assistance or a contract payment that reduced an eligible expenditure other than for first term or second term shared-use equipment	210			x 4.50 % =	215		J
Repayment made in the tax year of government or non-government assistance or a contract payment that reduced an eligible expenditure for first term or second term shared-use equipment	220	x 1 / 4 =		x 4.50 % =	225		K
Current part of the ORDTC (total of amounts H to K)					230	38,137	L

* If there is a disposal or change of use of eligible property, see Part 6

Canada

Part 3 – Calculation of ORDTC available for deduction and ORDTC balance

ORDTC balance at the end of the previous tax year . . . . M

Deduct: ORDTC expired after 20 tax years . . . . **300** N

ORDTC at the beginning of the tax year (amount M **minus** amount N) . . . . **305** O

Add:

ORDTC transferred on amalgamation or windup . . . . **310** P

Current part of ORDTC (amount L in Part 2) . . . . 38,137 Q

Are you waiving all or part of the current part of the ORDTC? . . . . . . **315** Yes 1 [ ] No 2 [X]

If you answered **yes** at line 315, enter the amount of the tax credit waived on line 320.

If you answered **no** at line 315, enter "0" on line 320.

Deduct: Waiver of the current part of the ORDTC . . . . **320** R

Subtotal (amount Q **minus** amount R) 38,137 ▶ 38,137 S

ORDTC available for deduction (total of amounts O, P and S) . . . . 38,137 ▶ 38,137 T

Deduct:

ORDTC claimed * (Enter amount U on line 416 of Schedule 5, *Tax Calculation Supplementary – Corporations*) . . . . 38,137 U

ORDTC carried back to a previous tax year (from Part 4) V

Subtotal (amount U **plus** amount V) 38,137 ▶ 38,137 W

ORDTC balance at the end of the tax year (amount T **minus** amount W) . . . . **325** X

* This amount cannot be more than the lesser of the following amounts:
- ORDTC available for deduction (amount T); or
- Ontario corporate income tax payable before the ORDTC and the Ontario corporate minimum tax credit (amount from line E6 of Schedule 5).

Part 4 – Request for carryback of tax credit

	Year Month Day			
1st previous tax year	2011-12-31	Credit to be applied	**901**	
2nd previous tax year	2010-12-31	Credit to be applied	**902**	
3rd previous tax year	2009-12-31	Credit to be applied	**903**	

Total (enter amount on line V in Part 3)

Part 5 – Analysis of tax credit available for carryforward by tax year of origin

You can complete this part to show all the credits from preceding tax years available for carryforward, by year of origin. This will help you determine the amount of credit that could expire in following years.

Tax year of origin (earliest tax year first) Year / Month / Day	Credit available
1994-12-31	
1995-12-31	
1996-12-31	
1997-12-31	
1998-12-31	
1999-12-31	
2000-12-31	
2001-12-31	
2002-12-31	
2003-12-31	

	Tax year of origin (earliest tax year first) Year / Month / Day	Credit available
	2004-12-31	
	2005-08-08	
	2005-11-21	
	2005-12-31	
	2006-12-31	
	2007-12-31	
	2008-12-31	
	2009-12-31	
	2010-12-31	
	2011-12-31	
Current tax year	2012-12-31	

Total (equals line 325 in Part 3) ____________

The amount available from the 20th preceding tax year will expire after this year. When you file your return for the next year, you will enter the expired amount on line 300 of Schedule 508 for that year.

Part 6 – Calculation of a recapture of ORDTC

You will have a recapture of ORDTC in a tax year when you meet **all** of the following conditions:

- you acquired a particular property in the current year or in any of the 20 previous tax years if the ORDTC was earned in a tax year ending after 2008;
- you claimed the cost of the property as an eligible expenditure for the ORDTC;
- the cost of the property was included in computing your ORDTC or was subject to an agreement made under subsection 127(13) of the federal Act to transfer qualified expenditures and section 42 of the *Taxation Act, 2007* (Ontario) applied; and
- you disposed of the property or converted it to commercial use in a tax year ending after December 31, 2008. You also meet this condition if you disposed of or converted to commercial use a property which incorporates the particular property previously referred to.

  Note: The recapture **does not apply** if you disposed of the property to a non-arm's length purchaser who intended to use it all or substantially all for SR&ED in Ontario. When the non-arm's length purchaser later sells or converts the property to commercial use, the recapture rules will apply to the purchaser based on the historical federal investment tax credit (ITC) rate * of the original user in Calculation 1 below.

You have to report the recapture on Schedule 5 for the year in which you disposed of the property or converted it to commercial use. If the corporation is a member of a partnership, report its share of the recapture.

If you have more than one disposition for calculations 1 and 2, complete the columns for each disposition for which a recapture applies, using the calculation formats below.

* Federal ITC in calculations 1 and 2 should be determined without reference to paragraph (e) of the definition **investment tax credit** in subsection 127(9) of the federal Act.

Calculation 1 – If you meet all of the above conditions

	Y Amount of federal ITC you originally calculated for the property you acquired, or the original user's federal ITC where you acquired the property from a non-arm's length party, as described in the note above **700**	Z Amount calculated using the federal ITC rate at the date of acquisition (or the original user's date of acquisition) on either the proceeds of disposition (if sold in an arm's length transaction) or the fair market value of the property (in any other case) **710**	AA Amount from column 700 or 710, whichever is less
1.			

Subtotal (enter amount BB, on line KK in Part 7) ____________ BB

Calculation 2 – If the corporation is deemed by subsection 42(1) of the *Taxation Act, 2007* (Ontario) to have transferred all or part of the eligible expenditure to another corporation as a consequence of an agreement described in subsection 127(13) of the federal Act complete Calculation 2. Otherwise, enter nil on line II.

	CC	DD	EE
	The rate percentage that the transferee used to determine its federal ITC for a qualified expenditure that was transferred under an agreement under subsection 127(13) of the federal Act	The proceeds of disposition of the property if you dispose of it to a person at arm's length; or, in any other case, the fair market value of the property at conversion or disposition	The amount, if any, already provided for in Calculation 1 (this allows for the situation where only part of the cost of a property is transferred for an agreement under subsection 127(13) of the federal Act)
	720	730	740
1.			

	FF	GG	HH
	Amount determined by the formula (CC x DD) – EE (using the columns above)	The federal ITC earned by the transferee for the qualified expenditure that was transferred	Amount from column FF or GG, whichever is less
		750	
1.			

Subtotal (enter amount II on line LL below) ______ II

Calculation 3

As a member of a partnership, you will report your share of the ORDTC of the partnership after the ORDTC has been reduced by the amount of the recapture. If this is a positive amount, you will report it on line 205 in Part 2. However, if the partnership does not have enough ORDTC otherwise available to offset the recapture, then the amount by which reductions to the ORDTC exceeds additions (the excess) will be determined and reported on line JJ.

Corporate partner's share of the excess of ORDTC (enter amount JJ at line NN below) . . . . **760** ______ JJ

Part 7 – Total recapture of ORDTC

Recaptured federal ITC for Calculation 1 (amount from line BB) . . . . ______ KK

Recaptured federal ITC for Calculation 2 (amount from line II above) . . . . ______ LL

Amount KK **plus** amount LL . . . . ______ x 23.56 % = ______ MM

Add: Corporate partner's share of the excess of ORDTC for Calculation 3 (amount from line JJ above) . . . . ______ NN

Recapture of ORDTC (amount MM **plus** amount NN) (enter amount OO on line 277 of Schedule 5) . . . . ______ OO

Schedule A - Worksheet for eligible expenditures incurred by the corporation in Ontario for the current taxation year

This worksheet allows you to report the amount of eligible expenditures entered on Form T661, *Scientific Research and Experimental Development (SR&ED) Expenditures Claim* which represents eligible expenditures as defined in section 127 of the *Income Tax Act* (ITA) with regard to scientific research and experimental development (SR&ED) **carried on in Ontario and attributable to a permanent establishment in Ontario of a corporation**.

Data on the worksheet is calculated based on the amounts on Form T661, but will have to be adjusted according to the rules of Ontario, if applicable, in particular when the corporation has had a permanent establishment in more than one jurisdiction. This data will be used when calculating Schedule 508 and Schedule 566.

Enter the breakdown between current and capital expenditures

		Current Expenditures			Capital Expenditures	
Total expenditures for SR&ED		652,652				
Add						
• payment of prior years' unpaid expenses (other than salary or wages)	+					
• prescribed proxy amount (Enter "0" if you use the traditional method)	+	194,830				
• expenditures on shared-use equipment				+		
• other additions	+			+		
Subtotal	=	847,482		=		
Less						
• current expenditures (other than salary or wages) not paid within 180 days of the tax year end	–					
• amounts paid in respect of an SR&ED contract to a person or partnership that is not taxable supplier	–					
• prescribed expenditures not allowed by regulations	–			–		
• other deductions	–			–		
• non-arm's length transactions						
– expenditures for non-arm's length SR&ED contracts	–					
– purchases (limited to costs) of goods and services from non-arm's length suppliers	–			–		
Subtotal	=	847,482	I	=		II
Total eligible expenditures incurred by the corporation in Ontario in the tax year (add amount I and II)				=	847,482	III

Enter amount III on line 100 of Schedule 508.

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Schedule 510

Ontario Corporate Minimum Tax

Corporation's name	Business number	Tax year-end Year Month Day
Veridian Connections Inc.	88628 2920 RC0001	2012-12-31

- File this schedule if the corporation is subject to Ontario corporate minimum tax (CMT). CMT is levied under section 55 of the *Taxation Act, 2007* (Ontario), referred to as the "Ontario Act".
- Complete Part 1 to determine if the corporation is subject to CMT for the tax year.
- A corporation not subject to CMT in the tax year is still required to file this schedule if it is deducting a CMT credit, has a CMT credit carryforward, or has a CMT loss carryforward or a current year CMT loss.
- A corporation that has Ontario special additional tax on life insurance corporations (SAT) payable in the tax year must complete Part 4 of this schedule even if it is not subject to CMT for the tax year.
- A corporation is exempt from CMT if, throughout the tax year, it was one of the following:
  1) a corporation exempt from income tax under section 149 of the federal *Income Tax Act*;
  2) a mortgage investment corporation under subsection 130.1(6) of the federal Act;
  3) a deposit insurance corporation under subsection 137.1(5) of the federal Act;
  4) a congregation or business agency to which section 143 of the federal Act applies;
  5) an investment corporation as referred to in subsection 130(3) of the federal Act; or
  6) a mutual fund corporation under subsection 131(8) of the federal Act.
- File this schedule with the *T2 Corporation Income Tax Return*.

Part 1 – Determination of CMT applicability

Total assets of the corporation at the end of the tax year *	112	274,258,083
Share of total assets from partnership(s) and joint venture(s) *	114	
Total assets of associated corporations (amount from line 450 on Schedule 511)	116	134,497,998
Total assets (total of lines 112 to 116)		408,756,081
Total revenue of the corporation for the tax year **	142	299,871,197
Share of total revenue from partnership(s) and joint venture(s) **	144	
Total revenue of associated corporations (amount from line 550 on Schedule 511)	146	7,360,192
Total revenue (total of lines 142 to 146)		307,231,389

The corporation is subject to CMT if:

– for tax years ending before July 1, 2010, the total assets at the end of the year of the corporation or the associated group of corporations are more than $5,000,000, or the total revenue for the year of the corporation or the associated group of corporations is more than $10,000,000.

– for tax years ending after June 30, 2010, the total assets at the end of the year of the corporation or the associated group of corporations are equal to or more than $50,000,000, and the total revenue for the year of the corporation or the associated group of corporations is equal to or more than $100,000,000.

If the corporation is not subject to CMT, do not complete the remaining parts unless the corporation is deducting a CMT credit, or has a CMT credit carryforward, a CMT loss carryforward, a current year CMT loss, or SAT payable in the year.

* **Rules for total assets**

– Report total assets according to generally accepted accounting principles, adjusted so that consolidation and equity methods are not used.

– Do not include unrealized gains and losses on assets and foreign currency gains and losses on assets that are included in net income for accounting purposes but not in income for corporate income tax purposes.

– The amount on line 114 is determined at the end of the last fiscal period of the partnership or joint venture that ends in the tax year of the corporation. Add the proportionate share of the assets of the partnership(s) and joint venture(s), and deduct the recorded asset(s) for the investment in partnerships and joint ventures.

– A corporation's share in a partnership or joint venture is determined under paragraph 54(5)(b) of the Ontario Act and, if the partnership or joint venture had no income or loss, is calculated as if the partnership's or joint venture's income were $1 million. For a corporation with an indirect interest in a partnership or joint venture, determine the corporation's share according to paragraph 54(5)(c) of the Ontario Act.

** **Rules for total revenue**

– Report total revenue in accordance with generally accepted accounting principles, adjusted so that consolidation and equity methods are not used.

– If the tax year is less than 51 weeks, **multiply** the total revenue of the corporation or the partnership, whichever applies, by 365 and **divide** by the number of days in the tax year.

– The amount on line 144 is determined for the partnership or joint venture fiscal period that ends in the tax year of the corporation. If the partnership or joint venture has 2 or more fiscal periods ending in the filing corporation's tax year, **multiply** the sum of the total revenue for each of the fiscal periods by 365 and **divide** by the total number of days in all the fiscal periods.

– A corporation's share in a partnership or joint venture is determined under paragraph 54(5)(b) of the Ontario Act and, if the partnership or joint venture had no income or loss, is calculated as if the partnership's or joint venture's income were $1 million. For a corporation with an indirect interest in a partnership or joint venture, determine the corporation's share according to paragraph 54(5)(c) of the Ontario Act.

Canada

Part 2 – Adjusted net income/loss for CMT purposes

Net income/loss per financial statements *			210	10,078,719	
Add (to the extent reflected in income/loss):					
Provision for current income taxes/cost of current income taxes	220				
Provision for deferred income taxes (debits)/cost of future income taxes	222				
Equity losses from corporations	224				
Financial statement loss from partnerships and joint ventures	226				
Dividends deducted on financial statements (subsection 57(2) of the Ontario Act), excluding dividends paid by credit unions under subsection 137(4.1) of the federal Act	230				
Other additions (see note below):					
Share of adjusted net income of partnerships and joint ventures **	228				
Total patronage dividends received, not already included in net income/loss	232				
281	282				
283	284				
Subtotal					A
Deduct (to the extent reflected in income/loss):					
Provision for recovery of current income taxes/benefit of current income taxes	320	55,555			
Provision for deferred income taxes (credits)/benefit of future income taxes	322				
Equity income from corporations	324				
Financial statement income from partnerships and joint ventures	326				
Dividends deductible under section 112, section 113, or subsection 138(6) of the federal Act	330				
Dividends not taxable under section 83 of the federal Act (from Schedule 3)	332				
Gain on donation of listed security or ecological gift	340				
Accounting gain on transfer of property to a corporation under section 85 or 85.1 of the federal Act ***	342				
Accounting gain on transfer of property to/from a partnership under section 85 or 97 of the federal Act ****	344				
Accounting gain on disposition of property under subsection 13(4), subsection 14(6), or section 44 of the federal Act *****	346				
Accounting gain on a windup under subsection 88(1) of the federal Act or an amalgamation under section 87 of the federal Act	348				
Other deductions (see note below):					
Share of adjusted net loss of partnerships and joint ventures **	328				
Tax payable on dividends under subsection 191.1(1) of the federal Act **multiplied** by 3	334				
Interest deducted/deductible under paragraph 20(1)(c) or (d) of the federal Act, not already included in net income/loss	336				
Patronage dividends paid (from Schedule 16) not already included in net income/loss	338				
381	382				
383	384				
385	386				
387	388				
389	390				
Subtotal		55,555		55,555	B
Adjusted net income/loss for CMT purposes (line 210 **plus** amount A **minus** amount B)			490	10,023,164	

If the amount on line 490 is positive and the corporation is subject to CMT as determined in Part 1, enter the amount on line 515 in Part 3.

If the amount on line 490 is negative, enter the amount on line 760 in Part 7 (enter as a positive amount).

Note

In accordance with *Ontario Regulation 37/09*, when calculating net income for CMT purposes, accounting income should be adjusted to:

– exclude unrealized gains and losses due to mark-to-market changes or foreign currency changes on specified mark-to-market property (assets only);
– include realized gains and losses on the disposition of specified mark-to-market property not already included in the accounting income, if the property is not a capital property or is a capital property disposed in the year or in a previous tax year ended after March 22, 2007.

"Specified mark-to-market property" is defined in subsection 54(1) of the Ontario Act.

These rules also apply to partnerships. A corporate partner's share of a partnership's adjusted income flows through on a proportionate basis to the corporate partner.

* **Rules for net income/loss**

– Banks must report net income/loss as per the report accepted by the Superintendent of Financial Institutions under the federal *Bank Act*, adjusted so consolidation and equity methods are not used.

Part 2 – Adjusted net income/loss for CMT purposes (continued)

– Life insurance corporations must report net income/loss as per the report accepted by the federal Superintendent of Financial Institutions or equivalent provincial insurance regulator, before SAT and adjusted so consolidation and equity methods are not used. If the life insurance corporation is resident in Canada and carries on business in and outside of Canada, **multiply** the net income/loss by the ratio of the Canadian reserve liabilities **divided** by the total reserve liability. The reserve liabilities are calculated in accordance with Regulation 2405(3) of the federal Act.

– Other corporations must report net income/loss in accordance with generally accepted accounting principles, except that consolidation and equity methods must not be used. When the equity method has been used for accounting purposes, equity losses and equity income are removed from book income/loss on lines 224 and 324 respectively.

– Corporations, other than insurance corporations, should report net income from line 9999 of the GIFI (Schedule 125) on line 210.

** The share of the adjusted net income of a partnership or joint venture is calculated as if the partnership or joint venture were a corporation and the tax year of the partnership or joint venture were its fiscal period. For a corporation with an indirect interest in a partnership through one or more partnerships, determine the corporation's share according to clause 54(5)(c) of the Ontario Act.

*** A joint election will be considered made under subsection 60(1) of the Ontario Act if there is an entry on line 342, and an election has been made for transfer of property to a corporation under subsection 85(1) of the federal Act.

**** A joint election will be considered made under subsection 60(2) of the Ontario Act if there is an entry on line 344, and an election has been made under subsection 85(2) or 97(2) of the federal Act.

***** A joint election will be considered made under subsection 61(1) of the Ontario Act if there is an entry on line 346, and an election has been made under subsection 13(4) or 14(6) and/or section 44 of the federal Act.

For more information on how to complete this part, see the *T2 Corporation – Income Tax Guide*.

Part 3 – CMT payable

Adjusted net income for CMT purposes (line 490 in Part 2, if positive)		515	10,023,164	
Deduct:				
CMT loss available (amount R from Part 7)				
Minus: Adjustment for an acquisition of control *	518			
Adjusted CMT loss available		▶		C
Net income subject to CMT calculation (if negative, enter "0")		520	10,023,164	

Amount from line 520 10,023,164 x (Number of days in the tax year before July 1, 2010 / Number of days in the tax year 366) x 4 % = ______ 1

Amount from line 520 10,023,164 x (Number of days in the tax year after June 30, 2010 366 / Number of days in the tax year 366) x 2.7 % = 270,625 2

Subtotal (amount 1 **plus** amount 2) 270,625 3

Gross CMT: amount on line 3 above x OAF **	540	270,625	
Deduct:			
Foreign tax credit for CMT purposes ***	550		
CMT after foreign tax credit deduction (line 540 **minus** line 550) (if negative, enter "0")		270,625	D
Deduct:			
Ontario corporate income tax payable before CMT credit (amount F6 from Schedule 5)		818,169	
Net CMT payable (if negative, enter "0")			E

Enter amount E on line 278 of Schedule 5, *Tax Calculation Supplementary – Corporations*, and complete Part 4.

* Enter the portion of CMT loss available that exceeds the adjusted net income for the tax year from carrying on a business before the acquisition of control. See subsection 58(3) of the Ontario Act.

*** Enter "0" on line 550 for life insurance corporations as they are not eligible for this deduction. For all other corporations, enter the cumulative total of amount J for the province of Ontario from Part 9 of Schedule 21 on line 550.

** **Calculation of the Ontario allocation factor (OAF):**

If the provincial or territorial jurisdiction entered on line 750 of the T2 return is "Ontario," enter "1" on line F.

If the provincial or territorial jurisdiction entered on line 750 of the T2 return is "multiple," complete the following calculation, and enter the result on line F:

Ontario taxable income **** / Taxable income ***** ______ = ______

Ontario allocation factor 1.00000 F

**** Enter the amount allocated to Ontario from column F in Part 1 of Schedule 5. If the taxable income is nil, calculate the amount in column F as if the taxable income were $1,000.

***** Enter the taxable income amount from line 360 or amount Z of the T2 return, whichever applies. If the taxable income is nil, enter "1,000."

Part 4 – CMT credit carryforward

CMT credit carryforward at the end of the previous tax year *				G
Deduct:				
CMT credit expired *	600			
CMT credit carryforward at the beginning of the current tax year * (see note below)			620	
Add:				
CMT credit carryforward balances transferred on an amalgamation or the windup of a subsidiary (see note below)			650	
CMT credit available for the tax year (amount on line 620 **plus** amount on line 650)				H
Deduct:				
CMT credit deducted in the current tax year (amount P from Part 5)				I
Subtotal (amount H **minus** amount I)				J
Add:				
Net CMT payable (amount E from Part 3)				
SAT payable (amount O from Part 6 of Schedule 512)				
Subtotal				K
CMT credit carryforward at the end of the tax year (amount J **plus** amount K)			670	L

* For the first harmonized T2 return filed with a tax year that includes days in 2009:
- do not enter an amount on line G or line 600;
- for line 620, enter the amount from line 2336 of Ontario CT23 Schedule 101, *Corporate Minimum Tax (CMT)*, for the last tax year that ended in 2008.

For other tax years, enter on line G the amount from line 670 of Schedule 510 from the previous tax year.

Note: If you entered an amount on line 620 or line 650, complete Part 6.

Part 5 – CMT credit deducted from Ontario corporate income tax payable

CMT credit available for the tax year (amount H from Part 4)				M
Ontario corporate income tax payable before CMT credit (amount F6 from Schedule 5)		818,169 1		
For a corporation that is not a life insurance corporation:				
CMT after foreign tax credit deduction (amount D from Part 3)	270,625 2			
For a life insurance corporation:				
Gross CMT (line 540 from Part 3)	3			
Gross SAT (line 460 from Part 6 of Schedule 512)	4			
The **greater** of amounts 3 and 4	5			
Deduct: line 2 or line 5, whichever applies:		270,625 6		
Subtotal (if negative, enter "0")		547,544	547,544	N
Ontario corporate income tax payable before CMT credit (amount F6 from Schedule 5)		818,169		
Deduct:				
Total refundable tax credits excluding Ontario qualifying environmental trust tax credit (amount J6 **minus** line 450 from Schedule 5)		93,546		
Subtotal (if negative, enter "0")		724,623	724,623	O
CMT credit deducted in the current tax year (least of amounts M, N, and O)				P

Enter amount P on line 418 of Schedule 5 and on line I in Part 4 of this schedule.

Is the corporation claiming a CMT credit earned before an acquisition of control? **675** 1 Yes ☐ 2 No ☒

If you answered **yes** to the question at line 675, the CMT credit deducted in the current tax year may be restricted. For information on how the deduction may be restricted, see subsections 53(6) and (7) of the Ontario Act.

Part 6 – CMT credit available for carryforward by year of origin

Complete this part if:
- the tax year includes January 1, 2009; or
- the previous tax year-end is deemed to be December 31, 2008, under subsection 249(3) of the federal Act.

Year of origin	CMT credit balance *
10th previous tax year	680
9th previous tax year	681
8th previous tax year	682
7th previous tax year	683
6th previous tax year	684
5th previous tax year	685
4th previous tax year	686
3rd previous tax year	687
2nd previous tax year	688
1st previous tax year	689
Total **	

* CMT credit that was earned (by the corporation, predecessors of the corporation, and subsidiaries wound up into the corporation) in each of the previous 10 tax years and has not been deducted.

** Must equal the total of the amounts entered on lines 620 and 650 in Part 4.

Part 7 – CMT loss carryforward

CMT loss carryforward at the end of the previous tax year * . . . . ______ Q

Deduct:

CMT loss expired * . . . . 700 ______

CMT loss carryforward at the beginning of the tax year * (see note below) . . . . ______ ► 720 ______

Add:

CMT loss transferred on an amalgamation under section 87 of the federal Act ** (see note below) . . . . 750 ______

CMT loss available (line 720 **plus** line 750) . . . . ______ R

Deduct:

CMT loss deducted against adjusted net income for the tax year (lesser of line 490 (if positive) and line C in Part 3) . . . . ______

Subtotal (if negative, enter "0") ______ S

Add:

Adjusted net loss for CMT purposes (amount from line 490 in Part 2, if **negative**) (enter as a positive amount) . . . . 760 ______

CMT loss carryforward balance at the end of the tax year (amount S **plus** line 760) . . . . 770 ______ T

* For the first harmonized T2 return filed with a tax year that includes days in 2009:
- do not enter an amount on line Q or line 700;
- for line 720, enter the amount from line 2214 of Ontario CT23 Schedule 101, *Corporate Minimum Tax (CMT)*, for the last tax year that ended in 2008.

For other tax years, enter on line Q the amount from line 770 of Schedule 510 from the previous tax year.

** Do not include an amount from a predecessor corporation if it was controlled at any time before the amalgamation by any of the other predecessor corporations.

Note: If you entered an amount on line 720 or line 750, complete Part 8.

Part 8 – CMT loss available for carryforward by year of origin

Complete this part if:

- the tax year includes January 1, 2009; or
- the previous tax year-end is deemed to be December 31, 2008, under subsection 249(3) of the federal Act.

Year of origin	Balance earned in a tax year ending before March 23, 2007 *	Balance earned in a tax year ending after March 22, 2007 **
10th previous tax year	810	820
9th previous tax year	811	821
8th previous tax year	812	822
7th previous tax year	813	823
6th previous tax year	814	824
5th previous tax year	815	825
4th previous tax year	816	826
3rd previous tax year	817	827
2nd previous tax year	818	828
1st previous tax year		829
Total ***		

* Adjusted net loss for CMT purposes that was earned (by the corporation, by subsidiaries wound up into or amalgamated with the corporation before March 22, 2007, and by other predecessors of the corporation) in each of the previous 10 tax years that ended before March 23, 2007, and has not been deducted.

** Adjusted net loss for CMT purposes that was earned (by the corporation and its predecessors, but not by a subsidiary predecessor) in each of the previous 20 tax years that ended after March 22, 2007, and has not been deducted.

*** The total of these two columns must equal the total of the amounts entered on lines 720 and 750.

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SCHEDULE 511

ONTARIO CORPORATE MINIMUM TAX – TOTAL ASSETS AND REVENUE FOR ASSOCIATED CORPORATIONS

Name of corporation	Business Number	Tax year-end Year Month Day
Veridian Connections Inc.	88628 2920 RC0001	2012-12-31

- For use by corporations to report the total assets and total revenue of all the Canadian or foreign corporations with which the filing corporation was associated at any time during the tax year. These amounts are required to determine if the filing corporation is subject to corporate minimum tax.
- Total assets and total revenue include the associated corporation's share of any partnership(s)/joint venture(s) total assets and total revenue.
- Attach additional schedules if more space is required.
- File this schedule with the *T2 Corporation Income Tax Return.*

	Names of associated corporations 200	Business number (Canadian corporation only) (see Note 1) 300	Total assets* (see Note 2) 400	Total revenue** (see Note 2) 500
1	Veridian Corporation	86697 3076 RC0001	125,965,779	7,087,387
2	Veridian Energy Inc.	87098 3186 RC0001	8,532,219	272,805
		Total	450 134,497,998	550 7,360,192

Enter the total assets from line 450 on line 116 in Part 1 of Schedule 510, *Ontario Corporate Minimum Tax*.
Enter the total revenue from line 550 on line 146 in Part 1 of Schedule 510.

Note 1: Enter ¨NR¨ if a corporation is not registered.

Note 2: If the associated corporation does not have a tax year that ends in the filing corporation's current tax year but was associated with the filing corporation in the previous tax year of the filing corporation, enter the total revenue and total assets from the tax year of the associated corporation that ends in the previous tax year of the filing corporation.

*** Rules for total assets**

- Report total assets in accordance with generally accepted accounting principles, adjusted so that consolidation and equity methods are not used.
- Include the associated corporation's share of the total assets of partnership(s) and joint venture(s) but exclude the recorded asset(s) for the investment in partnerships and joint ventures.
- Exclude unrealized gains and losses on assets that are included in net income for accounting purposes but not in income for corporate income tax purposes.

**** Rules for total revenue**

- Report total revenue in accordance with generally accepted accounting principles, adjusted so that consolidation and equity methods are not used.
- If the associated corporation has 2 or more tax years ending in the filing corporation's tax year, **multiply** the sum of the total revenue for each of those tax years by 365 and **divide** by the total number of days in all of those tax years.
- If the associated corporation's tax year is less than 51 weeks and is the only tax year of the associated corporation that ends in the filing corporation's tax year, **multiply** the associated corporation's total revenue by 365 and **divide** by the number of days in the associated corporation's tax year.
- Include the associated corporation's share of the total revenue of partnerships and joint ventures.
- If the partnership or joint venture has 2 or more fiscal periods ending in the associated corporation's tax year, **multiply** the sum of the total revenue for each of the fiscal periods by 365 and **divide** by the total number of days in all the fiscal periods.

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SCHEDULE 546

CORPORATIONS INFORMATION ACT ANNUAL RETURN FOR ONTARIO CORPORATIONS

Name of corporation	Business Number	Tax year-end Year Month Day
Veridian Connections Inc.	88628 2920 RC0001	2012-12-31

- This schedule should be completed by a corporation that is incorporated, continued, or amalgamated in Ontario and subject to the Ontario *Business Corporations Act* (BCA) or Ontario *Corporations Act* (CA), except for registered charities under the federal *Income Tax Act*. This completed schedule serves as a *Corporations Information Act* Annual Return under the *Ontario Corporations Information Act*.
- Complete parts 1 to 4. Complete parts 5 to 7 only to report change(s) in the information recorded on the Ontario Ministry of Government Services (MGS) public record.
- This schedule must set out the required information for the corporation as of the date of delivery of this schedule.

- A completed Ontario *Corporations Information Act* Annual Return must be delivered within six months after the end of the corporation's tax year-end. The MGS considers this return to be delivered on the date that it is filed with the Canada Revenue Agency (CRA) together with the corporation's income tax return.
- It is the corporation's responsibility to ensure that the information shown on the MGS public record is accurate and up-to-date. To review the information shown for the corporation on the public record maintained by the MGS, obtain a Corporation Profile Report. Visit **www.ServiceOntario.ca** for more information.
- This schedule contains non-tax information collected under the authority of the Ontario *Corporations Information Act*. This information will be sent to the MGS for the purposes of recording the information on the public record maintained by the MGS.

Part 1 – Identification

100 Corporation's name (exactly as shown on the MGS public record)
Veridian Connections Inc.

Jurisdiction incorporated, continued, or amalgamated, whichever is the most recent	**110** Date of incorporation or amalgamation, whichever is the most recent (Year Month Day)	**120** Ontario Corporation No.
Ontario	2005-11-21	4603095

Part 2 – Head or registered office address (P.O. box not acceptable as stand-alone address)

200 Care of (if applicable)

210 Street number	**220** Street name/Rural route/Lot and Concession number	**230** Suite number
55	Taunton Road East	

240 Additional address information if applicable (line 220 must be completed first)

250 Municipality (e.g., city, town)	**260** Province/state	**270** Country	**280** Postal/zip code
Ajax	ON	CA	L1T 3V3

Part 3 – Change identifier

Have there been any changes in any of the information most recently filed for the public record maintained by the MGS for the corporation with respect to names, addresses for service, and the date elected/appointed and, if applicable, the date the election/appointment ceased of the directors and five most senior officers, or with respect to the corporation's mailing address or language of preference? To review the information shown for the corporation on the public record maintained by the MGS, obtain a Corporation Profile Report. For more information, visit **www.ServiceOntario.ca**.

300 1
If there have been no changes, enter **1** in this box and then go to "Part 4 – Certification."
If there are changes, enter **2** in this box and complete the applicable parts on the next page, and then go to "Part 4 – Certification."

Part 4 – Certification

I certify that all information given in this *Corporations Information Act* Annual Return is true, correct, and complete.

450 McLorg (Last name) **451** Laurie (First name)

454 ______________________ , (Middle name(s))

460 2 Please enter one of the following numbers in this box for the above-named person: **1** for director, **2** for officer, or **3** for other individual having knowledge of the affairs of the corporation. If you are a director and officer, enter **1** or **2**.

Note: Sections 13 and 14 of the Ontario *Corporations Information Act* provide penalties for making false or misleading statements or omissions.

Canada

Complete the applicable parts to report changes in the information recorded on the MGS public record.

Part 5 – Mailing address

500 ☐ Please enter one of the following numbers in this box:

1 - Show no mailing address on the MGS public record.
2 - The corporation's mailing address is the same as the head or registered office address in Part 2 of this schedule.
3 - The corporation's complete mailing address is as follows:

510 Care of (if applicable)		
520 Street number	**530** Street name/Rural route/Lot and Concession number	**540** Suite number
550 Additional address information if applicable (line 530 must be completed first)		

560 Municipality (e.g., city, town)	**570** Province/state	**580** Country	**590** Postal/zip code

Part 6 – Language of preference

600 ☐ Indicate your language of preference by entering **1** for English or **2** for French. This is the language of preference recorded on the MGS public record for communications with the corporation. It may be different from line 990 on the T2 return.

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SCHEDULE 550

ONTARIO CO-OPERATIVE EDUCATION TAX CREDIT

Name of corporation	Business Number	Tax year-end Year Month Day
Veridian Connections Inc.	88628 2920 RC0001	2012-12-31

- Use this schedule to claim an Ontario co-operative education tax credit (CETC) under section 88 of the *Taxation Act, 2007* (Ontario).
- The CETC is a refundable tax credit that is equal to an eligible percentage (10% to 30%) of the eligible expenditures incurred by a corporation for a qualifying work placement. The maximum credit amount is $1,000 for each qualifying work placement ending before March 27, 2009, and $3,000 for each qualifying work placement beginning after March 26, 2009. For a qualifying work placement that straddles March 26, 2009, the maximum credit amount is prorated.

- Eligible expenditures are salaries and wages (including taxable benefits) paid or payable to a student in a qualifying work placement, or fees paid or payable to an employment agency for services performed by the student in a qualifying work placement. These expenditures must be paid on account of employment or services, as applicable, at a permanent establishment of the corporation in Ontario. Expenditures for a work placement (WP) are not eligible expenditures if they are greater than the amounts that would be paid to an arm's length employee.
- A WP must meet all of the following conditions to be a qualifying work placement:
  - the student performs employment duties for a corporation under a qualifying co-operative education program (QCEP);
  - the WP has been developed or approved by an eligible educational institution as a suitable learning situation;
  - the terms of the WP require the student to engage in productive work;
  - the WP is for a period of at least 10 consecutive weeks or, in the case of an internship program, not less than 8 consecutive months and not more than 16 consecutive months;
  - the student is paid for the work performed in the WP;
  - the corporation is required to supervise and evaluate the job performance of the student in the WP;
  - the institution monitors the student's performance in the WP; and
  - the institution has certified the WP as a qualifying work placement.
- Make sure you keep a copy of the letter of certification from the Ontario eligible educational institution containing the name of the student, the employer, the institution, the term of the WP, and the name/discipline of the QCEP to support the claim. Do not submit the letter of certification with the *T2 Corporation Income Tax Return*.
- File this schedule with the *T2 Corporation Income Tax Return*.

Part 1 – Corporate information

110 Name of person to contact for more information: Mr. Andrew Hermans

120 Telephone number including area code: (905) 427-9870

Is the claim filed for a CETC earned through a partnership?* . . . . . **150** 1 Yes [ ] 2 No [X]

If you answered **yes** to the question at line 150, what is the name of the partnership? . . . . . **160** ____________

Enter the percentage of the partnership's CETC allocated to the corporation . . . . . **170** ________ %

* When a corporate member of a partnership is claiming an amount for eligible expenditures incurred by a partnership, complete a Schedule 550 for the partnership as if the partnership were a corporation. Each corporate partner, other than a limited partner, should file a separate Schedule 550 to claim the partner's share of the partnership's CETC. The allocated amounts can not exceed the amount of the partnership's CETC.

Part 2 – Eligibility

1. Did the corporation have a permanent establishment in Ontario in the tax year? . . . . . **200** 1 Yes [X] 2 No [ ]
2. Was the corporation exempt from tax under Part III of the *Taxation Act*, 2007 (Ontario)? . . . . . **210** 1 Yes [ ] 2 No [X]

If you answered **no** to question 1 or **yes** to question 2, then the corporation is **not eligible** for the CETC.

Canada

Part 3 – Eligible percentage for determining the eligible amount

Corporation's salaries and wages paid in the previous tax year * **300** 15,000,000

For eligible expenditures incurred before March 27, 2009:

– If line 300 is $400,000 or less, enter 15% on line 310.
– If line 300 is $600,000 or more, enter 10% on line 310.
– If line 300 is more than $400,000 and less than $600,000, enter the percentage on line 310 using the following formula:

$$\text{Eligible percentage} = 15\,\% - \left[5\,\% \times \left(\frac{\text{amount on line 300} \textbf{ minus } \$\ 400{,}000}{\$\ 200{,}000} \right) \right]$$

Eligible percentage for determining the eligible amount . . . . **310** 10.000 %

For eligible expenditures incurred after March 26, 2009:

– If line 300 is $400,000 or less, enter 30% on line 312.
– If line 300 is $600,000 or more, enter 25% on line 312.
– If line 300 is more than $400,000 and less than $600,000, enter the percentage on line 312 using the following formula:

$$\text{Eligible percentage} = 30\,\% - \left[5\,\% \times \left(\frac{\text{amount on line 300} \textbf{ minus } \$\ 400{,}000}{\$\ 200{,}000} \right) \right]$$

Eligible percentage for determining the eligible amount . . . . **312** 25.000 %

* If this is the first tax year of an amalgamated corporation and subsection 88(9) of the *Taxation Act, 2007* (Ontario) applies, enter the salaries and wages paid in the previous tax year by the predecessor corporations.

Part 4 – Calculation of the Ontario co-operative education tax credit

Complete a separate entry for each student for each qualifying work placement that ended in the corporation's tax year. If a qualifying work placement would otherwise exceed four consecutive months, divide the WP into periods of four consecutive months and enter each full period of four consecutive months as a separate WP. If the WP does not divide equally into four-month periods and if the period that is less than 4 months is 10 or more consecutive weeks, then enter that period as a separate WP. If that period is less than 10 consecutive weeks, then include it with the WP for the last period of 4 consecutive months. Consecutive WPs with two or more associated corporations are deemed to be with only one corporation, as designated by the corporations.

	A Name of university, college, or other eligible educational institution **400**	**B** Name of qualifying co-operative education program **405**
1.	Georgian College	Powerline Technician
2.	Algonquin College	Powerline Technician
3.	Cambrian College	Powerline Technician
4.	Cambrian College	Powerline Technician
5.	Cambrian College	Powerline Technician
6.	Conestoga College	Powerline Technician
7.		

	C Name of student **410**	**D** Start date of WP (see note 1 below) **430**	**E** End date of WP (see note 2 below) **435**
1.		2012-05-08	2012-08-31
2.		2012-05-01	2012-08-31
3.		2012-09-04	2012-12-31
4.		2012-09-04	2012-12-31
5.		2012-09-04	2012-12-31
6.		2012-05-07	2012-08-31

	C Name of student 410	D Start date of WP (see note 1 below) 430	E End date of WP (see note 2 below) 435
7.			

Note 1: When the WP has been divided into separate periods because it exceeds four consecutive months, enter the start date for the separate WP.

Note 2: When the WP has been divided into separate periods because it exceeds four consecutive months, enter the end date for the separate WP.

Part 4 – Calculation of the Ontario co-operative education tax credit (continued)

	F1 Eligible expenditures before March 27, 2009 (see note 1 below) 450	Eligible percentage before March 27, 2009 (from line 310 in Part 3)	F2 Eligible expenditures after March 26, 2009 (see note 1 below) 452	Eligible percentage after March 26, 2009 (from line 310a in Part 3)	X Number of consecutive weeks of the WP completed by the student before March 27, 2009 (see note 3 below)	Y Total number of consecutive weeks of the student's WP (see note 3 below)
1.		10.000 %	14,498	25.000 %		16
2.		10.000 %	16,155	25.000 %		17
3.		10.000 %	14,382	25.000 %		16
4.		10.000 %	14,451	25.000 %		16
5.		10.000 %	13,430	25.000 %		16
6.		10.000 %	14,763	25.000 %		17
7.		10.000 %		25.000 %		

	G Eligible amount (eligible expenditures **multiplied** by eligible percentage) (see note 2 below) 460	H Maximum CETC per WP (see note 3 below) 462	I CETC on eligible expenditures (column G or H, whichever is less) 470	J CETC on repayment of government assistance (see note 4 below) 480	K CETC for each WP (column I or column J) 490
1.	3,625	3,000	3,000		3,000
2.	4,039	3,000	3,000		3,000
3.	3,596	3,000	3,000		3,000
4.	3,613	3,000	3,000		3,000
5.	3,358	3,000	3,000		3,000
6.	3,691	3,000	3,000		3,000
7.					

Ontario co-operative education tax credit (total of amounts in column K) **500** 18,000 **L**

or, if the corporation answered **yes** at line 150 in Part 1, determine the partner's share of amount L:

Amount L ______ x percentage on line 170 in Part 1 ______ % = ... **M**

Enter amount L or M, whichever applies, on line 452 of Schedule 5, *Tax Calculation Supplementary – Corporations*. If you are filing more than one Schedule 550, add the amounts from line L or M, whichever applies, on all the schedules and enter the total amount on line 452 of Schedule 5.

Note 1: Reduce eligible expenditures by all government assistance, as defined under subsection 88(21) of the *Taxation Act, 2007* (Ontario), that the corporation has received, is entitled to receive, or may reasonably expect to receive, for the eligible expenditures, on or before the filing due date of the *T2 Corporation Income Tax Return* for the tax year.

Note 2: Calculate the eligible amount (Column G) using the following formula:

Column G = (column F1 x percentage on line 310) + (column F2 x percentage on line 312)

Note 3: If the WP ends before March 27, 2009, the maximum credit amount for the WP is $1,000.
If the WP begins after March 26, 2009, the maximum credit amount for the WP is $3,000.
If the WP begins before March 27, 2009, and ends after March 26, 2009, calculate the maximum credit amount using the following formula:

($1,000 x X/Y) + [$3,000 x (Y – X)/Y]

where "X" is the number of consecutive weeks of the WP completed by the student before March 27, 2009, and "Y" is the total number of consecutive weeks of the student's WP.

Note 4: When claiming a CETC for repayment of government assistance, complete a **separate entry** for each repayment and complete columns A to E and J and K with the details for the previous year WP in which the government assistance was received. Include the amount of government assistance repaid in the tax year multiplied by the eligible percentage for the tax year in which the government assistance was received, to the extent that the government assistance reduced the CETC in that tax year.

Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 552

ONTARIO APPRENTICESHIP TRAINING TAX CREDIT

Name of corporation	Business Number	Tax year-end Year Month Day
Veridian Connections Inc.	88628 2920 RC0001	2012-12-31

- Use this schedule to claim an Ontario apprenticeship training tax credit (ATTC) under section 89 of the *Taxation Act, 2007* (Ontario).
- The ATTC is a refundable tax credit that is equal to a specified percentage (25% to 45%) of the eligible expenditures incurred by a corporation for a qualifying apprenticeship. Before March 27, 2009, the maximum credit for each apprentice is $5,000 per year to a maximum credit of $15,000 over the first 36-month period of the qualifying apprenticeship. After March 26, 2009, the maximum credit for each apprentice is $10,000 per year to a maximum credit of $40,000 over the first 48-month period of the qualifying apprenticeship. The maximum credit amount is prorated for an employment period of an apprentice that straddles March 26, 2009.
- Eligible expenditures are salaries and wages (including taxable benefits) paid to an apprentice in a qualifying apprenticeship or fees paid to an employment agency for the provision of services performed by the apprentice in a qualifying apprenticeship. These expenditures must be:
  - paid on account of employment or services, as applicable, at a permanent establishment of the corporation in Ontario;
  - for services provided by the apprentice during the first 36 months of the apprenticeship program, if incurred before March 27, 2009; and
  - for services provided by the apprentice during the first 48 months of the apprenticeship program, if incurred after March 26, 2009.
- An expenditure is not eligible for an ATTC if:
  - the same expenditure was used, or will be used, to claim a co-operative education tax credit; or
  - it is more than an amount that would be paid to an arm's length apprentice.
- An apprenticeship must meet the following conditions to be a qualifying apprenticeship:
  - the apprenticeship is in a qualifying skilled trade approved by the Ministry of Training, Colleges and Universities (Ontario); and
  - the corporation and the apprentice must be participating in an apprenticeship program in which the training agreement has been registered under the *Ontario College of Trades and Apprenticeship Act, 2009 or* the *Apprenticeship and Certification Act, 1998* or in which the contract of apprenticeship has been registered under the *Trades Qualification and Apprenticeship Act*.
- Make sure you keep a copy of the training agreement or contract of apprenticeship to support your claim. Do not submit the training agreement or contract of apprenticeship with your *T2 Corporation Income Tax Return*.
- File this schedule with your *T2 Corporation Income Tax Return*.

Part 1 – Corporate information (please print)

110 Name of person to contact for more information	120 Telephone number including area code
Mr. Andrew Hermans	(905) 427-9870

Is the claim filed for an ATTC earned through a partnership? * . . . . . **150** 1 Yes [ ] 2 No [X]

If **yes** to the question at line 150, what is the name of the partnership? . . . . . **160** ______

Enter the percentage of the partnership's ATTC allocated to the corporation . . . . . **170** ______ %

* When a corporate member of a partnership is claiming an amount for eligible expenditures incurred by a partnership, complete a Schedule 552 for the partnership as if the partnership were a corporation. Each corporate partner, other than a limited partner, should file a separate Schedule 552 to claim the partner's share of the partnership's ATTC. The total of the partners' allocated amounts can never exceed the amount of the partnership's ATTC.

Part 2 – Eligibility

1. Did the corporation have a permanent establishment in Ontario in the tax year? . . . . . **200** 1 Yes [X] 2 No [ ]
2. Was the corporation exempt from tax under Part III of the *Taxation Act, 2007* (Ontario)? . . . . . **210** 1 Yes [ ] 2 No [X]

If you answered **no** to question 1 or **yes** to question 2, then you are **not eligible** for the ATTC.

Canada

Part 3 – Specified percentage

Corporation's salaries and wages paid in the previous tax year * **300** 15,000,000

For eligible expenditures incurred before March 27, 2009:

– If line 300 is $400,000 or less, enter 30% on line 310.
– If line 300 is $600,000 or more, enter 25% on line 310.
– If line 300 is more than $400,000 and less than $600,000, enter the percentage on line 310 using the following formula:

$$\text{Specified percentage} = 30\,\% - \left[5\,\% \times \left(\frac{\text{amount on line 300} \quad \textbf{minus} \quad 400{,}000}{200{,}000} \right) \right]$$

Specified percentage . . . . **310** 25.000 %

For eligible expenditures incurred after March 26, 2009:

– If line 300 is $400,000 or less, enter 45% on line 312.
– If line 300 is $600,000 or more, enter 35% on line 312.
– If line 300 is more than $400,000 and less than $600,000, enter the percentage on line 312 using the following formula:

$$\text{Specified percentage} = 45\,\% - \left[10\,\% \times \left(\frac{\text{amount on line 300} \quad \textbf{minus} \quad 400{,}000}{200{,}000} \right) \right]$$

Specified percentage . . . . **312** 35.000 %

* If this is the first tax year of an amalgamated corporation and subsection 89(6) of the *Taxation Act, 2007* (Ontario) applies, enter salaries and wages paid in the previous tax year by the predecessor corporations.

Part 4 – Calculation of the Ontario apprenticeship training tax credit

Complete a **separate entry** for each apprentice that is in a qualifying apprenticeship with the corporation. When claiming an ATTC for repayment of government assistance, complete a **separate entry** for each repayment, and complete columns A to G and M and N with the details for the employment period in the previous tax year in which the government assistance was received.

	A Trade code 400	B Apprenticeship program/ trade name 405	C Name of apprentice 410
1.	434a	Powerline Technician	
2.	434a	Powerline Technician	
3.	434a	Powerline Technician	
4.	434a	Powerline Technician	
5.	434a	Powerline Technician	
6.	434a	Powerline Technician	
7.	434a	Powerline Technician	
8.	434a	Powerline Technician	
9.			

	D Original contract or training agreement number 420	E Original registration date of apprenticeship contract or training agreement (see note 1 below) 425	F Start date of employment as an apprentice in the tax year (see note 2 below) 430	G End date of employment as an apprentice in the tax year (see note 3 below) 435
1.		2009-01-03	2012-01-01	2012-12-31
2.		2008-07-24	2012-01-01	2012-12-31
3.		2009-05-05	2012-01-01	2012-12-31
4.		2010-06-09	2012-01-01	2012-12-31
5.		2009-08-26	2012-01-01	2012-12-31
6.		2009-09-04	2012-01-01	2012-12-31
7.		2011-04-15	2012-01-01	2012-12-31
8.		2011-08-05	2012-01-03	2012-12-31

	D Original contract or training agreement number 420	E Original registration date of apprenticeship contract or training agreement (see note 1 below) 425	F Start date of employment as an apprentice in the tax year (see note 2 below) 430	G End date of employment as an apprentice in the tax year (see note 3 below) 435
9.				

Note 1: Enter the original registration date of the apprenticeship contract or training agreement in all cases, even when multiple employers employed the apprentice.

Note 2: When there are multiple employment periods as an apprentice in the tax year with the corporation, enter the date that is the first day of employment as an apprentice in the tax year with the corporation. When claiming an ATTC for repayment of government assistance, enter the start date of employment as an apprentice for the tax year in which the government assistance was received.

Note 3: When there are multiple employment periods as an apprentice in the tax year with the corporation, enter the date that is the last day of employment as an apprentice in the tax year with the corporation. When claiming an ATTC for repayment of government assistance, enter the end date of employment as an apprentice for the tax year in which the government assistance was received.

Part 4 – Calculation of the Ontario apprenticeship training tax credit (continued)

	H1 Number of days employed as an apprentice in the tax year before March 27, 2009 (see note 1 below) 441	H2 Number of days employed as an apprentice in the tax year after March 26, 2009 (see note 1 below) 442	H3 Number of days employed as an apprentice in the tax year (column H1 **plus** column H2) 440	I Maximum credit amount for the tax year (see note 2 below) 445
1.		366	366	10,000
2.		205	205	5,601
3.		366	366	10,000
4.		366	366	10,000
5.		366	366	10,000
6.		366	366	10,000
7.		366	366	10,000
8.		364	364	9,945
9.				

	J1 Eligible expenditures before March 27, 2009 (see note 3 below) 451	J2 Eligible expenditures after March 26, 2009 (see note 3 below) 452	J3 Eligible expenditures for the tax year (column J1 **plus** column J2) 450	K Eligible expenditures **multiplied** by specified percentage (see note 4 below) 460
1.		81,925	81,925	28,674
2.		75,452	75,452	26,408
3.		79,865	79,865	27,953
4.		64,199	64,199	22,470
5.		74,063	74,063	25,922
6.		69,206	69,206	24,222
7.		56,716	56,716	19,851
8.		47,985	47,985	16,795
9.				

	L ATTC on eligible expenditures (lesser of columns I and K) 470	M ATTC on repayment of government assistance (see note 5 below) 480	N ATTC for each apprentice (column L or column M, whichever applies) 490
1.	10,000		10,000
2.	5,601		5,601
3.	10,000		10,000
4.	10,000		10,000
5.	10,000		10,000
6.	10,000		10,000
7.	10,000		10,000
8.	9,945		9,945
9.			

Ontario apprenticeship training tax credit (total of amounts in column N) **500** 75,546 **O**

or, if the corporation answered **yes** at line 150 in Part 1, determine the partner's share of amount O:

Amount O ________ x percentage on line 170 in Part 1 ________ % = ... ________ **P**

Enter amount O or P, whichever applies, on line 454 of Schedule 5, *Tax Calculation Supplementary – Corporations*. If you are filing more than one Schedule 552, add the amounts from line O or P, whichever applies, on all the schedules, and enter the total amount on line 454 of Schedule 5.

Note 1: When there are multiple employment periods as an apprentice in the tax year with the corporation, do not include days in which the individual was not employed as an apprentice.

For H1: The days employed as an apprentice must be within 36 months of the registration date provided in column E.

For H2: The days employed as an apprentice must be within 48 months of the registration date provided in column E.

Note 2: Maximum credit = ($5,000 x H1/365*) + ($10,000 x H2/365*)
* 366 days, if the tax year includes February 29

Note 3: Reduce eligible expenditures by all government assistance, as defined under subsection 89(19) of the *Taxation Act, 2007* (Ontario), that the corporation has received, is entitled to receive, or may reasonably expect to receive, in respect of the eligible expenditures, on or before the filing due date of the *T2 Corporation Income Tax Return* for the tax year.

For J1: Eligible expenditures before March 27, 2009, must be for services provided by the apprentice during the first 36 months of the apprenticeship program.

For J2: Eligible expenditures after March 26, 2009, must be for services provided by the apprentice during the first 48 months of the apprenticeship program.

Note 4: Calculate the amount in column K as follows:
Column K = (J1 x line 310) + (J2 x line 312)

Note 5: Include the amount of government assistance repaid in the tax year multiplied by the specified percentage for the tax year in which the government assistance was received, to the extent that the government assistance reduced the ATTC in that tax year.
Complete a **separate entry** for each repayment of government assistance.

Corporate Taxpayer Summary

Corporate information

Corporation's name: Veridian Connections Inc.

Taxation Year: 2012-01-01 to 2012-12-31

Jurisdiction: Ontario

BC	AB	SK	MB	ON	QC	NB	NS	NO	PE	NL	XO	YT	NT	NU	OC
				X											

Corporation is associated: Y

Corporation is related: Y

Number of associated corporations: 2

Type of corporation: Canadian-Controlled Private Corporation

Total amount due (refund) federal and provincial*: -797,425

* The amounts displayed on lines "Total amount due (refund) federal and provincial" are all listed in the help. Press F1 to consult the context-sensative help.

Summary of federal information

Net income		7,847,275
Taxable income		7,772,134
Donations		75,141
Calculation of income from an active business carried on in Canada		7,847,275
Dividends paid		4,600,000
Dividends paid – Regular	4,600,000	
Dividends paid – Eligible		
Balance of the low rate income pool at the end of the previous year		
Balance of the low rate income pool at the end of the year		
Balance of the general rate income pool at the end of the previous year		46,379,511
Balance of the general rate income pool at the end of the year		51,975,447
Part I tax (base amount)		2,953,411

Credits against part I tax		Summary of tax		Refunds/credits	
Small business deduction		Part I	997,952	ITC refund	
M&P deduction		Part IV		Dividends refund	
Foreign tax credit		Part III.1		Instalments	2,520,000
Investment tax credits	167,869	Other*		Surtax credit	
Abatement/Other*	1,787,590	Provincial or territorial tax	724,623	Other*	

Balance due/refund (–) -797,425

* The amounts displayed on lines "Other" are all listed in the Help. Press F1 to consult the context-sensitive help.

Summary of federal carryforward/carryback information

Carryforward balances

Unused surtax credit (Schedule 37)	854
Capital dividend amount	9,473
Cumulative eligible capital	5,935,159
Financial statement reserve	2,471,816

Summary of provincial information – provincial income tax payable

	Ontario	Québec (CO-17)	Alberta (AT1)
Net income	7,847,275		
Taxable income	7,772,134		
% Allocation	100.00		
Attributed taxable income	7,772,134		
Tax payable before deduction*	893,795		
Deductions and credits	75,626		
Net tax payable	818,169		
Attributed taxable capital	N/A		N/A
Capital tax payable**	N/A		N/A
Total tax payable***	818,169		
Instalments and refundable credits	93,546		
Balance due/Refund (-)	724,623		
Logging tax payable (COZ-1179)			
Tax payable	N/A		N/A

* For Québec, this includes special taxes.

** For Québec, this includes compensation tax and registration fee.

*** For Ontario, this includes the corporate minimum tax, the Crown royalties' additional tax, the transitional tax debit, the recaptured research and development tax credit and the special additional tax debit on life insurance corporations. The Balance due/Refund is included in the federal Balance due/refund.

Summary – taxable capital

Federal

Corporate name	Taxable capital used to calculate the business limit reduction (T2, line 415)	Taxable capital used to calculate the SR&ED expenditure limit for a CCPC (Schedules 31 and 49)	Taxable capital used to calculate line 233 of the T2 return	Taxable capital used to calculate line 234 of the T2 return
Veridian Connections Inc.	201,508,965	201,508,965	81,502,292	81,502,292
Veridian Corporation	14,434,968	14,434,968	16,341,833	16,341,833
Veridian Energy Inc.	8,683,672	8,683,672	8,421,765	8,421,765
Total	224,627,605	224,627,605	106,265,890	106,265,890

Québec

Corporate name	Paid-up capital used to calculate the Québec business limit reduction (CO-771 and CO-771.1.3)	Paid-up capital used to calculate the tax credit for investment (CO-1029.8.36.IN)	Paid-up capital used to calculate the 1 million deduction (CO-1137.A and CO-1137.E)
Total			

Ontario

Corporate name	Specified capital used to calculate the expenditure limit – Ontario innovation tax credit (Schedule 566)
Veridian Connections Inc.	201,508,965
Veridian Corporation	

Ontario

Corporate name	Specified capital used to calculate the expenditure limit – Ontario innovation tax credit (Schedule 566)
Veridian Energy Inc.	
Total	201,508,965

Other provinces

Corporate name	Capital used to calculate the Newfoundland and Labrador capital deduction on financial institutions (Schedule 306)	Taxable capital used to calculate the Nova Scotia capital deduction on large corporations (Schedule 343)
Total		

Five-Year Comparative Summary

Federal information (T2)

	Current year	1st prior year	2nd prior year	3rd prior year	4th prior year
Taxation year end	2012-12-31	2011-12-31	2010-12-31	2009-12-31	2008-12-31
Net income	7,847,275	12,671,603	10,213,453	10,574,349	11,526,627
Taxable income	7,772,134	12,671,603		10,574,349	11,520,707
Active business income	7,847,275	12,662,130	10,213,453	10,574,349	11,520,707
Dividends paid	4,600,000	4,900,000	5,220,443	8,200,000	7,400,000
Dividends paid – Regular	4,600,000	4,900,000	5,220,443		
Dividends paid – Eligible					
LRIP – end of the previous year					
LRIP – end of the year					
GRIP – end of the previous year	46,379,511	37,516,020	37,516,020	30,325,463	22,491,382
GRIP – end of the year	51,975,447	46,379,511	37,516,020	37,516,020	30,325,463
Donations	75,141				
Balance due/refund (-)	-797,425	-158,885	-3,551,240	-1,049,006	-39,979

Federal taxes

	Current year	1st prior year	2nd prior year	3rd prior year	4th prior year
Part I before surtax	997,952	1,873,924		1,834,687	2,227,032
Surtax					
Part I.3					
Part IV					1,973
Part I & Surtax	997,952	1,873,924		1,834,687	2,227,032
Part III.1					
Other*					

* The amounts displayed on lines "Other" are all listed in the help. Press F1 to consult the context-sensative help.

Credits against part I tax

	Current year	1st prior year	2nd prior year	3rd prior year	4th prior year
Small business deduction					
M&P deduction					
Foreign tax credit					
Political contribution					
Investment tax credit	167,869	218,612		174,440	19,506
Abatement/other*	1,787,590	2,723,305		2,009,126	2,131,331

* The amounts displayed on lines "Other" are all listed in the help. Press F1 to consult the context-sensative help.

Refunds/credits

	Current year	1st prior year	2nd prior year	3rd prior year	4th prior year
ITC refund					
Dividend refund		2,526			1,973
Instalments	2,520,000	3,350,000	3,551,240	4,655,300	2,267,011
Surtax credit					
Other*					

* The amounts displayed on lines "Other" are all listed in the help. Press F1 to consult the context-sensative help.

Ontario

Taxation year end	2012-12-31	2011-12-31	2010-12-31	2009-12-31	2008-12-31
Net income	7,847,275	12,671,603	10,213,453	10,574,349	11,462,503
Taxable income	7,772,134	12,671,603		10,574,349	11,456,583
% Allocation	100.00	100.00	100.00	100.00	100.00
Attributed taxable income	7,772,134	12,671,603		10,574,349	11,456,583
Surtax				42,500	42,500
Income tax payable before deduction	893,795	1,488,652		1,480,409	1,603,922
Income tax deductions /credits	75,626	89,005		84,877	59,668
Net income tax payable	818,169	1,399,647		1,438,032	1,586,754
Taxable capital				184,185,784	191,123,893
Capital tax payable				383,724	398,080
Total tax payable*	818,169	1,399,647		1,821,756	1,984,834
Instalments and refundable credits	93,546	79,930		50,149	3,565,389
Balance due/refund**	724,623	1,319,717		1,771,607	-1,580,555

* For taxation years ending before January 1, 2009, this includes the corporate minimum tax and the premium tax. For taxation years ending after December 31, 2008, this includes the corporate minimum tax, the Crown royalties' additional tax, the transitional tax debit, the recaptured research and development tax credit and the special additional tax debit on life insurance corporations.

** For taxation years ending after December 31, 2008, the Balance due/Refund is included in the federal Balance due/refund.

Attached Notes – Summary

Name of the cell: Line 701 – Description
Form: Sch. 1 - Net income (loss) for income tax purposes
Keep this note when rolling forward the file: X
Description of the attached note:
from continuity sch

Name of the cell: Line 704 – Amount
Form: Sch. 1 - Net income (loss) for income tax purposes
Keep this note when rolling forward the file: X
Description of the attached note:
CIAC + CIAC WIP

Name of the cell: Line 103 – Interest and penalties on taxes
Form: Sch. 1 - Net income (loss) for income tax purposes
Keep this note when rolling forward the file: X
Description of the attached note:
Penalty: See G-4; concluded no S1 addback

Interest: S1 addback required

Name of the cell: Line 603 – Amount
Form: Sch. 1 - Net income (loss) for income tax purposes
Keep this note when rolling forward the file: X
Description of the attached note:
4.5% of last year proxy amount

Name of the cell: GIFI code 9270 – Amount – Other expenses
Form: Sch. 9367 - Operating expenses
Keep this note when rolling forward the file: ☐
Description of the attached note:
This is net of meals and entertainment (to inquire for backup)

Name of the cell: Intangible capital assets – GIFI code 2010 – Intangible assets
Form: Sch. 2178 & 2179 - Intangible capital assets and accumulated a
Keep this note when rolling forward the file: ☐
Description of the attached note:
10,624,901 (Regulatory assets) + 17,328,067 (intangible assets)

Name of the cell: GIFI code 8523 – Amount – Meals and entertainment
Form: Sch. 9367 - Operating expenses
Keep this note when rolling forward the file: ☐
Description of the attached note:
Per VCI PBC

Name of the cell: Line 120 – Non-deductible club dues and fees
Form: Sch. 1 - Net income (loss) for income tax purposes
Keep this note when rolling forward the file: ☐
Description of the attached note:
80% of $16,158

Name of the cell: Line 290 – Amount for line 600

Form: Sch. 1 - Net income (loss) for income tax purposes

Description of the attached note

Keep this note when rolling forward the file ☐

-App credit 2011-Fed & Prov: $86,835
-Co-op credit 2011: $10,478
-OITC/ORDTC from 2011(4.5% of SR&ED proxy): $10,864

File Number: EB-2013-0174

Date Filed: October 31, 2013

Exhibit 4

Tab 8 of 8

Conservation and Demand Management Costs

Programs Requiring Board Approval

Veridian is not seeking funding for any Conservation and Demand Management ("CDM") program activity as part of this application.

At this time, Veridian's CDM activities are restricted to delivery of Province-Wide CDM Programs, which are fully funded by the Ontario Power Authority ("OPA"). All revenues and costs related to OPA CDM program activity are separately tracked, and none are included in the calculation of Veridian's revenue requirement for the purposes of this application.