



February 18, 2014

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

Dear Ms. Walli:

**Re: Veridian Connections Inc., 2014 Electricity Distribution Rate Application
Responses to Interrogatories, Board File No.: EB-2013-0174**

Veridian is pleased to provide the enclosed responses to interrogatories received in the above noted proceeding.

Yours truly,

Original signed by

George Armstrong
Vice President, Corporate Services

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The power to make your community better.

Veridian Connections is a wholly owned subsidiary of Veridian Corporation



Foundation

Issue 1.1

Does the planning (regional, infrastructure investment, asset management etc.) undertaken by the applicant and outlined in the application support the appropriate management of the applicant's assets?

1.1-CCC-1

Ref: *none*

Does the planning (regional, infrastructure investment, asset management etc.) undertaken by the applicant and outlined in the application support the appropriate management of the applicant's assets?

Request

Please explain Veridian's response to the question above. Please include all relevant evidence references in support of Veridian's answer.

Response:

Veridian believes that the planning undertaken and outlined in the application support the appropriate management of Veridian's assets.

Please refer to the Distribution System Plan filed at Exhibit 2, Tab 3 of Veridian's application. If CCC has a specific question about Veridian's planning, we would be happy to answer it.

1.1-SEC-1

Ref: *none*

Request

Please provide a copy of all documents that were provided to the Applicant's Board of Directors in approving this application and the associated Test Year budget.

Response:

Veridian's Board of Directors does not formally approve Veridian's cost of service applications. Veridian provided and presented the Executive Summary of its application to its Board. Veridian's Executive Summary is at E-1,T-1,S-2.

Veridian did seek formal approval of its 2014 Financial Operating and Capital Plan from its Board of Directors. The attached report, dated November 29, 2013, was provided to Veridian's Board of Directors. Veridian's Board approved the 2014 Financial Operating and Capital Plan by resolution at its meeting of December 12th, 2013 Board meeting.

Details pertaining to the operating and capital plans of Veridian Connections Inc Renewable Generation business line, Veridian Corporation (VC) and Veridian Energy Inc (VEI) have been redacted.



Veridian Corporation

Submission To: Audit and Risk Management
Committee

Route: Meeting Material

| | | |
|--|--|--------------------------------|
| For meeting to be held on: November-29-13 | Submitted By: Laurie McLorg | For: Approval |
| Subject: Recommendation of 2014 Financial Operating and Capital Plan | | |

Management is pleased to provide the 2014 Financial Operating and Capital Plan of Veridian Corporation, Veridian Connections Inc (VCI) including the Renewable Generation business line, Veridian Energy and Veridian Corporation on a consolidated basis. Attachments to this report include a schedule of 2014 OM&A cost drivers, an extended financial forecast to 2019 and a detailed presentation of the 2014 and 5 Year Capital Plan.

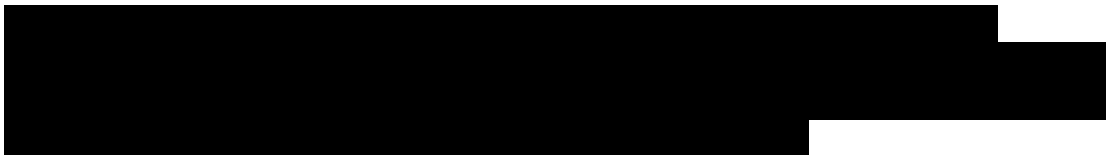
High Level Overview

The VCI Financial Plan is underpinned by forecasts of OM&A costs and capital expenditures as outlined in VCI's 2014 Cost of Service Rebasng rate application as filed with the Ontario Energy Board on October 31st, 2013. Management is recommending approval of the Plan on this basis at this time and proposes to review and update as required to ensure financial alignment with the OEB decision on the rate application. An OEB decision is anticipated by mid to late April.

Revenue requirement within 2014 rate application is based on the current deemed ROE of 8.98% and current deemed weighted average cost of debt. New deemed values will be issued by the OEB in February 2014 and VCI's 2014 revenue requirement will be updated based on the new rates.

Summary metrics of the 2014 Plan, 2013 Projections and extended Forecast to 2019 are provided below. The extended financial forecast attached to the report also provides full consolidated and individual company financial models.

replacements and cable rehabilitation as identified through Asset Condition Assessment. Also includes continued road relocation work for Highway 407.



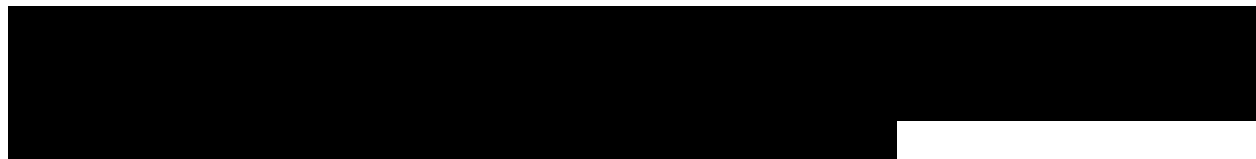
- \$5M Additional borrowing Requirement in 2014 - \$10M new debt issue by 2014 YE offset by \$5M in principal payments on existing debt obligations.
- \$28.61M OM&A Expenses – Significant increase in total OM&A over 2013 - \$2.7M or 10.4%. Aligned with OM&A costs sought for recovery through 2014 rate application. OM&A cost levels set out in 2014 rates and revenue recovery will be the base for the subsequent 5 year IRM period so must include costs for additional operating programs and any new staffing required. Increases in costs are focused on distribution asset operations requirements such as enhanced asset management of substation assets, new cable and pole testing and new distribution automation functions. Details of OM&A cost drivers are provided at the end of this report.
- \$2.3M increase in Net Income to \$8.275M – Rebasing application allows for full recovery and shareholder return on capital additions made during preceeding IRM period.
- Shareholder Dividends of \$4.7M – as per current dividend policy, \$4.6M from VCI to VC and \$4.7M from VC to Shareholders
- ROE of 9.2% - Up from 2013 projection of 7.1% due to rebasing application

Extended Forecast – 2015-2019

There is an increase in distribution revenues in 2015 of \$2.2M based on Veridian's alternative rate setting proposal within 2014 rate application which sets base distribution rates for 2015 through 2018 on 2014 YE revenue requirement. This proposal, if accepted by the OEB will increase distribution rates in 2015 by \$1.7M. Balance of increase due to 2014 rates in first 4 months of 2015 and customer growth. Revenues in 2016 through 2018 reflect minimal IRM rate adjustment and customer growth including 1,500 annual customer growth in Seaton starting in 2016.

The average annual capital program from 2015 to 2017 is approximately \$25M. In 2018 the major capital investment of \$21M for Seaton TS expected to be in-service. WIP spending of approximately \$13M in 2016 and 2017 for Seaton will need to be debt financed prior to asset being placed in-service in 2018. Timing of this large investment is favourable as 2019 is Veridian's next COS rebasing year when the full value will be included in rate base for return, significantly improving shareholder return and ROE. The debt financing for this asset will put downward pressure on ROE until rebasing in 2019.

Debt to capitalization ratios increase from current level of 59% to a high of 63.4% in 2018. These ratios could be reduced if the Seaton TS investment is financed through a combination of debt and VC equity investment.



Summary

The 2014 Financial Plan reflects OM&A expenses and Capital investment levels as filed in Veridian's 2014 COS rebasing rate application with the OEB. The rebasing application provides for full recovery of OM&A expenses and shareholder return on the increased rate base from prior period capital investments.

As stated earlier, the 2014 Financial Plan will be reviewed and updated as required to ensure financial alignment with the OEB rates decision expected mid to late April 2014.

The extended financial forecast sets out a favourable long term outlook including continued investment in VCI distribution assets throughout the upcoming 5 year IRM period with the end result of higher earnings and higher dividends potential.

Management recommends approval of the 2014 VC Consolidated and VCI Financial Plan.

Respectfully submitted,

Laurie McLorg, CGA
VP Financial Services and CFO

Attachments

- 1) 2014 Five Year Forecast Model
- 2) OM&A Cost Drivers
- 3) Capital Plan

| |
|---------------------------------|
| VERIDIAN CONNECTIONS INC |
|---------------------------------|

| | 2011 A | 2012 A | 2013 P | 2014 F | 2015 F | 2016 F | 2017 F | 2018 F | 2019 F |
|--|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| PROJECTED INCOME STATEMENT | | | | | | | | | |
| Distribution Revenues | 47,941 | 50,608 | 48,910 | 50,990 | 53,199 | 54,237 | 55,283 | 56,336 | 63,748 |
| OM&A | 21,317 | 24,721 | 25,906 | 28,609 | 29,181 | 29,765 | 30,360 | 30,967 | 32,826 |
| Depreciation | 14,184 | 8,758 | 10,454 | 10,672 | 11,430 | 12,087 | 12,688 | 13,750 | 14,300 |
| Total Expenses | 35,501 | 33,478 | 36,360 | 39,281 | 40,612 | 41,852 | 43,048 | 44,718 | 47,126 |
| Other Income | 3,706 | 3,920 | 3,643 | 3,564 | 3,635 | 3,708 | 3,782 | 3,858 | 3,935 |
| Regulatory Debit(Adj Dep'n/Capitalization) | - | (4,108) | (2,218) | - | - | - | - | - | - |
| Interest Expense | 5,420 | 6,561 | 6,538 | 6,242 | 6,338 | 7,088 | 7,834 | 8,057 | 8,132 |
| Unrealized Loss Gain on SWAP | (1,630) | (352) | 3,366 | - | - | - | - | - | - |
| Earnings before Taxes | 9,096 | 10,029 | 10,803 | 9,031 | 9,885 | 9,006 | 8,183 | 7,419 | 12,426 |
| Taxes | 2,038 | (56) | 1,174 | 756 | 1,789 | 1,630 | 1,481 | 1,343 | 2,249 |
| Net Income | 7,058 | 10,085 | 9,628 | 8,275 | 8,096 | 7,376 | 6,702 | 6,076 | 10,177 |
| Net Income - Adj to remove swap | 5,835 | 9,067 | 6,006 | 8,275 | 8,096 | 7,376 | 6,702 | 6,076 | 10,177 |
| ROE - average equity | 9.4% | 12.8% | 11.1% | 8.8% | 8.3% | 7.4% | 6.5% | 5.8% | 9.4% |
| ROE - Adj to remove current & prior year swap | 7.7% | 11.7% | 7.1% | 9.2% | 8.7% | 7.6% | 6.8% | 6.0% | 9.8% |

| |
|---------------------------------|
| VERIDIAN CONNECTIONS INC |
|---------------------------------|

| | 2011 A | 2012 A | 2013 P | 2014 F | 2015 F | 2016 F | 2017 F | 2018 F | 2019 F |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| PROJECTED BALANCE SHEET | | | | | | | | | |
| Cash | - | - | - | - | - | - | - | - | - |
| Other Current Assets | 56,310 | 61,403 | 58,801 | 56,089 | 58,519 | 59,661 | 60,812 | 61,970 | 70,123 |
| Gross Fixed Assets | 375,579 | 392,159 | 413,159 | 443,849 | 470,568 | 499,358 | 529,693 | 550,007 | 572,008 |
| Accumulated Depreciation | (200,430) | (209,377) | (219,831) | (230,503) | (241,933) | (254,020) | (266,708) | (280,458) | (294,759) |
| Net Fixed Assets | 175,149 | 182,782 | 193,328 | 213,346 | 228,635 | 245,338 | 262,985 | 269,549 | 277,250 |
| Goodwill | 8,746 | 8,746 | 8,746 | 8,746 | 8,746 | 8,746 | 8,746 | 8,746 | 8,746 |
| Future Income Tax Assets | 11,509 | 11,150 | 11,150 | 11,150 | 11,150 | 11,150 | 11,150 | 11,150 | 11,150 |
| Reg Assets | 7,451 | 11,438 | 7,153 | 4,479 | 1,225 | - | - | - | - |
| Other Assets | 278 | 142 | 1,384 | 1,384 | 1,384 | 1,384 | 1,384 | 1,384 | 1,384 |
| Total Assets | 259,443 | 275,662 | 280,562 | 295,194 | 309,659 | 326,280 | 345,077 | 352,799 | 368,653 |
| Accounts Payable | 37,187 | 36,706 | 36,156 | 38,752 | 40,431 | 41,220 | 42,015 | 42,816 | 48,449 |
| Other Current Liabilities | 10,018 | 7,101 | 14,673 | 17,847 | 18,620 | 18,983 | 19,349 | 19,718 | 22,312 |
| Shareholder Notes | 43,588 | 43,588 | 43,588 | 43,588 | 43,588 | 43,588 | 43,588 | 43,588 | 43,589 |
| Other Long Term Debt | 38,118 | 78,398 | 74,398 | 70,398 | 66,398 | 62,398 | 58,398 | 54,398 | 50,398 |
| Additional LTD required | 29,921 | - | (0) | 9,187 | 22,295 | 40,375 | 60,112 | 69,189 | 75,237 |
| Regulatory Liabilities | 4,317 | 8,151 | - | - | (592) | (1,979) | (2,182) | (2,182) | (2,182) |
| Future Income Tax Liability | 11,901 | 11,150 | 11,150 | 11,150 | 11,150 | 11,150 | 11,150 | 11,150 | 11,150 |
| Other Long Term Liabilities | 8,225 | 8,916 | 8,916 | 8,916 | 8,916 | 8,916 | 8,916 | 8,916 | 8,916 |
| Total Liabilities | 183,275 | 194,010 | 188,881 | 199,837 | 210,806 | 224,651 | 241,347 | 247,593 | 257,869 |
| Beginning RE | 9,685 | 11,843 | 17,328 | 22,356 | 26,032 | 29,527 | 32,303 | 34,405 | 35,881 |
| Additions to RE | 7,058 | 10,085 | 9,628 | 8,275 | 8,096 | 7,376 | 6,702 | 6,076 | 10,177 |
| Base Dividends Paid | (4,900) | (4,600) | (4,600) | (4,600) | (4,600) | (4,600) | (4,600) | (4,600) | (4,600) |
| Retained Earnings | 11,843 | 17,328 | 22,356 | 26,032 | 29,527 | 32,303 | 34,405 | 35,881 | 41,458 |
| Share Capital | 64,325 | 64,325 | 64,325 | 64,325 | 64,325 | 64,325 | 64,325 | 64,325 | 64,326 |
| Investment from VC | - | - | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Equity | 76,168 | 81,653 | 91,681 | 95,357 | 98,852 | 101,628 | 103,730 | 105,206 | 110,784 |
| Total Liabilities & Equity | 259,443 | 275,663 | 280,562 | 295,194 | 309,659 | 326,280 | 345,077 | 352,799 | 368,653 |
| Debt to Capitalization Ratio(adj for swap) | 61.5% | 61.9% | 59.0% | 59.0% | 59.7% | 61.3% | 63.1% | 63.4% | 62.4% |

| VERIDIAN CONNECTIONS INC | | | | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2011 A | 2012 A | 2013 P | 2014 F | 2015 F | 2016 F | 2017 F | 2018 F | 2019 F |
| STATEMENT OF CASH FLOWS | | | | | | | | | |
| Cash flows from Operations | | | | | | | | | |
| Net Income | 7,058 | 10,085 | 9,628 | 8,275 | 8,096 | 7,376 | 6,702 | 6,076 | 10,177 |
| Items not affecting Cash: | | | | | | | | | |
| Change in Reg Assets & Liab | (27,487) | 206 | (3,866) | 2,674 | 2,662 | (162) | (203) | - | - |
| Amortization of Capital Assets | 14,184 | 8,758 | 10,454 | 10,672 | 11,430 | 12,087 | 12,688 | 13,750 | 14,300 |
| Net Income and Items not affecting Cash | (13,303) | 8,963 | 6,588 | 13,346 | 14,092 | 11,924 | 12,485 | 13,750 | 14,300 |
| Change in non-cash Operating Working Capital | (4,034) | (8,491) | 9,625 | 8,481 | 22 | 10 | 10 | 11 | 74 |
| Net Cash Flow from Operating Activities | (10,279) | 10,557 | 25,842 | 30,103 | 22,210 | 19,311 | 19,197 | 19,837 | 24,551 |
| Investing Activities: | | | | | | | | | |
| Capital Asset Additions | (25,415) | (16,391) | (21,000) | (30,690) | (26,719) | (28,790) | (30,335) | (20,314) | (22,001) |
| Other non-current assets/liabilities | 11,372 | 76 | (1,242) | - | - | - | - | - | - |
| Net Cash Flow from Investing Activities | (14,043) | (16,315) | (22,242) | (30,690) | (26,719) | (28,790) | (30,335) | (20,314) | (22,001) |
| Financing Activities: | | | | | | | | | |
| Repayments of Loans | (700) | 40,280 | (4,000) | (4,000) | (4,000) | (4,000) | (4,000) | (4,000) | (3,999) |
| Equity Investment | - | - | 5,000 | - | - | - | - | - | 1 |
| Proceeds of Loans | 29,921 | (29,921) | (0) | 9,187 | 13,109 | 18,079 | 19,738 | 9,077 | 6,048 |
| Dividends Paid | (4,900) | (4,600) | (4,600) | (4,600) | (4,600) | (4,600) | (4,600) | (4,600) | (4,600) |
| Net Cash Flow from Financing Activities | 24,321 | 5,759 | (3,600) | 587 | 4,509 | 9,479 | 11,138 | 477 | (2,550) |
| Cash and Cash Equivalent - inc (dec) | (1) | 1 | - | - | - | - | - | - | - |
| Cash and Cash Equivalent - Beginning | - | - | - | - | - | - | - | - | - |
| Cash and Cash Equivalent - Ending | (1) | 1 | - | - | - | - | - | - | - |
| Change in Non-Cash Operating Working | | | | | | | | | |
| Current Assets | 2,186 | (5,093) | 2,603 | 2,712 | (2,430) | (1,142) | (1,150) | (1,158) | (8,153) |
| Accounts payable | 1,750 | (481) | (550) | 2,596 | 1,679 | 789 | 795 | 800 | 5,633 |
| Other Current Liabilities | (7,969) | (2,917) | 7,572 | 3,174 | 773 | 363 | 366 | 369 | 2,594 |
| | (4,034) | (8,491) | 9,625 | 8,481 | 22 | 10 | 10 | 11 | 74 |

(000's)

VCI 2014 OM&A Cost Drivers

| | 2013B | 2013P | Variance | 2014F | Change from 2013P to 2104F |
|-------------------------------------|--------------|--------------|-----------------|--------------|---------------------------------------|
| Operations & Maintenance | \$ 8,446 | \$ 8,782 | \$ (337) | \$ 10,441 | \$ 1,659 |

Major Cost Drivers

Cable locating costs higher than budget in 2013 by approximately \$225K. Trend will continue in 2014 due to volume changes but will be mitigated somewhat by further contracting of services for some districts and due to changes in business processes to reduce volumes.

Metering - Labour cost overlap for new apprentices - succession planning for near term retirements.

Additional costs for trouble calls related to smart metering and for maintenance programs previously deferred due to smart metering capital program. Total increase of \$335K

Tree trimming back up to normal levels in 2014 after 2013 costs had been advanced in 2012 - \$135K

PCB Testing - Final program of transformer PCB testing - \$125K

New Hires of technical staff focused on substation maintenance and upgrades, Smart Grid development, and distribution automation - \$200K

Pole and cable testing - New programs to inform future year capital rehabilitation programs - \$310K

| | | | | | |
|-----------------------|-----------|-----------|-------|-----------|--------|
| Administration | \$ 10,452 | \$ 10,367 | \$ 85 | \$ 11,037 | \$ 670 |
|-----------------------|-----------|-----------|-------|-----------|--------|

Major Cost Drivers

Outside Services - Additional services for legal and consulting - \$160K

Privacy, Cyber and Network Security Insurance premium - \$65K

Employee training and development - \$88K

Business Continuity/Disaster Recovery operating costs for Clarington BC/DR site - \$85K

Increased telecommunication costs for monitoring and maintenance of new phone system - \$95K

Increased software maintenance costs for new software systems - \$30K

Balance of increases driven by annual wage adjustments and inflationary pressures on existing services

| | | | | | |
|--------------------------|----------|----------|--------|----------|--------|
| Customer Services | \$ 6,914 | \$ 6,757 | \$ 158 | \$ 7,131 | \$ 374 |
|--------------------------|----------|----------|--------|----------|--------|

Full year impact of 2013 new hires - \$65K

Increased software maintenance costs for existing software - \$75K

Balance of increases driven by annual wage adjustments and inflationary pressures on existing services

| | 2013B | 2013P | Variance | 2014F | Change from 2013P to 2104F |
|-----------------------|--------------|--------------|-----------------|--------------|---------------------------------------|
| Total OM&A | \$ 25,812 | \$ 25,906 | \$ (94) | \$ 28,609 | \$ 2,703 |

Veridian Connections 2014 Capital Plan

November 29, 2013

Distribution System Plan (DSP)

- OEB issued Consolidated Distribution System Plan Filing Requirements (known as Chapter 5) in March 2013.
- Distributors submitting a rate application for 2014 will be the first to submit a Distribution System Plan (DSP) which is a new filing requirement for all distributors.
- The DSP is required to be completed in a prescriptive format based on the sections in Chapter 5.

Distribution System Plan (DSP)

- Good distributor planning has been identified as an essential pre-requisite to the performance-based rate setting approaches which have been established under the OEB's renewed regulatory framework (RRFE).
- Evaluation of the DSP by the Board allows it to assess how the distributor plans to deliver value to its customers and how the performance outcomes established by the Board are being met:
 - Customer Focus,
 - Operation Effectiveness,
 - Public Policy Responsiveness and,
 - Financial Performance.

Distribution System Plan (DSP)

- The DSP consolidates the documentation and details the planning for the distributor through two main components:
 - Asset Management Process
 - Asset related performance objectives and evaluation of asset performance,
 - Approach to lifecycle management of distribution assets.
 - Capital Expenditure Plan
 - Capital expenditures over the 5 year forecast period.
- The DSP forms the basis of the annual capital plan for the forecast period of 2014 to 2018.

Distribution System Plan (DSP)

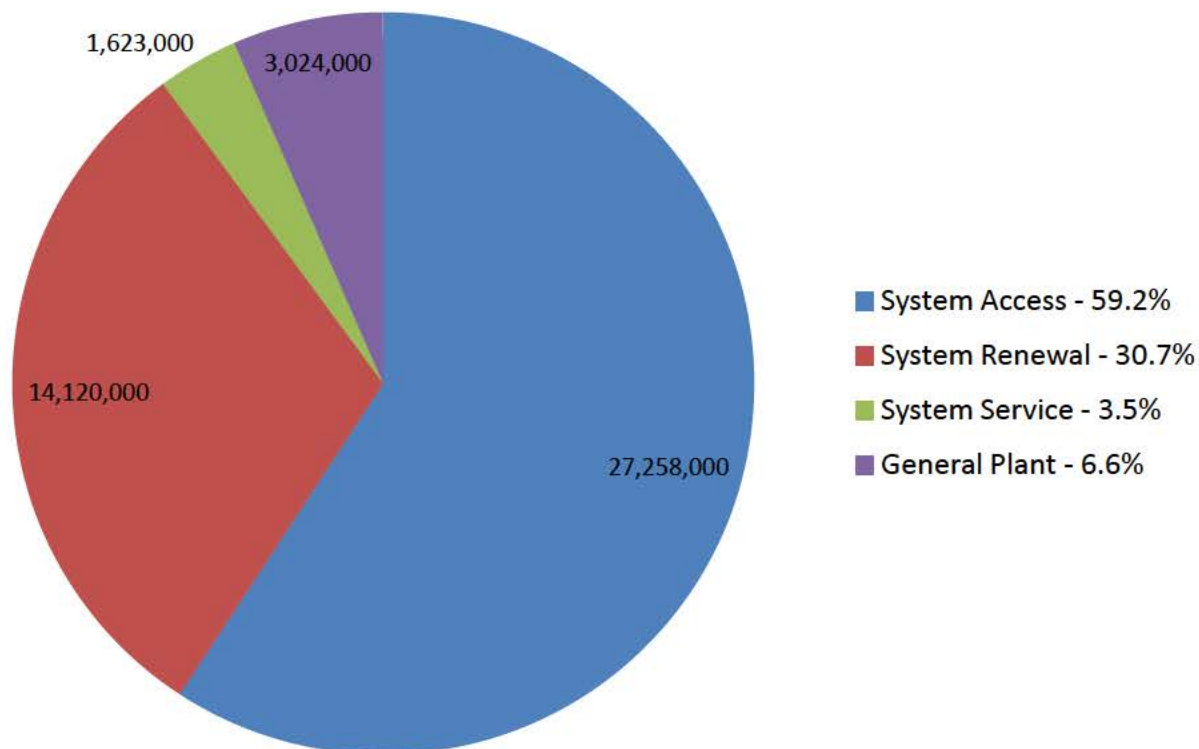
- Projects needs to be grouped into one of the following Investment Categories:
 - System Access
 - Projects driven by statutory, regulatory or other obligations.
 - Connection of new customers, road relocations are examples
 - Non-discretionary.
 - System Renewal
 - Projects involving replacing or refurbishing distribution assets.
 - Discretionary.
 - System Service
 - Projects involving investments and modifications to the distribution system to meet operational objectives and future customer requirements.
 - Discretionary and Non-discretionary.
 - General Plant
 - Projects which are not part of the distribution system- includes IT, Fleet, Facilities
 - Discretionary.

2013 Capital Plan Overview (millions)

| Category | Total (Gross) | Contributed Capital | Net Asset |
|-----------------------|---------------|---------------------|---------------|
| System Access | 27.258 | 15.334 | 12.124 |
| System Renewal | 14.120 | - | 14.120 |
| System Service | 1.623 | - | 1.623 |
| General Plant | 3.024 | - | 6.767 |
| Total | 46.025 | 15.334 | 30.691 |

Distribution System Plan (DSP)

2014 Capital Investments by Category



Capital Plan- Key Issues for 2014

- 1) Significant System Renewal spending (\$14.12M).
Combination of emergency, unplanned **reactive** work and new, planned **proactive** spending :
 - a) **Reactive System Renewal Spend- \$2.92-** primarily outage/emergency repair work – In line with prior year levels
 - b) **Proactive System Renewal Spend- \$10.8M -** planned work in response to equipment condition, as informed by our Asset Condition Assessment (ACA) and staff inspection/maintenance programs. Proactive replacement or refurbishment of poles, transformers (substation and distribution), switchgear, u/g cable, overhead line switches and substation breakers.

Capital Plan- Key Issues for 2014

1) b) continued.

| 2014 Proactive System Renewal Projects | Qty Replaced | Cost (\$M) |
|--|---------------------------------|----------------|
| Substn Transformer Replacement- Greenwood | 1 | \$0.713 |
| Substn Transformer Replacement- Fairport | 1 | \$2.434 |
| Substn Transformer Spare Replenishment | 1 | \$0.900 |
| Substn Breaker Replacement- Toronto | 3 | \$0.600 |
| Padmount Switchgear Replacement | 8 | \$0.900 |
| Wood Pole Replacement Program | 250 | \$2.040 |
| Primary Cable Replacement Program | 12km (includes rehab + replace) | \$1.000 |
| Polemount and Padmount Transformer Replacement Program | 110 pole/70 pad | \$1.536 |
| Overhead Line Switch Replacement | 7 LIS | \$0.710 |
| Total | | \$10.8M |

Capital Plan- Key Issues for 2014

1) b) continued.

Proactive, Asset Condition Assessment driven capital programs

1. **Substation Transformer Replacement-Greenwood Substation-** replacement of substation with 3-1.5MVA padmounted transformers due to condition. Project will also move load off of constrained 44kV system to 27.6kV system.
2. **Substation Transformer Replacement and Component Upgrades- Fairport SS**
– Upgrade of 1 of 2 station transformers, installation of 2 reclosers and replacement of u/g egress cable. Driven by transformer condition.
3. **Substation Transformer Spare Replenishment-** purchase of a 15MVA system spare transformer to replace a consumed (now in service) spare.

Capital Plan- Key Issues for 2014

1) b) continued.

Proactive, Asset Condition Assessment driven capital programs

4. **Substation Breaker Replacement, Toronto Substation-** replacement of poor performing and obsolete ABB/Sace breakers with padmounted reclosers. Also included feeder egress cable replacement.
5. **Padmounted Switchgear Replacement- various locations-** replacement of eight air insulated padmounted switchgear with sealed SF6 gas insulated, motorized switchgear. Sealed switchgear has lower maintenance requirements with improved reliability.
6. **Wood Pole Replacement Program- various locations-** Replacement of 250 wood poles as identified through pole testing and staff inspection. Current population of wood poles in the Veridian system is 28,000. This initiative is linked to the plan to complete the testing of all wood poles between 2014 and 2016. Testing costs are built into O&M spending plans. Test results will be used to drive either specific, individual pole replacements or grouped into feeder rebuild projects.

Capital Plan- Key Issues for 2014

1) b) continued.

Proactive, Asset Condition Assessment driven capital programs

7. **Primary Cable Rehabilitation- various locations-** a combined program of cable rehabilitation (cable injection) and cable replacement where rehabilitation is not recommended due to condition of cable neutral or too many splices already present. Similar to Wood Poles, Veridian will engage a testing contractor (potentially Powerstream) to start testing u/g cables to quantify condition and enable improved ranking of cable segments for rehab or replacement. Testing costs are built into the O&M spending plans
8. **Pole and Padmounted Transformer Replacement- various locations-** proactive replacement of pole and padmounted distribution transformers. Due to limited condition information, their replacement will be driven primarily by age.
9. **Overhead Line Switch Replacement Program- various locations-** Replacement of 7 three phase Load Interrupter Switches (LIS) with motorized replacements.

Capital Plan- Key Issues for 2014

- 2) Unprecedented level of System Access Spending - (\$27.2M gross – Offset by \$15.33M in Contributed Capital)
 - a) Hwy 407 Extension/401-401 Link Road projects - \$8.8M
 - b) Continued residential and GS growth plus feeder construction work preparing for Seaton development in North Pickering- \$7.9M combined
 - c) Build Belleville Initiatives- Front Street upgrades and Dundas Street rebuild- \$4.1M
 - d) Hwy #2 Bus Rapid Transit road widening in Ajax and Pickering- \$2.2M
 - e) Veridian portion of costs to construct a new feeder to connect the 18MW generator, Index Energy, in Ajax- \$0.7M
 - f) Completion of LTLT eliminations- \$0.6M

Capital Plan- Key Issues for 2014

3) Asset Condition Assessment (Phase 1)

- a) Veridian completed the Asset Condition Assessment in Q2 2013.
- b) Veridian staff reviewed recommendations and adjusted them based on failure experience.
- c) Findings of the Assessment were used to build capital replacement programs for 2014 and beyond. These were incorporated into the materials submitted for the rate filing.
- d) Results shared at the September Board meeting.
- e) ACA to be updated annually- 2014-2016

Capital Plan- Key Issues for 2014

4) Seaton Development

- a) Latest information still has first occupancies in 2015
- b) Developers expect 1500-1700 lots to be serviced per year for 7 years
- c) A recent load forecast is indicating the Seaton TS will be needed in service in 2018. The 5 year capital forecast has been modified to include a cost to construct the station estimated at \$21M.
- d) Veridian Board decision on whether to build and own the TS required in mid-late 2014
- e) Until the TS has been built, Seaton will be supplied by 27.6kV feeders from the Whitby TS. Feeder construction starting in 2014 to reach the intersection of Brock and Taunton Roads.

Capital Plan- Key Issues for 2014

5) Long Term Load Transfers

- a) Veridian had approximately 18 locations involving 85 customers around its service territory of Veridian customers being fed by other LDC's.
- b) Resolution of these LTLT customers has been mandated by the OEB and has a required completion date of June 30, 2014. This date has slipped numerous times in the past, but all indications at this time are that this date will hold.
- c) Resolution of these LTLT customers generally involves building out to be able to service them where it is financially prudent to do so. Where a financial business case does not support this, Veridian will consider agreements with other LDC's to formally modify its service territory and transfer service of those customers.
- d) Final projects to resolve LTLT's have been included in 2014's capital plan, at a total estimated cost to complete of \$600,000.
- e) It is anticipated that the 2014 LTLT projects will be scrutinized heavily as part of the 2014 Cost of Service application process.

2014 Capital Plan

➤ System Access Projects

▪ Projects > \$350,000

| Project Name | Project Description | Gross (millions) | Criteria |
|---|--|------------------|-----------------------|
| New Residential Dev. | Servicing of 1700 new residential lots. Net spend is \$3.370M | 5.198 | Condition of service |
| Hwy 407 @ Brock Road | New interchange at 407 & Brock Road | 3.908 | Road Authority |
| Dundas Street, Belleville | Build Belleville initiative | 2.200 | Customer Requirement |
| Front Street, Belleville | Build Belleville initiative | 1.979 | Customer Requirement |
| Hwy 407 at Westney | New interchange at 407 and Westney | 1.805 | Road Authority |
| GS Transformers | 28 New 3-ph distribution transformers | 1.400 | Customer Req'm't |
| Taunton Road Feeders (Church x Brock Road) | New feeder construction preparing for Seaton development | 1.331 | Conditions of service |
| Hwy #2 Bus Rapid Transit Widening | Liverpool Road and Fairport Road intersections | 2.251 | Road Authority |

2014 Capital Plan

➤ System Access Projects

▪ Projects > \$350,000

| Project Name | Project Description | Gross (millions) | Criteria |
|---------------------------------------|---|------------------|------------------|
| Rossland Road Relocation | Church Street to Southcott Road | 0.735 | Road Authority |
| Index Energy GEA Connection | 18MW generator connection | 0.700 | Customer Req'm't |
| Cameco- Relocation of 44kV Poles | Customer driven and fully contributed relocation of their 44kV supply | 0.625 | Customer Req'm't |
| LTLT Eliminations | Construction to clean up LTLT's | 0.600 | OEB requirement |
| Hwy 407 at 5 th Concession | Elimination of conflict poles | 0.460 | Road Authority |
| Rossland Road (Clearside x Southcott) | Underground crossing of Brock Road. Part of Brock Road widening | 0.385 | Road Authority |

2014 Capital Plan

➤ System Renewal Projects

▪ Projects > \$350,000

| Project Name | Project Description | Gross (millions) | Criteria |
|------------------------------------|-----------------------------------|------------------|----------|
| Substn Transformers | Greenwood, Fairport, System Spare | 4.047 | ACA |
| Wood Pole Replacement | 250 poles replaced | 2.041 | ACA |
| U/G Cable rehab/replacement | Injection and replacement | 1.000 | ACA |
| Padmounted Switchgear Replacement | 8 replaced | 0.900 | ACA |
| Padmounted Transformer Replacement | 70 transformers replaced | 0.800 | ACA |

2014 Capital Plan

➤ System Renewal Projects

▪ Projects > \$350,000

| Project Name | Project Description | Gross (millions) | Criteria |
|-------------------------------------|---|------------------|----------|
| Polemounted Transformer Replacement | 110 transformers replaced | 0.736 | ACA |
| Overhead Line Switch Replacement | 7 LIS's replaced | 0.706 | ACA |
| Substation Breaker Replacement | 3 Breakers replaced with reclosers and new egress cable | 0.600 | ACA |

2014 Capital Plan

➤ System Service Projects

▪ Projects >\$350,000

| Project Name | Project Description | Gross (millions) | Criteria |
|------------------------------|---|------------------|--------------------|
| Port of Newcastle- Loop Feed | Additional feed to subdivision to eliminate current radial supply to area | 0.444 | Age Reliability |

2014 Capital Plan

➤ General Plant- Fleet

▪ Projects >\$350,000

| Project Name | Project Description | Gross (millions) | Criteria |
|--------------------|-----------------------|------------------|--------------|
| Large Bucket Truck | Purchase of one truck | 0.400 | Fleet Policy |

➤ General Plant- Facilities

▪ No projects greater than \$350,000

➤ General Plant- IT

▪ No projects greater than \$350,000

2014 Capital Plan

- Fleet- Total spend of \$0.941 million in 2014

- 50' Single Bucket
- Refurbishment of two large vehicles
- Replacement of 5 small vehicles
- Installation of a dynamometer
- Ajax forklift replacement
- Purchase of 2 small trailers
- Purchase of a dump truck with snow attachment

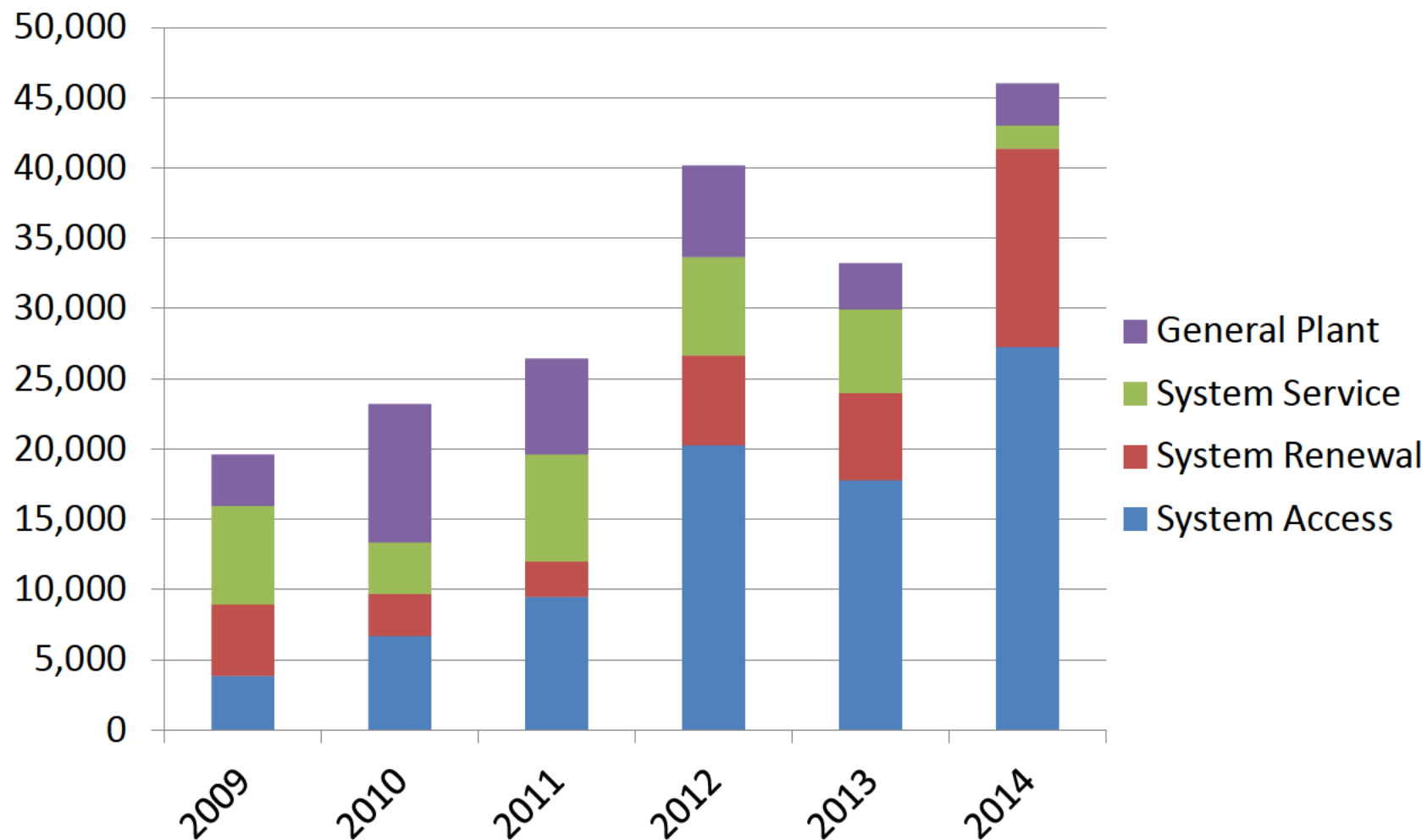
- Facilities- Total spend of \$0.350 million in 2014

- Assorted minor spending in Ajax, Brock, Clarington and Gravenhurst facilities
- Energy conservation projects at Ajax, Clarington and Gravenhurst sites
- Miscellaneous furniture

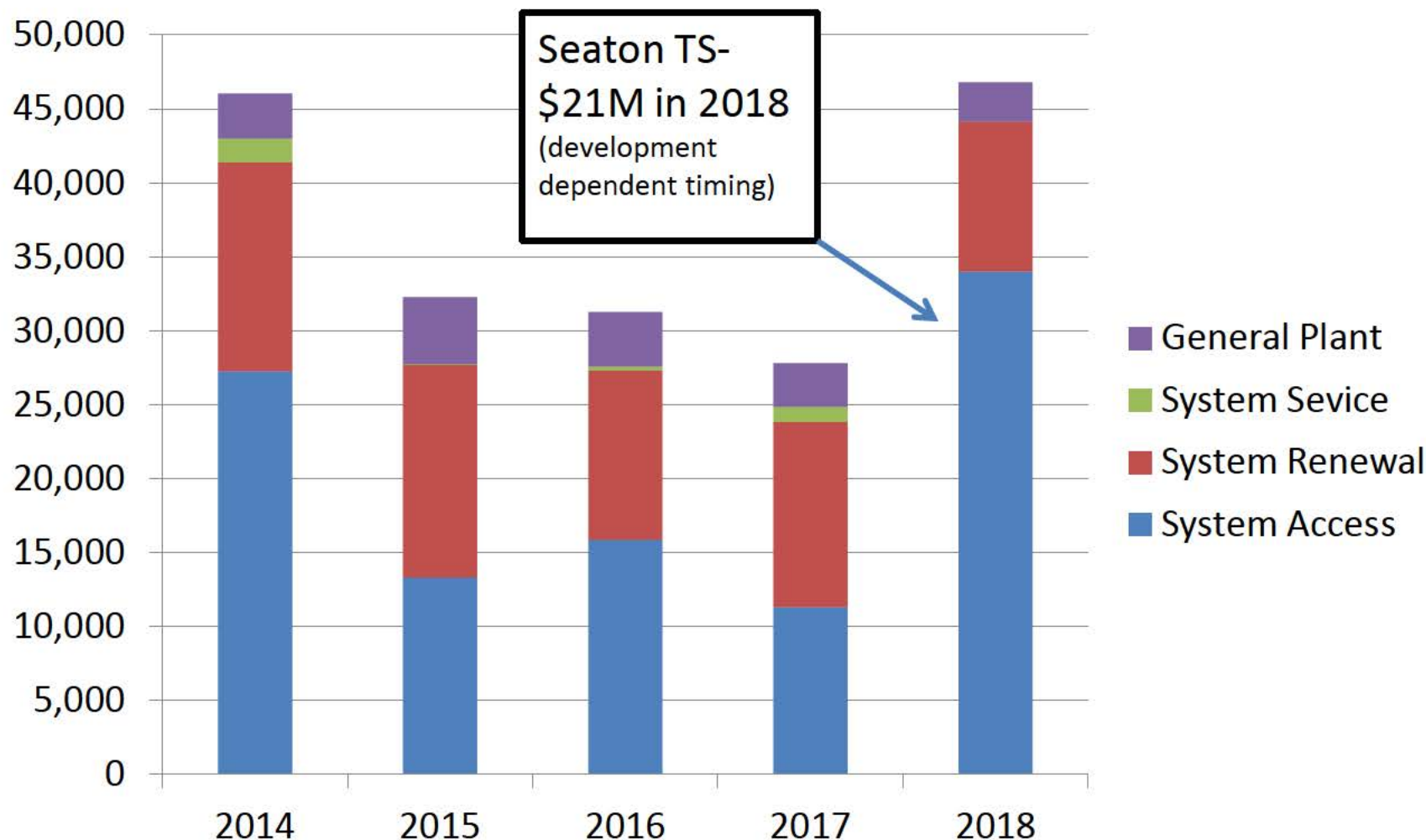
2014 Capital Plan

- IT- Total spend of \$ 1.618M in 2014
 - Mobile Computing- Metering and SCC Integration
 - Business Continuity Backup Site- Clarington
 - Autocad/GIS Integration with Mobile Computing
 - GIS Enhancement
 - Distribution Automation Enhancements
 - Various small hardware and software purchases
 - Completion of VoIP phone roll out

Historical Capex- gross (\$1,000's)



Capex Outlook to 2018- gross (\$1,000's)



1.1-Staff-1

Ref: (i) E2-T3-S8 p. 8 lines 10-18
(ii) E2-T3-S6 Attachment 1 (Asset Condition Assessment)

At reference (i) the evidence states that:

In the years where the amount of non-discretionary investment exceeded the normal capital spending level, the non-discretionary projects would be approved out of necessity and all of the discretionary projects would be deferred. It became quite evident that the repeated deferral of discretionary projects led, and would continue to lead, to a backlog which was neither sustainable nor desirable. To address this problem, starting in 2012 Veridian increased its capital spending envelope to allow its investment in resources and capital each year to be at a higher level to allow broader planning flexibility. Veridian plans to maintain this steady state investment in non-discretionary and discretionary assets through and past the bridge and test years.

At reference (ii) section II, pages 3 -12, it is indicated that many of the capital investments under the Renewal Category include Asset Categories with limited asset condition information (age only appears to be available, but not other key parameters).

Request

- (a) Please explain to what extent a forecast can be reliable if it is solely based on the age of an existing asset.
- (b) It is unclear how Veridian assesses the urgency of a capital project where “age” is the only assessment criterion.
 - i. Does Veridian view all non-discretionary projects as having the same level of urgency? If so, please elaborate.
 - ii. If the response to i) is no, please comment on the applicability and inclusion of an urgency scale in the assessment criteria.
 - iii. Does Veridian accept the circumstance that there may be “discretionary” capital projects that would rank ahead of low urgency non-discretionary ones?
 - iv. In a capital rationing environment what weight or ranking would “urgency” have?
- (c) Please prepare a table showing: (I) Number of Failures; and (II) Total cost of Repair or Replacements, for each of the five Asset Categories (Pole Mounted Transformers; Overhead Line Switches; Pad Mounted Transformers; Pad Mounted Switchgear; Underground Cables), for each of the five years 2008 to 2012.
- (d) Please provide the same, forecasted information for the bridge year, and test year.

Response:

- (a) The reliability of the forecast is considered reasonable at this time. Even though the reliability of the forecast and the asset replacement rates are not at its optimum state at this early stage, the ongoing and the proposed testing and inspection programs will fill in the identified data gaps and continue to improve the quality and hence the reliability of the forecast.

The substation transformers, substation breakers and pad mounted transformers asset categories found at reference (ii) page ix of the Asset Condition Assessment (ACA), do not rely on age only and do have sufficient data and information to yield more reliable ACA results.

Veridian's design of its proactive sustainment programs, even those with minimal information available at this time, was completed with the logic that assets will continue to age and degrade over time. The condition of the asset will continue to be affected by faults and other events around them leading to their eventual failure when stress on a component exceeds its ability to resist that stress. The logic continued in that the assets most likely to fail while in service are those that have reached or have surpassed their typical useful life. The ACA failure rate and probability of failure function results support this logic for the asset categories. The proactive program not only allows Veridian to better plan for future replacements, it avoids a future bow wave of replacements, thereby smoothing financial impacts year over year as well as mitigating reliability problems by eliminating the assets most likely to fail sooner rather than when they actually fail.

- (b) i) Please refer to Exhibit 2, Schedule 3, Tab 7, Page 7 of 20, Lines 4 – 13.

Veridian deems project and activity investments that are driven by statutory, regulatory or other obligations on the part of Veridian to provide customers with access to its distribution system as non-discretionary projects. The scheduling of the project in terms of when the project is planned to start as well as when it is expected to be completed is usually controlled by the third party. Veridian makes best efforts to accommodate the third party in meeting its timelines.

The urgency of non-discretionary projects is based upon the third party's timeline and is the driver which determines when Veridian is required to complete its work.

ii) Veridian's Capital Investment Process (CIP) as described in Exhibit 2, Tab 3, Schedule 4, is not used to rank, score and prioritize non-discretionary projects.

iii) Even though conceptually, there may be discretionary projects which would rank ahead of low urgency non-discretionary ones, the obligation and the requirement to complete third party driven non-discretionary projects takes precedence based on the third party's timeline.

iv) As stated above, the urgency of non-discretionary projects is based upon the third party's timeline and is the driver which determines when Veridian is required to complete its work. Veridian's assessment criteria is not used to score or rank non-discretionary projects.

c) and d)

| | COST(\$) | | | | | | |
|--|-----------|-----------|-------------|-----------|-------------|-----------|-----------|
| Equipment Type | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Overhead Switches(Reactive) | \$89,681 | \$299,402 | \$203,544 | \$154,928 | \$134,296 | \$151,431 | \$150,000 |
| Pole Mount Transformers(Reactive) | \$250,250 | \$210,500 | \$465,557 | \$174,510 | \$282,647 | \$244,578 | \$248,276 |
| Padmounted Transformers(Reactive) | \$325,994 | \$416,804 | \$868,443 | \$494,445 | \$1,048,526 | \$365,073 | \$651,724 |
| Pole & Padmounted Transformers(Reactive) | \$576,244 | \$627,304 | \$1,334,000 | \$668,955 | \$1,331,172 | \$609,651 | \$900,000 |
| Padmounted Switchgear(Reactive) | \$124,849 | \$165,269 | \$118,680 | \$284,790 | \$114,428 | \$30,793 | \$30,000 |
| Underground Cables Faults(Reactive) | \$173,453 | \$175,086 | \$164,894 | \$61,745 | \$267,186 | \$146,168 | \$150,000 |

Note: Combined Pole and Padmounted Transformer replacement spending shown as reduced by approximately \$68,000 to previously filed evidence due to a mistake in allocation of spending not found previously.

| | # units | | | | | | |
|--|---------|------|------|------|------|------|------|
| Equipment Type | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Overhead Switches(Reactive) | 52 | 162 | 109 | 109 | 45 | 50 | 50 |
| Pole Mount Transformers(Reactive) | 39 | 48 | 58 | 44 | 46 | 63 | 60 |
| Padmounted Transformers(Reactive) | 47 | 109 | 146 | 101 | 147 | 53 | 100 |
| Pole & Padmounted Transformers(Reactive) | 86 | 157 | 204 | 145 | 193 | 116 | 160 |
| Padmounted Switchgear(Reactive) | 3 | 6 | 5 | 8 | 4 | 2 | 2 |
| Underground Cables Faults(Reactive) | 20 | 28 | 25 | 37 | 33 | 34 | 30 |

1.1-Staff-2

Ref: (i) E2-T3-S7 p. 17
(ii) Report of the Board, Supplementary Report on Smart Grid, February 11, 2013
(EB-2011-0004)

Veridian in reference (i) indicates that over the next 5 years, it will continue to expand the automation capabilities of its distribution system and that it is augmenting resources for this emerging area of development that will be responsible for, among other items, the identification and pilot phase testing of smart grid devices and components.

At page 14 of the reference (ii) the Board notes that some distributors have already undertaken, with Board approval, pilot and demonstration projects related to power system flexibility, including systems that facilitate real time communications with distributed generators and software solutions that enhance network intelligence (e.g., outage responsiveness). The Board indicated that as distributors plan for the modernization of their systems they must consider cost and the expectations for service from their customers and invest accordingly and that the Board does not intend to prescribe specific investments and technological choices to be implemented.

Request

- (a) Did Veridian communicate with other distributors in Ontario regarding any Pilot projects in progress that may be similar to what it plans to launch, so duplications can be averted? If so, please provide description of such projects.
- (b) If Veridian did not communicate with other distributors in Ontario as outlined in a) above, please indicate what steps would Veridian take to address potential duplication of Pilot projects.

Response:

(a)
Yes, Veridian did communicate with other distributors in Ontario regarding smart grid pilot projects in progress. Veridian, along with eight other LDCs (Hydro One Brampton, Enersource, Horizon, London, Ottawa, PowerStream, Toronto Hydro and Hydro One), has participated in a forum since June, 2011 for the purpose of exchanging information and ideas on smart grid and grid modernization activities. The forum meets once every quarter and discusses ongoing projects, lessons learned, and establishes a shared record of all smart grid initiatives. One of the objectives of the forum is to share knowledge and experience with regards to smart grid amongst the group members and other LDCs in the province.

(b)
N/A

Veridian Connections Inc.
EB-2013-0174
Response to Interrogatories
February 18, 2014

1.1-VECC-1

Ref: E2/T3/S1/pg.7

Request

- (a) Please explain the difference between the Distribution System Plan filed in this application and the Asset Management Plan to be developed in 2014.

Response:

- (a) Please refer to Exhibit 2 Schedule 3 Tab 1, Page 1, from Line 3 through to Page 2 Line 2.

The Asset Management Process is a component of the Distribution System Plan (DSP). Veridian's DSP adheres to the Ontario Energy Board's Filing Requirements for Electricity Transmission and Distribution Applications Chapter 5, entitled Consolidated Distribution System Plan Filing Requirements ("Chapter 5") dated March 28 2013.

Please refer to Exhibit 2 Schedule 3 Tab 4, Pages 5 - 8.

The Asset Management Plan (AMP) is part of the Asset Management Process and will outline the asset management practices which are part of an optimized lifecycle strategy for Veridian's distribution system assets. Included will be the programs and major projects required to sustain Veridian's electrical distribution system. Further embedded will be the tasks that need to be completed to meet the asset management objectives. The plan will include the documented planning methodology used and key assumptions made, the different interventions available and the options considered, the specific tasks and activities (actions) required to optimize costs, risk, and performance of the assets, and the means and timelines by which the actions are to be achieved.

Foundation

Issue 1.2

Are the customer engagement activities undertaken by the applicant commensurate with the approvals requested in the application?

1.2-CCC-2

Ref: E1/T2/S1

Request

For the period 2010-2013 please provide the actual costs incurred related to all of Veridian's "customer engagement" activities. Please provide the amount proposed for 2014. Please include a detailed budget for 2014. Does Veridan plan to change the way it undertakes customer engagement in light of the new RRFE? If not, why not? If so, in what way will customer engagement change?

Response:

Veridian's pre-filed evidence outlines six communications channels that are used to engage customers. Specific budget provisions are made for two of these communications channels, as detailed in the following table:

| Customer Engagement Channel | Annual Costs | | | | |
|------------------------------------|---------------------|--------------------|--------------------|--------------------|-----------------------|
| | 2010 Actual | 2011 Actual | 2012 Actual | 2013 Actual | 2014 Projected |
| Annual Customer Opinion Survey | 18,150 | 19,065 | 19,792 | 20,600 | 20,000 |
| Gravenhurst Advisory Committee | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |

A third communications channel that is cited in evidence is direct large customer contact through Veridian's two Key Account Representatives. There is no budget provision for these two positions in Veridian's 2014 revenue requirement as the Key Account Representatives are currently committed to delivery of OPA CDM programs. However, in performing this role, they provide customers with opportunities to give feedback on other aspects of Veridian's performance.

The remaining three communications channels are Municipal Utility Coordinating Committees, Special Purpose Community Meetings and Business Associations / Community Events. Almost all costs related to these channels consist of staff time, which is not separately budgeted and tracked.

Veridian expects that its methods of customer engagement will evolve in light of the Board's RRFE. However, specific changes or new initiatives have not yet been established for the upcoming 2015 business planning process.

1.2-CCC-3

Ref: E1/T2/S1/pg.2

Request

Please provide copies of the annual customer opinion survey results for the years 2010-2013.

Response:

Customer opinion survey reports for the years 2010 to 2013 are appended as Attachments 1 through 4.



12th Annual Electric Utility Customer Satisfaction Survey

June 2010

Veridian Connections



The primary objective of the Electric Utility Customer Satisfaction Survey is to provide information that will support discussions about improving customer care at every level in your utility.

The UtilityPULSE Report Card® and survey analysis contained in this report do not merely capture state of mind or perceptions about your customers' needs and wants - the information contained in this survey provides actionable and measurable feedback from your customers.

This is privileged and confidential material and no part may be used outside of Veridian Connections without written permission from UtilityPULSE, the electric utility survey division of Simul Corporation.

All comments and questions should be addressed to:

Sid Ridgley, Simul Corporation

Toll free: 1-888-291-7892 or Local: 905-895-7900

Email: sridgley@simulcorp.com



Executive summary

Customers remain consistently clear about what is foundationally important to them, namely: provide consistent reliable energy, quickly and professionally handle outages, accurately bill, and deliver on promises made to customers. Straight forward and certainly what everyone in the industry would expect the LDC to focus on. After all, it is the core business of the electric utility. The 2010 survey respondents in our benchmark survey have placed the attributes of being respected as a company and being trusted/trustworthy as number 5 and 6 in importance. The data for the 2010 survey for Veridian Connections is consistent with the customer trend of placing more importance on respect and trust. Your customers, give Veridian Connections solid marks for delivering on the tangibles of providing safe reliable energy to their homes or small businesses. For 2010, respondents Agree strongly that Veridian Connections is an organization that can be trusted and is worthy of respect. In addition, they also Agree strongly that the utility is actively involved in the industry, in the community and in things that affect the customer.

One of the keys to maintaining a strong connection with your customers is to deliver safe reliable energy **AND** be a company that is respected and trusted.



❑ **Customer Care Expectations**

| Customer Care Expectations | VERIDIAN | National | Ontario |
|---|----------|----------|---------|
| The time it took someone to answer the phone | 65% | 73% | 67% |
| The time it took someone to deal with your problem | 69% | 73% | 69% |
| The helpfulness of the staff who dealt with you | 76% | 79% | 72% |
| The knowledge of the staff who dealt with you | 77% | 77% | 71% |
| The level of courtesy of the staff who dealt with you | 83% | 84% | 79% |
| The quality of information provided by the staff who dealt with you | 80% | 79% | 70% |

Top 2 Boxes: 'very + fairly satisfied'

| Customer Care Expectations | Ajax/Pickering | Belleville | Clarington |
|---|----------------|------------|------------|
| The time it took someone to answer the phone | 60% | 71% | 75% |
| The time it took someone to deal with your problem | 63% | 81% | 75% |
| The helpfulness of the staff who dealt with you | 71% | 82% | 86% |
| The knowledge of the staff who dealt with you | 74% | 81% | 81% |
| The level of courtesy of the staff who dealt with you | 80% | 84% | 89% |
| The quality of information provided by the staff who dealt with you | 80% | 85% | 86% |

Top 2 Boxes: 'very + fairly satisfied'

Every interaction with a customer is an opportunity to generate higher levels of affinity. It is foolhardy to view the ratings shown above as ratings for the “call-centre” because every person in Veridian Connections interacts with a customer or supports those who do have person-to-person contact with a customer. Most of the items listed are intangible which means it is the customer who

determines the measurement to be used. What might be a high level of courtesy to one customer is not necessarily a high level of courtesy from another. The inability to put hard measures on an important customer expectation frustrates many in the electric utility business – a business very used to hard measures of performance. Everyone in the organization has to learn it is the intangibles not the tangibles which create satisfied customers.

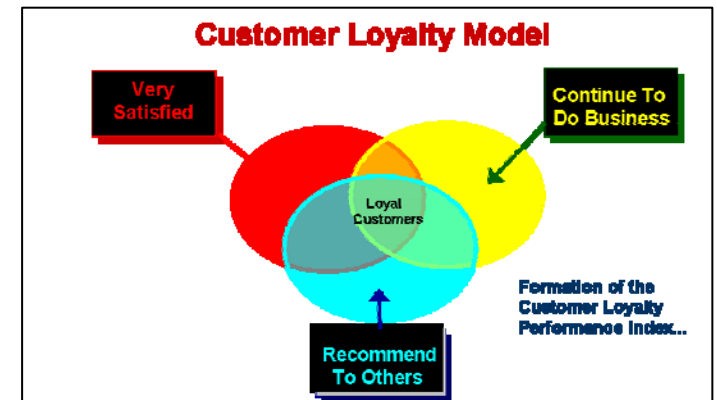
When time-pressed customers get their questions and issues dealt with professionally **AND** they are treated as important people the reward is inevitably higher levels of satisfied customers.

❑ **Customer Loyalty and Satisfaction with Veridian Connections**

Simul uses three factors to compute a loyalty score: satisfaction with bill payers' "local electricity utility," how likely they are to continue with the utility, and how likely they are to recommend it. Based on their opinions, Simul sorts the bill payers into four loyalty groups: the Secure group (the most loyal), Still Favorable, Indifferent, and At Risk.

Why measure loyalty when customers can't defect to competitors?

It is about emotional connection. Engaged customers will speak positively about you, disengaged customers will spread their unhappiness. While electricity is considered a commodity the reality is the customer is expecting more from their utility. Every year respondents are asked for suggestions that their hydro could use to improve service. Data from our



earlier surveys shows 40% of the comments received were directed towards lowering prices, now we are getting a broader range of comments or suggestions. 'Be more environmentally friendly' comments were barely seen – if at all – 8 to 10 years ago, about 9% of the comments received have something to do with the environment.

The customer expects a diligent focus on delivering the core product **AND** they expect a personal focus as well.

| Simul/UtilityPULSE Loyalty Performance Score Factors | VERIDIAN | National | Ontario |
|--|----------|----------|---------|
| 'Very + somewhat satisfied' with 'the local electricity utility that supplies the electricity you use' | 88% | 86% | 80% |
| 'Definitely + probably ' would continue to do business with it | 85% | 64% | 84% |
| 'Definitely + probably' would recommend it | 68% | 63% | 65% |

| Simul/UtilityPULSE Loyalty Performance Score Factors | Ajax/Pickering | Belleville | Clarington |
|--|----------------|------------|------------|
| 'Very + somewhat satisfied' with 'the local electricity utility that supplies the electricity you use' | 87% | 91% | 85% |
| 'Definitely + probably ' would continue to do business with it | 84% | 87% | 84% |
| 'Definitely + probably' would recommend it | 66% | 76% | 69% |





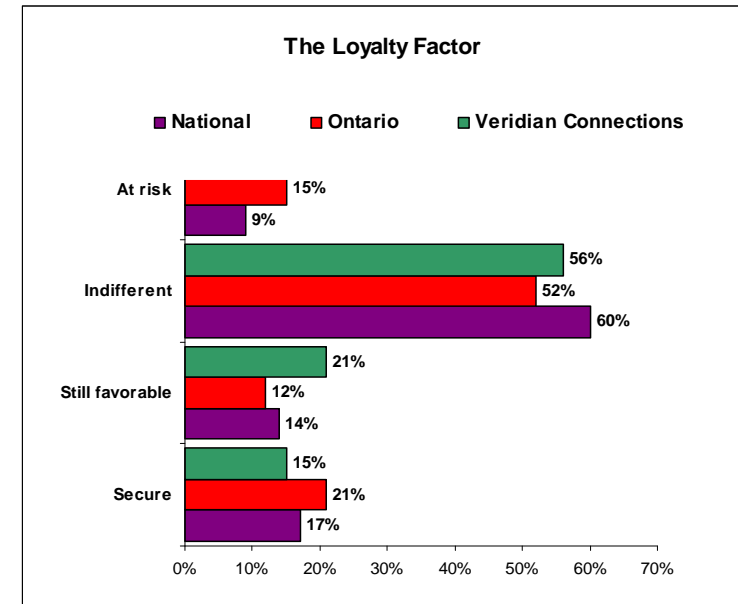
| Simul/UtilityPULSE Loyalty Performance Score Factors | VERIDIAN | Buy Direct from utility | Purchase from retailer |
|--|----------|-------------------------|------------------------|
| 'Very + somewhat satisfied' with 'the local electricity utility that supplies the electricity you use' | 88% | 88% | 80% |
| 'Definitely + probably ' would continue to do business with it | 85% | 90% | 27% |
| 'Definitely + probably' would recommend it | 68% | 72% | 19% |

| Simul/UtilityPULSE Customer Loyalty Score Segments | VERIDIAN | National | Ontario |
|--|----------|----------|---------|
| Secure | 15% | 17% | 21% |
| Still Favorable | 21% | 14% | 12% |
| Indifferent | 56% | 60% | 52% |
| At Risk | 8% | 9% | 15% |

A review of our total survey data clearly shows that At Risk customers have a different view than Secure customers. Data from the 2010 survey shows that there are substantially less customers buying their hydro from an independent retailer than just a scant 3 years ago. Could it possibly be a tie-in to the deteriorating loyal levels that the UtilityPULSE survey has tracked? We absolutely believe there is a relationship between the numbers for retailers and customer behaviour. The "independent retailer" customer is returning to their LDC.

It appears then that the customer will take action – even in the electric utility industry - when they get dissatisfied. The good news is, the customer can not leave the electric utility [unless they choose to move their home or business to another geographic area]; the bad news is the utility can not “fire” a customer. So beyond the data saying so, it is important for Veridian Connections to continue to enhance its customer care practices. Customers with higher affinity levels complain less about having outages and billing problems than others.

The utility has to be operationally effective **AND** know what it takes to generate higher levels of affinity/loyalty



☐ **Customer Satisfaction Pre and Post**

| Top 2 Boxes | VERIDIAN | National | Ontario |
|------------------|----------|----------|---------|
| Initially | 88% | 86% | 80% |
| End of Interview | 94% | 92% | 89% |

Top 2 Boxes: 'very + fairly satisfied'



At the end of the survey we ask respondents how they would rate customer satisfaction “now that we’ve been talking about Veridian Connections for awhile”. The data has been consistently clear over the years: the more a customer learns about their utility the higher the satisfaction level.

| Top 2 Boxes | Ajax/Pickering | Belleville | Clarington |
|------------------|----------------|------------|------------|
| Initially | 87% | 91% | 85% |
| End of Interview | 95% | 95% | 91% |

Top 2 Boxes: ‘very + fairly satisfied’

❑ **Bills and Blackouts**

Every interaction with a customer is an opportunity to create and demonstrate the professionalism of the people who work in Veridian Connections. Recognizing that Bills and Blackouts – we call them the killer B’s – are the biggest issues. Ensuring that the utility is seen as being proactive to reduce these is good use of customer marketing and communications.

Percentage of respondents indicating that they had a Blackout or Outage in the last 12 months:

| | VERIDIAN | National | Ontario |
|------|----------|----------|---------|
| 2010 | 36% | 45% | 41% |
| 2009 | 43% | 51% | 46% |
| 2008 | 39% | 49% | 41% |
| 2007 | 42% | 47% | 49% |

Base: total respondents



Percentage of respondents indicating that they had a billing problem in the last 12 months:

| | VERIDIAN | National | Ontario |
|-------------|----------|----------|---------|
| 2010 | 10% | 10% | 12% |
| 2009 | 7% | 9% | 10% |
| 2008 | 4% | 8% | 8% |
| 2007 | 9% | 9% | 11% |

Base: total respondents

Percentage of respondents indicating that they had the following in the last 12 months:

| | Ajax/Pickering | Belleville | Clarington |
|---------------------------|----------------|------------|------------|
| Blackout or outage | 38% | 26% | 39% |
| Billing problems | 12% | 8% | 8% |

Base: total respondents

Other reasons for contacting the utility include: moving/setting up a new account or requesting a maintenance or repair.

Whether it is an outage, or a billing issue or another issue, when a customer contacts the utility it is a moment of truth. After all, customers are not having outage problems every day, nor are they moving from one location to another every month. The reality is, for most customers the frequency of contacting their utility is low, hence the heightened need to ensure that everyone handles the



transaction professionally and in a timely way. A poor experience will be remembered for a very long time. Customers expect effectiveness **AND** efficiency when dealing with their issues.

❑ **Corporate image**

Corporate image is comprised of a number of interrelated variables: corporate identity, corporate communication, corporate image, and corporate reputation. Eleven attributes measured in the annual UtilityPULSE survey are strongly linked to corporate image. Customers expect that your utility will conduct its business professionally **AND** be a proactive enterprise.

| Attributes strongly linked to a hydro utility's image | | |
|---|----------|---------|
| | VERIDIAN | Ontario |
| Company Leadership | | |
| Is a respected company in the community | 87% | 84% |
| Can be counted on to keep its promises to customers and the community | 83% | 79% |
| Influential in the electric utility industry | 82% | 82% |
| Influential in local business community | 82% | 78% |
| A leader in promoting energy conservation | 81% | 78% |
| Corporate Stewardship | | |
| Maintains high standards of business ethics | 86% | 80% |
| Can be counted on to tell the truth | 83% | 74% |
| Takes steps to reduce the impact of its operations on the environment | 81% | 76% |
| Beyond providing jobs and paying taxes, is socially responsible | 83% | 77% |
| Considered a fair and equitable employer | 83% | 82% |
| Is trusted and trustworthy | 86% | 80% |

Base: total respondents with an opinion



❑ **UtilityPULSE Report Card®: Simul examines six drivers of customer perception as it relates to utility performance.**

Customer care begins with the reliable delivery of electricity to customers. Utilities are expected to maintain high levels of operational service. Nine in 10 bill payers surveyed for the Veridian Connections Simul/UtilityPULSE survey agree (strongly or somewhat) that Veridian Connections provides “consistent, reliable energy.”

It might seem obvious to say that the simplest route to customer satisfaction is to maintain high levels of operational service and avoid outages. In truth, people often judge organizations more by how they behave when things go wrong than when they go right. Communications with customers during crisis events, power outages and billing issues play a crucial role in satisfaction.

The **UtilityPULSE Report Card®** provides feedback in two ways. The **first** helps you understand the importance or weighting that Customers put on each of the drivers when forming their perception about your utility. The **second** represents your customers’ views about how your utility performs when compared to the Ontario benchmarks.





Veridian Connections' UtilityPULSE Report Card®

Part 1: Importance to Customers

| | CATEGORY | VERIDIAN | National | Ontario |
|--------------|-------------------------------|-------------|-------------|-------------|
| 1 | Customer Care | 25% | 25% | 25% |
| | Price and Value | 4% | 5% | 5% |
| | Customer Service | 21% | 20% | 20% |
| 2 | Company Image | 38% | 34% | 35% |
| | Company Leadership | 16% | 18% | 16% |
| | Corporate Stewardship | 21% | 16% | 19% |
| 3 | Management Operations | 38% | 41% | 40% |
| | Operational Effectiveness | 17% | 19% | 19% |
| | Power Quality and Reliability | 20% | 22% | 22% |
| Total | | 100% | 100% | 100% |

Shares may not add exactly to 100% due to rounding.

Veridian Connections' UtilityPULSE Report Card®

Part 2: Performance

| | CATEGORY | VERIDIAN | ONTARIO |
|----------------|-------------------------------|----------|-----------|
| 1 | Customer Care | A | B+ |
| | Price and Value | B | C+ |
| | Customer Service | A | B+ |
| 2 | Company Image | A | A |
| | Company Leadership | A | A |
| | Corporate Stewardship | A | B+ |
| 3 | Management Operations | A | A |
| | Operational Effectiveness | A | A |
| | Power Quality and Reliability | A+ | A |
| OVERALL | | A | A |

*A+ Exceptional
A Excellent
B+ Very Good
B Quite Good*

*Anything less
than a B
requires
immediate
attention.*

* Weightings are based on pulse figures shown in Part 1 of the UtilityPULSE Report Card®



❑ **Credibility and Trust**

Based on economic and other societal impacts many Canadians have been using words such as credibility and trust to describe their place of work or the place(s) where they do business. Yet if you ask 5 people for a definition of credibility and trust chances are you'll get 5 definitions. Our research shows that the under-pinning components that lead a person to believe that an organization has credibility and can be trusted are: Knowledge, Integrity, Involvement and Trust. Using the scale of agree strongly, agree somewhat, disagree somewhat, disagree strongly, and based on our formulas, here is how your customers would respond:

| <i>Demonstrating Credibility and Trust</i> | VERIDIAN |
|--|-----------------------|
| Knowledge The utility is seen as being knowledgeable about the services it provides, about what is happening in the industry, and how customers can reduce costs or create more value. | Agree strongly |
| Integrity The utility is seen as an organization that will act in the best interests of its customers and can be counted on to provide services and resolve problems in a professional manner. | Agree strongly |
| Involvement The utility is actively involved in the industry, in the community and in things that affect the customer. | Agree strongly |
| Trust The utility is an organization that can be trusted and is worthy of respect. | Agree strongly |
| Overall* | Agree strongly |

* Weightings are not equal for each area of measurement



❑ **Smart Meters and Time of Use (TOU) Billing**

For 2010 the annual survey for electric utilities polled a little deeper into the subject areas of Smart



Meters and TOU. Based on all of the surveys completed we believe that many customers really do not know if they have a smart meter or not --- and, whether they are on TOU or not. In fact, based on the thousands of interviews done for this year we suspect that many people already think they are on TOU when in fact, they are not.

Every utility in the province of Ontario is at a different stage in installing Smart Meters and moving to TOU billing. What follows is data from your survey that should be shared with those in your organization with marketing communications responsibilities.

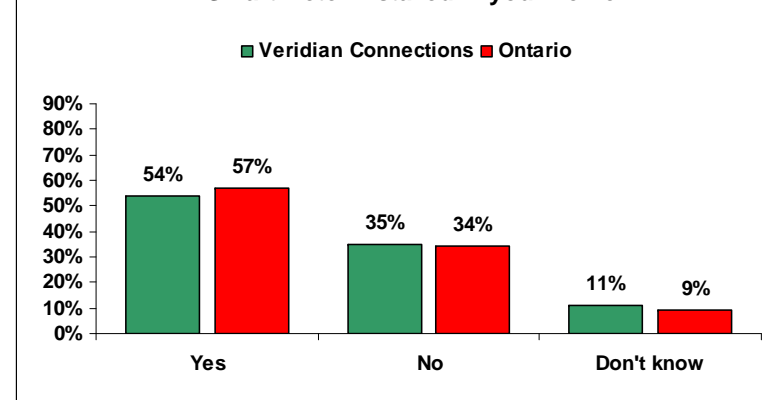


Do you have a Smart Meter installed?

| | VERIDIAN | Ontario |
|------------|----------|---------|
| Yes | 54% | 57% |
| No | 35% | 34% |
| Don't know | 11% | 9% |

Base: total respondents

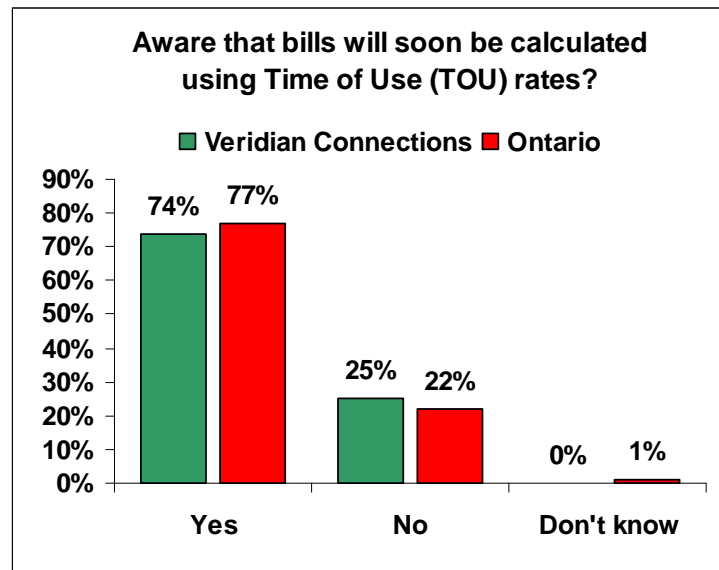
Smart Meter installed in your home?



Aware that Time of Use (TOU) rates are coming?

| | VERIDIAN | Ontario |
|------------|----------|---------|
| Yes | 74% | 77% |
| No | 25% | 22% |
| Don't know | - | 1% |

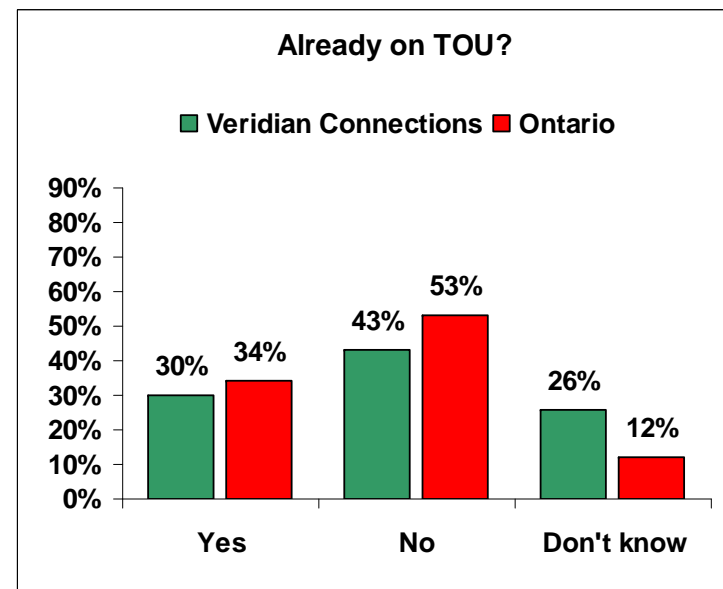
Base: total respondents



Already on TOU rates?

| | VERIDIAN | Ontario |
|------------|----------|---------|
| Yes | 30% | 34% |
| No | 43% | 53% |
| Don't know | 26% | 12% |

Base: total respondents with Smart Meters



How many Time of Use pricing levels are there?

| | VERIDIAN | Ontario |
|------------|----------|---------|
| 2 | 19% | 17% |
| 3 | 47% | 46% |
| 4 | 14% | 16% |
| Don't know | 21% | 21% |

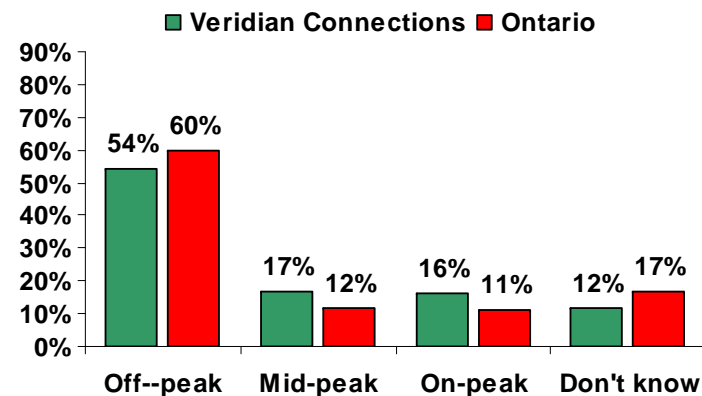
Base: total respondents aware of TOU

For those that are on TOU what is the affect on the bill?

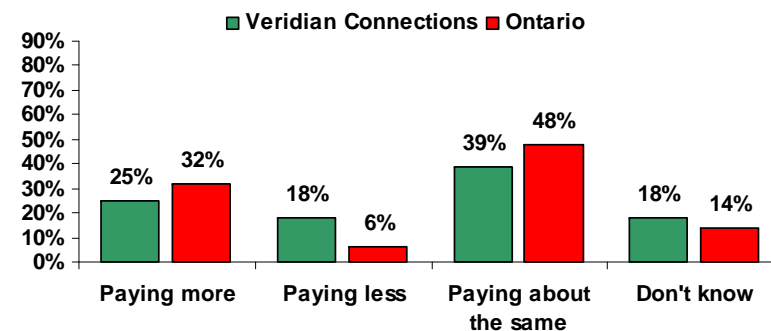
| | VERIDIAN | Ontario |
|-----------------------|----------|---------|
| Paying more | 25% | 32% |
| Paying less | 18% | 6% |
| Paying about the same | 39% | 48% |
| Don't know | 18% | 14% |

Base: total respondents on TOU

Weekends are considered Off-peak, Mid-peak, or On-peak?



For those on TOU what have you noticed about the affect on the bill?



The data is clear, there is a need for more education and communication with customers.

| Do you have a Smart Meter installed? | | | |
|--------------------------------------|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Yes | 51% | 67% | 51% |
| No | 37% | 23% | 41% |
| Don't know | 12% | 10% | 8% |

Base: total respondents

| Aware that Time of Use (TOU) rates are coming? | | | |
|--|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Yes | 72% | 76% | 79% |
| No | 28% | 24% | 20% |
| Don't know | 0% | 1% | 1% |

Base: total respondents

| Already on TOU rates? | | | |
|-----------------------|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Yes | 36% | 25% | 23% |
| No | 43% | 48% | 38% |
| Don't know | 21% | 27% | 39% |

Base: total respondents

For those that are on TOU what is the affect on the bill?

| Ajax/Pickering | |
|------------------------------|-----|
| Paying more | 29% |
| Paying less | 18% |
| Paying about the same | 39% |
| Don't know | 14% |

| Belleville | |
|------------------------------|-----|
| Paying more | 19% |
| Paying less | 19% |
| Paying about the same | 42% |
| Don't know | 20% |

| Clarington | |
|------------------------------|-----|
| Paying more | 17% |
| Paying less | 17% |
| Paying about the same | 33% |
| Don't know | 32% |



❑ Familiarity with FIT or MicroFIT programs

Respondents participating in the Ontario Benchmark survey were asked to respond to the following questions regarding FIT or MicroFIT programs. *“Prior to this interview how familiar are you with the FIT or MicroFit Program which encourages the development of renewable energy such as wind or solar? Would you say you are very familiar, somewhat familiar, not too familiar, or not at all familiar with it?”*

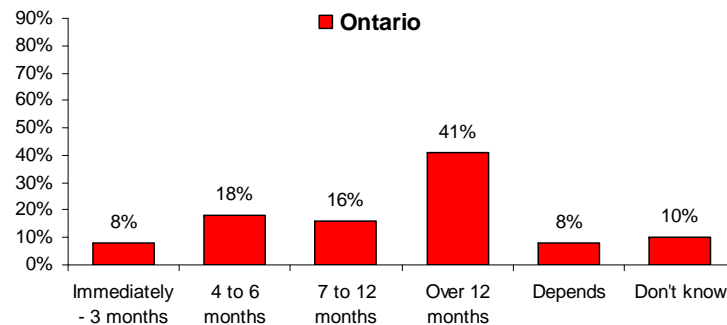
Familiarity with the FIT or MicroFIT program?

| | Ontario |
|-------------------------------|---------|
| Very + Somewhat familiar | 44% |
| Not too + Not at all familiar | 56% |
| Don't know | 0% |

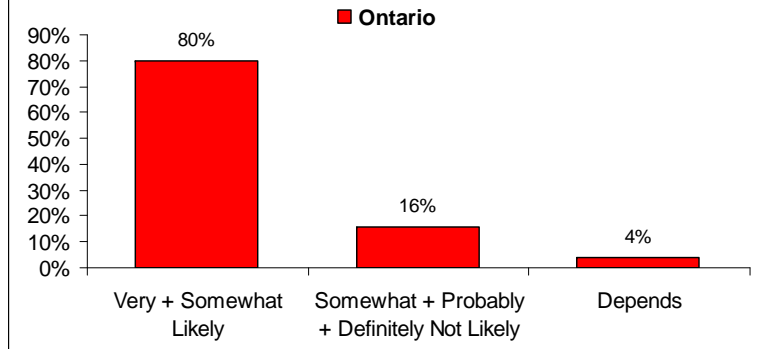
Considering the installation of a wind or solar project?

| | Ontario |
|------------|---------|
| Yes | 24% |
| No | 73% |
| Don't know | 3% |

How much time before you move forward with your FIT or MicroFit project?



Will you be requesting information from your utility about the FIT or MicroFit program?



❑ **How to improve service**

Over the 12 years that we have been conducting this survey for our electric utility customers we have seen a dramatic shift in suggestions for improving service. It is true that “better prices” is still the dominant suggestion received; a signal for LDC’s to be always cognizant that the customer has price sensitivity. In addition the scope or breadth of suggestions has widened – further signaling the requirement for strong customer communications because all customer are not alike. Just as in previous years, respondents were asked once again what their utility could do to improve service. Based on the changes in types of suggestions over the years, we believe that the customer expects their utility to provide information and knowledge **AND** reduce the confusion that exists on topics/issues that affect them as customers.

And we are interested in knowing what you think are the one or two most important things ‘your electric utility’ could do or fix to improve service to their customers?

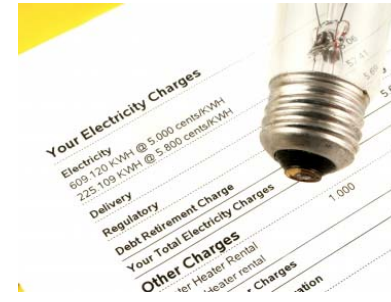


| | % of all suggestions |
|---|----------------------|
| Better prices | 51% |
| Improve power reliability | 11% |
| Be more environmentally sensitive | 7% |
| Better communication with customers | 7% |
| Improve billing | 7% |
| Eliminate smart meters | 7% |
| Conservation: more info/more incentives/more rebates | 6% |
| Staff issues | 6% |
| Be more efficient | 4% |

*Base: data from the full 2010 database

❑ **Ability to Pay**

Rating the price of a service is always a crucial point of a survey. It is a generally accepted view that customers assess the value of a service by comparing its price and its benefits. As the price of electricity rises, the reasons in the background often remain obscure to consumers. Customers do not think in terms of kilowatt hours, they understand “dollars”. Customers need concrete information about what a rate change means for them in practice i.e. what the effect is likely to be in dollars and as a percent of the customer’s bill. About 1 in 4 customers indicate that they sometimes or often worry about finding the money to pay for electricity. In 2009 it was 1 in 5. Additionally, Ontarians are faced with the HST as of July 1, 2010 which will increase electricity costs.




❑ **Summation**

Customers and other key stakeholders continue to demand more and more, each and every year. Status Quo is not an option and quite frankly no longer exists in the electric utility industry. The relatively simple electric utility business of 15-20 years ago no longer exists. However, the expectations of yesterday have not gone away but they have been added to by the customer.

Based on the 12 years of research and data from our own files we believe that:



- 
- 1- One of the keys to maintaining a strong connection with customers is to deliver safe reliable energy **AND** be a company that is respected and trusted.
 - 2- When time-pressed customers get their questions and issues dealt with professionally **AND** they are treated as important people the reward is inevitably higher levels of satisfied customers.
 - 3- Customers expect a diligent focus on delivering the core product **AND** they expect a personal focus as well.
 - 4- The utility has to be operationally sound **AND** know what it takes to generate higher levels of affinity/loyalty.
 - 5- Customers expect effectiveness **AND** efficiency when dealing with their issues.
 - 6- Customers expect their utility will conduct its business professionally **AND** be a proactive enterprise.
 - 7- Customers expect their utility to provide information and knowledge **AND** reduce the confusion which exists on topics/issues that affect them.
 - 8- Customers want their utility to maintain an extremely high level of performance **AND** be prepared for a changed tomorrow.

This survey, along with our years of work speaking to customers clearly shows that the core concerns of customers are: reliability, 24 hours a day x 365 days per year, quickly handling outages, accurate billing and delivering on service commitments. Adding to the core concerns is the customers'

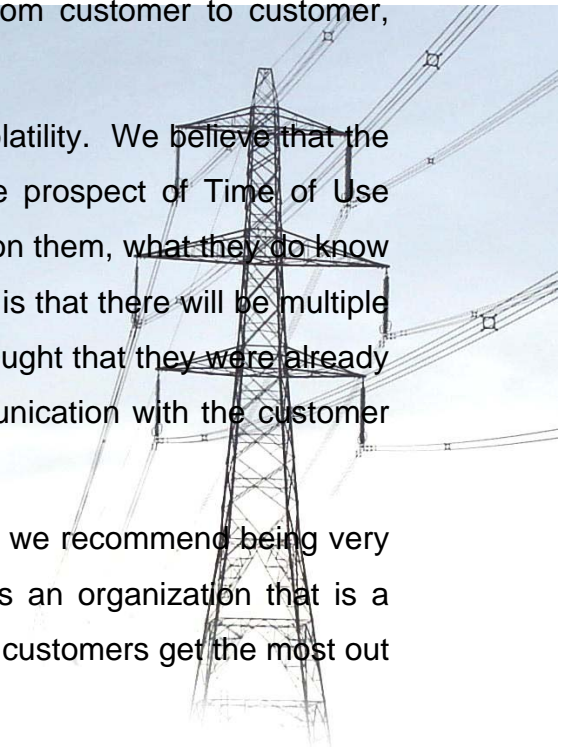
increasing desire for clean energy. How to meet these needs differs from customer to customer, segmentation is more important than ever.

Customers have a desire for predictability and have an aversion to price volatility. We believe that the deterioration in general satisfaction levels across Ontario is linked to the prospect of Time of Use billing. Because customers have limited knowledge of TOU and its impact on them, what they do know is that their ability to predict their costs is in question. What they also know is that there will be multiple pricing levels and in their minds that equates to volatility. For those that thought that they were already on TOU pricing about 1 in 3 thought that they were paying more. Communication with the customer remains an opportunity area for every electric utility.

TOU is not an option for customers in Ontario, it will be a reality. As such, we recommend being very careful about setting customer expectations. Do you want to be seen as an organization that is a proponent for TOU or do you want to be seen as an organization that helps customers get the most out of TOU pricing. Or both? Or somewhere in between?

Surveys are a semi-scientific means to capture feedback from customers which produces a valid, reliable report of their assessment of an organization and how their expectations are shifting over time. The results presented here are based on 467 telephone interviews conducted during March 22 - March 31, 2010. This survey addresses customer attitudes and opinions on subjects such as utility image, power reliability/delivery, billing services, pricing, value and energy efficiency benefit programs.

Every interaction with a customer creates an imprint – why not ensure that it is a positive imprint. As Simul reminds everyone “perception is all there is.” Employees give life to the company’s promises



and demonstrate to what degree the customer is truly appreciated. Everyone in the organization is an ambassador for the organization and at the time they are interacting with the customer they represent the company. Ensuring that the corporate culture is a healthy one has to be high on the priority list.

We believe that creating a great place to work and a great place to do business is a very real and achievable goal.

There is more data and information in the balance of the report; we highly recommend sharing the information contained in this report with everyone in the utility. We've often explained to our clients that "people can not care about the things they do not know about." Decide now to leverage the results from your 2010 customer satisfaction survey.



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Satisfaction (pre & post)

A debate in the survey design world is whether an overall evaluation question should appear at the beginning or end of the survey. Those favoring placing it at the beginning contend that it is a more objective view since it is untainted by later questions that could lead a respondent to place too much weight on one aspect. Those favoring placing it at the end posit that getting an opportunity to review assorted aspects through the survey questions helps a respondent register a more comprehensive assessment of their overall experience.

When it comes to the question of satisfaction, UtilityPULSE has designed the survey so that customers are asked twice, once at the beginning – this is to garner first impressions and set the tone for the survey, and again at the end – because now the respondent has context of what is being asked and is more aptly ready to address it in an informed state of mind. Further, we want to ensure that respondents gave honest and thoughtful feedback and thereby placing the satisfaction question “pre” and “post” allows for validity control.

Measuring satisfaction is the bedrock, or starting point, for the creation of loyal customers. One has to do the job as expected before there is an opportunity to emotionally connect in a positive way.

Here is how your customers responded.

| Top 2 Boxes | VERIDIAN | National | Ontario |
|------------------|----------|----------|---------|
| Initially | 88% | 86% | 80% |
| End of Interview | 94% | 92% | 89% |

Top 2 Boxes: 'very + fairly satisfied'

| Top 2 Boxes | Ajax/Pickering | Belleville | Clarington |
|------------------|----------------|------------|------------|
| Initially | 87% | 91% | 85% |
| End of Interview | 95% | 95% | 91% |

Top 2 Boxes: 'very + fairly satisfied'

Now, in its 12th year, the annual Customer Satisfaction Survey further illuminates the relationship between the customer experience and business performance. Our research finds that, around the country, customers expect better service quality. It confirms that customers who are very low on the satisfaction scale with their utility are more likely to say that they experience blackout and/or billing issues with their utility and they are more likely to take the time to complain. Our research also reveals that service quality is more influential than price—in the development of a loyal league of customers.

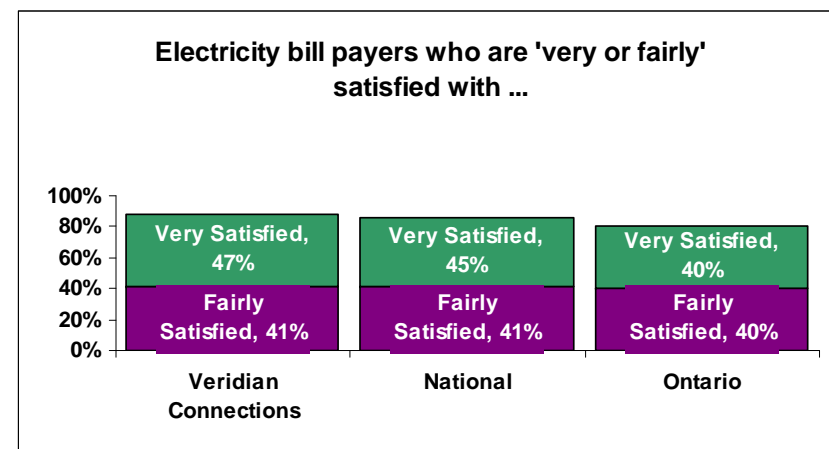
Further on the service quality front, younger customers (18-34) are less satisfied with the time it takes to answer the phone than those in the 55+ category. However older respondents have higher expectations than their youthful counterparts in the areas of knowledge of the staff and in the assessment of the quality of information provided. What's more, although customer expectations have risen over the last few years, the percentage of "very satisfied" customers has remained flat for the past three years.

| | VERIDIAN | National | Ontario |
|-------------------------|----------|----------|---------|
| Very Satisfied | 47% | 45% | 40% |
| Fairly Satisfied | 41% | 41% | 40% |

Base: all respondents

| | Ajax/Pickering | Belleville | Clarington |
|-------------------------|----------------|------------|------------|
| Very Satisfied | 43% | 57% | 48% |
| Fairly Satisfied | 44% | 34% | 38% |

Base: all respondents



| Electricity bill payers who are 'very or fairly' satisfied with... | | | | |
|--|------|------|------|------|
| | 2010 | 2009 | 2008 | 2007 |
| VERIDIAN | 88% | 92% | 90% | 89% |
| National | 86% | 90% | 87% | 88% |
| Ontario | 80% | 87% | 86% | 83% |

Base: all respondents

Corporate mantras don't always translate to a moment of truth interaction between an employee and a customer. The difference between meeting that promise as per the mantra or creating an empty one is based, in part, on the satisfaction and skilled/training levels of your people. But the human component defies easy management – people are not all the same.

Many people mistake customer satisfaction and customer loyalty for each other—assuming that they're essentially the same thing. Actually, they're quite different, and it's important for industry professionals to understand what sets them apart.

Satisfaction relates to the results of a process, whether its the process of dealing with an outage, arranging of a service call, setting up of an account, or the resolution of a billing issue (to name a few). Loyalty, on the other hand, is a much longer-term proposition. *Loyalty relates to a relationship*—one that can actually survive a negative product or service process.

Truly loyal customers look beyond the occasional negative experience, especially if the customer believes that they are valued by you. The reality is, and we consistently remind our clients, *satisfied customers do not necessarily become or remain loyal customers.*

Of course, just because satisfaction and loyalty are different doesn't mean that they're completely unrelated. Just the opposite; they're closely linked.

Customer satisfaction is a cornerstone in building the bridge between company and customer. Customer satisfaction is a worthy goal—but not the only goal. It's one of the primary ingredients for creating customer loyalty in the first place, but moving forward, it's also necessary to examine company operations to find out which are having the greatest impacts on loyalty. It is foolhardy to expect “nice professional interactions” between employees and customers to overcome processes that are fundamentally broken.

In today's marketplace monopolies, just like every other enterprise can benefit through having a strong relationship with their customers. Ignoring customer concerns and expectations is a risky business. Given today's online world it is very easy for customers to “spread the word” – good or bad. Customer expectations go beyond the basics of providing reliable energy 24 hours a day x 365 days per year. The reward for delivering high quality customer care is reduced volumes through your call centre and reduced requests for service. For employees it means a better place to work.

To help respondents recognize that they are evaluating monopoly like services, the Simul/UtilityPULSE Poll compares satisfaction findings for the electric utility with other widely-used community services. The purpose is to establish a benchmark for how good public services are perceived in the eyes of their customers.

In this survey we would like to know how satisfied or dissatisfied you are with various services in this area. Overall are you very satisfied, fairly satisfied, fairly dissatisfied or very dissatisfied with ...?

| Electricity bill payers who are very or fairly satisfied with... | | | |
|---|----------|----------|---------|
| | VERIDIAN | National | Ontario |
| The local electricity utility that supplies the electricity you use | 88% | 86% | 80% |
| Garbage collection | 85% | 82% | 82% |
| Local telephone service | 84% | 88% | 84% |
| Your local natural gas utility | 82% | 50% | 67% |
| Your local libraries | 65% | 65% | 63% |
| The local cable television service | 60% | 56% | 50% |
| Local water utility | 86% | 73% | 71% |

Base: total respondents

Organizations are not successful; it is the people who work in the organization that are successful. They will move it forward, stall it, or move it backwards. As Simul consultants have learned by working with executives and managers, it is the employees' skills, quality of interpersonal relationships and willingness to work as a team that creates value for the organization and its customers.

Satisfied employees are critical, too. Many companies make the mistake of measuring only customer satisfaction. In fact, customers' perceptions of a company are often driven by the performance of its employees, and our experience shows that organizations with engaged, enthusiastic staff have more satisfied customers. It's a direct, irrefutable link, because *your employees are part of your brand*.

It's the small things done consistently that matter: Things like greeting every customer, whether on the phone or in person, in a friendly and helpful manner. Things like listening to the customer's needs, providing solutions to their problems and showing appreciation to the customer for their business.

Providing exceptional service isn't just about business, it's also about people—and the ability to connect with each customer on a human level. Not even the most timely, accurate, thorough service will win customer loyalty unless the customer also feels recognized and valued as unique individuals. On any given day, your employees must be prepared to handle a wide range of customer interactions: simple to complex, clear to confusing, informational to emotional.

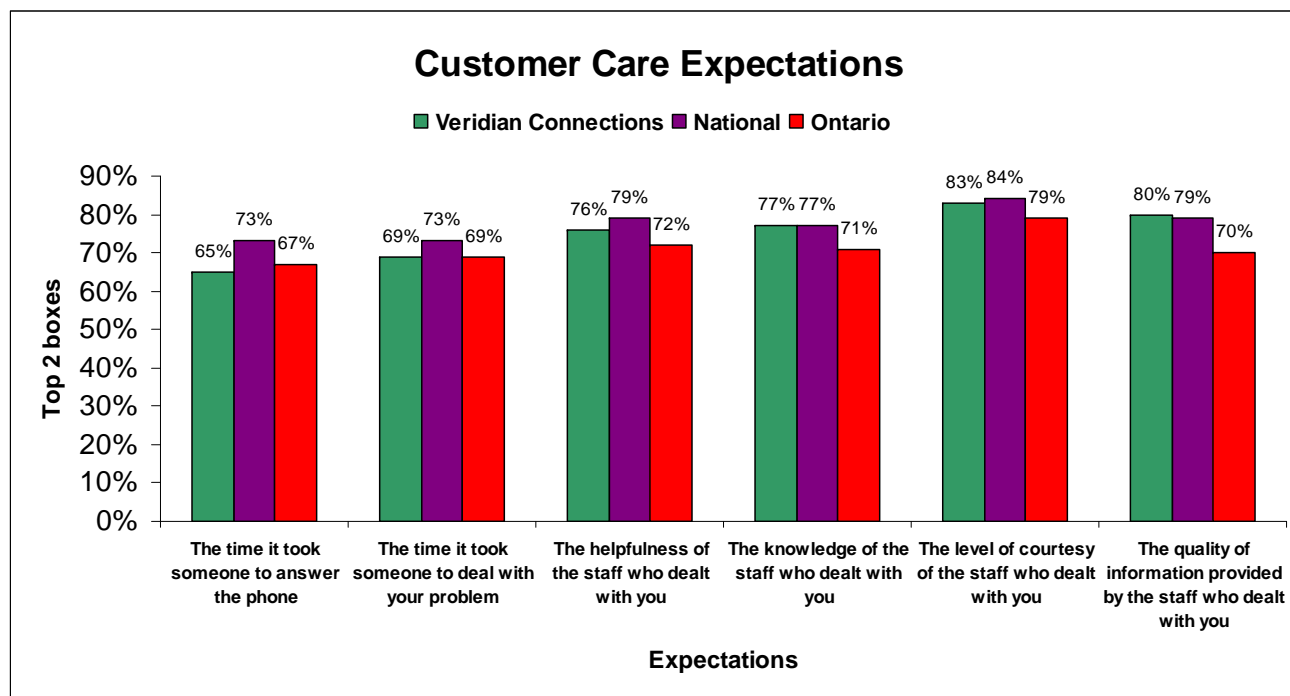
| Customer Care – Top 2 Boxes | VERIDIAN | National | Ontario |
|---|----------|----------|---------|
| The time it took someone to answer the phone | 65% | 73% | 67% |
| The time it took someone to deal with your problem | 69% | 73% | 69% |
| The helpfulness of the staff who dealt with you | 76% | 79% | 72% |
| The knowledge of the staff who dealt with you | 77% | 77% | 71% |
| The level of courtesy of the staff who dealt with you | 83% | 84% | 79% |
| The quality of information provided by the staff who dealt with you | 80% | 79% | 70% |

Base: total respondents

| Customer Care – Top 2 Boxes | Ajax/Pickering | Belleville | Clarington |
|---|----------------|------------|------------|
| The time it took someone to answer the phone | 60% | 71% | 75% |
| The time it took someone to deal with your problem | 63% | 81% | 75% |
| The helpfulness of the staff who dealt with you | 71% | 82% | 86% |
| The knowledge of the staff who dealt with you | 74% | 81% | 81% |
| The level of courtesy of the staff who dealt with you | 80% | 84% | 89% |
| The quality of information provided by the staff who dealt with you | 80% | 85% | 86% |

Base: total respondents

As every electric utility senior executive and manager knows, there are three types of employees: those that are engaged; those that are not-engaged; and those that are actively disengaged. Engaged employees work with passion and feel a profound connection with their company and its mission.



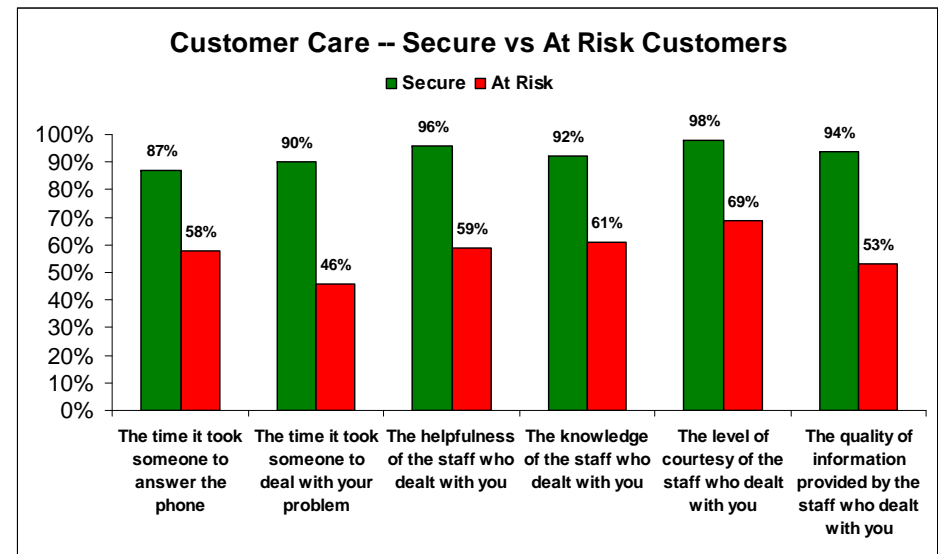
At each defining moment, your organization is positively or negatively affecting customer feelings which, in turn, contribute to that customer's sense of loyalty.

| Customer Care - Secure vs At Risk Customers | Secure | At Risk |
|---|--------|---------|
| The time it took someone to answer the phone | 87% | 58% |
| The time it took someone to deal with your problem | 90% | 46% |
| The helpfulness of the staff who dealt with you | 96% | 59% |
| The knowledge of the staff who dealt with you | 92% | 61% |
| The level of courtesy of the staff who dealt with you | 98% | 69% |
| The quality of information provided by the staff who dealt with you | 94% | 53% |

* Base: data from the full 2010 database

Customers also expect more when it comes to service. For most, “better” means a representative taking more time to answer their questions and a faster response to their inquiries, followed closely by live access to a service representative.

Utilities need to stay connected to their customers and recognize customers’ expectations. The forward thinking utility who provides innovative customer care can get ahead of the customer experience curve, and reap the rewards of a strong relationship with its customers.



The following table illustrates some of the important attributes which help shape a customer's perception about quality service and customer care.

| Attributes describing the local electricity utility | | | |
|---|-----------------|-----------------|----------------|
| | VERIDIAN | National | Ontario |
| Provides good value for your money | 74% | 91% | 88% |
| Works with customers to keep their energy costs affordable | 73% | 71% | 68% |
| Tries to keep electricity rates reasonable | 72% | 69% | 64% |
| Deals professionally with customers' problems | 85% | 85% | 82% |
| Keeps customers well informed | 82% | 80% | 79% |
| Customer-focused and treats customers as if they're valued | 82% | 79% | 77% |
| Treats customers in a fair and equitable manner | 85% | 82% | 79% |
| Uses responsible business practices when completing work | 86% | 86% | 83% |
| Delivers on its service commitments to customers | 87% | 87% | 85% |
| Accurate billing and meter reading | 87% | 86% | 83% |

* Base: total respondents with an opinion

| Attributes describing the local electricity utility | | | |
|--|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Provides good value for your money | 72% | 80% | 75% |
| Works with customers to keep their energy costs affordable | 72% | 76% | 72% |
| Tries to keep electricity rates reasonable | 71% | 76% | 70% |
| Deals professionally with customers' problems | 84% | 89% | 85% |
| Keeps customers well informed | 81% | 85% | 85% |
| Customer-focused and treats customers as if they're valued | 81% | 85% | 82% |
| Treats customers in a fair and equitable manner | 84% | 88% | 86% |
| Uses responsible business practices when completing work | 85% | 89% | 87% |
| Delivers on its service commitments to customers | 86% | 90% | 88% |
| Accurate billing and meter reading | 86% | 88% | 87% |

* Base: total respondents with an opinion

Bill payers' recent problems and problem resolution

Ensuring power reliability has and will continue to be the key operational priority for electric utilities. This survey, along with our years of work speaking to customers clearly shows that the core concerns of customers are: reliability, 24 hours a day x 365 days per year, quickly handling outages, accurate billing and delivering on service commitments.

A central feature in electricity's value to customers, whether they are individual households or large industrial complexes, is the infrequent occurrence of outages or other power disturbances that interrupt the use of appliances, motors, electronics, or any of the other myriad of end uses for which electricity is the primary energy source.

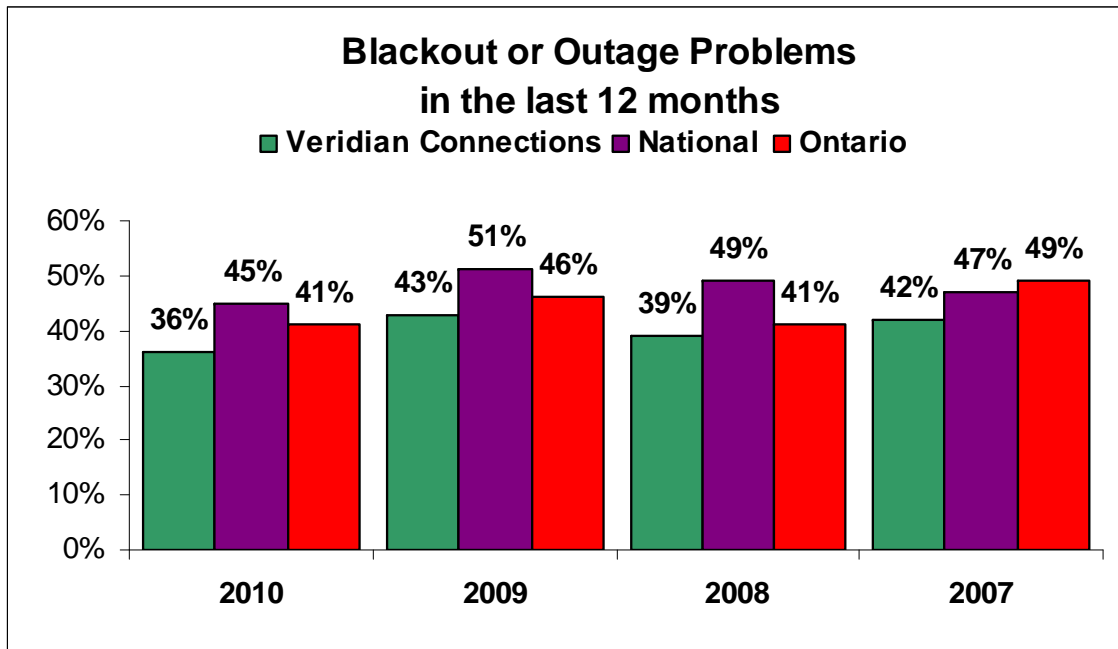
Unlike the commercial and industrial customers where much of the "costs" associated with an outage can be converted into an economic loss based on lost profits or costs over savings, the costs of outages to residential customers are often more intangible. Residential customers tend to describe their costs in terms of the "hassle" or "inconvenience" of an outage rather than in terms of specific labour or material costs.

| Percentage of Respondents indicating that they had a Blackout or Outage problem in the last 12 months | | | |
|---|----------|----------|---------|
| | VERIDIAN | National | Ontario |
| 2010 | 36% | 45% | 41% |
| 2009 | 43% | 51% | 46% |
| 2008 | 39% | 49% | 41% |
| 2007 | 42% | 47% | 49% |

Base: total respondents

| Percentage of Respondents indicating that they had a Blackout or Outage problem in the last 12 months | | | |
|---|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Blackout or outage | 38% | 26% | 39% |

Base: total respondents



Both commercial and residential customers have reported problems with the utility billing process: both sets report problems with meter reading, customers struggle with bill clarity and flexibility, calculation errors, rate issues. Metering electric use and preparing billing statements are a complicated process and sometimes things can go wrong. Professional and timely handling is important to customers.

| | Overall* | National | Ontario |
|---|----------|----------|---------|
| The amount owed was too high | 31% | 51% | 54% |
| The meter reading was incorrect | 10% | 10% | 11% |
| To discuss other charges on the bill ie. delivery etc. | 5% | 3% | 7% |
| The payment made was recorded incorrectly | 8% | 3% | 4% |
| The bill was difficult to understand | 7% | 7% | 4% |
| The bill arrived late | 6% | 6% | 4% |
| Information was incorrect on the bill | 3% | 4% | 2% |

*Base: data from the full 2010 database

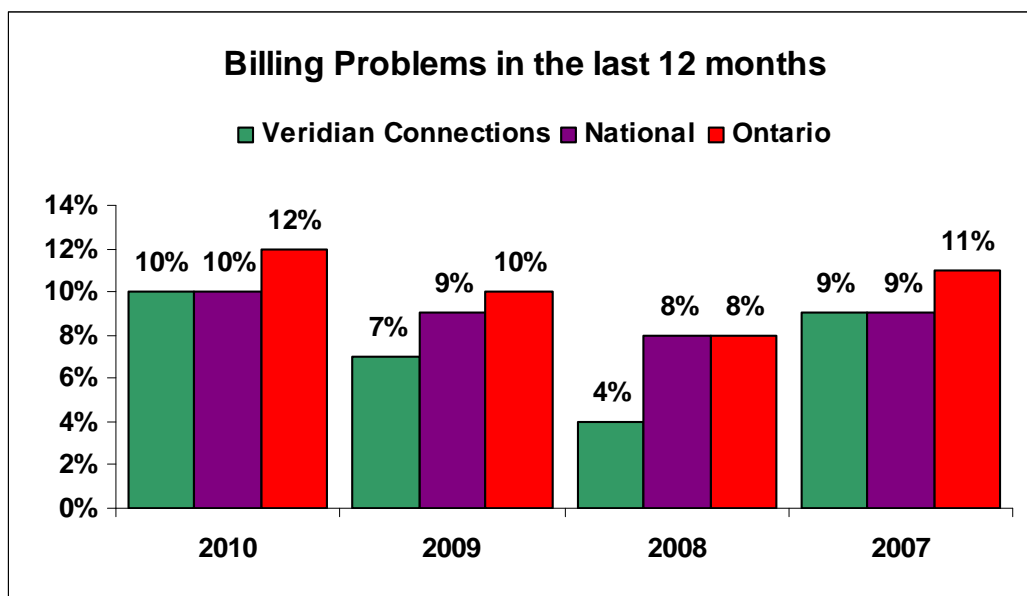
Rage or anger from customers has much to do with the customer's self-esteem. If customers are treated rudely or made to wait a long time, they can feel as though they are not valued and that is a direct attack on their self-esteem.

| Percentage of Respondents indicating that they had a Billing problem in the last 12 months | | | |
|--|----------|----------|---------|
| | VERIDIAN | National | Ontario |
| 2010 | 10% | 10% | 12% |
| 2009 | 7% | 9% | 10% |
| 2008 | 4% | 8% | 8% |
| 2007 | 9% | 9% | 11% |

Base: total respondents

| Percentage of Respondents indicating that they had a Blackout or Outage problem in the last 12 months | | | |
|---|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Billing problems | 12% | 8% | 8% |

Base: total respondents

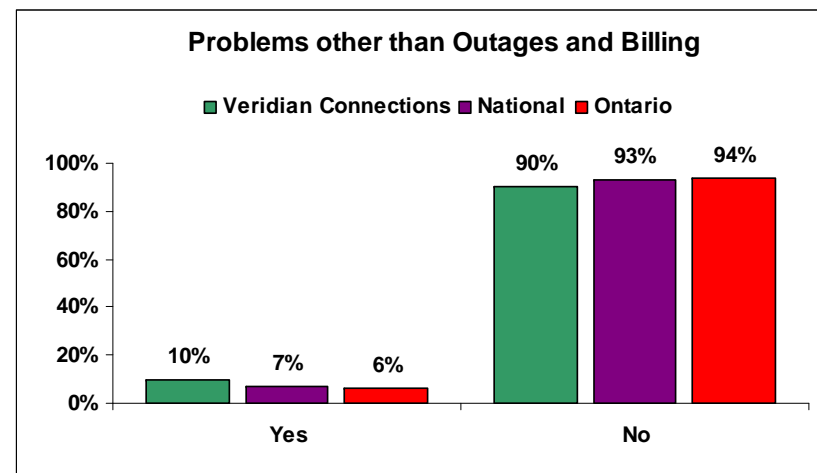


While the killer B's – Blackouts and Bills – are the most salient problems customers report to their utility, other problems or reasons for calling the utility include: Moving/setting up a new account, maintenance or repair request, to get a meter reading, wanting to know about smart meters, to upgrade thermostat or understand peak saver program, ways to conserve energy, water heater rental or repair, rebates on energy efficient products, energy retailer, to discuss different tiered pricing or energy marketers/retailers.

Complaint rates also vary by type of issue, being higher about billing and lower for mistreatment or feeling misled. Ironically these latter issues, that affect a customer's self-esteem, do more damage to loyalty.

| Percentage of Respondents attempting to contact the utility about problems other than billing or power outages in the last 12 months | | | |
|--|----------|----------|---------|
| | VERIDIAN | National | Ontario |
| Yes | 10% | 7% | 6% |
| No | 90% | 93% | 94% |

Base: total respondents



It is not the fact that a customer has a problem that gets them “angered” it is how they are treated. Rude or unprofessional treatment gets them angered. Having known about a problem, having the opportunity to fix it, but not having done so, gets them angered. When the situation is concluded but the customer is *still* unsatisfied, this gets them angered. Angered customers resent the company, are critical about it and its operations, and in some cases may seek vengeance. Vengeance is becoming much easier in our online world.

Training staff to identify situations that could escalate is good use of precious training resources. In addition, creating a company culture where complaints are treated as a positive experience helps reduce the stress levels in those that handle customer complaints.

| Percentage of Respondents who contacted their utility and had their problem solved in the last 12 months | | | |
|--|----------|----------|---------|
| | VERIDIAN | National | Ontario |
| Yes | 77% | 74% | 61% |
| No | 22% | 24% | 36% |

Base: total respondents

| Percentage of Respondents who contacted their utility and had their problem solved in the last 12 months | | | |
|--|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Yes | 77% | 82% | 73% |
| No | 23% | 18% | 22% |

Base: total respondents

Respond with a solution to the problem. Creating the solution with the customer on the first telephone call is beneficial to the customer and the employee handling the call. They must know what the possible solutions are as well as their level of authority to institute those solutions. We recommend that employees make sure there's a clear understanding with the customer as to 1) what will happen and 2) when it will happen.

| Attributes describing the local electricity utility | | | |
|---|----------|----------|---------|
| | VERIDIAN | National | Ontario |
| Accurate billing and meter reading | 87% | 86% | 83% |
| Provides consistent, reliable energy | 90% | 91% | 88% |
| Quickly handles outages and restores power | 90% | 89% | 87% |
| Deals professionally with customers' problems | 85% | 85% | 82% |

Base: total respondents with an opinion

| Attributes describing the local electricity utility | | | |
|---|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Accurate billing and meter reading | 86% | 88% | 87% |
| Provides consistent, reliable energy | 88% | 93% | 90% |
| Quickly handles outages and restores power | 89% | 92% | 88% |
| Deals professionally with customers' problems | 84% | 89% | 85% |

Base: total respondents with an opinion

UtilityPULSE Report Card®

Simul's UtilityPULSE Report Card® is based on tens of thousands of customer interviews gathered over twelve years. The purpose of the UtilityPULSE Report Card® is to provide electric utilities with a snapshot of performance – on the things that customers deem to be important. Research has identified 22 attributes that customers have used to describe their utility when they have been satisfied or very satisfied with their utility. These attributes form the nucleus, or base, from which “grades” are assigned. Customer satisfaction and loyalty also play a major role in the calculations.

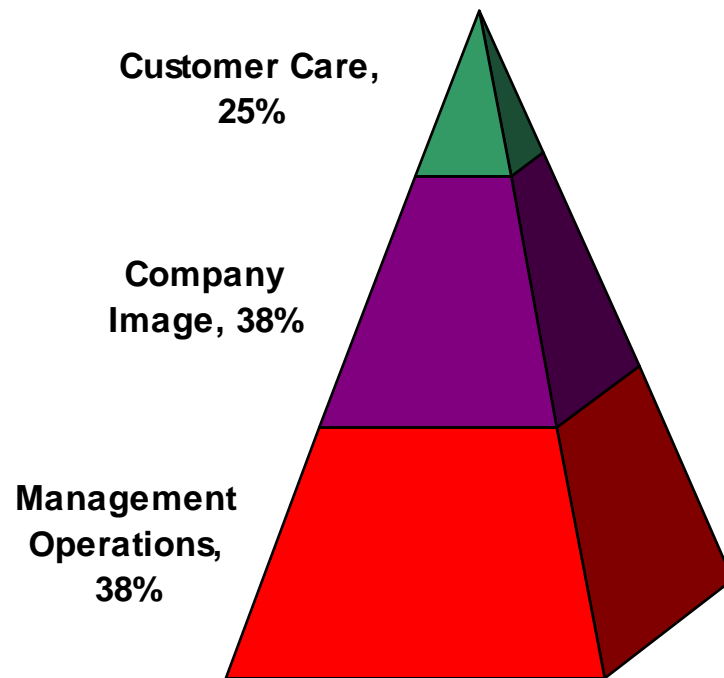
There are two main dimensions of the UtilityPULSE Report Card® the first is Customer psyche and the other is Customer perceptions about how the utility executes its business.

The Psyche of Customers

Every utility has virtually the same responsibility – provide safe and reliable electricity – yet not all customers are the same. The following chart shows the weight or significance of each category to the customer when forming their overall impression of the utility. Three major categories, each with two major drivers make up the UtilityPULSE Report Card®. In effect the Report Card provides feedback

about your customers' perception on the importance of each category and driver – as it relates to the benchmark.

UtilityPULSE® for Veridian Connections



The UtilityPULSE Report Card[®] also provides customer perceptions about how your utility executes or performs its responsibilities.

Readers of this report should note that the categories and drivers are interdependent. Which means that, for example, failure to provide high levels of power quality and reliability will have a negative impact on customer perceptions as it relates to customer service. Customer care, when it doesn't meet customer expectations has a negative impact on Company Image, etc.

Defining the categories and major drivers:

Category: Customer Care

Drivers: Price and Value; Customer Service

Just because everyone likes good customer care, that in and by itself is not a reason to provide it – though it may be important to do so. In highly competitive industries good customer service may be a differentiating factor. The case for electric utilities is simple, high levels of customer care result in less work (hence cost) of responding to customer inquiries and higher levels of acceptance of the utility's actions.

Price and Value:

Customers have to purchase electricity because life and lifestyle depend on it. This driver measures customer perceptions as to whether the total costs of electricity represent good value and whether the utility is seen as working in the best interests of its customers as it relates to keeping costs affordable.

Customer Service:

Customers do have needs and every now and again have to interface with their utility. How the utility handles various customers' requests and concerns is what this driver is all about. Promptly answering inquiries, providing sound information, keeping customers informed and doing so in a professional manner are the major components of this driver.

Category: Company Image**Drivers: Company Leadership; Corporate Stewardship**

Utilities have an image even if they do not undertake any activities to try to build it.

A company's image is both a simple and complex concept. It is simple because companies do create images that are easily described and recognized by their target customers. It is complex because it

takes many discrete elements to create an image which includes, but is not limited to: advertising, marketing communications, publicity, service offering and pricing.

An electric utility trying to manage its image has one more challenge to deal with, and that is the electric industry itself. There are so many players that residential customers (in particular) don't know who does what or who is responsible for what. So when there are political or regulatory announcements, the local utility is swept up into the collective reaction of the population.

Company Leadership

This driver is comprised of customer perceptions as it relates to industry leadership, being a good corporate citizen and being involved in the community.

Corporate Stewardship

Customers rely on electricity and want to know that their utility is a credible organization that is well managed, is accountable, and has its financial house in order. In short, they want a stable organization.

Category: Management Operations

Drivers: Operational Effectiveness; Power Quality and Reliability

Electrical power is the primary product which utilities provide their customers and, they have very high expectations that the power will be there when they need it. Customers have little tolerance for outages. The reality is, every utility has to get this part right...no excuses. It is the utility's core business. This category and its drivers are clearly the most important to a utility's customers.

Operational Effectiveness

This driver measures customers' perceptions as they relate to ensuring that their utility runs smoothly. Attributes such as: accurate billing and meter reading, completing service work in a professional and timely manner and maintaining equipment in good repair are deemed as important to customers.

Power Quality and Reliability

Power outages are a fact of life – and, customers know it. They expect their utility to provide consistent, reliable energy, handle outages and restore power quickly and make using electricity safely an important priority.

Veridian Connections' UtilityPULSE Report Card®

Part 1: Importance to Customers

| | CATEGORY | VERIDIAN | National | Ontario |
|--------------|-------------------------------|-------------|-------------|-------------|
| 1 | Customer Care | 25% | 25% | 25% |
| | Price and Value | 4% | 5% | 5% |
| | Customer Service | 21% | 20% | 20% |
| 2 | Company Image | 38% | 34% | 35% |
| | Company Leadership | 16% | 18% | 16% |
| | Corporate Stewardship | 21% | 16% | 19% |
| 3 | Management Operations | 38% | 41% | 40% |
| | Operational Effectiveness | 17% | 19% | 19% |
| | Power Quality and Reliability | 20% | 22% | 22% |
| Total | | 100% | 100% | 100% |

Shares may not add exactly to 100% due to rounding.

Veridian Connections' UtilityPULSE Report Card®

Part 2: Performance

| | CATEGORY | VERIDIAN | ONTARIO |
|----------------|-------------------------------|----------|-----------|
| 1 | Customer Care | A | B+ |
| | Price and Value | B | C+ |
| | Customer Service | A | B+ |
| 2 | Company Image | A | A |
| | Company Leadership | A | A |
| | Corporate Stewardship | A | B+ |
| 3 | Management Operations | A | A |
| | Operational Effectiveness | A | A |
| | Power Quality and Reliability | A+ | A |
| OVERALL | | A | A |

* Weightings are based on pulse figures shown in Part 1 of the UtilityPULSE Report Card®

As the UtilityPULSE Report Card® shows, the total customer experience with an electric utility is defined as more than “keeping the lights on”. Customers deal with your utility every day for a variety of reasons, most likely because they need someone to help them solve a problem, answer a question or take their order for service. All your employees, from customer service representatives to linemen, leave a lasting impression on the customers they interact with. In effect there are many moments of truth. Moments of truth are every customer touch point that a utility has with their customers. Therefore, managing these moments of truth creates higher levels of Secure customers while reducing the number of At Risk customers that exist.

It's the small things done consistently that matter: Things like greeting every customer, whether on the phone or in person, in a friendly and helpful manner. Things like listening to the customer's needs, providing solutions to their problems and showing appreciation to the customer for their business.

For communication, utilities now recognize customer communications as a valuable aspect of their business. The better a utility communicates with customers, in a manner that speaks to them, the more satisfied they are with their overall service. “Sending out information” is not the same as having a “conversation” with a customer. We believe that it is increasingly important to channel your communications to the various customer segments which exist.

Obviously employees – in every area – play a critical role in customer service success. Consequently how they feel about their job responsibilities and role in the company will be communicated indirectly through the level of service which they actually provide customers with whom they interact. The reality is engaged employees are the key to excellent customer care.

Our survey work with employees shows that an engaged employee who feels valued at work, is less likely to look outside the company, is more productive, and more likely to contribute towards the mission and success of the company. One of the links for improving employee engagement is your reward and recognition program. Recognizing the right behaviours and communicating such helps employees understand what is truly expected. Rewards are a better acknowledgement of learning and performance than punishment is for failure.

For electric utilities, employees are the providers of many moments of truth. With each and every interaction with a customer – including those that are not going through the call centre – an employee is given the opportunity to delight or disappoint. When employees do delight customers, and they do everyday, then be sure that you are recognizing the behaviour in a sincere, timely, and specific way. For years we have reminded our clients that the behaviours you reward and recognize are the behaviours you will be seeing again and again.

The Loyalty Factor

Measuring customer loyalty in an industry where many customers don't have a choice of providers doesn't make sense. Or does it? The answer depends on how you define "customer loyalty." Some equate customer loyalty with basic customer retention. If a customer continues to do business with a company, that customer is, by definition, considered to be loyal. If this definition were applied to many companies in the utility industry, all customers would automatically be considered loyal. As such, measuring customer loyalty would appear to be unnecessary.

Perhaps a better or more relevant way for utilities to approach the definition of customer loyalty is to further expand how they think about loyalty. Consider the following definition: Customer loyalty is an emotional disposition on the part of the customer to respond favourably toward the brand and company consistently and across situations.

So what does it mean to respond favourably to a company? At a basic level, this can mean choosing to remain a customer. As previously mentioned however, this is essentially a non-issue for many utility companies. It then becomes necessary to think beyond just customer retention. One needs to consider other ways in which customers can respond favourably toward a company.

Other favourable responses or behaviours can be classified into one of three categories that reflect the concept of customer loyalty:

- Expansion
- Compliance or Influence
- Advocacy

Specific examples of potential expansion behaviour in the electric utility industry include:

- Signing up for programs that help the customer reduce or manage their energy consumption
- Using the utility as a consultant when selecting energy products and services from a third party
- Participating in pilot programs or research studies

Specific examples of potential compliance or influence behaviours that utility customers might exhibit include:

- Seeking the utility's advice or expertise on an energy-related issue
- Voluntarily cutting back on electricity usage if the utility advised the customer to do so
- Accepting the utility's energy advice or referrals to energy contractors or equipment
- Being influenced by the utility's opinion regarding energy- management advice, equipment, or technologies
- Providing personal information that enables the utility to better serve the customer
- Paying bills online

Creating customer advocates can be especially important for a company in a regulated industry. In the absence of customer advocates, or worse, in a situation where customers speak unfavourably about a company or actively work to support issues that are counter to those the company supports, companies can suffer a variety of negative consequences like increased business costs, lawsuits, fines and construction delays. For an electric utility, specific examples of potential advocacy behaviour include:

- Recommending that other customers specifically located in the geographic area that is serviced by that utility
- Supporting the utility's positions or actions on energy-related public issues, including the environment
- Supporting the utility's position on the location and construction of facilities
- Providing testimonials about positive experiences with the utility

In sum, loyal behaviour in the utility industry may not be as evident as it is in a more competitive environment. Measuring customer loyalty in a generally non-competitive industry requires one to think about loyalty in non-traditional ways. Customer loyalty is an intangible asset that has positive consequences or outcomes associated with it no matter what the industry. Properly measuring loyalty among utility customers requires thoughtful probing to thoroughly identify the range of expansion, compliance, and advocacy behaviours that will ultimately benefit the company in meaningful ways, and foster happier and more loyal customers.

| Customer Loyalty Groups | | | | |
|-------------------------|--------|-----------|-------------|---------|
| | Secure | Favorable | Indifferent | At Risk |
| Veridian Connections | | | | |
| 2010 | 15% | 21% | 56% | 8% |
| 2009 | 22% | 16% | 59% | 4% |
| 2008 | 18% | 21% | 57% | 5% |
| 2007 | 17% | 16% | 60% | 7% |

Base: total respondents

| Customer Loyalty Groups | | | | |
|-------------------------|--------|-----------|-------------|---------|
| | Secure | Favorable | Indifferent | At Risk |
| Ajax/Pickering | 11% | 20% | 60 | 8% |
| Belleville | 26% | 19% | 46% | 9% |
| Clarington | 18% | 22% | 52% | 7% |

Base: total respondents

Simul/UtilityPULSE segments residential and small and medium-sized electricity customers into four groups: Secure – the most loyal - Still Favorable, Indifferent, and At Risk.

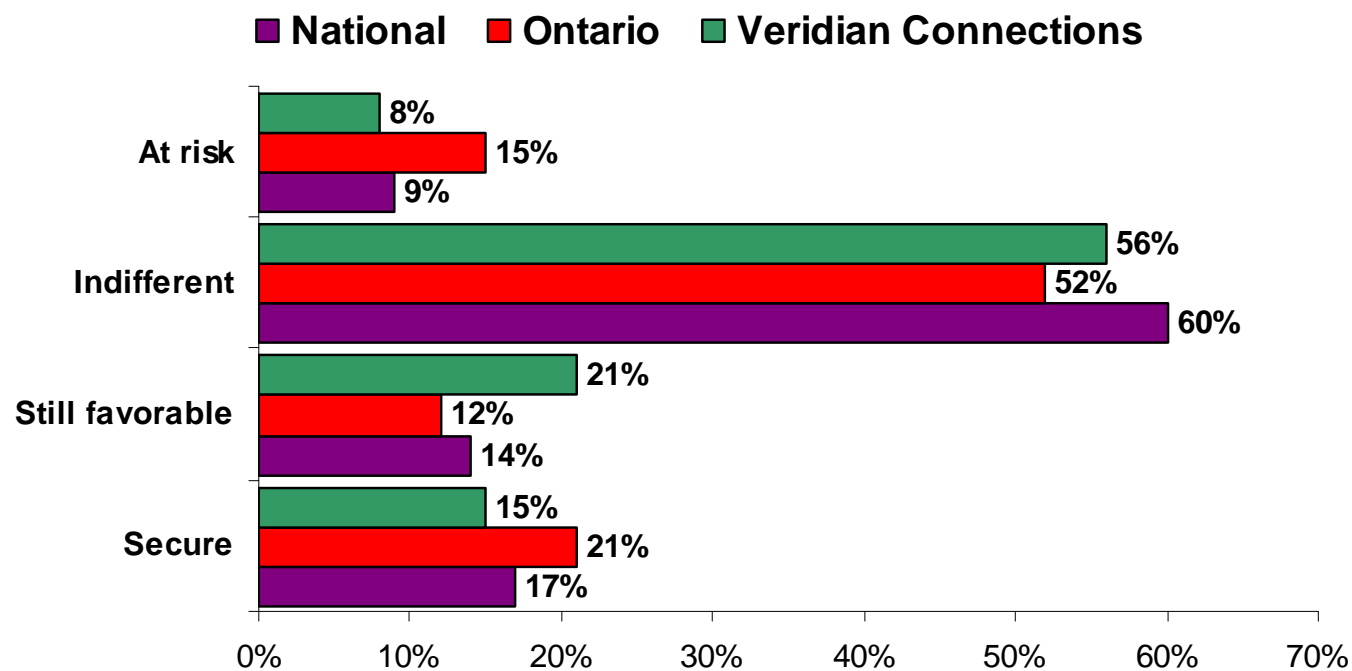
Secure customers are “very satisfied” overall with their local electricity utility. They definitely would not switch to a competitor if they could and definitely would recommend Veridian Connections.

At Risk customers are “very dissatisfied” with their electricity utility, “definitely” would switch and “definitely” would not recommend it.

| Customer Loyalty Groups | | | | |
|-------------------------|--------|-----------|-------------|---------|
| | Secure | Favorable | Indifferent | At Risk |
| Ontario | | | | |
| 2010 | 21% | 12% | 52% | 15% |
| 2009 | 21% | 14% | 53% | 12% |
| 2008 | 21% | 17% | 54% | 8% |
| 2007 | 14% | 13% | 62% | 11% |
| 2006 | 13% | 12% | 61% | 14% |
| National | | | | |
| 2010 | 17% | 14% | 60% | 9% |
| 2009 | 17% | 16% | 59% | 8% |
| 2008 | 18% | 16% | 58% | 9% |
| 2007 | 16% | 12% | 64% | 7% |
| 2006 | 13% | 11% | 64% | 12% |

Base: total respondents

The Loyalty Factor



There truly is a difference in perception between Secure and At Risk customers, let's take a look at what our overall* survey shows:

| | Secure | At Risk |
|---|--------|---------|
| <i>% of respondents who said:</i> | | |
| - the amount owed on bill was too high | 36% | 58% |
| - they had a billing/statement problem | 4% | 32% |
| - the bill problem was solved | 90% | 42% |
| - the utility tells the truth and is truth about its operations | 81% | 47% |
| - deals professionally with customers' problems | 86% | 60% |
| - the utility is a leader in energy conservation | 84% | 52% |
| - the utility keeps customers well informed | 95% | 65% |
| - the utility treats customers in a fair and equitable manner | 87% | 48% |

*Base: data from the full 2010 database

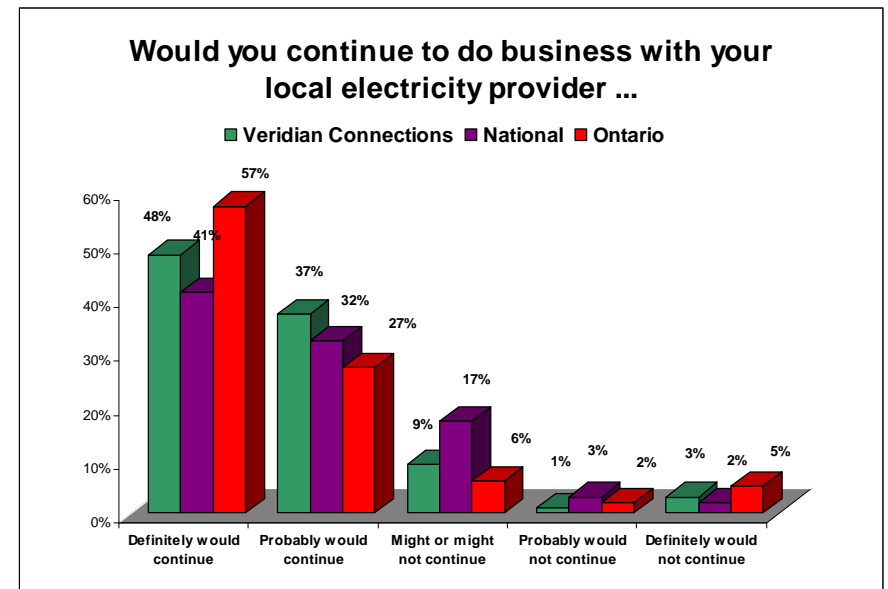
Our research shows that: Secure customers do exist and they represent an important and substantive portion of the customer base and second, with education and dialogue the percentage of At Risk customers can drop virtually in half [see pre/post survey on satisfaction results].

Customer commitment

The first level of emotional commitment is measured through the UtilityPULSE question about whether a customer would continue to use the services of their utility – even if they had a choice. Wanting to remain with a company is far and away more powerful than needing to remain with a company.

Typically when customers want to remain with a company there are higher ratings for such attributes as: respected as a company, maintaining high standards of business ethics, being customer-focused and treating customers as if they are valued, and providing good value for the money.

Though customers can not physically leave you, they can emotionally leave you and when they do it becomes an extreme challenge to garner their participation in or support for utility initiatives.



How likely are you to continue to do business with Veridian Connections/your independent electricity retailer? Would you say you...?

| Electricity customers' loyalty – Would they continue to do business with their current provider? | | | |
|--|----------|----------|---------|
| | VERIDIAN | National | Ontario |
| Definitely would continue | 48% | 41% | 57% |
| Probably would continue | 37% | 32% | 27% |
| Might or might not continue | 9% | 17% | 6% |
| Probably would not continue | 1% | 3% | 2% |
| Definitely would not continue | 3% | 2% | 5% |

Base: total respondents

| Electricity customers' loyalty – Would they continue to do business with their current provider? | | | | |
|--|------|------|------|------|
| Veridian Connections | 2010 | 2009 | 2008 | 2007 |
| Top 2 boxes: 'Definitely + Probably' would continue | 85% | 88% | 81% | 82% |

Base: total respondents

| Electricity customers' loyalty – Would they continue to do business with their current provider? | | | |
|--|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Top 2 boxes: 'Definitely + Probably' would continue | 84% | 87% | 84% |

Base: total respondents

| Electricity customers' loyalty – Would they continue to do business with their current provider? | | | |
|--|---------------------|-----------------------------|---------------------------------------|
| | Overall VERIDIAN | Buy direct from VERIDIAN | Purchase from Independent Retailer |
| Definitely would continue | 48% | 51% | 8% |
| Probably would continue | 37% | 39% | 20% |
| Might or might not continue | 9% | 7% | 31% |
| Probably would not continue | 1% | - | 12% |
| Definitely would not continue | 3% | 1% | 30% |

Base: total respondents

| Electricity customers' loyalty – Would they continue to do business with their current provider? | | | |
|--|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Definitely would continue | 44% | 56% | 50% |
| Probably would continue | 40% | 31% | 34% |
| Might or might not continue | 9% | 7% | 10% |
| Probably would not continue | 1% | 1% | 2% |
| Definitely would not continue | 4% | 3% | 2% |

Base: total respondents

Word of mouth

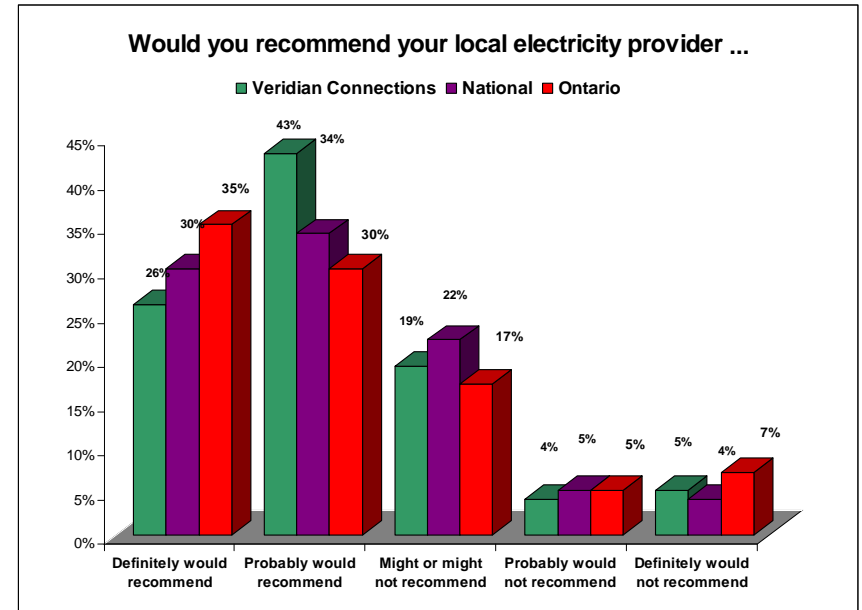
Harnessing word of mouth support is difficult. Yet it is true that customers have always valued opinions expressed directly to them by credible or trusted sources. Word of mouth cuts through the marketing noise and hype quickly and effectively.

While word of mouth is certainly a complex subject, there are two forms of word of mouth which utilities need to understand. The first is Experience-based word of mouth which is the most common and most powerful form. It results from a customer's direct experience with the utility or the re-statement of a direct experience from a trusted source.

The second is Relay-based word of mouth. This is when customers pass along important messages to others based on what they have learned through the more traditional forms of communications. For example, if the utility was communicating an offer for “free LED lights” chances are high that the offer will be “relayed” to others through word of mouth.

The dictionary definition of “advocate” is “Plead for, defend, champion, recommend, support”. Advocates, create more advocates because they are more willing to act than customers who are considered indifferent.

As stated previously, creating customer advocates can be especially important for a company in a regulated industry. In the absence of customer advocates, or worse, in a situation where customers speak unfavourably about a company or actively work to support issues that are counter to those the company supports, companies can suffer a variety of negative consequences like increased business costs, complaints to regulators, lawsuits, fines and construction delays. For an electric utility, specific examples of potential positive advocacy behaviour include:



- Recommending that other customers specifically locate in the geographic area that is serviced by that utility
- Supporting the utility's positions or actions on energy-related public issues, including the environment
- Supporting the utility's position on the location and construction of facilities
- Providing testimonials about positive experiences with the utility

How likely would you be to recommend that a friend or colleague buy electricity from Veridian Connections/your independent electricity retailer? Would you say you...?

| Electricity customers' loyalty – Would you recommend ... | | | |
|--|----------|----------|---------|
| | VERIDIAN | National | Ontario |
| Definitely would recommend | 26% | 30% | 35% |
| Probably would recommend | 43% | 34% | 30% |
| Might or might not recommend | 19% | 22% | 17% |
| Probably would not recommend | 4% | 5% | 5% |
| Definitely would not recommend | 5% | 4% | 7% |

Base: total respondents

Customer service and customer opinion are not the same thing. Service is not in the hands of customers, but complaining about it (or complimenting it) is. However word of mouth only works if there is something worthwhile talking about – which is one of the reasons why Simul consistently reminds its clients to ensure that the good news stories get some exposure via their websites or through conventional channels.

| Electricity customers' loyalty – Would you recommend ... | | | |
|--|------------------|--------------------------|------------------------------------|
| | Overall VERIDIAN | Buy direct from VERIDIAN | Purchase from Independent Retailer |
| Definitely would recommend | 26% | 27% | 3% |
| Probably would recommend | 43% | 45% | 15% |
| Might or might not recommend | 19% | 19% | 23% |
| Probably would not recommend | 4% | 3% | 27% |
| Definitely would not recommend | 5% | 3% | 32% |

Base: total respondents

| Electricity customers' loyalty – Would you recommend ... | | | | |
|--|------|------|------|------|
| Veridian Connections | 2010 | 2009 | 2008 | 2007 |
| Top 2 boxes: 'Definitely + Probably' would recommend | 68% | 67% | 69% | 63% |

Base: total respondents

| Electricity customers' loyalty – Would you recommend ... | | | |
|---|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Top 2 boxes: 'Definitely + Probably' would recommend | 66% | 76% | 69% |

Base: total respondents

| Electricity customers' loyalty – Would you recommend ... | | | |
|--|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Definitely would recommend | 22% | 34% | 27% |
| Probably would recommend | 43% | 42% | 42% |
| Might or might not recommend | 21% | 11% | 19% |
| Probably would not recommend | 5% | 5% | 4% |
| Definitely would not recommend | 5% | 6% | 3% |

Base: total respondents

Corporate image

The overriding reason for the burgeoning concern for corporate identity is abundantly clear. We live in a time of immense environmental complexity and change, and consequently corporations have been forced to significantly alter their strategies to better compete and survive. Corporate image is comprised of a number of interrelated variables: corporate identity, corporate communication, corporate image, and corporate reputation.

Corporate identity is the reality of the corporation. It is the unique, individual personality of the company that differentiates it from other companies. To use the marketing metaphor, it is the corporate brand. Corporate communication is the aggregate of sources, messages, and media by which the corporation conveys its uniqueness or brand to its various audiences. Corporate image and corporate reputation are in the eye of the beholder. Image is the mental picture that people have of an organization, whereas reputation constitutes a value judgment about the company's attributes.

A strong positive image with the general public can be beneficial to the utility organization. Research suggests that a prominent corporate image and an outstanding reputation are consequential factors in attracting a high quality workforce. It is widely believed that a positive reputation in the eyes of employees is a prime causal factor of high morale and productivity.

Eleven attributes measured in the annual UtilityPULSE survey are strongly linked to a utility's image. Customers expect that your utility will conduct its business professionally **AND** be a proactive enterprise. Here is how your customers responded:

| Attributes strongly linked to a hydro utility's image | | |
|---|----------|---------|
| | VERIDIAN | Ontario |
| Company Leadership | | |
| Is a respected company in the community | 87% | 84% |
| Can be counted on to keep its promises to customers and the community | 83% | 79% |
| Influential in the electric utility industry | 82% | 82% |
| Influential in local business community | 82% | 78% |
| A leader in promoting energy conservation | 81% | 78% |
| Corporate Stewardship | | |
| Maintains high standards of business ethics | 86% | 80% |
| Can be counted on to tell the truth | 83% | 74% |
| Takes steps to reduce the impact of its operations on the environment | 81% | 76% |
| Beyond providing jobs and paying taxes, is socially responsible | 83% | 77% |
| Considered a fair and equitable employer | 83% | 82% |
| Is trusted and trustworthy | 86% | 80% |

Base: total respondents with an opinion

| | Ajax/Pickering | Belleville | Clarington |
|---|----------------|------------|------------|
| Company Leadership | | | |
| Is a respected company in the community | 86% | 90% | 87% |
| Can be counted on to keep its promises to customers and the community | 82% | 88% | 83% |
| Influential in the electric utility industry | 82% | 84% | 81% |
| Influential in local business community | 85% | 88% | 87% |
| A leader in promoting energy conservation | 80% | 83% | 82% |
| Corporate Stewardship | | | |
| Maintains high standards of business ethics | 84% | 88% | 86% |
| Can be counted on to tell the truth | 83% | 86% | 82% |
| Takes steps to reduce the impact of its operations on the environment | 79% | 84% | 83% |
| Beyond providing jobs and paying taxes, is socially responsible | 82% | 87% | 82% |
| Considered a fair and equitable employer | 81% | 87% | 86% |
| Is trusted and trustworthy | 85% | 88% | 87% |

Base: total respondents with an opinion

Corporate Credibility & Trust

In today's world, with the Internet and twenty-four-hour media/news coverage on TV, corporate reputations which take decades to build can be destroyed in one news cycle. With disgraced executives making headlines everywhere, corporations must demonstrate social and moral responsibility as a matter of their own survival. Reputation matters, now more than ever. Corporate behaviours and corporate social responsibilities has always been the central point of corporate reputation. Trust is an indispensable part of corporate reputation and is also an important prerequisite for the formation of customer loyalty.

Based on economic and other societal impacts many Canadians have been using words such as credibility and trust to describe their place of work or the place(s) where they do business. Yet if you ask 5 people for a definition of credibility and trust chances are you'll get 5 definitions. Our research shows that the under-pinning components that lead a person to believe that an organization has credibility and can be trusted are: Knowledge, Integrity, Involvement and Trust.

Where does the employee fit into this? The reality is, customer-employee interactions are in many ways the acid test for determining the strength of each of the four components of credibility and trust.

Employees give life to the company's promises, either proving that they are real or proving that they don't really matter. The human touch makes a critical difference.

So what is the value equation? People come to trust what they believe, and believability is a function of personal experience. If you provide me with accurate information or you tell me something and it's consistent with my experience, then I believe you and trust you. You become credible.

As customers become more and more overloaded, and time-pressed for that matter, they become increasingly skeptical about traditional company advertising, marketing and communications. They start to rely on their own experience or those of the people they trust to make judgments about the utility and its people. Recommendations and comments from a credible source are far and away stronger than any advertisement. That is why kitchen table style of dialogue has so much impact on customer behaviour.

Every single member of a company, therefore, represents a point of credibility with their customers and the outside world. From the President to the receptionist, everyone is critical in establishing the trustworthiness of a company. A failure of credibility on the part of a single individual can help derail the public's trust in an entire organization.

Credibility and trust are important assets for any utility attempting to influence their customers to adapt to a changing future.

Using the scale of agree strongly, agree somewhat, disagree somewhat, disagree strongly, here is how your customers would respond:

| <i>Demonstrating Credibility and Trust</i> | | VERIDIAN |
|--|-----------------|-----------------------|
| Knowledge The utility is seen as being knowledgeable about the services it provides, about what is happening in the industry, and how customers can reduce costs or create more value. | | Agree strongly |
| Integrity The utility is seen as an organization that will act in the best interests of its customers and can be counted on to provide services and resolve problems in a professional manner. | | Agree strongly |
| Involvement The utility is actively involved in the industry, in the community and in things that affect the customer. | | Agree strongly |
| Trust The utility is an organization that can be trusted and is worthy of respect. | | Agree strongly |
| | Overall* | Agree strongly |

How can service to customers be improved?

Listening to customers is critical for gaining insight into their lives, their needs, as well as, their frustrations, feelings, and behaviors. However, as Henry Ford said, “If I asked customers what they wanted, we’d just have ended up with faster horses.” There is a lot of truth to this. And when we speak in reference to electricity service and what do customers want – what do they want improved – without question, we are all inclined to say “lower prices”. Again another truth.

Over the 12 years that we have been conducting this survey for our electric utility customers we have seen a dramatic shift in suggestions for improving service. It is true that “better prices” is still the dominant suggestion. In addition the scope or breadth of suggestions has widened – further signaling the requirement for strong customer communications because all customers are not alike. Just as in previous years, respondents were asked once again what their utility could do to improve service. Based on the changes we believe that the customer expects their utility to provide information and knowledge **AND** reduce the confusion which exists on topics/issues that affect them as customers.

And we are interested in knowing what you think are the one or two most important things ‘your local utility’ could do or fix to improve service to their customers?

| | % of all suggestions |
|---|----------------------|
| Better prices | 51% |
| Improve power reliability | 11% |
| Be more environmentally sensitive | 7% |
| Better communication with customers | 7% |
| Improve billing | 7% |
| Eliminate smart meters | 7% |
| Conservation: more info/more incentives/more rebates | 6% |
| Staff issues | 6% |
| Be more efficient | 4% |

*Base: data from the full 2010 database

Qualitative questions typically do not provide the statistical richness that is associated with a quantitative question. However, they do provide words, phrases, insights into the thinking patterns and/or feelings of customers. This means that qualitative questions have an interpretive richness that assist in deriving meaning from the survey. The broader range of suggestions that we are getting in the survey is a sign that the customer base is becoming more and more segmented. Not all customers are the same.

For the past 20 years or so, certainly during our 12 years as providers of the UtilityPULSE survey, companies and utilities struggle to find the right balance between cost-effective, technology-enabled approaches to customer service and person-to-person contact. In addition the utility's customer base has an uneven level of interest and skill in using technology-enabling processes. While personal approaches have advantages for many people, such as an ability to respond in a dynamic way to a customer inquiry, they do require much more training, and cost more.



Smart Meters and Time of Use

Our research and files show when customers who are first introduced to the possibility of dynamic or multi-level pricing they immediately state concerns about price volatility and higher bills. Only through participation will their concerns be validated or rejected. We believe that it is important for your electric utility to exercise caution in setting expectations.

Smart meters will provide information to customers – but will customers really find the information useful? To some the answer is yes; but to many the answer is no. What it will do however, is serve as a physical reminder to conserve. Customers who are more actively engaged in reviewing and analyzing their consumption information will undoubtedly have a greater impact on their use of energy. Whether it translates to a reduction in cost from their old system of static pricing will vary by customer and the elements that affect their lifestyle.

Feedback is a necessary but not always a sufficient condition for savings and awareness among customers – campaigns for reducing energy consumption e.g., removal of older refrigerators have been very successful. However a concern that we have, and will attempt to monitor, revolves around the notion of novelty. That is, when the novelty of smart meters and TOU wear off – then what? Will

utilities continue to invest in customer education and marketing communications to ensure that using the data becomes a “way of life”?



Many Ontario residents and small businesses have been equipped with a new addition to their homes in the last few months — provincially-mandated 'smart meters' — which are replacing traditional meters to measure the electricity used in homes. Still, many customers don't really know what all that means.

For 2010, the annual survey for electric utilities polled a little deeper into the subject areas of Smart Meters and TOU. Based on all of the surveys completed we believe that many customers really do not know if they have a smart meter or not --- and, whether they are on TOU or not. In fact, based on the thousands of interviews done for this year we suspect that many people already think they are on TOU when in fact, they are not.

Every utility in the province of Ontario is at a different stage in installing Smart Meters and moving to TOU billing. What follows is data from your survey that should be shared with those in your organization with marketing communications responsibilities.

| Smart Meter installed in home or small business | | |
|---|----------|---------|
| | VERIDIAN | Ontario |
| Yes | 54% | 57% |
| No | 35% | 34% |
| Don't Know | 11% | 8% |

Base: total respondents

The Ontario government has mandated that smart meters be installed in homes and small businesses. A smart meter electronically tracks how much electricity is used on an hourly basis, ensuring that bills are based on real-time consumption.

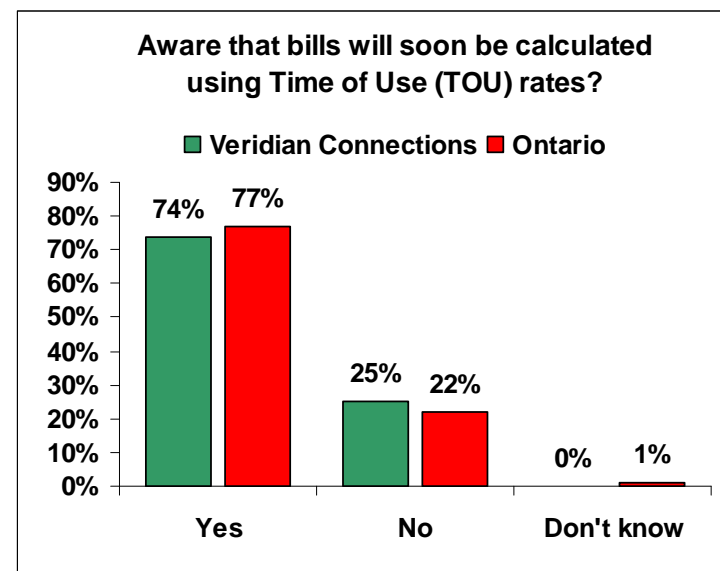
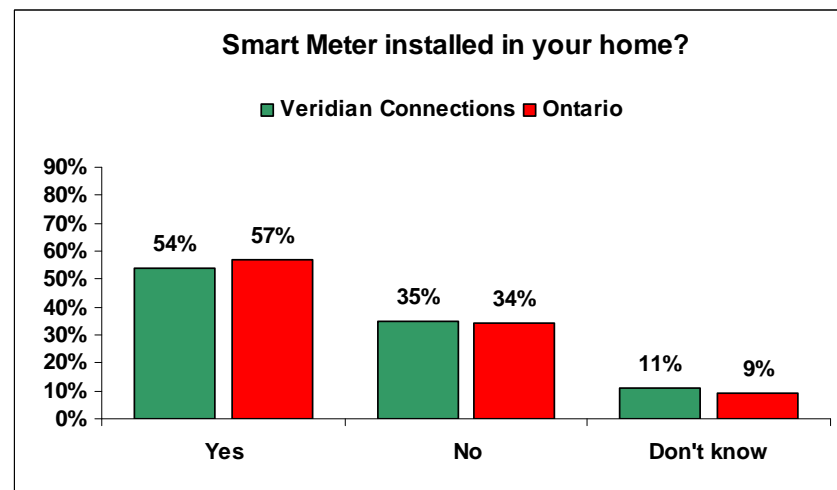
Do you know if you have one of these smart meters installed in your home or small business?



Before this interview, were you aware that the Ontario government intends to ensure that electricity bills are calculated based on Time-of-Use rates?

| Aware that Time-of-Use (TOU) Rates are coming? | | |
|--|----------|---------|
| | VERIDIAN | Ontario |
| Yes, Aware | 74% | 77% |
| No, Not aware | 25% | 22% |
| Don't Know | - | 1% |

Base: total respondents



How many Time-of-Use pricing levels are there depending on when the electricity is used ...

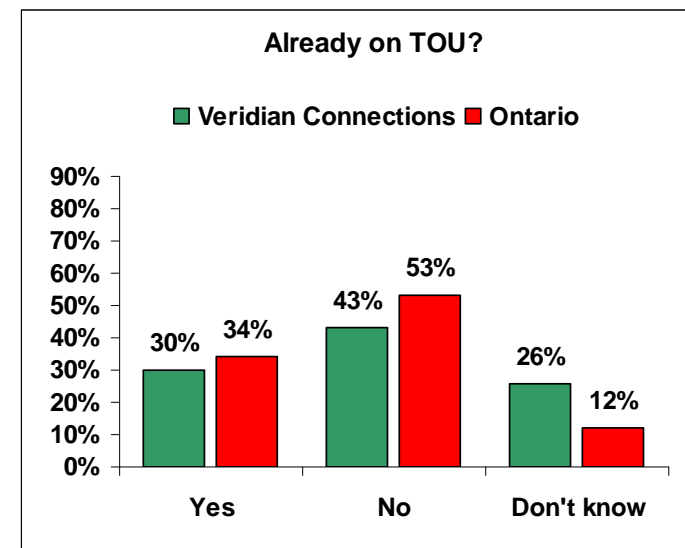
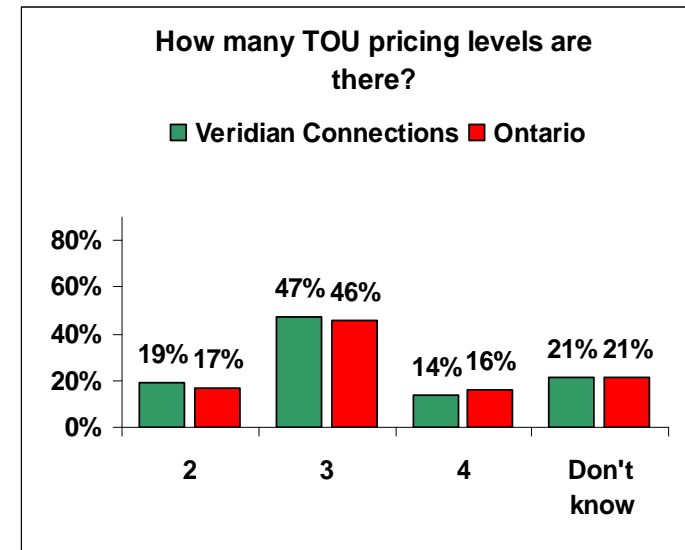
| How many TOU pricing levels are there? | | |
|--|----------|---------|
| | VERIDIAN | Ontario |
| 2 | 19% | 17% |
| 3 | 47% | 46% |
| 4 | 14% | 16% |
| Don't Know | 21% | 21% |

Base: total respondents aware of TOU

You stated earlier that you have a smart meter installed which paves the way for Time-of-Use billing, are you already on Time-of-Use billing?

| Already on TOU? | | |
|-----------------|----------|---------|
| | VERIDIAN | Ontario |
| Yes | 30% | 34% |
| No | 43% | 53% |
| Don't Know | 26% | 12% |

Base: total respondents who have Smart Meters



| What time does the Off-Peak rate or lowest rate start on weekdays (Monday to Friday)? | | |
|---|----------|---------|
| | VERIDIAN | Ontario |
| 7pm | 15% | 18% |
| 8pm | 16% | 16% |
| 9pm | 23% | 23% |
| 10pm | 15% | 13% |
| 11pm | 18% | 14% |
| Don't Know | 15% | 15% |

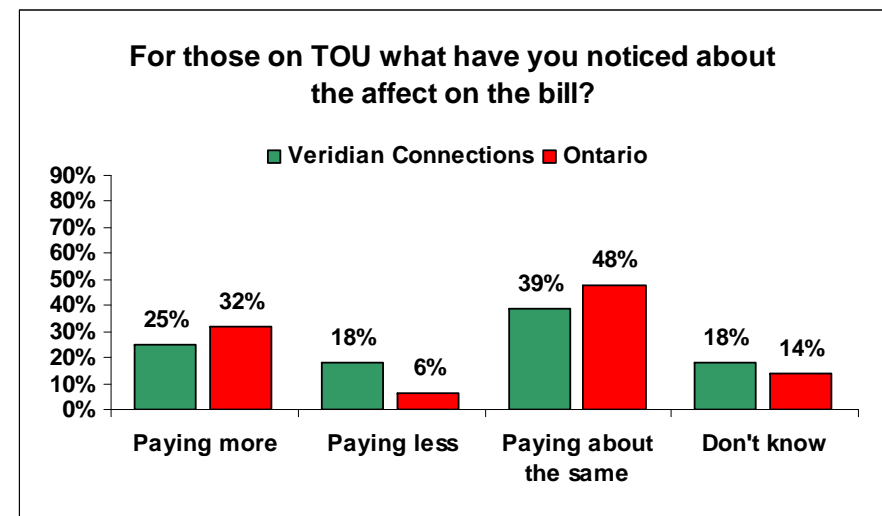
Base: total respondents aware of TOU

| For those that are on TOU what is the affect on the bill? | | |
|---|----------|---------|
| | VERIDIAN | Ontario |
| Paying more | 25% | 32% |
| Paying less | 18% | 6% |
| Paying about the same | 39% | 48% |
| Don't Know | 18% | 14% |

Base: total respondents on TOU

| What are weekends and holidays considered? | | |
|--|----------|---------|
| | VERIDIAN | Ontario |
| Off-peak | 54% | 60% |
| Mid-peak | 17% | 12% |
| On-peak | 16% | 11% |
| Don't Know | 12% | 17% |

Base: total respondents aware of TOU



| <i>Please tell me whether you agree strongly, agree somewhat, disagree somewhat, or disagree strongly with each of the following statements:</i> | VERIDIAN | VERIDIAN | Ontario | Ontario |
|--|-------------|----------|-------------|----------|
| | Top 2 Boxes | Bottom 2 | Top 2 Boxes | Bottom 2 |
| TOU encourages customers to conserve energy | 83% | 14% | 80% | 16% |
| TOU encourages customers to shift energy consumption | 81% | 14% | 77% | 16% |
| TOU is too complicated to make any real impact | 31% | 9% | 32% | 61% |
| TOU provides customers with more information about electricity use and costs | 82% | 11% | 82% | 11% |
| TOU helps electric utilities be more accurate and efficient when billing customers | 69% | 18% | 67% | 26% |
| TOU increases revenues for electric utilities | 57% | 24% | 57% | 25% |
| TOU is a bad idea that won't make any real difference | 30% | 64% | 36% | 57% |

Base: total respondents with Smart Meters

The data certainly supports the need for more customer education. We believe that it is important for utilities to be proactive communicating with customers. In particular there is a need to be prepared for the number of customer inquiries that will be coming to the utility. Thoughtful answers delivered consistently will be important to ensure your utility is seen in a manner which you wish to be seen.

| Do you have a Smart Meter installed? | | | |
|--------------------------------------|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Yes | 51% | 67% | 51% |
| No | 37% | 23% | 41% |
| Don't know | 12% | 10% | 8% |

Base: total respondents

| Aware that Time of Use (TOU) rates are coming? | | | |
|--|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Yes | 72% | 76% | 79% |
| No | 28% | 24% | 20% |
| Don't know | 0% | 1% | 1% |

Base: total respondents

For those that are on TOU what is the affect on the bill?

| Ajax/Pickering | |
|------------------------------|-----|
| Paying more | 29% |
| Paying less | 18% |
| Paying about the same | 39% |
| Don't know | 14% |

| Belleville | |
|------------------------------|-----|
| Paying more | 19% |
| Paying less | 19% |
| Paying about the same | 42% |
| Don't know | 20% |

| Clarington | |
|------------------------------|-----|
| Paying more | 17% |
| Paying less | 17% |
| Paying about the same | 33% |
| Don't know | 32% |

| Already on TOU rates? | | | |
|-----------------------|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Yes | 36% | 25% | 23% |
| No | 43% | 48% | 38% |
| Don't know | 21% | 27% | 39% |

Base: total respondents

| <i>Please tell me whether you agree strongly, agree somewhat, disagree somewhat, or disagree strongly with each of the following statements:</i> | Ajax/Pickering | Belleville | Clarington |
|--|----------------|-------------|-------------|
| | Top 2 Boxes | Top 2 Boxes | Top 2 Boxes |
| TOU encourages customers to conserve energy | 86% | 82% | 78% |
| TOU encourages customers to shift energy consumption | 82% | 81% | 76% |
| TOU is too complicated to make any real impact | 29% | 32% | 35% |
| TOU provides customers with more information about electricity use and costs | 82% | 85% | 80% |
| TOU helps electric utilities be more accurate and efficient when billing customers | 66% | 76% | 71% |
| TOU increases revenues for electric utilities | 23% | 22% | 26% |
| TOU is a bad idea that won't make any real difference | 26% | 35% | 37% |

Base: total respondents

FIT and MicroFIT (Ontario benchmark only)

The Ontario Power Authority's Feed-In Tariff (FIT) and MicroFIT Programs will allow customers to generate and sell renewable energy back to the grid.

Homeowners, farmers or small business owners have the opportunity to develop a very small or “micro” renewable electricity generation project (10 kilowatts or less in size) on their property. Under the MicroFIT Program, a guaranteed price will be paid for all the electricity a project produces for at least 20 years.

Ontario's feed-in tariff or FIT Program is North America's first comprehensive guaranteed pricing structure for renewable electricity production. It offers stable prices under long-term contracts for energy generated from renewable sources. The FIT Program was enabled by the Green Energy and Green Economy Act, 2009 which was passed into law on May 14, 2009. The Ontario Power Authority is responsible for implementing the program.



Respondents participating in the Ontario Benchmark survey were asked to respond to the following questions regarding FIT or MicroFIT programs.

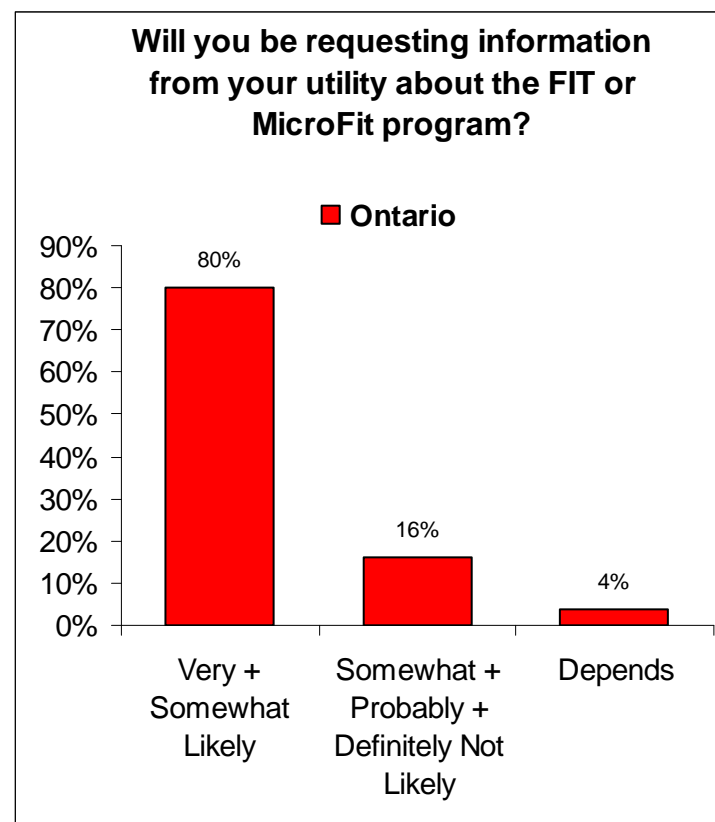
Prior to this interview how familiar are you with the FIT or MicroFit Program which encourages the development of renewable energy such as wind or solar? Would you say you are very familiar, somewhat familiar, not too familiar, or not at all familiar with it?

| Familiarity with the FIT or MicroFit program? | |
|---|---------|
| | Ontario |
| Very + Somewhat familiar | 44% |
| Not too + Not at all familiar | 56% |
| Don't know | 0% |

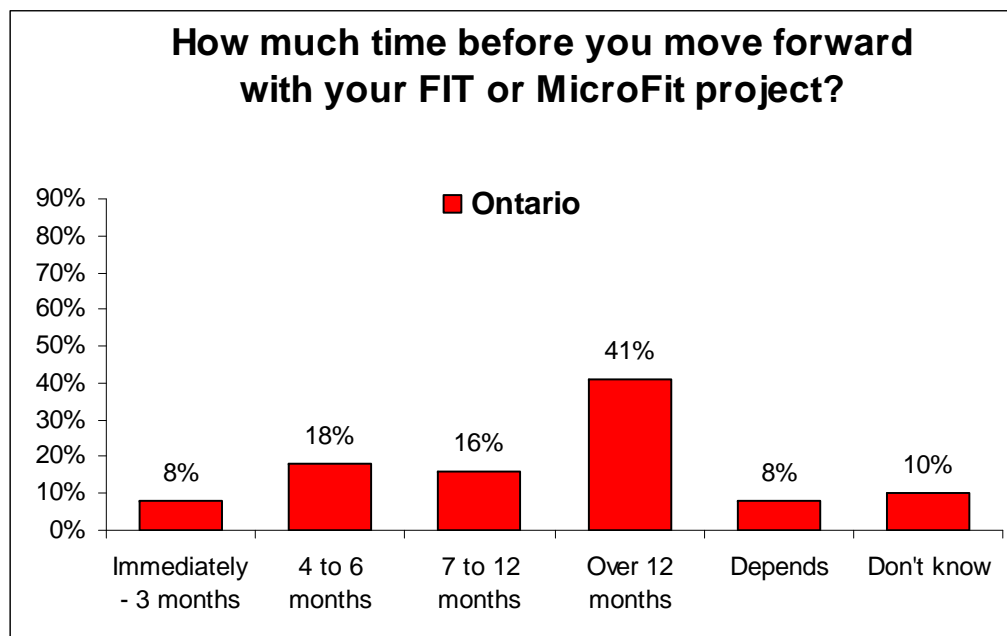
Base: total respondents in Ontario benchmark

| Considering the installation of a wind or solar project? | |
|--|---------|
| | Ontario |
| Yes | 24% |
| No | 73% |
| Don't know | 3% |

Base: total respondents in Ontario benchmark



How much time before you move forward with your FIT or MicroFIT program?



Base: total respondents in Ontario benchmark

While MicroFIT Projects are not large relative to FIT Projects, they can represent substantial sums of money for homeowners, small business owners, institutions or communities. Of those contacted, four out ten will be moving forward with their FIT or MicroFIT project over the next 12 months.

What do customers think about electricity costs?

It seems the price of nearly everything these days is spiraling out of control. Food, clothing, gasoline and basic commodities are costing us more than ever today. We are concerned with the rising cost of everything around us these days and with good reason. We find our salaries not rising to meet the cost of everything we need and especially when it comes to those items we cannot live without, such as our electricity or other forms of energy to run our homes - Canadians appear to be growing wary of their future purchasing power. Ontarians, in particular, are faced with the HST on July 1, 2010 which automatically increases electricity costs.

Low-income customers are the most vulnerable because they spend a larger share of their budgets on necessities like energy than better-off customers do. They also can least afford purchases of new, more energy-efficient heating systems and appliances. Middle-income customers, too, feel the squeeze from higher energy-related prices.

What do customers think about costs?

Next I am going to read a number of statements people might use about paying for their electricity. Which one comes closest to your own feelings, even if none is exactly right? Paying for electricity is not really a worry, Sometimes I worry about finding the money to pay for electricity, or Paying for electricity is often a major problem?

| | Not a worry | Sometimes | Often | Depends |
|-----------------------------|-------------|-----------|-------|---------|
| Veridian Connections | | | | |
| <\$30,000 | 43% | 39% | 9% | 3% |
| \$30<\$70,000 | 60% | 28% | 9% | 3% |
| \$70,000+ | 75% | 18% | 6% | 1% |

Base: total respondents

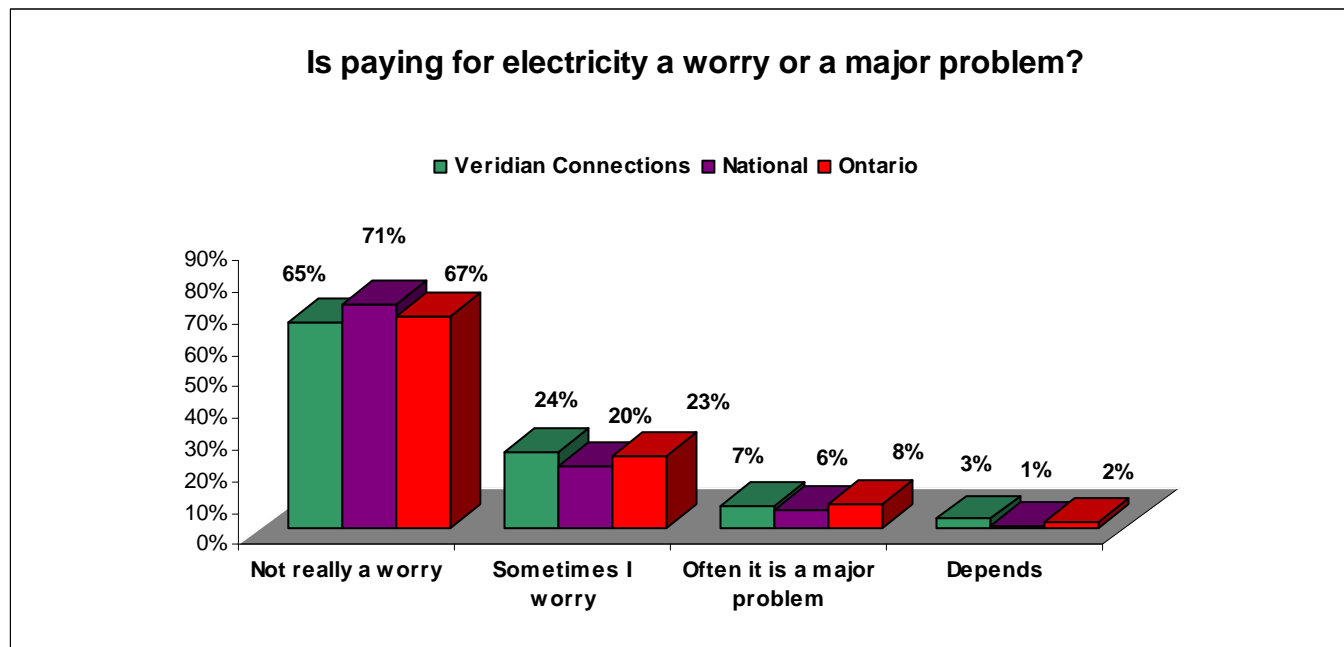
| | Not a worry | Sometimes | Often | Depends |
|-----------------------------|-------------|-----------|-------|---------|
| Veridian Connections | | | | |
| 2010 | 65% | 24% | 7% | 3% |
| 2009 | 76% | 17% | 6% | 1% |
| 2008 | 72% | 20% | 5% | 1% |
| 2007 | 57% | 33% | 7% | 1% |

Base: total respondents



| | VERIDIAN | National | Ontario |
|------------------------------------|----------|----------|---------|
| Not really a worry | 65% | 71% | 67% |
| Sometimes I worry | 24% | 20% | 23% |
| Often it is a major problem | 7% | 6% | 8% |
| Depends | 3% | 1% | 2% |

Base: total respondents

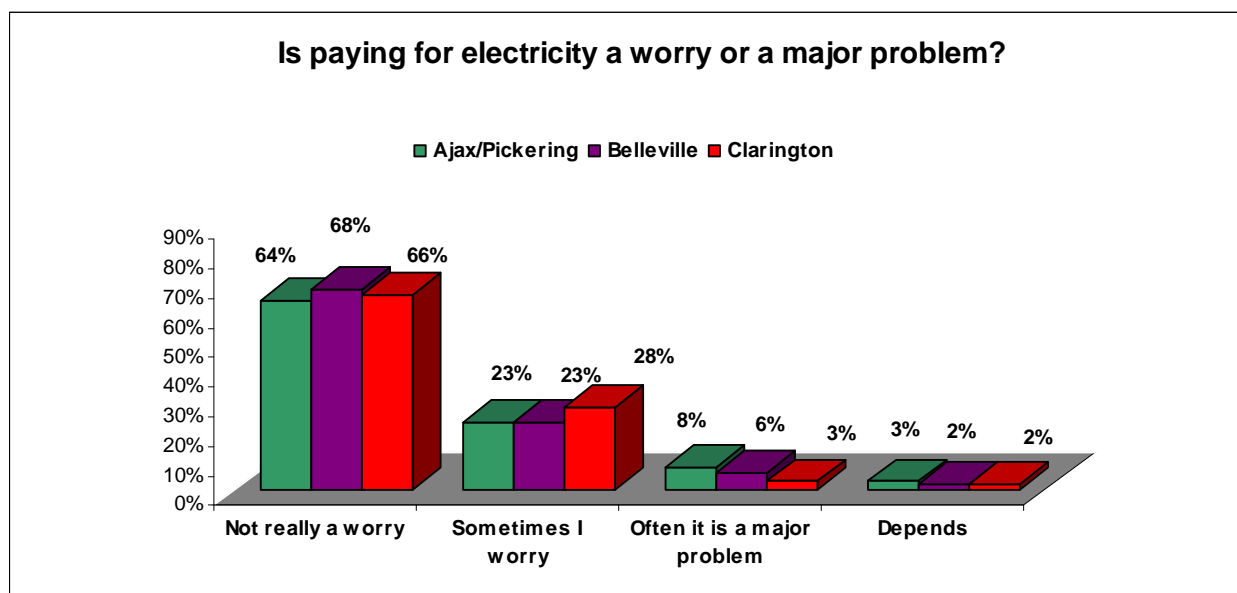


In spite of what customers believe about electricity prices – too high or low – their perceptions of value received for the money is a better indicator of pricing and value. 74% of Veridian Connections customers with an opinion feel the utility provides good value for their money.

| | Not a worry | Sometimes | Often | Depends |
|-----------------|-------------|-----------|-------|---------|
| Ontario | | | | |
| 2010 | 67% | 23% | 8% | 2% |
| 2009 | 67% | 26% | 4% | 2% |
| 2008 | 64% | 23% | 9% | 2% |
| 2007 | 58% | 28% | 8% | 4% |
| National | | | | |
| 2010 | 71% | 20% | 6% | 1% |
| 2009 | 69% | 23% | 6% | 2% |
| 2008 | 66% | 23% | 8% | 2% |
| 2007 | 66% | 25% | 6% | 2% |

| Is paying for electricity a worry or a major problem? | | | |
|---|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Not really a worry | 64% | 68% | 66% |
| Sometimes I worry | 23% | 23% | 28% |
| Often it is a major problem | 8% | 6% | 3% |
| Depends | 3% | 2% | 2% |

Base: total respondents



What do small commercial customers think?

The themes/topics identified by the UtilityPULSE survey indicate significant similarities between small commercial customers and residential customers. Over the 12 years that UtilityPULSE has undertaken electric utility satisfaction surveys, it is evident that in some respects, we can infer that the small business owner behaves in a similar manner to the residential customer. One area of overlap is the receipt and payment of the utility bill. Specifically, since small businesses are often owner-managed, they are seemingly just as interested as individuals in comparing their expenditures across consumption categories. In fact, the business owner might be even more economically motivated to reduce energy costs, as business people typically have a “bottom line” focus.

Based on our full data set from all 2010 surveys, small commercial customers have relatively similar views about their utility. The tables associated with this report will contain your specific information as it relates to residential and commercial customers. Recognizing that smaller data samples create greater swings or spreads in the data we have compiled the following based on all of our 2010 discussions with small commercial and residential customers.

As it relates to the six attributes associated with service delivery:

| Very or fairly satisfied with... | Residential | Commercial |
|---|--------------------|-------------------|
| The time it took to answer the phone | 72% | 81% |
| The time it took someone to deal with your problem | 71% | 79% |
| The helpfulness of the staff who dealt with your problem | 78% | 86% |
| The knowledge of the staff who dealt with your problem | 77% | 85% |
| The level of courtesy of the staff who dealt with your problem | 85% | 92% |
| The quality of information provided by the staff member | 76% | 83% |

*Base: data from the full 2010 database

| | Residential | Commercial |
|--|--------------------|-------------------|
| Very/somewhat satisfied | 87% | 89% |
| Definitely/probably would continue | 84% | 84% |
| Definitely/probably would recommend | 70% | 72% |

*Base: data from the full 2010 database

| Comparisons between Residential and Commercial...Top 2 boxes | | |
|--|-------------|------------|
| Loyalty Groups | Residential | Commercial |
| Secure | 20% | 20% |
| Still Favourable | 16% | 15% |
| Indifferent | 55% | 57% |
| At risk | 9% | 7% |

*Base: data from the full 2010 database

| Please tell me whether you agree strongly, agree somewhat, disagree somewhat, or disagree strongly with each of the following statements: | Residential | Residential | Commercial | Commercial |
|---|-------------|-------------|-------------|------------|
| | Top 2 Boxes | Bottom 2 | Top 2 Boxes | Bottom 2 |
| TOU encourages customers to conserve energy | 76% | 20% | 80% | 17% |
| TOU encourages customers to shift energy consumption | 78% | 19% | 80% | 15% |
| TOU is too complicated to make any real impact | 38% | 54% | 42% | 51% |
| TOU provides customers with more information about electricity use and costs | 79% | 13% | 84% | 11% |
| TOU helps electric utilities be more accurate and efficient when billing customers | 67% | 22% | 68% | 21% |
| TOU increases revenues for electric utilities | 64% | 20% | 65% | 19% |
| TOU is a bad idea that won't make any real difference | 39% | 55% | 44% | 52% |

*Base: data from the full 2010 database

| | Residential | Commercial |
|--|-------------|------------|
| Respondents with outage problems | 35% | 32% |
| Respondents with billing problems | 10% | 14% |

*Base: data from the full 2010 database

| Top 2 Boxes | Residential | Commercial |
|-------------------------|-------------|------------|
| Initially | 87% | 89% |
| End of Interview | 94% | 93% |

*Base: data from the full 2010 database

Top 2 Boxes: 'very + fairly satisfied'

Method

The findings in this report are based on telephone interviews conducted for Simul Corp. by Consumer Contact Ltd. between March 22 - March 31, 2010, with 467 respondents who pay or look after the electricity bills from a list of residential and small and medium-sized business customers supplied by Veridian Connections.

The sample of phone numbers chosen was drawn randomly to insure that each business or residential phone number on the list had an equal chance of being included in the poll.

The sample was stratified so that 85% of the interviews were conducted with residential customers and 15% with commercial customers.

In sampling theory, in 19 cases out of 20 (95% of polls in other words), the results based on a random sample of 467 residential and commercial customers will differ by no more than ± 4.9 percentage points where opinion is evenly split.

This means you can be 95% certain that the survey results do not vary by more than 4.9 percentage points in either direction from results that would have been obtained by interviewing all Veridian Connections residential and small and medium-sized commercial customers if the ratio of residential to commercial customers is 85%:15%.

The margin of error for the sub samples is larger. To see the error margin for subgroups use the calculator at <http://www.surveysystem.com/sscalc.htm>.

Interviewers reached 1,239 households and businesses from the customer list supplied by Veridian Connections. The 467 who completed the interview represent a 38% response rate.

The findings for the Simul/UtilityPULSE National Benchmark of Electric Utility Customers are based on telephone interviews conducted March 11 through March 23, 2010, with adults throughout the country who are

responsible for paying electric utility bills. The ratio of 85% residential customers and 15% small and medium-sized business customers in the National study reflects the ratios used in the local community surveys. The margin of error in the National poll is ± 3.2 percentage points at the 95% confidence level.

For the National study, the sample of phone numbers chosen was drawn by recognized probability sampling methods to insure that each region of the country was represented in proportion to its population and by a method that gave all residential telephone numbers, both listed and unlisted, an equal chance of being included in the poll.

The data were weighted in each region of the country to match the regional shares of the population.

The margin of error refers only to sampling error; other non-random forms of error may be present. Even in true random samples, precision can be compromised by other factors, such as the wording of questions or the order in which questions were asked.

Random samples of any size have some degree of precision. A larger sample is not always better than a smaller sample. The important rule in sampling is not how many respondents are selected but how they are selected. A reliable sample selects poll respondents randomly or in a manner that insures that everyone in the population being surveyed has an equal chance of being selected.

How can a sample of only several hundred truly reflect the opinions of thousands or millions of electricity customers within a few percentage points?

Measures of sample reliability are derived from the science of statistics. At the root of statistical reliability is probability, the odds of obtaining a particular outcome by chance alone. For example, the chances of having a coin come up heads in a single toss are 50%. A head is one of only two possible outcomes.

The chance of getting two heads in two coin tosses is less because two heads are only one of four possible outcomes: a head/head, head/tail, tail/head and tail/tail.

But as the number of coin tosses increases, it becomes increasingly more likely to get outcomes that are either close to or exactly half heads and half tails because there are more ways to get such outcomes. Sample survey reliability works the same way but on a much larger scale.

As in coin tosses, the most likely sample outcome is the true percentage of whatever we are measuring across the total customer base or population surveyed. Next most likely are outcomes very close to this true percentage. A statement of potential margin of error or sample precision reflects this.

Some pages in the computer tables also show the standard deviation (S.D.) and the standard error of the estimate (S.E.) for the findings. The standard deviation embraces the range where 68% (or approximately two-thirds) of the respondents would fall if the distribution of answers were a normal bell-shaped curve.

The spread of responses is a way of showing how much the result deviates from the "standard mean" or average. In the Veridian Connections data on corporate image,

Simul converted the answers to a point scale with 4 meaning agree strongly, 3 meaning agree somewhat and so on (see in the computer tables).

For example, the mean score is 3.58 for providing consistent, reliable energy. The average is 2.91 for working with customers to keep their energy costs affordable.

For reliable energy the standard deviation is 0.58. For affordable energy the S.D. is 0.93. These findings mean there is a wider range of opinion – meaning less consensus – about whether Veridian Connections works with customers to keep their energy costs affordable than about whether Veridian Connections energy supplies are reliable.

Beneath the S.D. in the tables is the standard error of the estimate. The S.E. is a measure of confidence or reliability, roughly equivalent to the error margin cited for sample sizes. The S.E. measures how far off the sample's results are from the standard deviation. The smaller the S.E. the greater the reliability of the data.

In other words, a low S.E. indicates that the answers given by respondents in a certain group (such as residential bill payers or women) do not differ much from the probable spread of the answers "predicted" in sampling and probability theory.

Data in isolation are not as useful as findings compared with other data. To facilitate comparisons, Simul applied significance testing in the computer analysis to highlight where Veridian Connections bill payers differ significantly from respondents in the Simul Ontario benchmark survey.

Reading the tables from left to right, starting with the first column ("TOTAL" or column A), columns headed A and C were compared. These two columns show the data for Veridian Connections customers and for bill payers in the province as a whole. Where data are significantly different in these columns, the letters A or C appear.

Reading down column A, for example, the statistic above a letter C is significantly different from the value in the column headed C. An upper-case letter indicates a significant difference (larger than the margin of sampling error) at the 95% confidence level. A lower-case letter signifies a difference at the 90% confidence level.



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Veridian Connections



June 2011

**13th Annual
Electric Utility
Customer Satisfaction Survey**

The purpose of this report is to profile the connection between Veridian Connections and its customers.

The primary objective of the Electric Utility Customer Satisfaction Survey is to provide information that will support discussions about improving customer care at every level in your utility.

The UtilityPULSE Report Card[®] and survey analysis contained in this report do not merely capture state of mind or perceptions about your customers' needs and wants - the information contained in this survey provides actionable and measurable feedback from your customers.

This is privileged and confidential material and no part may be used outside of Veridian Connections without written permission from UtilityPULSE, the electric utility survey division of Simul Corporation.

All comments and questions should be addressed to:

Sid Ridgley, Simul Corporation

Toll free: 1-888-291-7892 or Local: 905-895-7900

Email: sridgley@simulcorp.com



Executive summary

The Ontario customer is becoming irritated!

The Ontario customer is becoming fatigued!

There are more irritated and fatigued customers today than there were 1 year ago!

Veridian Connections has achieved excellent scores as it relates to being a solid company – one that the vast majority of your customers respect and trust. For the second year in a row Ontario customers are showing a negative trend towards the actual process of customer care – which, in our view, is how the customer is demonstrating their frustration. For example, scores for attributes such as “good value” or “customer-focused” have deteriorated while attributes such as “reliable energy” and “quickly handling outages” remains as strong as they ever have. In short, just about everything to do with “customer care” has taken a hit in 2011, while anything to do with utility operations continues to garner top marks.



For most utilities in Canada, the results are growth in the number of “secure” customers and “at risk” customers. The growth in “at risk” customers after years of decline is proof that the customer is irritated and frustrated. Why is this so?



First of all it is important to recognize that there are a lot of macro uncertainties in the economy right now. Customers are hearing that the economy is getting better but they are not seeing tangible proof that it really is. Gasoline prices occupy a disproportionate amount of mind share as the fluctuations in price confound most people—prices that immediately affect their pocketbook. When people get confused they also get cynical and negative. The federal government reinforced that negativity by inviting oil industry executives to provide clarity on pricing. In addition, the mantra of “reduce the cost of government” changed the face of many municipal governments over this past year.

In an era where wage growth remains low and the prospect of wage growth remaining low is real, the customer’s attention logically goes to costs—the costs of everything.

Messaging in the electricity industry from various players has done little to build the confidence in customers that the industry is well managed. For example, customers are hearing “we need more alternative green energy sources” and “Ontario Tories vow to scrap the \$6.6 billion dollar Samsung deal”. *[82% of Ontario respondents thought that it was “very” or “somewhat” important for the Ontario Government to encourage the development of green energy. 39% of respondents said they would pay a premium for solar power, while 51% said there should be no premium.]*

“Conserve electricity” and “Ontario pays others to take excess power”. In Ontario the cost of electricity went up – July 1, 2010 HST was implemented and May 1, 2011 with a rate increase. *[32% of Veridian Connections respondents with Smart meters who thought they were on Time-of-use rates*



believe that they were paying more, 12% believe they were paying less. In 2010, 25% believed they were paying more and 18% believed they were paying less.]

Over the past 2 years we've seen a shift from 70% to 63% of all Ontario respondents who said that "paying for electricity is not really a worry" and an increase from 5% to 9% saying that "paying for electricity is often a major problem". Concerns about costs are diminishing improvements made by electric utilities in customer care competencies and processes.

Every UtilityPULSE survey conducted over the past 13 years shows a correlation between ability to pay and satisfaction. For example, at the gas pumps, it is difficult for customers to see that an organization is doing an excellent job when they are paying \$1.35 or more for a litre of gasoline.

One thing we believe about human nature is this: "where understanding stops; irritation, frustration, anger and conflict begin." We believe that the macro-economic factors that are negatively impacting customers coupled with polarized messaging in the electricity industry and an increased concern about paying for electricity are creating a real need for electric utilities to leverage their relationship with customers as a trusted and respected enterprise.

Negative factors in the economy and the electricity industry certainly are having their impact on electric utility customers and by default on the electric utility. One strategy is to do nothing and simply ride the ebbs and flows of customer sentiment. The other, and one that we recommend, is to



continue to earn the confidence of customers through excellence in service and advocacy for the customer.

Veridian's UtilityPULSE Report Card®

Part 1: Importance to Customers

| | CATEGORY | Veridian | National | Ontario |
|--------------|-------------------------------|-------------|-------------|-------------|
| 1 | Customer Care | 15% | 15% | 15% |
| | Price and Value | 4% | 4% | 4% |
| | Customer Service | 11% | 11% | 11% |
| 2 | Company Image | 36% | 33% | 32% |
| | Company Leadership | 20% | 16% | 16% |
| | Corporate Stewardship | 16% | 16% | 16% |
| 3 | Management Operations | 49% | 53% | 53% |
| | Operational Effectiveness | 23% | 23% | 25% |
| | Power Quality and Reliability | 26% | 30% | 29% |
| Total | | 100% | 100% | 100% |

Shares may not add exactly to 100% due to rounding.



Veridian's UtilityPULSE Report Card[®]

Part 2: Performance

| | CATEGORY | Veridian | National | Ontario |
|----------------|-------------------------------|-----------|-----------|-----------|
| 1 | Customer Care | B+ | B+ | B |
| | Price and Value | C+ | C+ | D+ |
| | Customer Service | A | A | B+ |
| 2 | Company Image | A | A | B+ |
| | Company Leadership | A | A | B+ |
| | Corporate Stewardship | A | A | B+ |
| 3 | Management Operations | A | A | A |
| | Operational Effectiveness | A | A | A |
| | Power Quality and Reliability | A+ | A+ | A |
| OVERALL | | A | A | B+ |

* Weightings are based on pulse figures shown in Part 1 of the UtilityPULSE Report Card[®]

Marketing communications remains an important area of investment for electric utilities, for 2011-2012 articulating Price and Value should be a priority.



| SATISFACTION SCORES – Electricity customers' satisfaction | | | |
|---|----------|----------|---------|
| Top 2 Boxes: „very + fairly satisfied’ | Veridian | National | Ontario |
| Initially | 90% | 89% | 84% |
| End of Interview | 91% | 90% | 86% |

Base: total respondents

| SATISFACTION SCORES – Electricity customers' satisfaction | | | |
|---|----------------|------------|------------|
| Top 2 Boxes: „very + fairly satisfied’ | Ajax/Pickering | Belleville | Clarington |
| Initially | 89% | 92% | 91% |
| End of Interview | 89% | 92% | 93% |

Base: total respondents

| Electricity bill payers who are 'very or fairly' satisfied with... | | | | |
|--|------|------|------|------|
| | 2011 | 2010 | 2009 | 2008 |
| Veridian | 90% | 88% | 93% | 90% |
| National | 89% | 86% | 90% | 87% |
| Ontario | 84% | 80% | 87% | 86% |

Base: total respondents

For most utilities satisfaction levels have dropped to levels experienced in 2007 – essentially 4 years of steady gains have been wiped out. Macro-economic concerns coupled with heightened worries about electricity cost are taking their toll.

| Attributes strongly linked to a hydro utility's image | | | |
|---|----------|----------|---------|
| | Veridian | National | Ontario |
| Is a respected company in the community | 88% | 85% | 81% |
| Maintains high standards of business ethics | 86% | 84% | 80% |
| A leader in promoting energy conservation | 81% | 81% | 77% |
| Keeps its promises to customers and the community | 86% | 80% | 77% |
| Beyond providing jobs and paying taxes, is socially responsible | 84% | 81% | 78% |
| Is a trusted and trustworthy company | 87% | 83% | 79% |

Base: total respondents with an opinion

| Attributes strongly linked to a hydro utility's image | | | |
|---|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Is a respected company in the community | 88% | 87% | 89% |
| Maintains high standards of business ethics | 84% | 88% | 88% |
| A leader in promoting energy conservation | 80% | 83% | 83% |
| Keeps its promises to customers and the community | 85% | 87% | 86% |
| Beyond providing jobs and paying taxes, is socially responsible | 84% | 85% | 84% |
| Is a trusted and trustworthy company | 86% | 87% | 87% |

Base: total respondents with an opinion



Confidence in an organization's brand is demonstrated when customers agree strongly with the attributes; ~~keeps~~ its promises to customers and the community" and ~~is~~ a trusted and trustworthy company."

Trust is a word that we use all the time, but is one of the most over-used and under-practiced words of our time. Corporate credibility refers to customer and other stakeholder perceptions of an organization's trustworthiness and expertise, that is, the believability of its intentions and communications at a particular moment in time. Corporate credibility is whether a company can be relied on to do what it says it will do. Our research shows that the under-pinning components that lead a person to believe that an organization has credibility and can be trusted are: Knowledge, Integrity, Involvement and Trust. Your customers give you an ~~A~~**A** overall for demonstrating credibility and trust.

In an environment of increased customer irritation and frustration attributes relating to customer care have, for the most part been impacted. These deteriorated perceptions further manifest themselves in lower scores for actual service, and higher belief that there are billing errors. For most utilities, the data would suggest that calls regarding bills have increased almost 20% from 1 year ago. Data from this year's survey also indicated that 50% of the calls are for ~~high bills~~" and a further 18% about ~~rates or charges~~". This means that about every 2 out of 3 calls regarding bills revolves around the issue of cost or rate. Utilities, particularly in Ontario, are unable to solve the high bill or rate cost concerns of the customer – resulting in lower scores in customer care delivery.





| Percentage of Respondents indicating that they had a Billing problem in the last 12 months | | | |
|--|----------|----------|---------|
| | Veridian | National | Ontario |
| 2011 | 10% | 10% | 16% |
| 2010 | 10% | 10% | 12% |
| 2009 | 6% | 9% | 10% |
| 2008 | 4% | 8% | 8% |

Base: total respondents

| Percentage of Respondents indicating that they had a Blackout or Outage problem in the last 12 months | | | |
|---|----------|----------|---------|
| | Veridian | National | Ontario |
| 2011 | 28% | 43% | 43% |
| 2010 | 36% | 45% | 41% |
| 2009 | 43% | 50% | 46% |
| 2008 | 39% | 49% | 41% |

Base: total respondents

| Percentage of Respondents indicating that they had Billing or Outage problems in the last 12 months | | | |
|---|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Billing | 9% | 13% | 11% |
| Outage | 32% | 14% | 28% |

Base: total respondents



The following table illustrates some of the important attributes which help shape a customer's perception about quality service and customer care.

| Attributes describing the local electricity utility | | | |
|--|----------|----------|---------|
| | Veridian | National | Ontario |
| Deals professionally with customers' problems | 87% | 84% | 81% |
| Customer-focused and treats customers as if they're valued | 81% | 75% | 72% |
| Provides good value for money | 71% | 69% | 59% |
| Works with customers to keep their electricity costs affordable | 68% | 64% | 57% |
| Is pro-active in communicating changes and issues which may affect customers | 82% | 77% | 76% |
| The cost of electricity is reasonable when compared to other utilities | 63% | 65% | 55% |

Base: total respondents with an opinion

| Attributes describing the local electricity utility | | | |
|--|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Deals professionally with customers' problems | 86% | 87% | 87% |
| Customer-focused and treats customers as if they're valued | 80% | 82% | 83% |
| Provides good value for money | 70% | 73% | 74% |
| Works with customers to keep their electricity costs affordable | 66% | 67% | 71% |
| Is pro-active in communicating changes and issues which may affect customers | 81% | 81% | 83% |
| The cost of electricity is reasonable when compared to other utilities | 64% | 60% | 66% |

Base: total respondents with an opinion



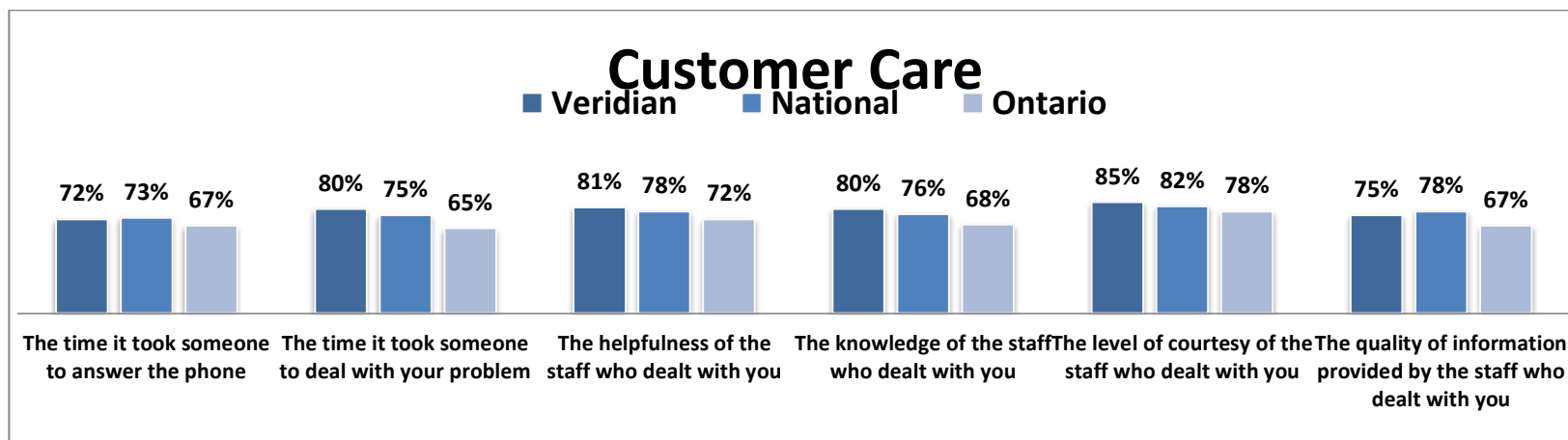
Customer Care – Top 2 Boxes

| | Veridian | National | Ontario |
|---|----------|----------|---------|
| The time it took someone to answer the phone | 72% | 73% | 67% |
| The time it took someone to deal with your problem | 80% | 75% | 65% |
| The helpfulness of the staff who dealt with you | 81% | 78% | 72% |
| The knowledge of the staff who dealt with you | 80% | 76% | 68% |
| The level of courtesy of the staff who dealt with you | 85% | 82% | 78% |
| The quality of information provided by the staff who dealt with you | 75% | 78% | 67% |

Base: total respondents

Utility customers want:

- access to the utility and to customer service
- accurate, timely billing and problem resolution
- communication about service outages, interruptions
- communication and transparency about regulatory changes
- easy access to information about cost and energy conservation
-



For 2011 we asked those who contacted other utilities to compare their experience with that of their electric utility.

| Comparison of Other Utility services vs Local Hydro Utility Experience | | | |
|--|-----|-------|-----------|
| | Gas | Cable | Telephone |
| Much Better | 13% | 11% | 15% |
| Better | 16% | 15% | 18% |
| About the same | 50% | 46% | 40% |
| Slightly worse | 3% | 3% | 3% |
| Much worse | 2% | 5% | 5% |

Base: total respondents that in the past year have contacted a gas, cable or telephone company

When customers contact companies for service, they care most about two things – is the frontline employee knowledgeable? And is the problem resolved on the first call? 84% of respondents who contacted Veridian Connections in the last 12 months said that the problem was resolved; Ontario 64% and National 74%.

The old days of a single price for all the power you consumed in a month are gone. With smart meters and time-of-use rates, Ontarians are becoming more sensitive to the concept that electricity rates can vary at different times of the day. Smart meters was supposed to have a major impact on concerns about billing, at this point smart meters are certainly not living up to their implied value. For 2011, 13% of all suggestions for improvement received from all Ontario respondents were about ~~eliminating smart meters~~.



Smart meters might have the potential to help cut power consumption and energy bills considerably ... but only if customers accept them and use them as intended.

Respondents who said that they have a smart meter:


Veridian Connections 73%; Ontario 66%

Respondents who said that they were aware that the Ontario government intends to ensure that electricity bills are calculated based on Time-of-Use rates?

Veridian Connections 87%; Ontario 84%

Respondents who thought they were already on TOU.

Veridian Connections 79%; Ontario 48%



| For those that are on TOU what is the affect on the bill? | | |
|---|----------|---------|
| | Veridian | Ontario |
| Paying more | 32% | 38% |
| Paying less | 12% | 9% |
| Paying about the same | 38% | 37% |
| Don't Know | 18% | 16% |

Base: 75% of RESIDENTIAL respondents



There is a direct correlation between customer familiarity with smart meters and their favorable views toward the technology. Most customers in our survey still don't understand what smart meters are all about, and this lack of knowledge is a real barrier to ultimate acceptance.

Media reports have cited many customers have been less than impressed with smart meters so far. Some have complained that their bills are much higher, even when they try to adjust their usage. Opposition politicians have jumped on the critical bandwagon, going so far as to say that the program should be scrapped.

| Smart Meters | | | |
|---|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Smart meter installed in your home | 70% | 79% | 77% |
| Aware that Time-of-Use (TOU) rates are coming | 88% | 83% | 86% |
| Already on TOU | 79% | 73% | 85% |
| Feel they are Paying more on TOU | 34% | 33% | 26% |
| Feel they are Paying less on TOU | 12% | 7% | 16% |
| Feel they are Paying about the same on TOU | 38% | 34% | 41% |

Base: 75% of RESIDENTIAL respondents

While most Canadians are clearly "greener" than they used to be in terms of energy consumption, we still have plenty of room for improvement. Many Canadians have already begun to change. They are finding ways to live healthy, comfortable lifestyles while also reducing their energy use.





| Steps to be taken over the next 12 months in an effort to conserve energy | | | | |
|---|-----|-----|--------------|------------|
| Veridian | Yes | No | Already Done | Don't Know |
| Install energy-efficient light bulbs or lighting equipment | 24% | 8% | 67% | 0% |
| Install timers on lights | 13% | 58% | 29% | 1% |
| Shift use of electricity to lower demand periods | 25% | 20% | 53% | 2% |
| Install window blinds or awnings | 13% | 35% | 52% | 1% |
| Install a programmable thermostat | 12% | 27% | 59% | 2% |
| Have an energy expert conduct an energy audit | 10% | 76% | 13% | 1% |
| Purchase solar powered products | 11% | 79% | 7% | 3% |
| Purchase 1 or more ENERGY STAR appliances | 20% | 28% | 50% | 2% |

Base: 75% of RESIDENTIAL respondents

| Steps to be taken over the next 12 months in an effort to conserve energy | | | | |
|--|-----|-----|--------------|------------|
| Veridian | Yes | No | Already Done | Don't know |
| Participate in the save-on-energy Retrofit Program which provides incentives for installing control systems and/or replacing existing equipment with high efficiency equipment | 16% | 59% | 19% | 6% |
| Participate in the small business lighting program, where eligible small business customers can receive the free installation of up to \$1,000 in energy efficiency products | 23% | 28% | 39% | 9% |

Base: 75% of COMMERCIAL respondents

| Steps to be taken over the next 12 months in an effort to conserve energy | | | | |
|---|-----|-----|--------------|------------|
| Veridian | Yes | No | Already Done | Don't know |
| Take advantage of the save-on-energy fridge/freezer pick-up program | 15% | 61% | 22% | 2% |
| Join the peaksaver™ program | 15% | 56% | 13% | 16% |
| Use save-on-energy incentive to replace furnace/air-conditioner | 14% | 58% | 24% | 4% |
| Use a coupon on the purchase of energy savings products | 44% | 34% | 18% | 4% |
| Do laundry in off-peak hours or on weekends | 28% | 10% | 61% | 1% |

Base: 75% of RESIDENTIAL respondents

Veridian Connections participated in a provincial endeavor to find out what Ontarians think about green energy, solar and conservation.

82% of Ontario respondents said that the Government of Ontario should pursue the development of green energy as very or somewhat important.

The average Canadian would probably switch to solar power tomorrow if it were available and made financial sense to their wallet. If there's one reason environmentally inclined citizens don't get solar panels, it's the cost, which can run into the thousands of dollars for the average homeowner.



19% of Ontario respondents indicated that they were considering the installation of solar panels.

Residents were asked how much of a premium they would be willing to pay on their hydro bill to ensure that solar power is used.



| How much of a premium would you pay to ensure that solar power is used? | |
|---|---------|
| | Ontario |
| More than 20% | 2% |
| 10% to 20% | 9% |
| 5% to 10% | 15% |
| 1% to 5% | 13% |
| No premium should be paid | 51% |
| Depends | 3% |
| Don't know | 7% |

Base: An aggregate of respondents from all 2011 participating utilities



Electric cars have been around for decades, but never in enough numbers that they would affect the grid, or require mass rollouts of charging equipment. Regardless of the arguments for or against, 37% of Ontario respondents indicated that they are very or somewhat interested in purchasing a fully electric vehicle.



We've been hearing about the smart meters, smart grids and smart homes for years now, but are customers willing to use all this “smart” ware to save energy and lower their energy bills? If it is obvious that conserving energy helps save the environment and helps save us money, then what are the barriers which prohibit most from taking a pro-active approach to energy conservation?

| What are the 1 or 2 barriers to energy conservation experienced by Ontarians? | |
|---|---------|
| | Ontario |
| Cost involved in making equipment/appliance changes | 21% |
| Not sure that the savings advertised are “real” | 2% |
| Lack good information on where to save energy | 5% |
| Lack of knowledge | 6% |
| Already doing everything I can to save energy | 1% |
| Not taking personal responsibility | 5% |
| Waiting for new technology | 2% |
| Not enough incentives | 2% |
| Hydro bill is going up faster than I can reduce use of electricity, so why bother | 3% |

Base: An aggregate of respondents from all 2011 participating utilities



Respondents were also asked if anyone in their households and/or businesses did research into energy conservation and in ways in which to save energy. Sources that respondents said were used in the past 12 months:

| Sources used in the past 12 months for information on energy conservation | |
|---|---------|
| | Ontario |
| Websites | 66% |
| Newspaper | 13% |
| Company brochures | 12% |
| Hydro newsletters | 11% |
| Television | 9% |
| Hydro bill inserts | 7% |
| Neighbours and friends | 6% |
| Radio | 5% |
| Don't know | 4% |
| Contacted local hydro utility | 2% |
| Twitter, Facebook or other social media | 1% |

Base: An aggregate of respondents from all 2011 participating utilities



86% of all Ontario respondents indicated that it is very or somewhat important to have a central source of information about ideas, products, incentives and services that help them reduce electricity use.

We must be concerned with the public's understanding of the energy problem because customers will not conserve unless they know how and why they should. Making it easier and simpler for people to access information is half the battle in getting them informed and educated. As we have stated to many in our training programs, seminars and workshops: ~~the~~ confused mind will always say no”.

Respondents were told that there has been a website designed to be a central source of information about ideas, products, incentives and services that help you reduce your use of electricity. Respondents were told this website was called ~~saveonenergy.ca~~”. Only 17% of Ontario respondents said that they were very or somewhat familiar with the website – despite heavy television advertising during the field research period.

Regardless of the environment or the issues which the utility faces, its primary job is to provide safe, reliable energy to each customer—and it must live up to the expectations of its customers and its owners.

Better prices has been the number 1 suggestion for the 13 years that UtilityPULSE has been conducting the survey, unfortunately more people are making this suggestion.



Pricing or cost is an issue with customers. Whether it's the result of the HST introduced to Ontarians in July 2010, mis-information about the new time-of-use metering system, or the latest green energy initiatives, many Ontarians have seen their electricity bills get bigger making life less affordable for some.

And we are interested in knowing what you think are the one or two most important things „your local utility’ could do or fix to improve service to their customers?

| Veridian | % of all suggestions |
|---|----------------------|
| Better prices/lower rates | 48% |
| Improve power reliability | 14% |
| Eliminate smart meters | 17% |
| Better communication with customers | 10% |
| Improve billing | 7% |
| Be more environmentally friendly | 5% |
| More knowledgeable staff | 3% |
| Information & incentives on energy conservation | 4% |
| Don't charge for previous debt | 3% |
| Be more efficient | 4% |

Base: total respondents with a suggestion

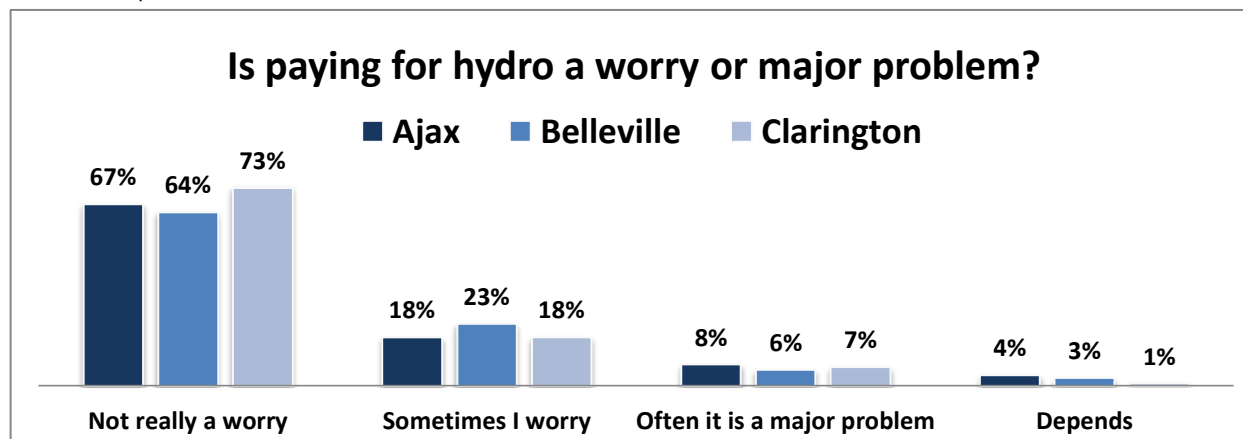


Is paying for electricity a worry or major problem...

| | Veridian | National | Ontario |
|------------------------------------|----------|----------|---------|
| Not really a worry | 68% | 63% | 52% |
| Sometimes I worry | 19% | 25% | 31% |
| Often it is a major problem | 7% | 8% | 13% |
| Depends | 3% | 2% | 3% |

Base: total respondents

Is paying for hydro a worry or major problem?



Ontario seniors, especially those on fixed incomes, are finding it more and more difficult to manage household budgets. Both the harmonized sales tax (HST) and time-of-use pricing have a huge impact on seniors and families with young children who are at home during the day. Many households are limited in their ability to change their electricity consumption pattern. It's particularly difficult to change usage for those

who work at home or are home during the day. None-the-less, when under pressure the Ontario government introduced an energy tax benefit program for lower income households.

Your utility is operating in what we would call a “testy” environment – with a real concern that the political rhetoric of the summer and fall of 2011 could turn the customer into a very negative group. The following actions are important for your utility to do:

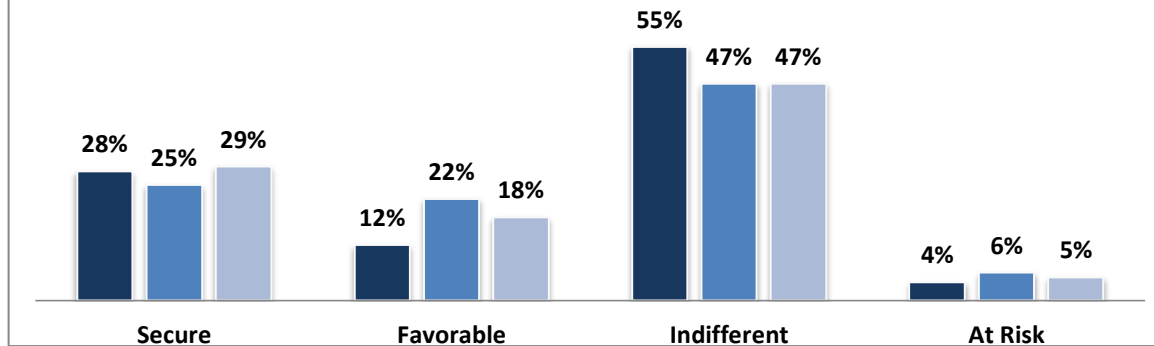
- 1- Continuing the utility’s diligence in delivering high quality service with the aim of creating more “secure” customers [Secure customers are those who are advocates for you.]
- 2- Being seen as a pro-active communicator on issues or opportunities which affect customers.
- 3- Maintaining the integrity of your brand image.
- 4- Dealing effectively with mis-information about issues.
- 5- Profiling testimonials from real people about the value of conservation.

| Customer Loyalty Groups | | | | |
|-------------------------|--------|-----------|-------------|---------|
| | Secure | Favorable | Indifferent | At Risk |
| Veridian | | | | |
| 2011 | 28% | 15% | 52% | 5% |
| 2010 | 15% | 21% | 56% | 8% |
| 2009 | 22% | 16% | 59% | 4% |
| 2008 | 18% | 21% | 57% | 5% |

Base: total respondents

Loyalty Groups

■ Ajax ■ Belleville ■ Clarington



The UtilityPULSE survey asks about satisfaction in the beginning of the survey and then towards the end of the survey. The average increase in post-satisfaction was 4-5 points higher than the initial customer response. For example, if the initial customer satisfaction level was 88% then the post-satisfaction level would be 92 or 93%. For 2011 the differential fell to an average of 2%.

We view this low rate of up-tick as significant variance from previous years. We believe that any up-tick is actually good news because, irritated people are typically more entrenched in their beliefs about companies and what is going on. Clearly, customers need more credible information about the value and value proposition that your utility brings to them.

This past year has been a challenging year for most utilities and we believe that the next 12 months will be no different. The reality is there are things that you can control and there are things that you

cannot control. As trite as it sounds, work hard at controlling the things that you can – and work harder at influencing others in the industry to understand the impact of their decisions and messaging to your customers.

Pro-active communications about issues and opportunities that affect customers is key to securing longer-term support from your customers. So is demonstrating empathy and compassion coupled with professional excellence when customers have problems.

We encourage you to use the data in your survey to have meaningful conversations with everyone about customers'—satisfaction, concerns, suggestions, etc. Utilities with a constructive employee culture with high levels of employee engagement will have an easier time navigating the choppy waters of the current environment. The reason is simple, everything you do and everyone in your utility represents the brand – hence its perceived value.

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June, 2011



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Satisfaction (pre & post)

There is a fundamental misunderstanding of how loyalty and satisfaction are connected. Customer satisfaction is not the same as loyalty. If a customer is satisfied, it doesn't necessarily mean they are loyal. Loyalty is not the opposite of dissatisfaction. Eliminating dissatisfaction is often a necessary, but not sufficient step for creating loyalty.

Satisfaction is a measurement of the degree by which a product or service offered by a company either fails to meet, meets or exceeds customers' expectations. Loyalty relates to a relationship based on the feelings that a customer has towards their electric utility. Loyalty ultimately is the result of customer engagement.

Although customer satisfaction alone does not necessarily lead to customer loyalty, theoretical and empirical studies have shown that customer satisfaction is one of the loyalty enhancing factors and is a required foundation. Measuring satisfaction is the bedrock, or starting point, for the creation of loyal customers. One has to do the job as expected before there is an opportunity to emotionally connect in a positive way hence the need to focus on the overall customer experience.

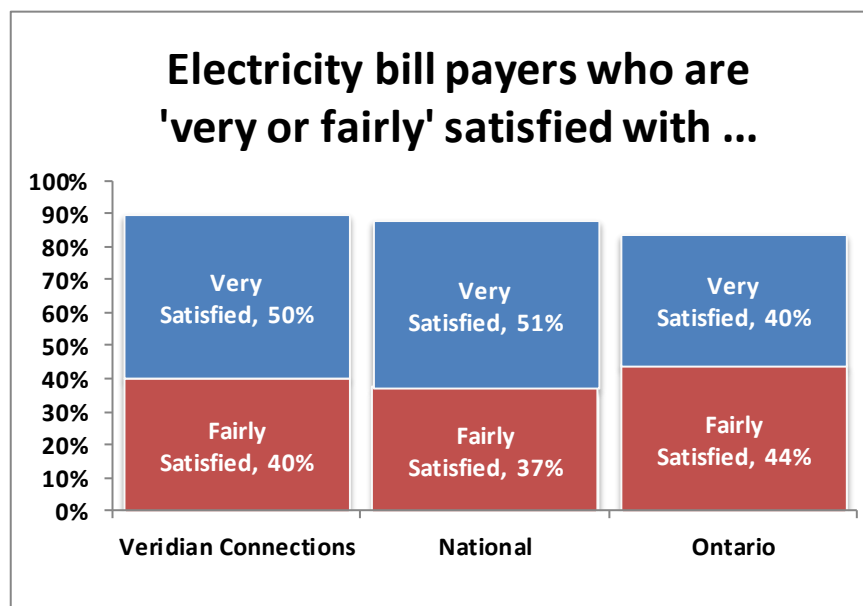
SATISFACTION SCORES:

| SATISFACTION SCORES - Electricity customers' satisfaction | | |
|---|-----|------|
| Veridian | PRE | POST |
| Very satisfied | 50% | 46% |
| Fairly satisfied | 40% | 45% |
| Neither satisfied nor dissatisfied | 0% | 1% |
| Fairly dissatisfied | 5% | 7% |
| Very dissatisfied | 2% | 1% |

Base: total respondents

the respondent has context of what is being asked and is more aptly ready to address it in an informed state of mind.

When it comes to the question of satisfaction, UtilityPULSE has designed the survey so that customers are asked twice, once at the beginning – this is to garner first impressions and set the tone for the survey, and again at the end – because now



| SATISFACTION SCORES – Electricity customers' satisfaction | | | |
|---|----------|----------|---------|
| Top 2 Boxes: „very + fairly satisfied’ | Veridian | National | Ontario |
| Initially | 90% | 89% | 84% |
| End of Interview | 91% | 90% | 86% |

Base: total respondents

| SATISFACTION SCORES – Electricity customers' satisfaction | | | |
|---|----------------|------------|------------|
| Top 2 Boxes: „very + fairly satisfied’ | Ajax/Pickering | Belleville | Clarington |
| Initially | 89% | 92% | 91% |
| End of Interview | 89% | 92% | 93% |

Base: total respondents

| Electricity bill payers who are 'very or fairly' satisfied with... | | | | |
|--|------|------|------|------|
| | 2011 | 2010 | 2009 | 2008 |
| Veridian | 90% | 88% | 93% | 90% |
| National | 89% | 86% | 90% | 87% |
| Ontario | 84% | 80% | 87% | 86% |

Base: total respondents

Now, in its 13th year, the UtilityPULSE annual Customer Satisfaction Survey further illuminates the relationship between the customer experience and business performance. Our research finds that, around the country, customers expect better service quality. It confirms that customers who are very low on the satisfaction scale with their utility are more likely to say that they experience blackout and/or billing issues with their utility and they are more likely to take the time to complain. Our research also reveals that service quality is more influential than price—in the development of a large base of customers who have confidence and trust in their provider.

The important thing to remember is that even monopolies need to be concerned with the quality of the product or service they deliver. This is especially true in the days of changing technology and the growth of the influence of social media. Who would have thought that cable companies could be downsized in the face of an alternative such as Netflix?

Monopolies are not really different in what they should measure except that trying to determine which customers are “loyal” or “at risk” is not about their future behaviour but more about their “attitudinal” loyalty (are they advocates?). In the private sector customer satisfaction and loyalty are often seen as essential for survival and success. Public sector organisations, especially Municipalities, have come to realise that looking after their customers and taking the opportunity to learn from them is key to delivering services which are both effective and efficient.

Marketing communications is becoming increasingly important to every utility – customers are time pressed and stressed. This year's UtilityPULSE survey shows that customers are getting increasingly irritated at costs that keep on going up – whether the cost increase is reasonable or not. Gas for automobiles that seem to go up and down without much predictability. Wild estimates of, and talk about Hydro increases. Most Canadians want some predictability in their costs, our current environment does not give them much confidence.

Unfortunately the electric utility industry is starting to show what we call the oil and gas industry effect. That is, perceptions of satisfaction are increasingly being tied to the price of the commodity. For many Canadians being upset about the price of a litre of gas translates to being upset with the company that provides it—whether the company is doing an excellent job or not.

Satisfied employees who are working in an organizational culture which promotes service excellence is critical, too. Many companies make the mistake of measuring only customer satisfaction. Measuring organizational culture is the key because employees play an integral role in the customer relationship. Employees do more than deliver customer service – they personalize the relationship between customer and the utility.

Employees need to be empowered and enabled to play their part in building and maintaining strong relationships. Employees who are trained well, have the right tools and are focused on successful outcomes for customers contribute greatly to the customers' perception of their utility. There is a direct, irrefutable link between empowered and engaged employees and customer satisfaction – after all -- *your employees are part of your brand and they deliver the promises that you make.*

Creating loyal customers and loyal employees go hand in hand and it is the leaders of organizations that must create this alignment. Implementing service excellence works best when its principles are well understood and widespread collaboration is encouraged by management's visible actions. In our experience, this is best achieved by driving change from the top down' at the same time as inspiring and fully engaging employees from the bottom up'.

Customer Care

The customer landscape has shifted. Progressive utilities have come to realize that it is imperative to place the customer at the center of all their initiatives; utilities must change their focus from account-focused to customer-centricity.

When customers contact companies for service, they care most about two things – is the frontline employee knowledgeable? And is the problem resolved on the first call? Customers are no longer willing to tolerate rushed and inconvenient service; customers are looking for an empathetic and satisfying experience.

Utility customers want:

- access to the utility and to customer service
- accurate, timely billing and problem resolution
- communication about service outages, interruptions
- communication and transparency about regulatory changes
- easy access to information about cost and energy conservation.

Keep in mind that most customers are not contacting their utility for the social experience. They are contacting you to get something done, however at the same time, expect to be treated with fairness and respect.

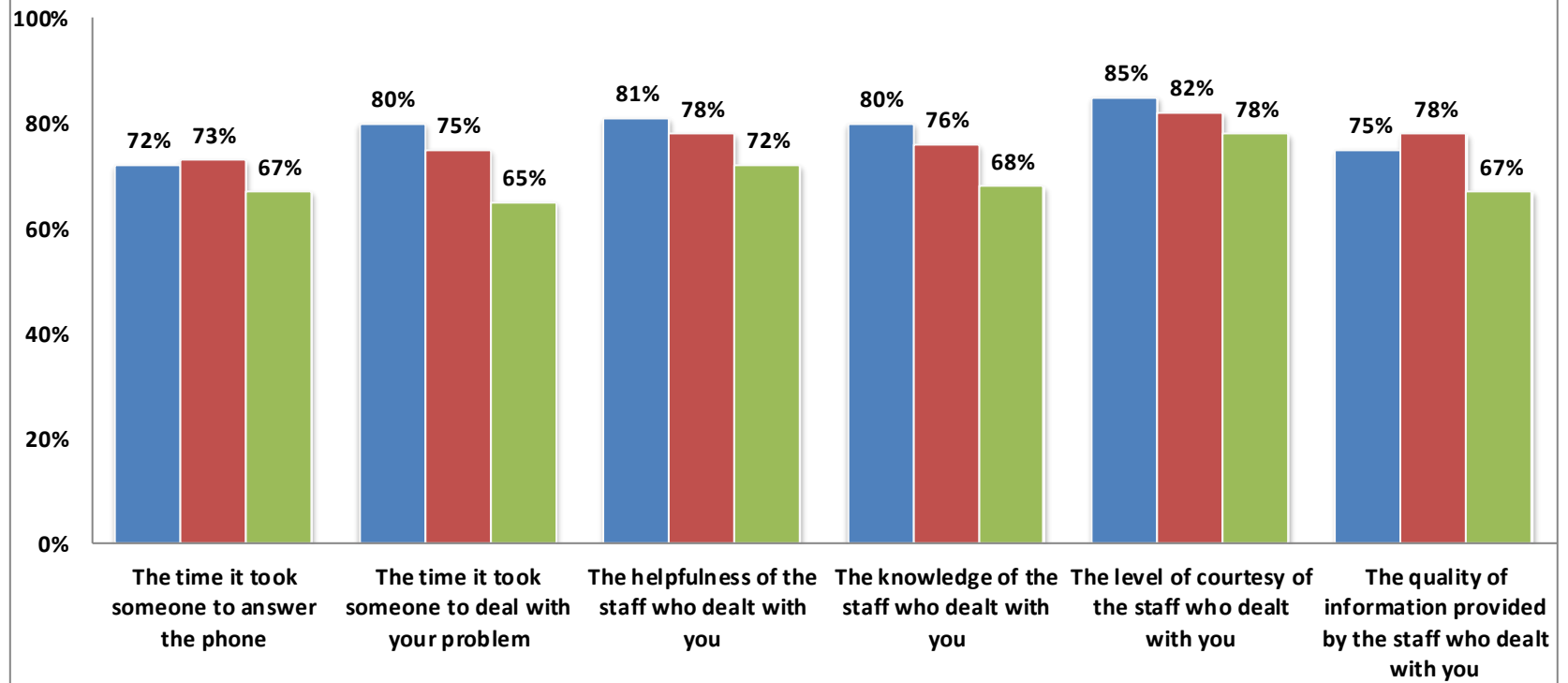
| Customer Care – Top 2 Boxes | Veridian | National | Ontario |
|--|-----------------|-----------------|----------------|
| The time it took someone to answer the phone | 72% | 73% | 67% |
| The time it took someone to deal with your problem | 80% | 75% | 65% |
| The helpfulness of the staff who dealt with you | 81% | 78% | 72% |
| The knowledge of the staff who dealt with you | 80% | 76% | 68% |
| The level of courtesy of the staff who dealt with you | 85% | 82% | 78% |
| The quality of information provided by the staff who dealt with you | 75% | 78% | 67% |

Base: total respondents who contacted the utility

Customers want staff to be able to empathize with their issues and have the flexibility to deal with their problems. We recommend the development of a service credo/motto to which everyone in your organization can relate. For example: –Reliable. Fast. Convenient.” or –Customers Are Really Everything.” Then back it up with passion, training, and tools to make the credo/motto ~~real~~”.

Customer Care

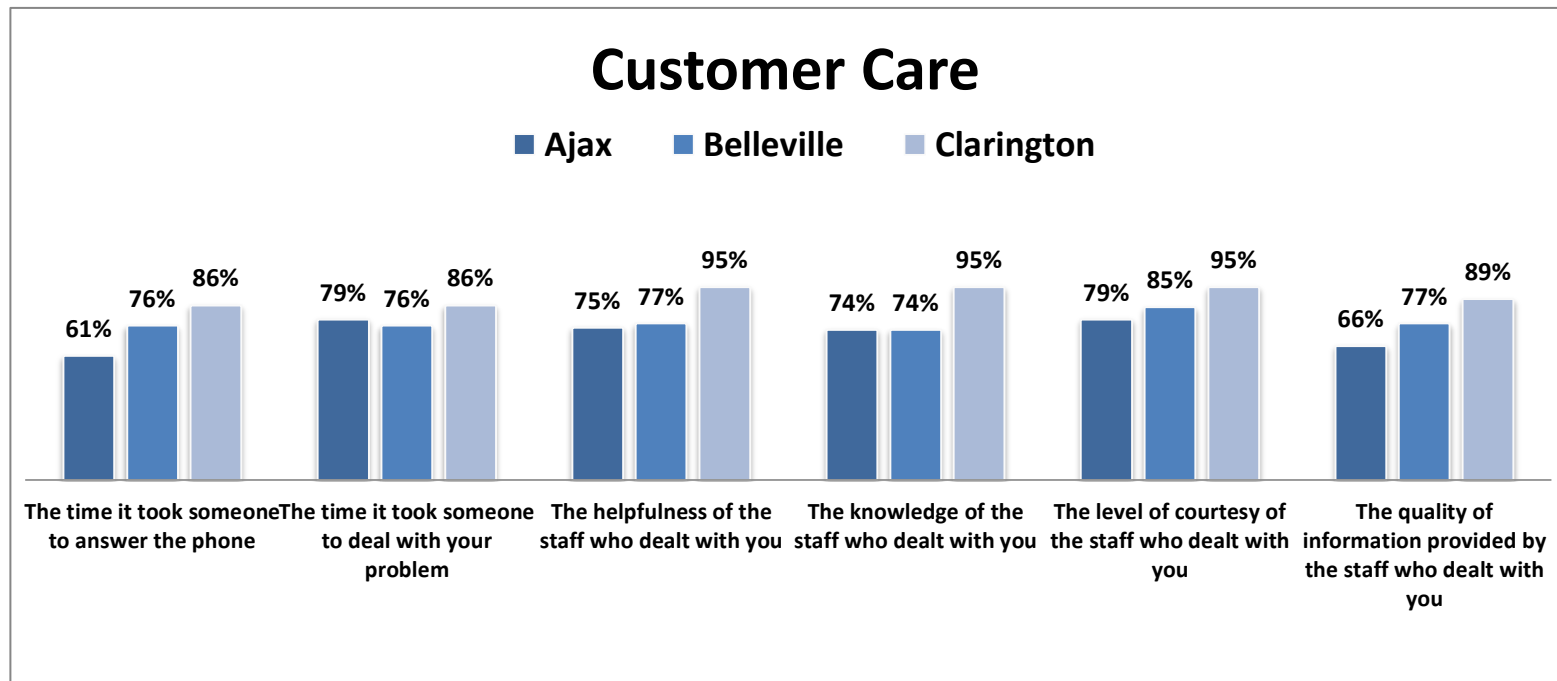
■ Veridian Connections ■ National ■ Ontario



Base: total respondents who contacted the utility

| Customer Care – Top 2 Boxes | | | |
|---|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| The time it took someone to answer the phone | 61% | 76% | 86% |
| The time it took someone to deal with your problem | 79% | 76% | 86% |
| The helpfulness of the staff who dealt with you | 75% | 77% | 95% |
| The knowledge of the staff who dealt with you | 74% | 74% | 95% |
| The level of courtesy of the staff who dealt with you | 79% | 85% | 95% |
| The quality of information provided by the staff who dealt with you | 66% | 77% | 89% |

Base: total respondents who contacted the utility



Front-line staff need to understand how every interaction shapes the customer experience and thus the satisfaction ratings on which so many of the performance measures are dependent.

| Customer Care - Secure vs At Risk Customers | | Secure | At Risk |
|---|--|--------|---------|
| The time it took someone to answer the phone | | 86% | 53% |
| The time it took someone to deal with your problem | | 95% | 35% |
| The helpfulness of the staff who dealt with you | | 97% | 49% |
| The knowledge of the staff who dealt with you | | 96% | 46% |
| The level of courtesy of the staff who dealt with you | | 97% | 64% |
| The quality of information provided by the staff who dealt with you | | 95% | 36% |

Base: data from the full 2011 database



The following table illustrates some of the important attributes which help shape a customer's perception about quality service and customer care.

| Important attributes which shape perceptions about service quality | | | |
|---|-----------------|-----------------|----------------|
| | Veridian | National | Ontario |
| Deals professionally with customers' problems | 87% | 84% | 81% |
| Customer-focused and treats customers as if they're valued | 81% | 75% | 72% |
| Provides good value for money | 71% | 69% | 59% |
| Works with customers to keep their electricity costs affordable | 68% | 64% | 57% |
| Is pro-active in communicating changes and issues which may affect customers | 82% | 77% | 76% |
| The cost of electricity is reasonable when compared to other utilities | 63% | 65% | 55% |

Base: total respondents with an opinion

Everyone in the organization needs to know that the organization means what it says about customer care and that it rewards and recognizes individual and team efforts that improve the customer experience. The levels of customer service provided by an organization are directly dependent on the strength of the organization's internal leadership and the ability of the organization's leaders to foster a culture of customer service excellence and gain commitment to that culture throughout the entire organization.

| Attributes describing the local electricity utility | | | |
|--|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Deals professionally with customers' problems | 86% | 87% | 87% |
| Customer-focused and treats customers as if they're valued | 80% | 82% | 83% |
| Provides good value for money | 70% | 73% | 74% |
| Works with customers to keep their electricity costs affordable | 66% | 67% | 71% |
| Is pro-active in communicating changes and issues which may affect customers | 81% | 81% | 83% |
| The cost of electricity is reasonable when compared to other utilities | 64% | 60% | 66% |

Base: total respondents with an opinion

As Shep Hyken, an industry colleague of ours stated – every interaction is either a Moment of Magic, Moment of Misery or Moment of Mediocrity. Anyone can deliver Moments of Misery and Mediocrity – however, it takes professional, skilled, trained and empowered employees to truly deliver Moments of Magic.

One thing that we would like to make clear. Customer Care is not about “*wowing*” the customer – it is about **consistently and professionally meeting customer expectations**. Expectations as defined by the customer are not that demanding. Making sure that everyone in your organization understands those expectations and delivers them – that is the challenge. As we’ve told thousands of people in our training programs, “*employees can’t care about the things they don’t know about*”.

Bill payers' recent problems and problem resolution

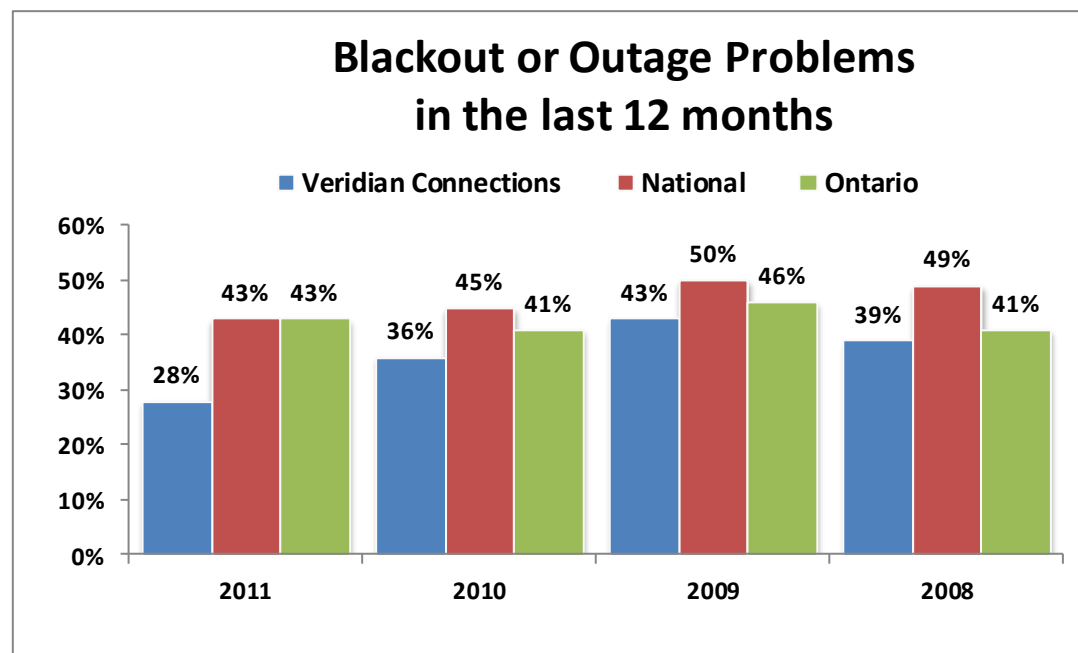
The reliable and efficient delivery of electricity to homeowners and businesses remains an essential service; it becomes life altering when not. Of the many attributes of a utility which we survey, the most important is the consistent reliable delivery of electricity. Our work, leisure, healthcare, economy, and livelihood depend on a constant supply of electrical power. Maintaining high standards of reliability for electricity is a key priority for every utility.

Reliable delivery means that enough electricity is supplied to meet customer needs at all times, including times of peak demand, while efficient means that the customer's everyday energy needs are met in a way that gives its customers value for money.

When a transformer blows, two sets of customers are affected: those whose power comes directly through that piece of equipment, and those whose service is interrupted as engineers manage the disruption to the grid. Either way, even a temporary stoppage of power can lead to relative chaos, lost productivity, inconvenience and monetary setbacks.

| Percentage of Respondents indicating that they had a Blackout or Outage problem in the last 12 months | | | |
|---|----------|----------|---------|
| | Veridian | National | Ontario |
| 2011 | 28% | 43% | 43% |
| 2010 | 36% | 45% | 41% |
| 2009 | 43% | 50% | 46% |
| 2008 | 39% | 49% | 41% |

Base: total respondents



Hydro billing practices had its share of media exposure over the past 12 months; from claims that some Ontario utilities inaccurately charged for electricity through smart meters, to overbilling via steep penalty charges on overdue accounts. Compounding matters are decisions made by the Ontario Provincial Government which have helped create a degree of energy price fatigue. The Green Energy Act, the harmonized sales tax and the installation of smart meters has Ontarians feeling overburdened by the energy sector.

Hence, media reports aside, accurate billing remains another service imperative for all utilities. Utilities must provide reliable and affordable electricity to customers while also communicating, billing and collecting payment in a courteous, efficient and proactive manner. Metering electric use and preparing billing statements are a complicated process and sometimes things can go wrong. Professional and timely handling of problems, especially billing problems, is important to customers.

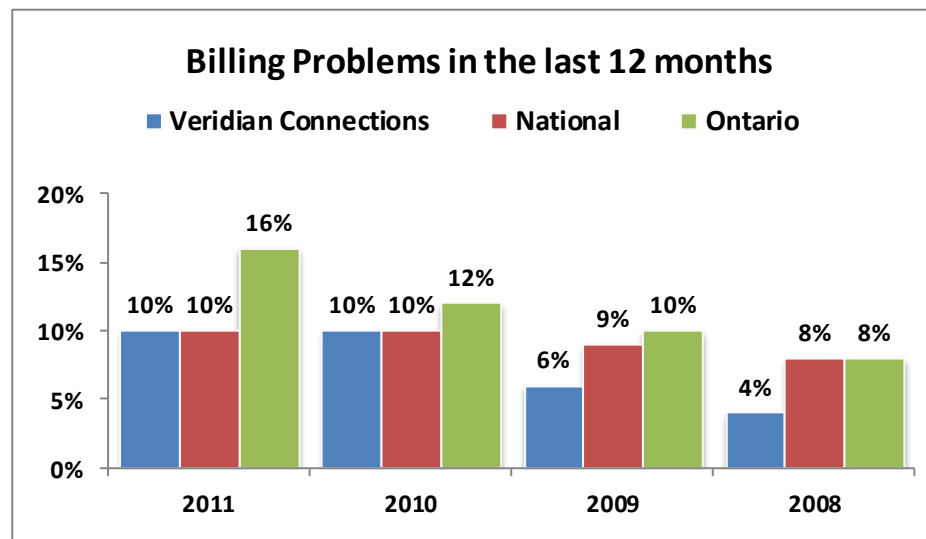
| Percentage of Respondents indicating that they had a Billing problem in the last 12 months | | | |
|--|----------|----------|---------|
| | Veridian | National | Ontario |
| 2011 | 10% | 10% | 16% |
| 2010 | 10% | 10% | 12% |
| 2009 | 6% | 9% | 10% |
| 2008 | 4% | 8% | 8% |

Base: total respondents

| | Veridian | National | Ontario |
|--|----------|----------|---------|
| The amount owed was too high | 52% | 60% | 66% |
| The meter reading was incorrect | 5% | 8% | 10% |
| Complaint about rates or charges | 13% | 6% | 7% |
| The payment made was recorded incorrectly | 6% | 5% | 3% |
| The bill was difficult to understand | 1% | 7% | 7% |
| Information was incorrect on the bill | 5% | 8% | 7% |
| The bill arrived late | 10% | 1% | 1% |

Base: total respondents

When billing issues occur, handling them in a timely and efficient manner is more important than ever. In an era where internet and social media are taking hold, customers are more keen to wage public campaigns of protest. We recommend that every utility take a look at its social media strategy.



| Percentage of Respondents indicating that they had Billing or Outage problems in the last 12 months | | | |
|---|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Billing | 9% | 13% | 11% |
| Outage | 32% | 14% | 28% |

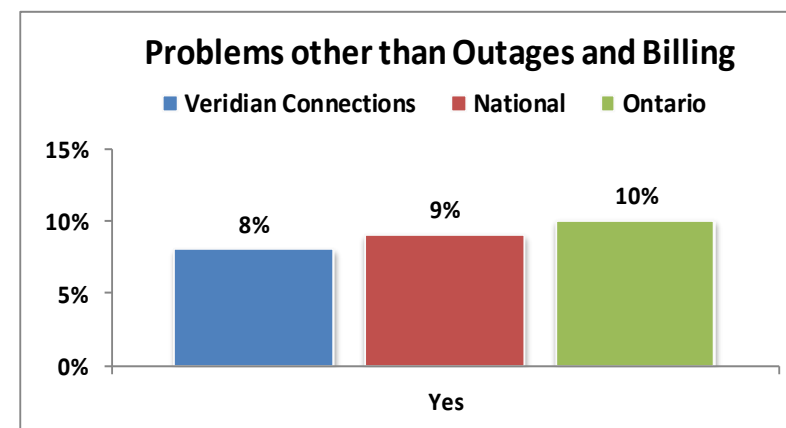
Base: total respondents



While the killer B's – Blackouts and Bills – are the most salient problems customers report to their utility, other problems or reasons for calling the utility include: Moving/setting up a new account, maintenance or repair request, to get a meter reading, wanting to know about smart meters, to upgrade thermostat or understand peak saver program, ways to conserve energy, water heater rental or repair, rebates on energy efficient products, energy retailer, to discuss different tiered pricing or energy marketers/retailers.

| Percentage of Respondents attempting to contact the utility about problems other than billing or power outages in the last 12 months | | | |
|--|----------|----------|---------|
| | Veridian | National | Ontario |
| Yes | 8% | 9% | 10% |
| No | 91% | 91% | 90% |

Base: total respondents



Time-pressed customers – whether real or imagined by customers – appreciate fast service and first call resolution.

| Percentage of Respondents who contacted their utility and had their problem solved in the last 12 months | | | |
|--|----------|----------|---------|
| | Veridian | National | Ontario |
| Yes | 84% | 74% | 64% |
| No | 14% | 24% | 33% |

Base: total respondents

| Percentage of Respondents who contacted their utility and had their problem solved in the last 12 months | | | |
|--|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Yes | 92% | 68% | 83% |
| No | 8% | 29% | 14% |

Base: total respondents

Companies that deal quickly and thoroughly with customers' problems tend to enhance customer loyalty in their customers just as surely as companies that

never create problems at all. When customers get less than they expect, they're unlikely to have confidence in their utility – and we've seen that confidence is a

precursor to long-term loyalty and emotional commitment. However, if a customer can count on getting reliable service, is treated fairly, can expect a fair resolution to the problem they've encountered – these are the ties that bind customers and build strong customer connections. This is further

reinforced when a customer feels they are dealing with a company that is competent and forthright as well as, fair and ethical.

| Attributes describing operational effectiveness | | | |
|--|----------|----------|---------|
| | Veridian | National | Ontario |
| Provides consistent, reliable energy | 91% | 90% | 89% |
| Delivers on its service commitments to customers | 88% | 86% | 84% |
| Accurate billing | 88% | 86% | 83% |
| Quickly handles outages and restores power | 90% | 88% | 87% |
| Makes using electricity safely a top priority | 91% | 90% | 87% |
| Uses responsible business practices when completing work | 88% | 86% | 84% |

Base: total respondents with an opinion

| Attributes describing operational effectiveness | | | |
|--|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Provides consistent, reliable energy | 91% | 93% | 90% |
| Delivers on its service commitments to customers | 89% | 88% | 88% |
| Accurate billing | 87% | 89% | 91% |
| Quickly handles outages and restores power | 89% | 92% | 90% |
| Makes using electricity safely a top priority | 91% | 91% | 91% |
| Uses responsible business practices when completing work | 88% | 89% | 90% |

Base: total respondents with an opinion

| Attributes describing operational effectiveness | | | |
|---|--------------|----------------|--------------------|
| | Total Survey | Problem Solved | Problem Not Solved |
| Provides consistent, reliable energy | 91% | 91% | 82% |
| Delivers on its service commitments to customers | 87% | 88% | 74% |
| Accurate billing | 86% | 85% | 64% |
| Quickly handles outages and restores power | 90% | 88% | 82% |
| Makes using electricity safely a top priority | 90% | 90% | 83% |
| Uses responsible business practices when completing work | 87% | 89% | 72% |

Base: data from the full 2011 database from those respondents with an opinion

Service recovery and problem resolution help maintain favourable perceptions while not solving problems tend to lower how customers perceive the utility.

UtilityPULSE Report Card®

Simul's UtilityPULSE Report Card® is based on tens of thousands of customer interviews gathered over thirteen years. The purpose of the UtilityPULSE Report Card® is to provide electric utilities with a snapshot of performance – on the things that customers deem to be important. Research has identified over 20 attributes that customers have used to describe their utility when they have been satisfied or very satisfied with their utility. These attributes form the nucleus, or base, from which “grades” are assigned. Customer satisfaction and loyalty also play a major role in the calculations.

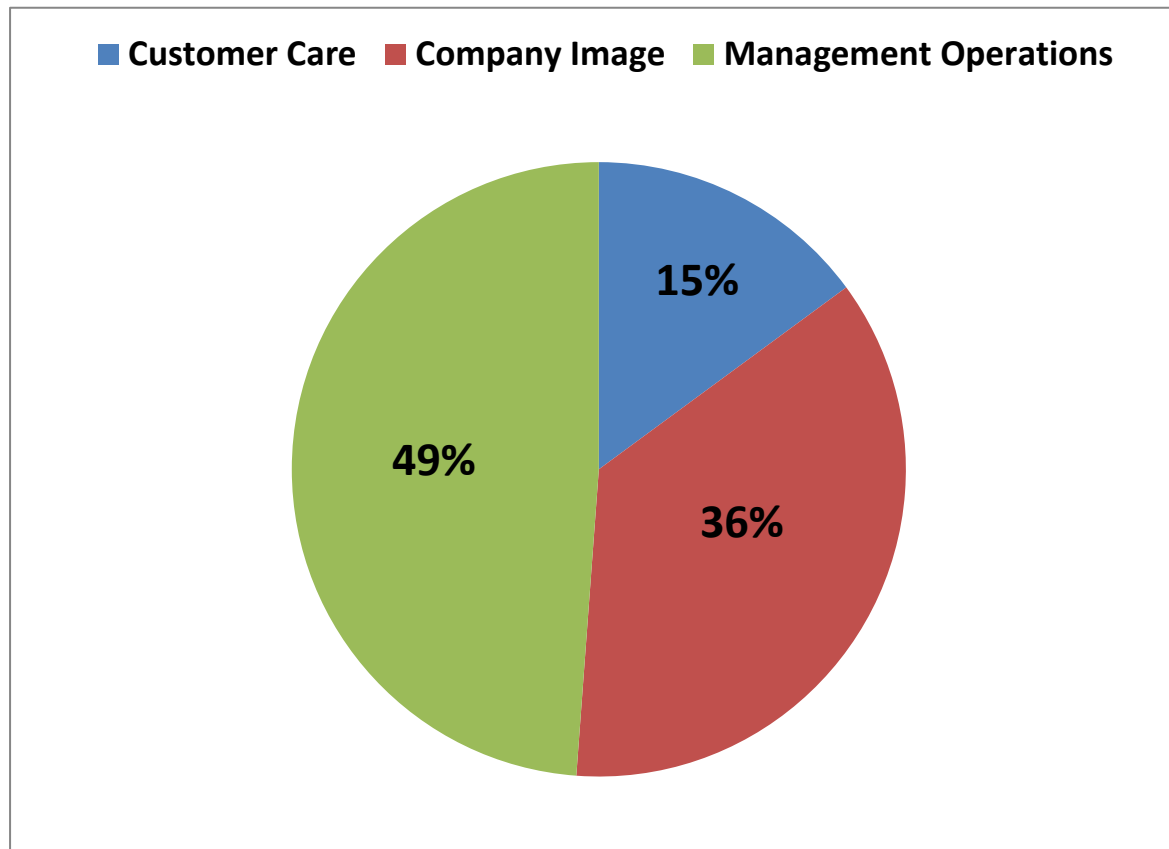
There are two main dimensions of the UtilityPULSE Report Card® the first is Customer psyche and the other is Customer perceptions about how the utility executes its business.

The Psyche of Customers

Every utility has virtually the same responsibility – provide safe and reliable electricity – yet not all customers are the same. The following chart shows the weight or significance of each category to the customer when forming their overall impression of the utility. Three major categories, each with two major drivers make up the UtilityPULSE Report Card®. In effect the Report Card provides feedback

about your customers' perception on the importance of each category and driver – as it relates to the benchmark.

UtilityPULSE® for Veridian



The UtilityPULSE Report Card[®] also provides customer perceptions about how your utility executes or performs its responsibilities.

Readers of this report should note that the categories and drivers are interdependent. Which means that, for example, failure to provide high levels of power quality and reliability will have a negative impact on customer perceptions as it relates to customer service. Customer care, when it doesn't meet customer expectations has a negative impact on Company Image, etc.

Defining the categories and major drivers:

Category: Customer Care

Drivers: Price and Value; Customer Service

Just because everyone likes good customer care, that in and by itself is not a reason to provide it – though it may be important to do so. In highly competitive industries good customer service may be a differentiating factor. The case for electric utilities is simple, high levels of customer care result in less work (hence cost) of responding to customer inquiries and higher levels of acceptance of the utility's actions.

Price and Value:

Customers have to purchase electricity because life and lifestyle depend on it. This driver measures customer perceptions as to whether the total costs of electricity represent good value and whether the utility is seen as working in the best interests of its customers as it relates to keeping costs affordable.

Customer Service:

Customers do have needs and every now and again have to interface with their utility. How the utility handles various customers' requests and concerns is what this driver is all about. Promptly answering inquiries, providing sound information, keeping customers informed and doing so in a professional manner are the major components of this driver.

Category: Company Image**Drivers: Company Leadership; Corporate Stewardship**

Utilities have an image even if they do not undertake any activities to try to build it.

A company's image is both a simple and complex concept. It is simple because companies do create images that are easily described and recognized by their target customers. It is complex because it

takes many discrete elements to create an image which includes, but is not limited to: advertising, marketing communications, publicity, service offering and pricing.

An electric utility trying to manage its image has one more challenge to deal with, and that is the electric industry itself. There are so many players that residential customers (in particular) don't know who does what or who is responsible for what. So when there are political or regulatory announcements, the local utility is swept up into the collective reaction of the population.

Company Leadership

This driver is comprised of customer perceptions as it relates to industry leadership, being a good corporate citizen and being involved in the community.

Corporate Stewardship

Customers rely on electricity and want to know that their utility is a credible organization that is well managed, is accountable, and has its financial house in order. In short, they want a stable organization.

Category: Management Operations

Drivers: Operational Effectiveness; Power Quality and Reliability

Electrical power is the primary product which utilities provide their customers and, they have very high expectations that the power will be there when they need it. Customers have little tolerance for outages. The reality is, every utility has to get this part right...no excuses. It is the utility's core business. This category and its drivers are clearly the most important to a utility's customers.

Operational Effectiveness

This driver measures customers' perceptions as they relate to ensuring that their utility runs smoothly. Attributes such as: accurate billing and meter reading, completing service work in a professional and timely manner and maintaining equipment in good repair are deemed as important to customers.

Power Quality and Reliability

Power outages are a fact of life – and, customers know it. They expect their utility to provide consistent, reliable energy, handle outages and restore power quickly and make using electricity safely an important priority.

Veridian's UtilityPULSE Report Card®

Part 1: Importance to Customers

| | CATEGORY | Veridian | National | Ontario |
|--------------|-------------------------------|-------------|-------------|-------------|
| 1 | Customer Care | 15% | 15% | 15% |
| | Price and Value | 4% | 4% | 4% |
| | Customer Service | 11% | 11% | 11% |
| 2 | Company Image | 36% | 33% | 32% |
| | Company Leadership | 20% | 16% | 16% |
| | Corporate Stewardship | 16% | 16% | 16% |
| 3 | Management Operations | 49% | 53% | 53% |
| | Operational Effectiveness | 23% | 23% | 25% |
| | Power Quality and Reliability | 26% | 30% | 29% |
| Total | | 100% | 100% | 100% |

Shares may not add exactly to 100% due to rounding.

Veridian's UtilityPULSE Report Card[®]

Part 2: Performance

| | CATEGORY | Veridian | National | Ontario |
|----------------|-------------------------------|-----------|-----------|-----------|
| 1 | Customer Care | B+ | B+ | B |
| | Price and Value | C+ | C+ | D+ |
| | Customer Service | A | A | B+ |
| 2 | Company Image | A | A | B+ |
| | Company Leadership | A | A | B+ |
| | Corporate Stewardship | A | A | B+ |
| 3 | Management Operations | A | A | A |
| | Operational Effectiveness | A | A | A |
| | Power Quality and Reliability | A+ | A+ | A |
| OVERALL | | A | A | B+ |

* Weightings are based on pulse figures shown in Part 1 of the UtilityPULSE Report Card[®]

As the UtilityPULSE Report Card® shows, the total customer experience with an electric utility is defined as more than “keeping the lights on”. Customers deal with your utility every day for a variety of reasons, most likely because they need someone to help them solve a problem, answer a question or take their order for service. All your employees, from customer service representatives to linemen, leave a lasting impression on the customers they interact with. In effect there are many moments of truth. Moments of truth are every customer touch point that a utility has with their customers. Therefore, managing these moments of truth creates higher levels of Secure customers while reducing the number of At Risk customers that exist.

It's the small things done consistently that matter: Things like greeting every customer, whether on the phone or in person, in a friendly and helpful manner. Things like listening to the customer's needs, providing solutions to their problems and showing appreciation to the customer for their business.

For communication, utilities now recognize customer communications as a valuable aspect of their business. The better a utility communicates with customers, in a manner that speaks to them, the more satisfied they are with their overall service. “Sending out information” is not the same as having a “conversation” with a customer. We believe that it is increasingly important to channel your communications to the various customer segments which exist.

Obviously employees – in every area – play a critical role in customer service success. Consequently how they feel about their job responsibilities and role in the company will be communicated indirectly through the level of service which they actually provide customers with whom they interact. The reality is engaged employees are the key to excellent customer care.

Our survey work with employees shows that there are many elements of an organizational culture to support the people model needed to achieve high levels of engagement. Our research has identified 6 main drivers that promote and support people giving their best: feeling empowered, valued, belonging, inspired, growing and performance oriented. There are 12 key processes from “attracting employees” to “saying goodbye to employees” that are part of your people model to get the best performance from every employee.

We believe that taking the time to understand the difference between employee satisfaction and organizational culture is worthwhile from a resourcing perspective and from a people development perspective. Every organization has a culture – we believe that it is a leadership imperative to install and maintain a culture that ensures that you attain the achievements and successes of your utility's many investments in people, technology and equipment.

The Loyalty Factor

If a customer is satisfied, it doesn't necessarily mean he or she is loyal. Satisfaction is about fulfilling promises/expectations; loyalty goes way beyond that by creating exceptional experiences and long-lasting relationships. There is a reason why marketing campaigns strive to build brand loyalty, not brand satisfaction. Measuring customer loyalty in an industry where many customers don't have a choice of providers doesn't make sense. Or does it?

The answer depends on how you define "customer loyalty."

Private industry often equates customer loyalty with basic customer retention. If a customer continues to do business with a company, that customer is, by definition, considered to be loyal. If this definition were applied to many companies in the utility industry, all customers would automatically be considered loyal. As such, measuring customer loyalty would appear to be unnecessary.

Monopolies are not really different in what they should measure except that trying to determine which customers are "loyal" or "at risk" is not about their future behaviour but more about their "attitudinal" loyalty (are they advocates?).

Perhaps a better or more relevant way for utilities to approach the definition of customer loyalty is to further expand how they think about loyalty. Consider the following definition: Customer loyalty is an emotional disposition on the part of the customer to respond favourably toward the brand and company consistently and across situations.

So what does it mean to respond favourably to a company? At a basic level, this can mean choosing to remain a customer. As previously mentioned however, this is essentially a non-issue for many utility companies. It then becomes necessary to think beyond just customer retention. One needs to consider other ways in which customers can respond favourably toward a company.

Other favourable responses or behaviours can be classified into one of three categories that reflect the concept of customer loyalty:

- Expansion
- Compliance or Influence
- Advocacy

Specific examples of potential expansion behaviour in the electric utility industry include:

- Signing up for programs that help the customer reduce or manage their energy consumption
- Using the utility as a consultant when selecting energy products and services from a third party
- Participating in pilot programs or research studies

Specific examples of potential compliance or influence behaviours that utility customers might exhibit include:

- Seeking the utility's advice or expertise on an energy-related issue
- Voluntarily cutting back on electricity usage if the utility advised the customer to do so
- Accepting the utility's energy advice or referrals to energy contractors or equipment
- Being influenced by the utility's opinion regarding energy- management advice, equipment, or technologies
- Providing personal information that enables the utility to better serve the customer
- Paying bills online

Creating customer advocates can be especially important for a company in a regulated industry. In the absence of customer advocates, or worse, in a situation where customers speak unfavourably about a company or actively work to support issues that are counter to those the company supports, companies can suffer a variety of negative consequences like increased business costs, lawsuits, fines and construction delays. For an electric utility, specific examples of potential advocacy behaviour include:

- Supporting the utility's positions or actions on energy-related public issues, including the environment
- Supporting the utility's position on the location and construction of facilities
- Providing testimonials about positive experiences with the utility

In sum, loyal behaviour in the utility industry may not be as evident as it is in a more competitive environment. Measuring customer loyalty in a generally non-competitive industry requires one to think about loyalty in non-traditional ways. Customer loyalty is an intangible asset that has positive consequences or outcomes associated with it no matter what the industry. Properly measuring loyalty among utility customers requires thoughtful probing to thoroughly identify the range of expansion, compliance, and advocacy behaviours that will ultimately benefit the company in meaningful ways, and foster happier and more loyal customers.

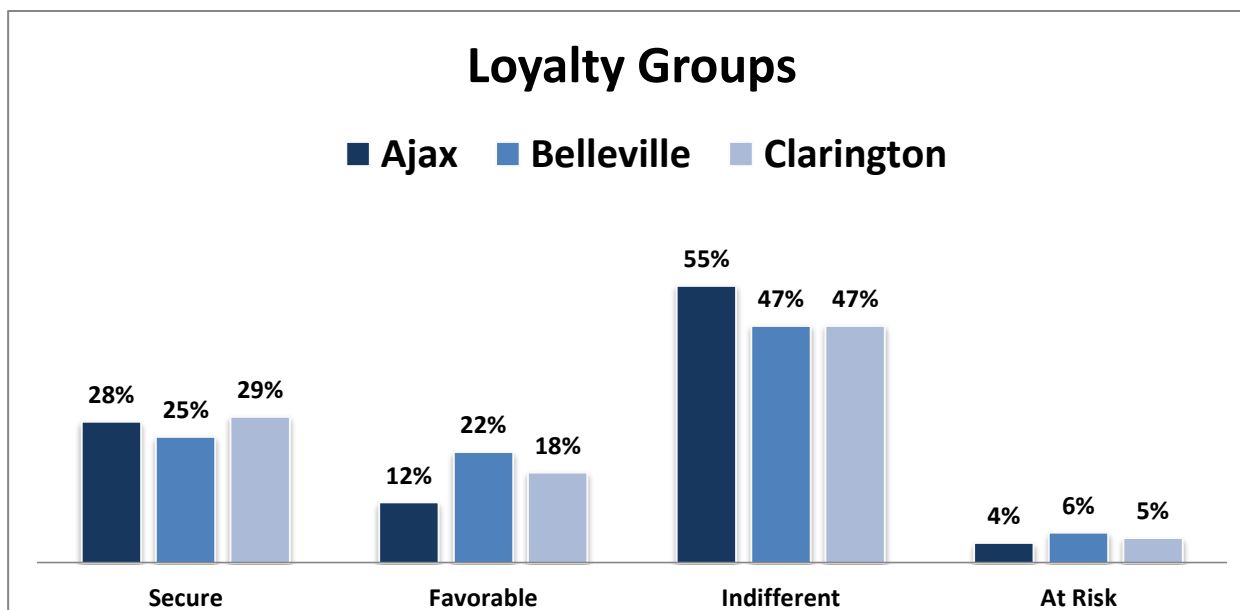
Simul/UtilityPULSE segments residential and small and medium-sized electricity customers into four groups: Secure – the most loyal - Still Favorable, Indifferent, and At Risk.

Secure customers are ~~very~~ “satisfied” overall with their local electricity utility. They definitely would not switch to a competitor if they could and definitely would recommend their local utility.

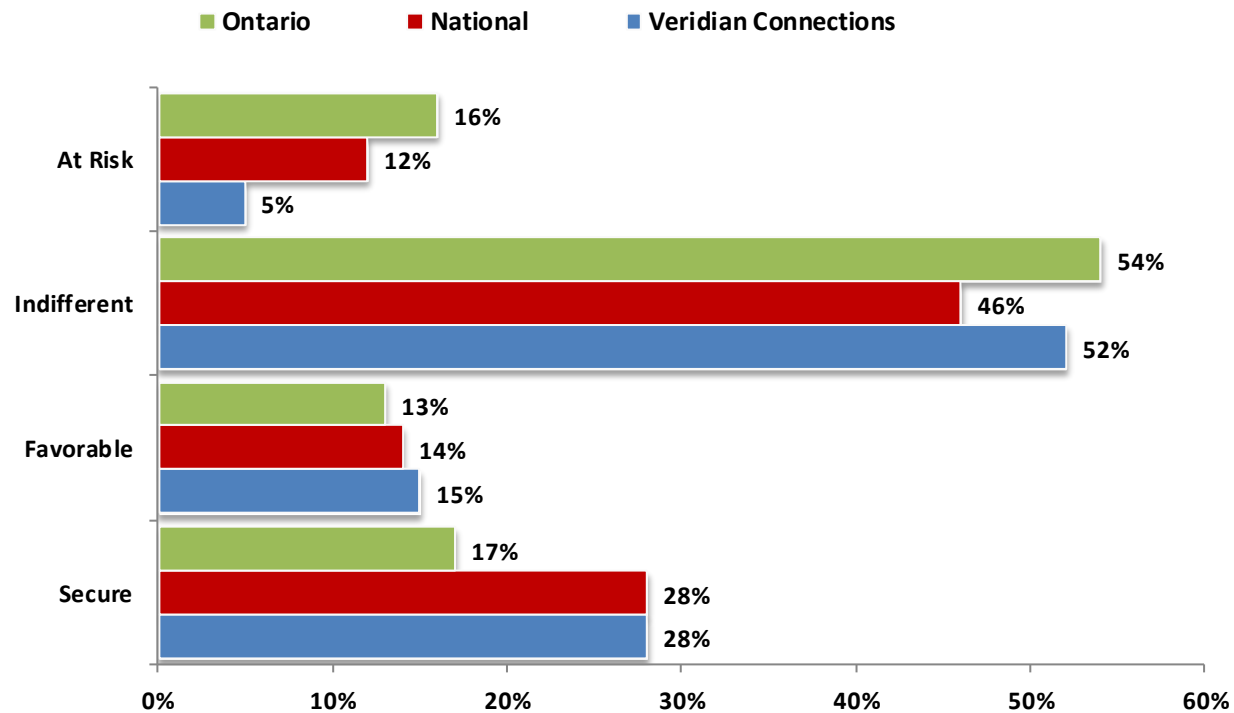
At Risk customers are ~~very~~ “dissatisfied” with their electricity utility, ~~definitely~~ “would switch and ~~definitely~~ would not recommend it.

| Customer Loyalty Groups | | | | |
|-------------------------|--------|-----------|-------------|---------|
| | Secure | Favorable | Indifferent | At Risk |
| Veridian | | | | |
| 2011 | 28% | 15% | 52% | 5% |
| 2010 | 15% | 21% | 56% | 8% |
| 2009 | 22% | 16% | 59% | 4% |
| 2008 | 18% | 21% | 57% | 5% |

Base: total respondents



Loyalty Performance Scores



Base: total respondents

| Customer Loyalty Groups | | | | |
|-------------------------|--------|-----------|-------------|---------|
| | Secure | Favorable | Indifferent | At Risk |
| Ontario | | | | |
| 2011 | 17% | 13% | 54% | 16% |
| 2010 | 21% | 12% | 52% | 15% |
| 2009 | 21% | 14% | 53% | 12% |
| 2008 | 21% | 17% | 54% | 8% |
| 2007 | 14% | 13% | 62% | 11% |
| National | | | | |
| 2011 | 28% | 14% | 46% | 12% |
| 2010 | 17% | 14% | 60% | 9% |
| 2009 | 17% | 16% | 59% | 8% |
| 2008 | 18% | 16% | 58% | 9% |
| 2007 | 16% | 12% | 64% | 7% |

Base: total respondents

There truly is a difference in perception between Secure and At Risk customers, let's take a look at what our overall survey shows:

| Important attributes which shape perceptions about service quality | | | |
|--|--------------|--------|---------|
| | Total Survey | Secure | At Risk |
| Deals professionally with customers' problems | 84% | 96% | 61% |
| Customer-focused and treats customers as if they're valued | 79% | 95% | 49% |
| Provides good value for money | 69% | 87% | 38% |
| Works with customers to keep their electricity costs affordable | 65% | 85% | 36% |
| Is pro-active in communicating changes and issues which may affect customers | 80% | 92% | 55% |
| The cost of electricity is reasonable when compared to other utilities | 61% | 78% | 35% |
| Is a respected company in the community | 86% | 98% | 62% |
| Is a trusted and trustworthy company | 85% | 98% | 57% |

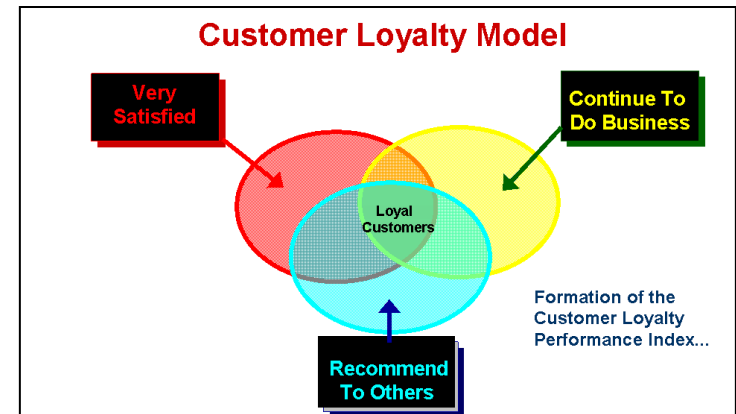
Base: data from the full 2011 database from those respondents with an opinion

Our research shows that: Secure customers do exist and they represent an important and substantive portion of the customer base which typically has more favourable perceptions, while At Risk customers have more of a negative view of things and typically will show more discontent.

Customer commitment

Customer loyalty is a term that can be used to embrace a range of customer attitudes and behaviours. One of the metrics used to gauge loyalty is the measure of **retention**, or intention to buy again; this loyalty attitude is termed **commitment**.

Customer commitment to the local electricity supplier is a very important driver of customer loyalty in the electricity service industry. In similar way to trust, commitment is considered as an important ingredient in successful relationships. In simpler terms, commitment refers to the motivation to continue to do business with and maintain a relationship with a business partner ie. the local utility.



For electric utilities, this measurement is about identifying the number of customers who feel that they ~~want to~~ vs ~~have to~~ do business with you. Potential benefits of commitment may include word of mouth communications- an important aspect of attitudinal loyalty. Committed customers have been known to demonstrate a number of beneficial behaviours, for example committed customers tend to:

- Come to you. One of the key benefits of establishing a good level of customer loyalty is that you, they will come to you when they need a product or service.
- Validate information received from 3rd parties with information and expertise that you have.
- Try new products/initiatives.
- Perhaps they will even trust you when suggestions are made.
- Be less price sensitive because they favour their supplier.
- More receptivity of utility viewpoints on various issues.
- More tolerance of errors or issues that inevitably take a swipe at the utility.
- Stronger levels of perception regarding how the utility is managed.



Though customers can not physically leave you, they can emotionally leave you and when they do it becomes an extreme challenge to garner their participation in or support for utility initiatives.

Would you tell me if you agree or disagree with the following statement? Veridian Connections is a company that you would like to continue to do business with ...

| Electricity customers' loyalty – ... Is a company that you would like to continue to do business with | | | |
|---|----------|----------|---------|
| | Veridian | National | Ontario |
| Definitely would continue | 46% | 45% | 36% |
| Probably would continue | 38% | 32% | 35% |
| Might or might not continue | 4% | 6% | 5% |
| Probably would not continue | 4% | 6% | 7% |
| Definitely would not continue | 2% | 7% | 9% |

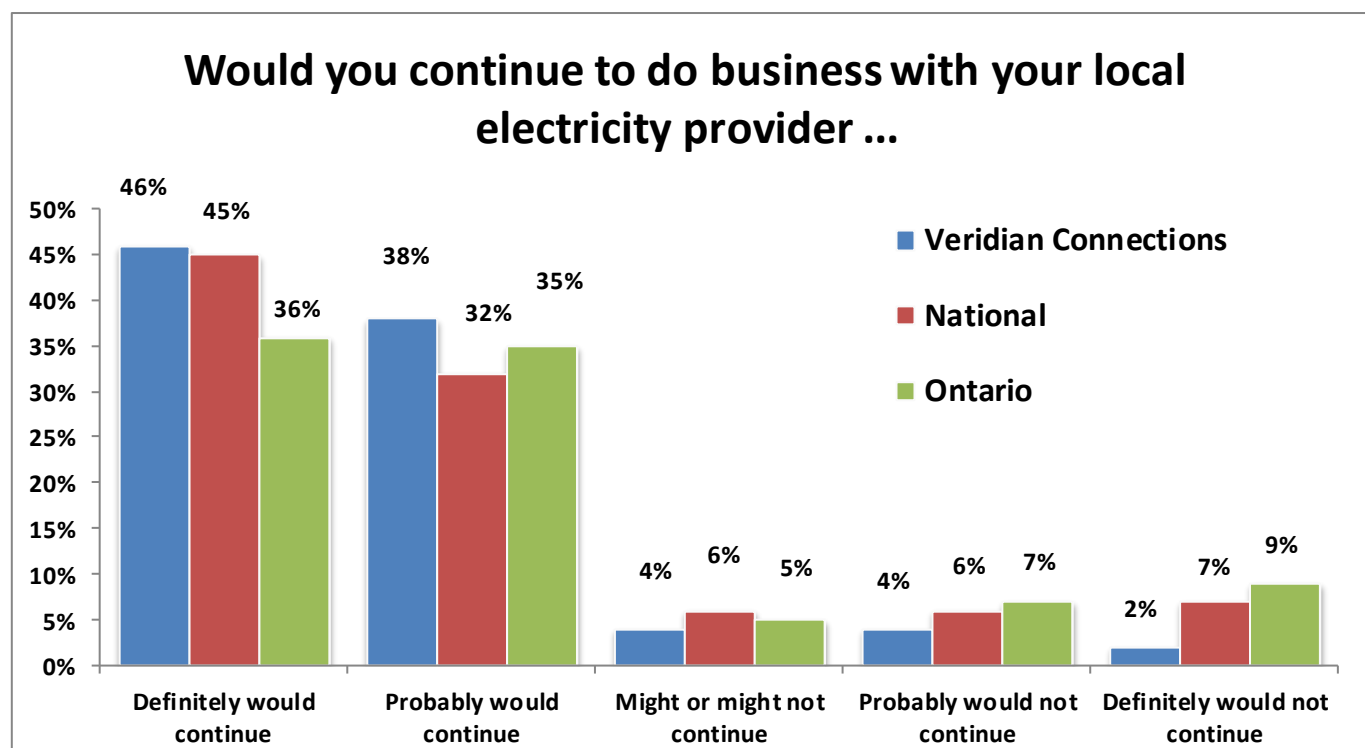
Base: total respondents

| Electricity customers' loyalty – ... Is a company that you would like to continue to do business with | | | | |
|---|--------|--------|-------|-----|
| Veridian | <\$40K | \$70K+ | 18-34 | 55+ |
| Definitely would continue | 67% | 36% | 60% | 42% |
| Probably would continue | 27% | 48% | 23% | 41% |
| Might or might not continue | 1% | 4% | 5% | 5% |
| Probably would not continue | 2% | 7% | 6% | 3% |
| Definitely would not continue | 0% | 2% | 0% | 3% |

Base: total respondents

| Electricity customers' loyalty – Is a company that you would like to continue to do business with | | | | |
|---|------|------|------|------|
| Veridian | 2011 | 2010 | 2009 | 2008 |
| Top 2 boxes: 'Definitely + Probably' would continue | 84% | 85% | 88% | 81% |

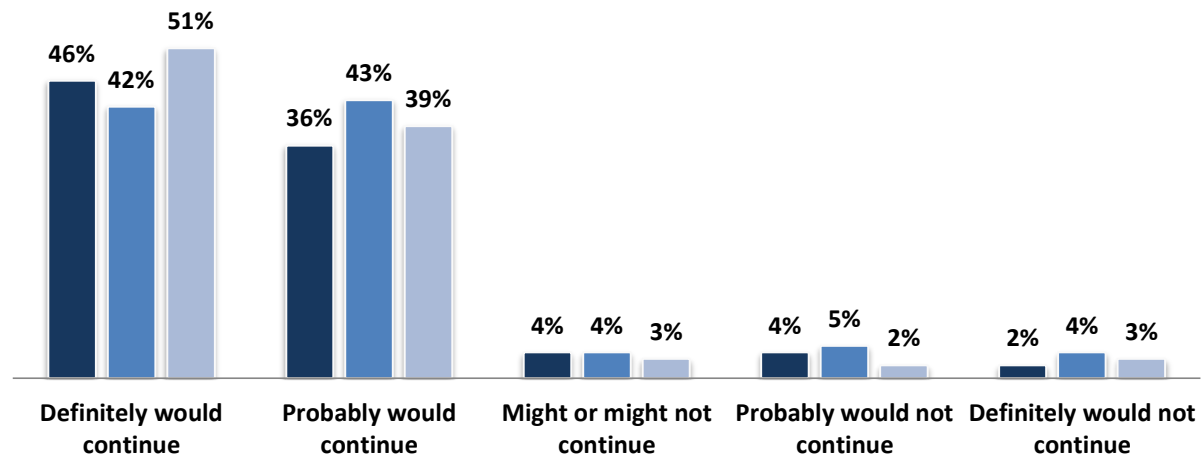
Base: total respondents



Base: total respondents

Willingness to continue to do business with ...

■ Ajax ■ Belleville ■ Clarington



Base: total respondents

| Electricity customers' loyalty – ... Is a company that you would like to continue to do business with | | | |
|---|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Top 2 boxes: 'Definitely + Probably' would continue | 82% | 85% | 90% |

Base: total respondents

Word of mouth

Advocacy is one of the metrics measured in determining customer loyalty. Essentially, companies believe that a loyal customer is one that is spreading the value of the business to others, leading new people to the business and helping the company grow. In most product and service industries, word of mouth is one of the most important factors in acquiring new customers. Customer referrals, endorsements and spreading the word are extremely important forms of customer behaviour.

When customers are loyal to a company, product or service, they not only are more likely to purchase from that company again, but they are more likely to recommend it to others – to openly share their positive feelings and experiences with others. In today's world, thanks to the Internet, they can tell and influence millions of people. That equates to new customers and revenue. The same holds true, if not more, when customers are disloyal. Disgruntled customers can share their negative experiences with an ever-widening audience, jeopardizing a company's reputation and resulting in lost revenue.

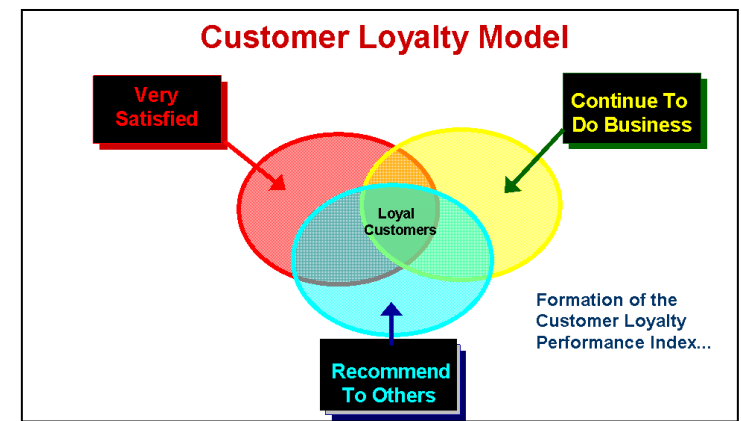
There are two forms of word of mouth which utilities need to understand. The first is Experience-based word of mouth which is the most common and most powerful form. It results from a customer's direct experience with the utility or the re-statement of a direct experience from a trusted source.

The second is Relay-based word of mouth. This is when customers pass along important messages to others based on what they have learned through the more traditional forms of communications. For example, if the utility was communicating an offer for “free LED lights” chances are high that the offer will be “relayed” to others through word of mouth.

For an electric utility, specific examples of potential positive advocacy behaviour include:

- Recommending that other customers specifically locate in the geographic area that is serviced by that utility
- Supporting the utility’s positions or actions on energy-related public issues, including the environment
- Supporting the utility’s position on the location and construction of facilities
- Providing testimonials about positive experiences with the utility

Would you tell me if you agree or disagree with the following statement? Veridian Connections is a company that you would recommend to a friend or colleague ...



| Electricity customers' loyalty – ... is a company that you would recommend to a friend or colleague | | | |
|---|----------|----------|---------|
| | Veridian | National | Ontario |
| Definitely would recommend | 40% | 43% | 33% |
| Probably would recommend | 36% | 31% | 34% |
| Might or might not recommend | 5% | 6% | 7% |
| Probably would not recommend | 7% | 6% | 8% |
| Definitely would not recommend | 3% | 7% | 10% |

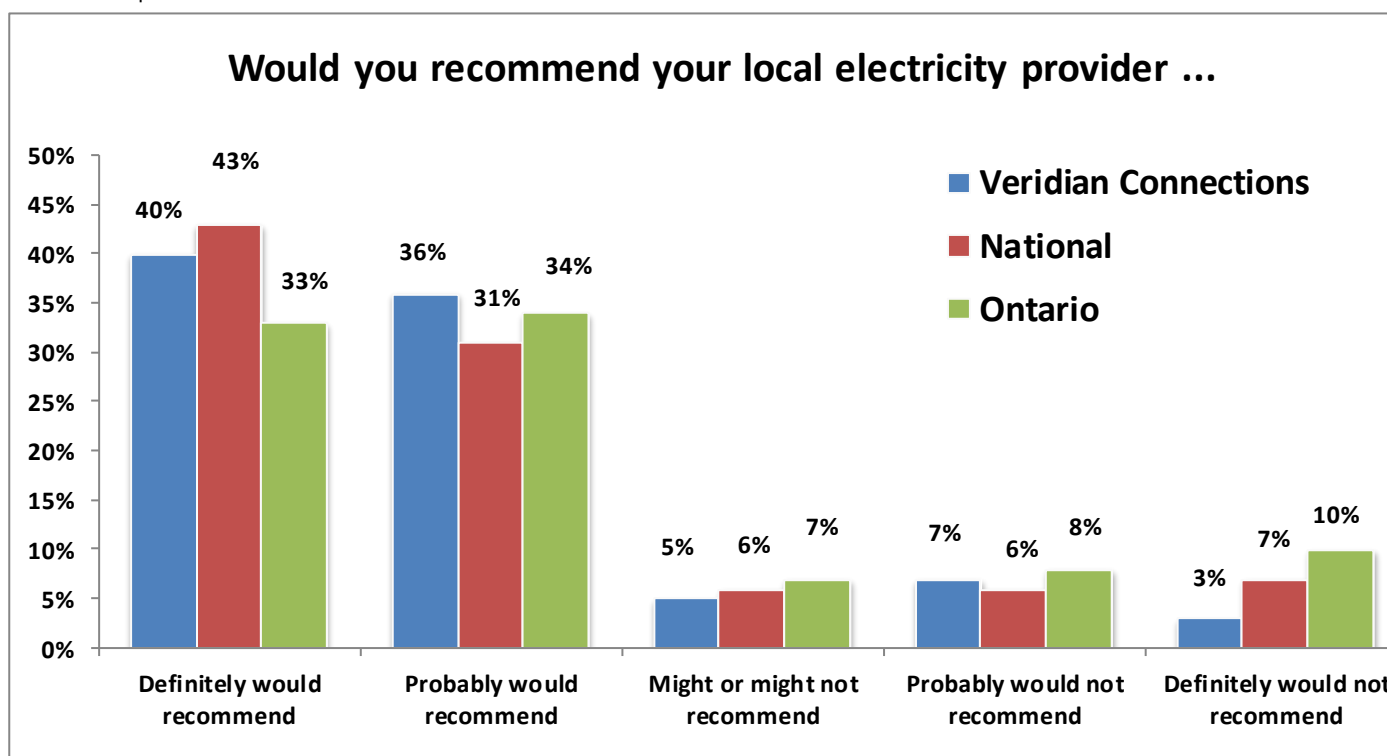
Base: total respondents

| Electricity customers' loyalty – is a company that you would recommend to a friend or colleague | | | | |
|---|--------|--------|-------|-----|
| Veridian | <\$40K | \$70K+ | 18-34 | 55+ |
| Definitely would recommend | 59% | 33% | 45% | 38% |
| Probably would recommend | 30% | 45% | 34% | 37% |
| Might or might not recommend | 1% | 7% | 11% | 7% |
| Probably would not recommend | 2% | 12% | 11% | 6% |
| Definitely would not recommend | 6% | 1% | 0% | 5% |

Base: total respondents

| Electricity customers' loyalty – is a company that you would recommend to a friend or colleague | | | | |
|---|------|------|------|------|
| Veridian | 2011 | 2010 | 2009 | 2008 |
| Top 2 boxes: 'Definitely + Probably' would recommend | 77% | 67% | 67% | 68% |

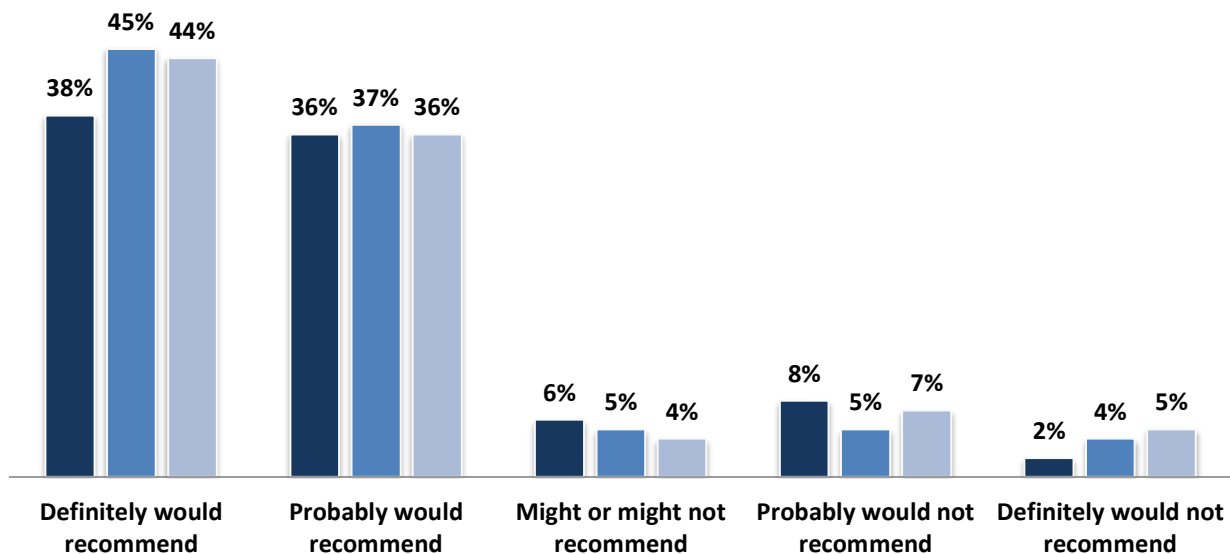
Base: total respondents



Base: total respondents

Willingness to recommend ...

■ Ajax ■ Belleville ■ Clarington



Base: total respondents

| Electricity customers' loyalty – ... is a company that you would recommend to a friend or colleague | | | |
|---|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Top 2 boxes: „Definitely + Probably’ would recommend | 74% | 82% | 80% |

Base: total respondents

Corporate image

Is “corporate image” about corporate brand, is it reputation, is it the demonstration of goodwill? A corporate image is the sum of the impressions that stakeholders like your customers, suppliers, employees and the public at large hold about your company. Corporate image is comprised of a number of interrelated variables: corporate identity, corporate communication, corporate image, and corporate reputation.

Corporate identity is the reality of the corporation. It is the unique, individual personality of the company that differentiates it from other companies. To use the marketing metaphor, it is also called a company’s “brand equity.” Customers perceive an organization’s image based on whether they trust organizations or they believe that those organizations represent values congruent with their own. Image is the mental picture that people have of an organization, whereas reputation constitutes a value judgment about the company's attributes.

Increasingly, organizations have realized that the management of a strong positive image with various stakeholders can be beneficial. Below are some of the attributes measured in the annual UtilityPULSE survey which are strongly linked to a utility’s image.

| Attributes strongly linked to a hydro utility's image | | | |
|---|----------|----------|---------|
| | Veridian | National | Ontario |
| Is a respected company in the community | 88% | 85% | 81% |
| Maintains high standards of business ethics | 86% | 84% | 80% |
| A leader in promoting energy conservation | 81% | 81% | 77% |
| Keeps its promises to customers and the community | 86% | 80% | 77% |
| Beyond providing jobs and paying taxes, is socially responsible | 84% | 81% | 78% |
| Is a trusted and trustworthy company | 87% | 83% | 79% |

Base: total respondents with an opinion

These attributes measure different facets of reputation such as the extent to which the company is a good place to work, whether the company is known as leader in the industry and respected in the community, how the company delivers value, reliable service and support, how the company efficiently manages its business, the company's approach to making the world a better place - environmental and social commitments, and the emotional connection the company has with the people.



| Attributes strongly linked to a hydro utility's image | | | |
|---|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Is a respected company in the community | 88% | 87% | 89% |
| Maintains high standards of business ethics | 84% | 88% | 88% |
| A leader in promoting energy conservation | 80% | 83% | 83% |
| Keeps its promises to customers and the community | 85% | 87% | 86% |
| Beyond providing jobs and paying taxes, is socially responsible | 84% | 85% | 84% |
| Is a trusted and trustworthy company | 86% | 87% | 87% |

Base: total respondents with an opinion

People feel better about themselves when they believe they are dealing with an organization that cares about “doing the right thing”. Today, being a good corporate citizen requires more than business as usual, it requires investments in society and the environment.



Corporate Credibility & Trust

Trust is a word that we use all the time, but is one of the most over-used and under-practiced words of our time. Corporate credibility refers to customer and other stakeholder perceptions of an organization's trustworthiness and expertise, that is, the believability of its intentions and communications at a particular moment in time. Corporate credibility is 'whether a company can be relied on to do what it says it will do'.

When speaking of credibility and trust, fundamentally you can look at it as comprising of 3 basic components; meeting or managing the expectations of yourself and others, meeting your and their needs, and lastly living up to the promises we make.

The credibility of a company is important to the success of its marketing and branding strategies. Lack of credibility leads customers to question the validity of claims by a company, making customers less likely to buy its products. Conversely, high credibility enhances brand equity.



Our research shows that the under-pinning components that lead a person to believe that an organization has credibility and can be trusted are: Knowledge, Integrity, Involvement and Trust.

Using the scale of agree strongly, agree somewhat, disagree somewhat, disagree strongly, here is how your customers would respond:

| <i>Demonstrating Credibility and Trust</i> | |
|---|--|
| Knowledge | The utility is seen as being knowledgeable about the services it provides, about what is happening in the industry, and how customers can reduce costs or create more value. |
| Integrity | The utility is seen as an organization that will act in the best interests of its customers and can be counted on to provide services and resolve problems in a professional manner. |
| Involvement | The utility is actively involved in the industry, in the community and in things that affect the customer. |
| Trust | The utility is an organization that can be trusted and is worthy of respect. |
| Overall* A | |

Most know that when a business loses trust - this sets in motion a vicious cycle which most always ends with losing money. Your sales drop, your marketing becomes less effective, your employees underperform, or leave, and your customers complain and become negative.

When employees lose trust in the organization they work for, they stop applying themselves, they clock in and clock out, they underperform, they start looking for alternatives, they complain, gossip, and make life difficult for their employer. We know that employers of choice do things that are consistent with the behaviours that build trust. Trust is the biggest competitive advantage of present day – those businesses that truly build a culture of trust will come out on top.



Our research at UtilityPULSE indicates that favourable perceptions about a company are linked to customer views about credibility and trust. Just building or enhancing your image as it relates to “trust” or “credibility” is a good thing. However the issue is not either/or but and/also. An organization can be trusted but not credible in doing the job. An organization can be credible in doing the job but not trusted. For an electric utility, favourable perceptions are based on how customers simultaneously view credibility and trust.

Confidence in an organization's brand is demonstrated when customers agree strongly with the attributes; 'keeps its promises to customers and the community' and 'is a trusted and trustworthy company.'

| Attributes strongly linked to a hydro utility's image | | | |
|--|----------|----------|---------|
| | Veridian | National | Ontario |
| Keeps its promises to customers and the community | 86% | 80% | 77% |
| Is a trusted and trustworthy company | 87% | 83% | 79% |

Base: total respondents with an opinion

| Attributes strongly linked to a hydro utility's image | | | |
|--|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Keeps its promises to customers and the community | 85% | 87% | 86% |
| Is a trusted and trustworthy company | 86% | 87% | 87% |

Base: total respondents with an opinion

Comparing with other utilities

For businesses, understanding and recognizing which industries, aside from one's own, provide the highest levels of service is key to elevating customer service standards. As part of this survey we also asked respondents how their experience with contacting a local electric utility representative compared with their experience contacting a gas utility, cable utility, or telephone company.

Contacted one of the following in the past year:

| | Veridian | National | Ontario |
|-------------------|----------|----------|---------|
| Gas utility | 28% | 17% | 27% |
| Cable company | 57% | 48% | 46% |
| Telephone company | 60% | 64% | 60% |
| Not contacted any | 20% | 25% | 28% |

Base: total respondents

Each day, customers interact with companies from a myriad of industries. Invariably, they compare the quality of these service experiences. In the midst of changing economic conditions, it is important for employees in your utility to recognize that every point of contact with a customer is an opportunity to differentiate your utility from other organizations.

| Comparison of Gas Utility vs Local Utility Experience | | | |
|---|----------|----------|---------|
| | Veridian | National | Ontario |
| Much Better | 13% | 7% | 8% |
| Better | 16% | 18% | 16% |
| About the same | 50% | 60% | 60% |
| Slightly worse | 3% | 5% | 5% |
| Much worse | 2% | 3% | 4% |

| Comparison of Cable company vs Local Utility Experience | | | |
|---|----------|----------|---------|
| | Veridian | National | Ontario |
| Much Better | 11% | 13% | 16% |
| Better | 15% | 18% | 18% |
| About the same | 46% | 51% | 49% |
| Slightly worse | 3% | 7% | 5% |
| Much worse | 5% | 4% | 5% |

| Comparison of Telephone company vs Local Utility Experience | | | |
|---|----------|----------|---------|
| | Veridian | National | Ontario |
| Much Better | 15% | 16% | 13% |
| Better | 18% | 16% | 19% |
| About the same | 40% | 50% | 46% |
| Slightly worse | 3% | 6% | 6% |
| Much worse | 5% | 4% | 8% |

Base: total respondents that in the past year have contacted their gas, cable or telephone company

How can service to customers be improved?

The electric utility industry is in transition. External factors - including shifts in governmental policies, a global thrust to conserve energy, advances in new technologies and power generation are driving massive changes throughout the industry. But most significantly, utilities must evolve to compete in a marketplace where customers increasingly expect high-quality customer service and believe that no company deserves their unconditional loyalty if it cannot perform to expectations even in a near-monopoly status.

In the past, utility companies had very limited interactions with customers. Apart from opening new accounts and billing for services, the relationship was remote, with customers giving no more thought to their power provider than they would to finding a post office. Customers gave little thought to the electricity grid and essentially took a passive view of their electric utility, only contacting the utility if their lights temporarily went out or an egregious error showed up on their bill.

In contrast, the utility of today and of the future can expect a much more intense level of customer involvement. By embracing programs to change customers' behaviors - for example, by implementing

time-of-use rates - customers will need more information on a timelier basis in order to make educated decisions.

Therefore in spite of all the talk today centered on quality, new processes and systems, and continuous improvement, unless all of this is aimed at obtaining customer satisfaction it will not be worth much over the longer term.

So, as in previous years, respondents were asked once again what their utility could do to improve service. This has allowed us to monitor the customer experience; what issues are impacting customers; what are customers *“thinking and feeling”* about their utility; what changes do customers want to see?

The late Harvard Business School professor Theodore Levitt pointed out that customers often do not want the product itself, but rather the effect that the product produces. In his famous example, customers do not want a drill; they want the holes that the drill will make. In the same light, we observe, customers do not want volts or wattage or kilowatt hours; they want the comfort and convenience that electricity facilitates; heat when they are cold, cool relief when they are hot, the ability to use appliances which bring additional comfort and/or convenience ie. washer to wash their clothes etc.

Customers want their utility to focus on what matters most; offer products and services that “make a difference in their life” and “gives them peace of mind.”

And we are interested in knowing what you think are the one or two most important things „your local utility’ could do or fix to improve service to their customers?

| Veridian | % of all suggestions |
|---|----------------------|
| Better prices/lower rates | 48% |
| Improve power reliability | 14% |
| Eliminate smart meters | 17% |
| Better communication with customers | 10% |
| Improve billing | 7% |
| Be more environmentally friendly | 5% |
| More knowledgeable staff | 3% |
| Information & incentives on energy conservation | 4% |
| Don’t charge for previous debt | 3% |
| Be more efficient | 4% |

Base: total respondents with suggestions

Service improvements of the future - as younger customers (Generation Y and now Generation Z) begin their relationships with utilities, they bring expectations of a digital, mobile and collaborative customer service experience. Taking a broader perspective, most age segments - even baby boomers - will begin demanding these new multichannel experiences at times that are convenient for them.

For the past 20 years or so, certainly during our 13 years as providers of the UtilityPULSE survey, companies and utilities struggle to find the right balance between cost-effective, technology-enabled approaches to customer service and person-to-person contact. In addition the utility's customer base has an uneven level of interest and skill in using technology-enabling processes. While personal approaches have advantages for many people, such as an ability to respond in a dynamic way to a customer inquiry, they do require much more training, and cost more.

Conservation and Smart Meters

Gone are the days of a single price for all the power you consumed in a month and they are just about gone in the province of Ontario. Other provinces are watching, studying and evaluating the Ontario experience. With smart meters and time-of-use rates, Ontarians are becoming more sensitive to the concept that electricity rates can vary at different times of the day.

The bottom line here is very simple: Smart meters in and of themselves are just not \$smart' enough to get the job done for customers and our economy. While advanced metering provides a useful tool to save energy, cut customer electric bills and reduce greenhouse gas emissions from power plants, utilities need to use these advanced meters to provide customers with information on their consumption in ways that grab attention and encourage them to take action. Attempts to persuade people to reduce their energy use cannot be successful until customers can make a simple correlation between the amount of energy used and cost. Seeing how much energy we use is one thing; acting on it another. Smart meters will not do their job if we rely on the technology alone. The customer needs good reason to act.



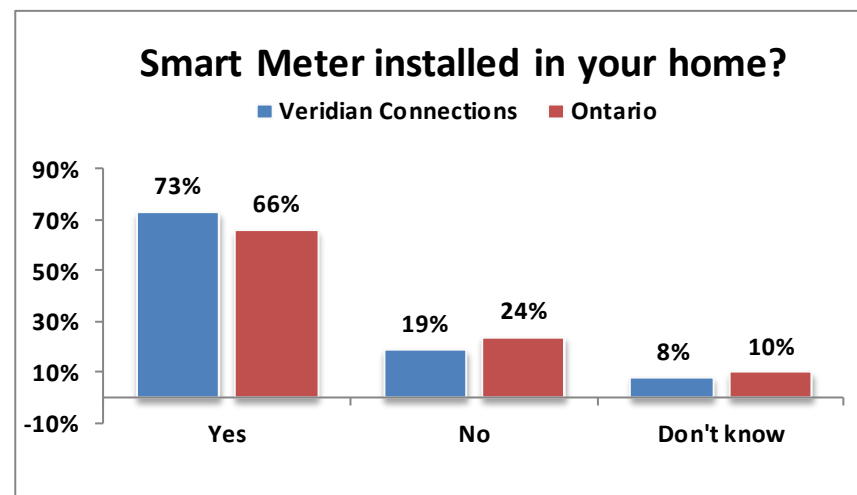
Smart meters have the potential to help cut power consumption and energy bills considerably ... but only if customers accept them and use them as intended.

The more uneducated people are about smart meters, the less likely they are to favour the use of these devices. This year's research study found that 10% of all respondents admitted they were not aware if they had a smart meter installed in their home.

The Ontario government has mandated that smart meters be installed in homes and small businesses. A smart meter electronically tracks how much electricity is used on an hourly basis, ensuring that bills are based on real-time consumption. Do you know if you have one of these smart meters installed in your home or small business?

| Smart Meter installed in home or small business | | |
|---|----------|---------|
| | Veridian | Ontario |
| Yes | 73% | 66% |
| No | 19% | 24% |
| Don't Know | 8% | 10% |

Base: 75% of RESIDENTIAL respondents



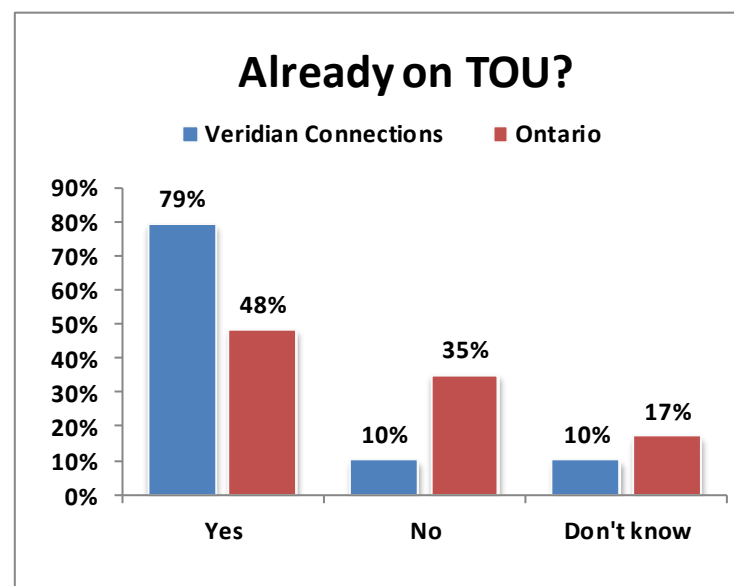
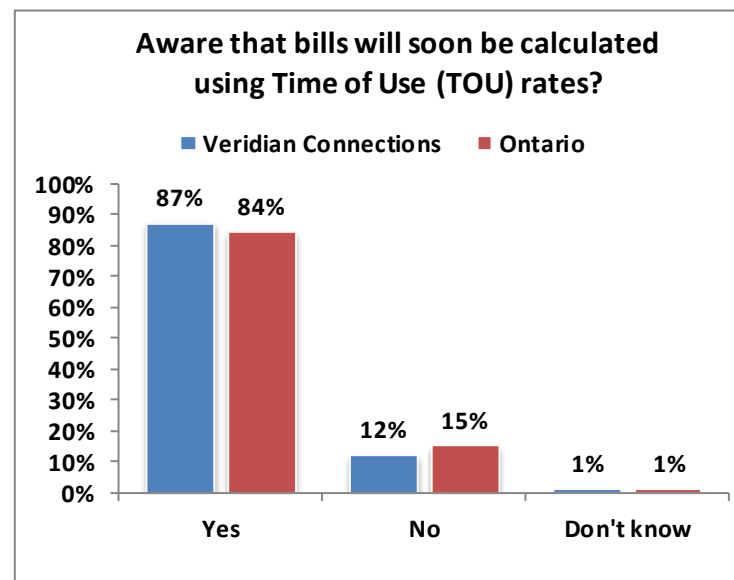
Before this interview, were you aware that the Ontario government intends to ensure that electricity bills are calculated based on Time-of-Use rates?

| Aware that Time-of-Use (TOU) Rates are coming? | | |
|--|----------|---------|
| | Veridian | Ontario |
| Yes, Aware | 87% | 84% |
| No, Not aware | 12% | 15% |
| Don't Know | 1% | 1% |

Base: 75% of RESIDENTIAL respondents

You stated earlier that you have a smart meter installed which paves the way for Time-of-Use billing, are you already on Time-of-Use billing?

| Already on TOU? | | |
|-----------------|----------|---------|
| | Veridian | Ontario |
| Yes | 79% | 48% |
| No | 10% | 35% |
| Don't Know | 10% | 17% |

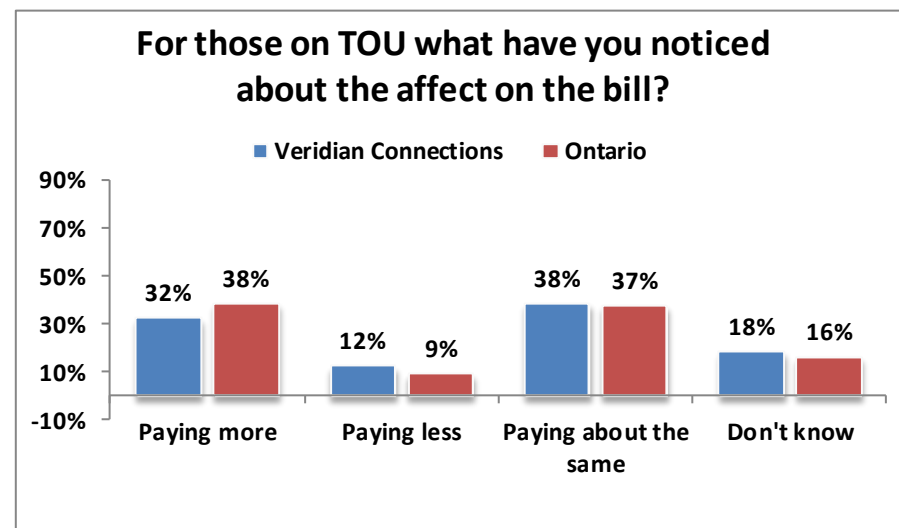


There is a direct correlation between customer familiarity with smart meters and their favourable views toward the technology. Most customers in our survey still don't understand what smart meters are all about, and this lack of knowledge is a real barrier to ultimate acceptance.

Media reports have cited many customers have been less than impressed with smart meters so far. Some have complained that their bills are much higher, even when they try to adjust their usage. Opposition politicians have jumped on the "critics" bandwagon, going so far as to say that the program should be scrapped. Negative press, especially on things that affect customer costs definitely irritate the customer—which in turn, leads to lower levels of confidence with the utility.

| For those that are on TOU what is the affect on the bill? | | |
|---|----------|---------|
| | Veridian | Ontario |
| Paying more | 32% | 38% |
| Paying less | 12% | 9% |
| Paying about the same | 38% | 37% |
| Don't Know | 18% | 16% |

Base: 75% of RESIDENTIAL respondents



| Smart Meters | | | |
|---|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Smart meter installed in your home | 70% | 79% | 77% |
| Aware that Time-of-Use (TOU) rates are coming | 88% | 83% | 86% |
| Already on TOU | 79% | 73% | 85% |
| Feel they are Paying more on TOU | 34% | 33% | 26% |
| Feel they are Paying less on TOU | 12% | 7% | 16% |
| Feel they are Paying about the same on TOU | 38% | 34% | 41% |

Base: 75% of RESIDENTIAL respondents

It's time for another concerted education campaign to make customers smarter about smart meters. The government and/or utilities and/or both need to do a better job of telling Ontarians the benefits of the smart meters as well as the timing of the three different rates so that more customers can take advantage of lower rates for running appliances such as washers and dryers at non-peak times.

While citizens want to do their part for the environment, they are much more likely to adopt eco-friendly habits if it comes with a monetary incentive. People naturally avoid and resent hardship and the implication that they are being asked to sacrifice their comfort to save energy. Therefore, emphasize what they will gain from adopting certain behaviours. For example, the most important factor in energy-related activities is thermal comfort. People resist doing things that make them feel



uncomfortably cold or hot, even if they save energy, but are more receptive to things that will improve their comfort and health and give them a sense of control over their environment. Make it clear how certain activities, such as adjusting the temperature to be more seasonal and using daylight instead of electric lights will improve their well-being and convenience.

Moreover, people are frustrated because their fuel, electricity, and gasoline bills have risen despite their attempts to save energy. People are thus unwilling to make personal sacrifices because they are not sure that the need is genuine; that the burden of sacrifices will be carried equitably by industry, the government, and customers; and, that others will not profit economically or politically from their attempts to conserve.

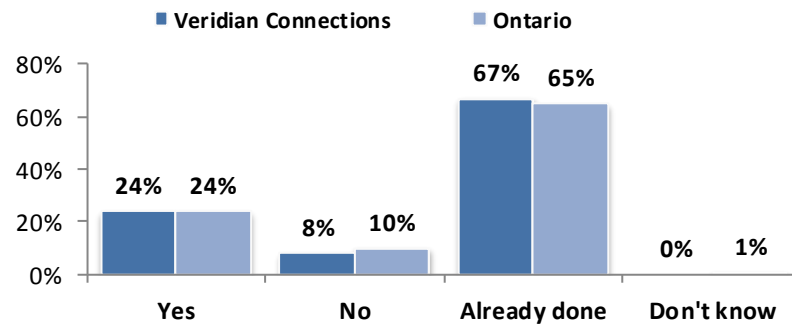
While most Canadians are clearly “greener” than they used to be in terms of energy consumption, we still have plenty of room for improvement. Many Canadians have already begun to change. They are finding ways to live healthy, comfortable lifestyles while also reducing their energy use.

| Steps to be taken over the next 12 months in an effort to conserve energy | | | | |
|---|-----|-----|--------------|------------|
| Veridian | Yes | No | Already Done | Don't Know |
| Install energy-efficient light bulbs or lighting equipment | 24% | 8% | 67% | 0% |
| Install timers on lights | 13% | 58% | 29% | 1% |
| Shift use of electricity to lower demand periods | 25% | 20% | 53% | 2% |
| Install window blinds or awnings | 13% | 35% | 52% | 1% |
| Install a programmable thermostat | 12% | 27% | 59% | 2% |
| Have an energy expert conduct an energy audit | 10% | 76% | 13% | 1% |
| Purchase solar powered products | 11% | 79% | 7% | 3% |
| Purchase 1 or more ENERGY STAR appliances | 20% | 28% | 50% | 2% |

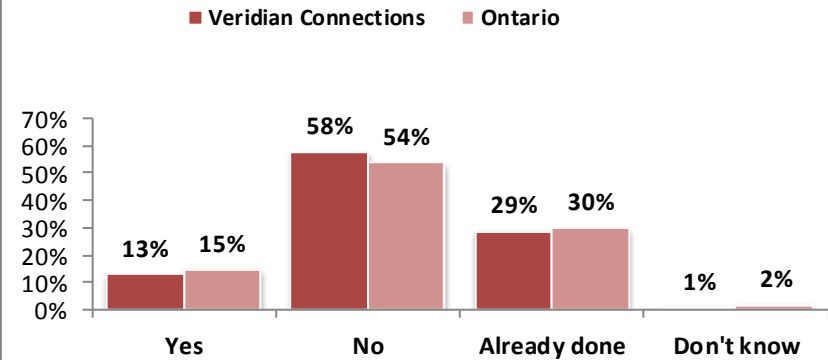
Base: 75% of RESIDENTIAL respondents



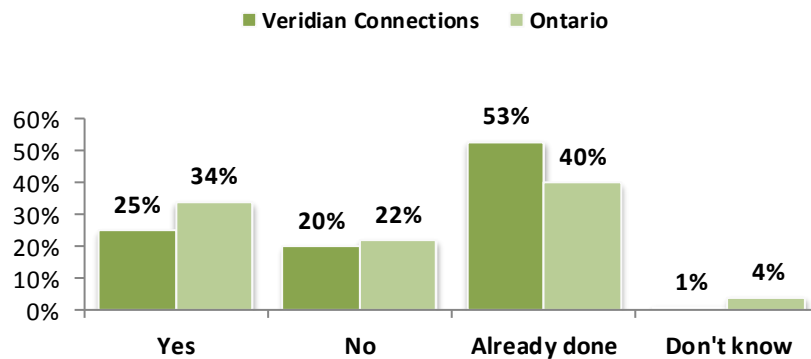
In the next 12 months ... Install energy-efficient light bulbs or lighting equipment



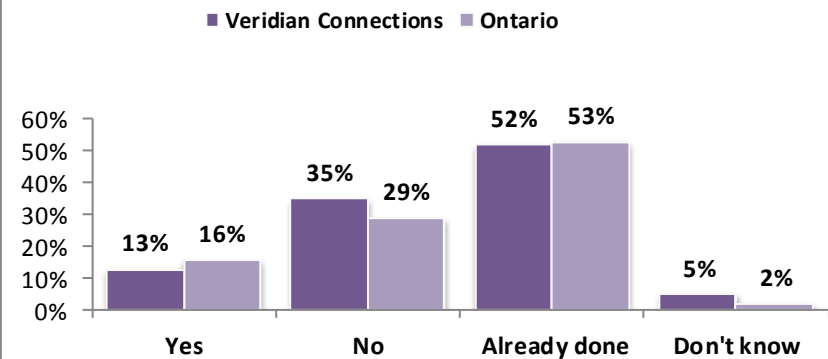
In the next 12 months ... Install timers on lights



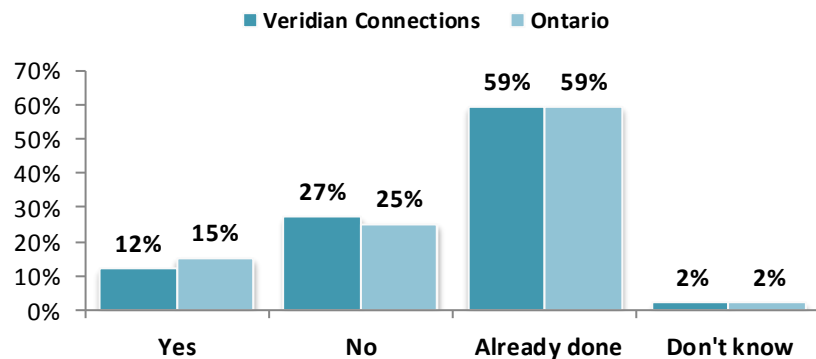
In the next 12 months ... Shift electricity use to a lower cost period



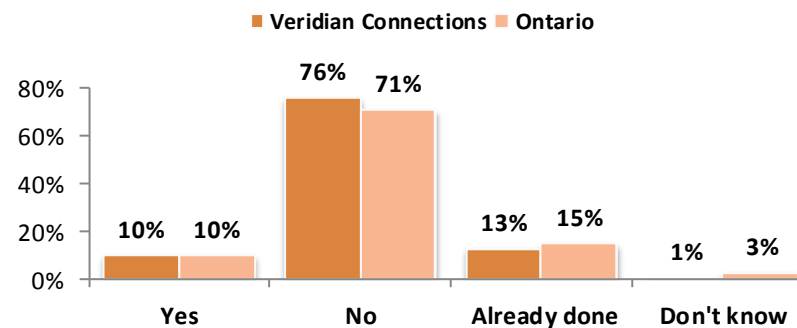
In the next 12 months ... Install window blinds or awnings



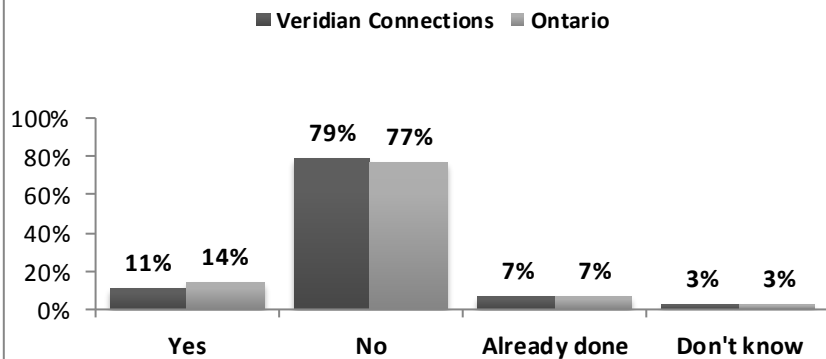
In the next 12 months ... Install a programmable thermostat



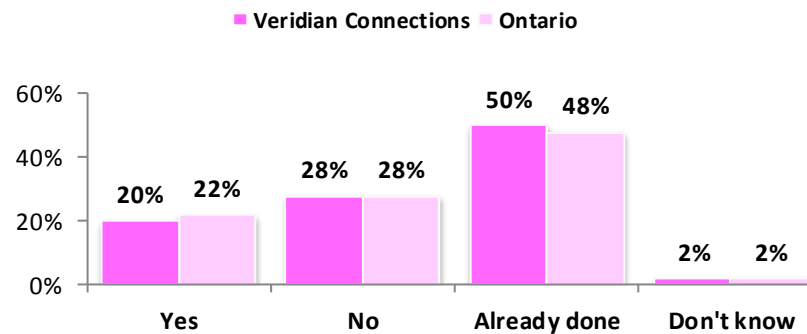
In the next 12 months ... Have an energy expert conduct an energy audit



In the next 12 months ... Purchase solar powered products



In the next 12 months ... Purchase 1 or more ENERGY STAR appliances



Rising energy costs and environmental concerns about the need to reduce energy consumption provide incentives for households to adopt energy conservation measures. Are customers choosing the new technologies that offer better energy efficiency? Residential customers only were asked about the following:

| Steps to be taken over the next 12 months in an effort to conserve energy | | | | |
|---|-----|-----|--------------|------------|
| Veridian | Yes | No | Already Done | Don't know |
| Take advantage of the save-on-energy fridge/freezer pick-up program | 15% | 61% | 22% | 2% |
| Join the peaksaver™ program | 15% | 56% | 13% | 16% |
| Use save-on-energy incentive to replace furnace/air-conditioner | 14% | 58% | 24% | 4% |
| Use a coupon on the purchase of energy savings products | 44% | 34% | 18% | 4% |
| Do laundry after 9:00 pm or on weekends | 28% | 10% | 61% | 1% |

Base: 75% of RESIDENTIAL respondents

For residential customers, the purchase of larger appliances, and electronic equipment with high levels of energy efficiency is typically resisted because of higher first costs.



Are commercial customers making thoughtful choices about energy efficiency? Have business owners seized opportunities that relate to improving productivity and energy efficiency for their operations? Commercial customers only were asked about the following:

| Steps to be taken over the next 12 months in an effort to conserve energy | | | | |
|--|-----|-----|--------------|------------|
| Veridian | Yes | No | Already Done | Don't know |
| Participate in the save-on-energy Retrofit Program which provides incentives for installing control systems and/or replacing existing equipment with high efficiency equipment | 16% | 59% | 19% | 6% |
| Participate in the small business lighting program, where eligible small business customers can receive the free installation of up to \$1,000 in energy efficiency products | 23% | 28% | 39% | 9% |

Base: 75% of COMMERCIAL respondents



Renewable Energy

Though fossil fuels helped bring technologies such as the solar photovoltaic cell, the LED light bulb and electric car, a growing emphasis is being placed on finding ways to meet our needs using renewable energy from the sun, wind, earth and water.



Ontario, already considered a leader of conservation in North America, will continue to aggressively pursue conservation. Ontario's long-term energy plan is based on developing a green and reliable electricity system which is aiming to phase out coal power by 2014 and aims to raise the target for wind, solar and bio-energy by about 13 per cent of generation by 2018, up from the previously set target of 10 per cent by 2030. Currently, these sources contribute just three per cent of Ontario's electricity supply.



Ontario is currently Canada's leading producer for wind and solar capacity and houses the country's four largest wind and solar farms. This trend will continue by adding more clean green energy to the province's supply mix.

Despite the government's attempts to position itself as a leader in green energy, how committed is the average citizen/customer to the implementation of renewable energy sources and how much are they willing to invest? The 2011 Electric Utility Satisfaction survey probed residential customers on their views regarding solar and wind energy.



How important is it to you that the Government of Ontario continues to encourage the development of green energy such as solar and wind power?

| Importance of Ontario Government to encourage Green Energy development | |
|--|---------|
| | Ontario |
| Very important | 57% |
| Somewhat important | 25% |
| Not important | 7% |
| Not very important | 9% |
| Don't know | 2% |

Base: An aggregate of respondents from all 2011 participating utilities



Opposition to renewable energy is often fueled by competing interests and limited knowledge of renewable energy technologies and also by a variety of widespread misconceptions such as the weak reliability of solar and wind technologies in Ontario, or concerns about excessive noise and potential hazards to wildlife such as bird fatalities.



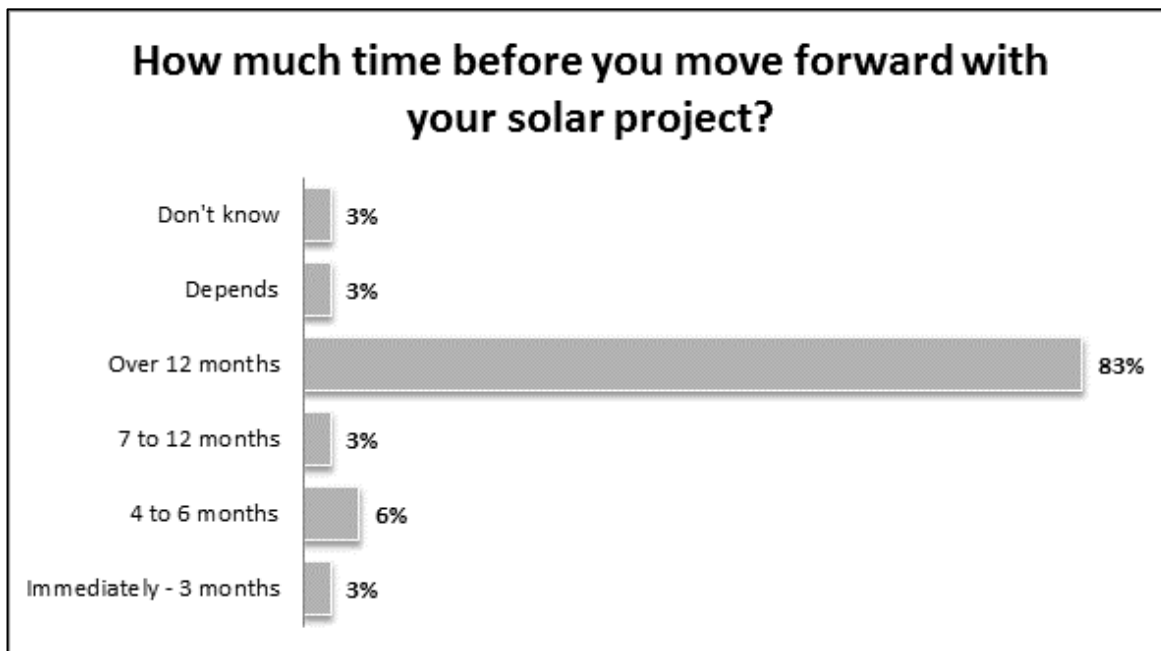
When asked if respondents would be considering installation of a wind project so that power could be sold back to the utility 79% of all respondents in Ontario said this type of project was not on their radar; while 17% were giving it consideration. With the increasing attention and viable proposal of solar power as one of the green options for our energy supply now and in the future, residents are considering whether solar panel installation is a practical solution to power their home or business.

| Considering the installation of solar panels? | |
|---|---------|
| | Ontario |
| Yes | 19% |
| No | 78% |
| Don't know | 2% |

Base: An aggregate of respondents from all 2011 participating utilities



How soon do you believe that you will be moving ahead with your Solar project?



Base: An aggregate of respondents from all 2011 participating utilities

The average Canadian would probably switch to solar power tomorrow if it were available and made financial sense to their wallet. If there's one reason environmentally inclined citizens don't get solar panels, it's the cost, which can run into the thousands of dollars for the average homeowner.

Residents were asked how much of a premium they would be willing to pay on their hydro bill to ensure that solar power is used.

| How much of a premium would you pay to ensure that solar power is used? | |
|---|---------|
| | Ontario |
| More than 20% | 2% |
| 10% to 20% | 9% |
| 5% to 10% | 15% |
| 1% to 5% | 13% |
| No premium should be paid | 51% |
| Depends | 3% |
| Don't know | 7% |

Base: An aggregate of respondents from all 2011 participating utilities



We've been hearing about the smart meters, smart grids and smart homes for years now, but are customers willing to use all this –smart” ware to save energy and lower their energy bills? If it is obvious that conserving energy helps save the environment and helps save us money, then what are the barriers which prohibits most from taking a pro-active approach to energy conservation.

| What are the 1 or 2 barriers to energy conservation experienced by Ontarians? | |
|---|---------|
| | Ontario |
| Cost involved in making equipment/appliance changes | 21% |
| Not sure that the savings advertised are “real” | 2% |
| Lack good information on where to save energy | 5% |
| Lack of knowledge | 6% |
| Already doing everything I can to save energy | 1% |
| Not taking personal responsibility | 5% |
| Waiting for new technology | 2% |
| Not enough incentives | 2% |
| Hydro bill is going up faster than I can reduce use of electricity, so why bother | 3% |

Base: An aggregate of respondents from all 2011 participating utilities

A common mistake is to assume that people will adopt energy-efficient practices simply if they understand the need to conserve energy, believe that energy efficiency is important, and



know what actions to take. Many studies conducted over the last 30 years along with UtilityPulse's 13 years in the field have shown that these factors alone are not enough to change behaviour. Changing people's energy-use behaviours must go beyond one-way education. The barriers to change need to be addressed, as well as making the behaviours easy, convenient, relevant, and socially desirable.

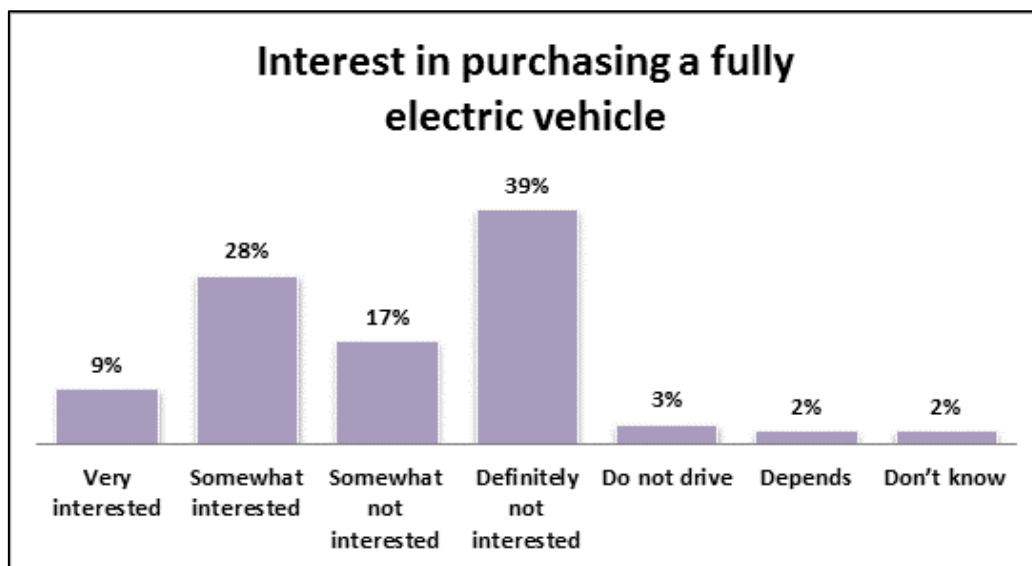
For example, electric cars have been around for decades, but never in enough numbers that they would affect the grid, or require mass rollouts of charging equipment. Some of the arguments against adoption of the all-electric vehicle has been limited range, recharge time, and higher purchase price, although operating costs would be lower since many of the maintenance tasks i.e. oil changes, transmission flushes, cleaning air filters, which cost time and money would be eliminated. Though many Canadians have an interest in the electric car the likelihood that large numbers will change their behaviour from fossil fuelled transportation to electric is low until such time as the drawbacks have been dealt with.

Public knowledge of the multiple benefits that a grid powered by renewable energy can deliver to Ontarians in terms of employment, environmental benefits, and energy security, would greatly assist in the crucial process of moving Ontario forward in its initiatives of renewable energy deployment.

Purchasing an Electric Vehicle

The electric car has tried to re-emerge every 20 years or so since the 1900s, and with the price of gasoline rising at an ever increasing pace, the timing and market conditions are such that the electric car may be here to stay. Has the public given much consideration to an eco-friendly vehicle?

Respondents of this year's survey were asked *"how interested they might be in purchasing a fully electric vehicle?"*



Base: An aggregate of respondents from all 2011 participating utilities



How quickly is the new generation of drivers ready to embark on taking an electric vehicle (EVs as they are termed) to the road?

| Length of time before purchasing a fully electric vehicle | |
|---|-----|
| Ontario | |
| Immediately to next 6 months | 3% |
| 7 to 12 months | 2% |
| 13 to 24 months | 10% |
| Over 24 months | 77% |
| Depends | 4% |
| Don't know | 4% |

Base: An aggregate of respondents from all 2011 participating utilities



Even if the public is ready to embrace a shift to the electric car, there are still critical issues surrounding the infrastructure required to charge them. Will electric vehicles (EVs) plug in at a driver's garage or workplace, or do we start building outlet stations outlets where you plug in for a quick recharge or switch batteries to a fully charged battery, or do we work on creating a global network of roadside outlet recharging stations?



Resources used for Energy conservation by customers

The face of communications has shifted dramatically. Social media provides businesses and people the ability to connect with communities and networks as they increasingly live and work online. An overwhelming percentage of Canadians have adopted social media for business and personal use. As such, respondents of this year's survey were asked *"how likely they would use social media such as twitter, facebook (and others) to get information"*...

| Likelihood of using Social Media to gather information | |
|--|---------|
| | Ontario |
| Very likely | 7% |
| Somewhat likely | 13% |
| Not likely | 18% |
| Not likely at all | 62% |
| Don't know | 1% |

Base: An aggregate of respondents from all 2011 participating utilities



Respondents were also asked if anyone in their households and/or businesses did research energy conservation and ways in which to save energy, which sources did they use in the past 12 months:

| Sources used in the past 12 months for information on energy conservation | |
|---|---------|
| | Ontario |
| Websites | 66% |
| Newspaper | 13% |
| Company brochures | 12% |
| Hydro newsletters | 11% |
| Television | 9% |
| Hydro bill inserts | 7% |
| Neighbours and friends | 6% |
| Radio | 5% |
| Don't know | 4% |
| Contacted local hydro utility | 2% |
| Twitter, Facebook or other social media | 1% |

Base: An aggregate of respondents from all 2011 participating utilities



Of those respondents who did not conduct any type of research as yet on energy conservation or ways to save energy, they were asked which sources they would most likely seek information from:

| Sources that would or will be used to gather information on energy conservation | |
|---|---------|
| | Ontario |
| Websites | 62% |
| Don't know | 22% |
| Television | 6% |
| Hydro newsletters | 5% |
| Newspaper | 5% |
| Company brochures | 4% |
| Neighbours and friends | 3% |
| Hydro bill inserts | 3% |
| Would not seek information | 3% |
| Radio | 1% |
| Contact local hydro utility | 1% |

Base: An aggregate of respondents from all 2011 participating utilities



We must be concerned with the public's understanding of the energy problem because customers will not conserve unless they know how and why they should.

Contributing to a diminished energy conservation effort on the part of the Canadian public is their skepticism and cynicism regarding the nature of the energy problem. Modern day communication has information coming at people from various sources and methods; television news & ads, newspaper articles, internet, social media, industry and government.

People do not feel that information about energy is credible if it comes from either government or industry. People perceive politicians as exploiting the energy problem to enhance their own power and advance their own agendas, rather than acting to cope with the problem itself, and oil companies and utilities as using the energy crisis to get richer. So this year, customers were asked how important it would be to have a central source of information about ideas, products, incentives and services that would help them reduce their use of electricity.

How important is it to you have a central source of information about ideas, products, incentives and services that help you reduce your electricity use?

| Importance of central source of information to help reduce electricity use | |
|--|-----|
| Ontario | |
| Very important | 46% |
| Somewhat important | 40% |
| Not important | 10% |
| Not important at all | 4% |
| Don't know | 1% |

Base: An aggregate of respondents from all 2011 participating utilities



More than 8 out of 10 respondents agreed that a central source of information is either very or somewhat important. Making it easier and simpler for people to access information is half the battle in getting them informed and educated. As we have stated to many in our training programs, seminars and workshops: “the confused mind will always say no”.

Respondents were told that there has been a website designed to be a central source of information about ideas, products, incentives and services that help you reduce your use of electricity. Respondents were told this website was called “saveonenergy.ca”. Respondents were asked if they had any knowledge of this website.

Prior to this interview how familiar are you with the website called saveONenergy.ca ?

| Familiarity with website called saveONenergy.ca | |
|---|-----|
| Ontario | |
| Very familiar | 4% |
| Somewhat familiar | 13% |
| Not too familiar | 16% |
| Not at all familiar | 66% |
| Don't know | 1% |

Base: An aggregate of respondents from all 2011 participating utilities



More than two thirds of the respondents asked were not at all familiar with the saveONenergy website. If this purports to be a general one-stop site for information, the public needs to be better informed of its existence and what it aims to do. The other concern would be for those residents who would not or do not have easy access to internet, what alternative source exists for them?

What do customers think about electricity costs?

With government spending on the rise for new electricity generating projects and transmission line upgrades to modernize and build a reliable, clean electricity system, increasing electricity rates are weighing heavily on the minds of Ontarians. This despite the government's Clean Energy Benefit which promises a 10% rebate on every electricity bill for the next five years.

Whether it's the result of the HST introduced to Ontarians in July 2010, the new time-of-use metering system, or the latest green energy initiatives, many Ontarians have seen their electricity bills get bigger leaving making life less affordable for some.

As demonstrated throughout previous years in the Electric Utility Customer Satisfaction survey, there is a definite correlation between pocketbook concerns and economic status. As people try to claw their way out of a recession and adjust to leaner times, they are feeling the pinch.

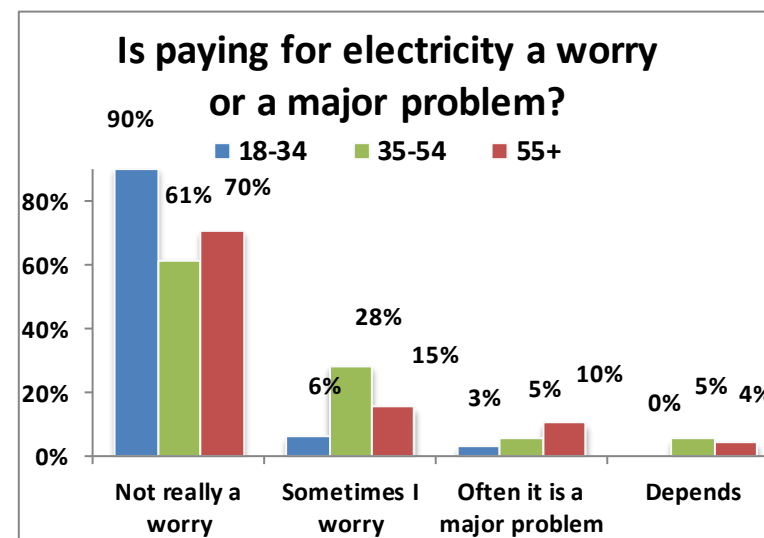


| | Not a worry | Sometimes | Often | Depends |
|-------------------------|-------------|-----------|-------|---------|
| Veridian | | | | |
| <\$40,000 | 60% | 28% | 8% | 4% |
| \$40<\$70,000 | 67% | 27% | 3% | 2% |
| \$70,000+ | 72% | 17% | 5% | 5% |

Base: total respondents

The correlation between pocketbook concerns and age status has also put electricity price concerns first. Ontario seniors, especially those on fixed incomes, are finding it more and more difficult to manage household budgets.

Both the harmonized sales tax (HST) and time-of-use pricing have a huge impact on seniors and families with young children who are at home during the day. Many households are limited in their ability to change their electricity consumption pattern. It's particularly difficult to change usage for those who work at home or are home during the day.



Next I am going to read a number of statements people might use about paying for their electricity. Which one comes closest to your own feelings, even if none is exactly right? Paying for electricity is not really a worry, Sometimes I worry about finding the money to pay for electricity, or Paying for electricity is often a major problem?

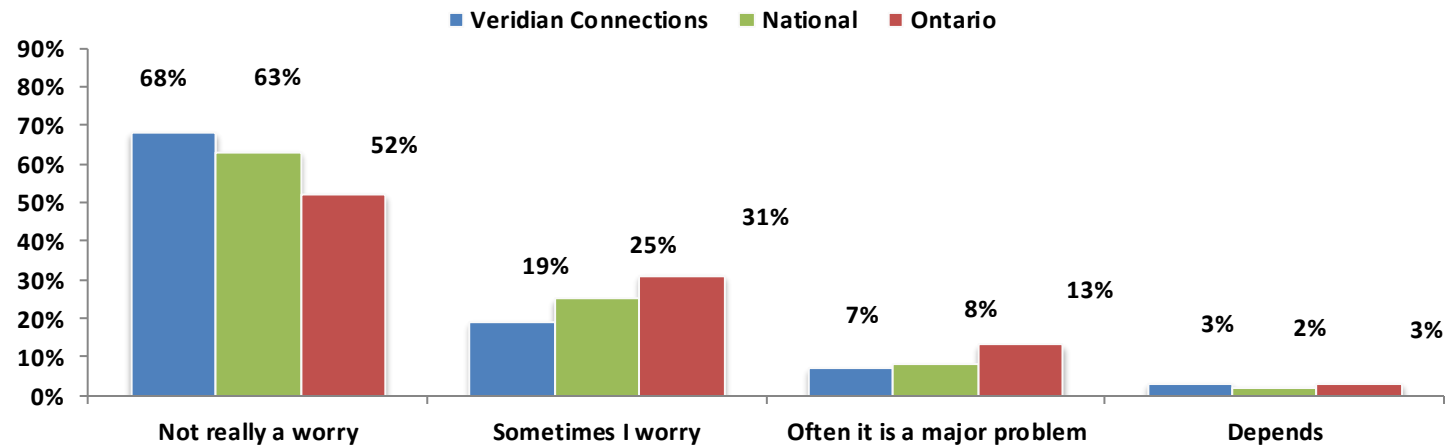
| | Not a worry | Sometimes | Often | Depends |
|-----------------|-------------|-----------|-------|---------|
| Veridian | | | | |
| 2011 | 68% | 19% | 7% | 3% |
| 2010 | 65% | 24% | 7% | 3% |
| 2009 | 76% | 17% | 6% | 1% |
| 2008 | 72% | 20% | 5% | 1% |

Base: total respondents

| | Veridian | National | Ontario |
|------------------------------------|----------|----------|---------|
| Not really a worry | 68% | 63% | 52% |
| Sometimes I worry | 19% | 25% | 31% |
| Often it is a major problem | 7% | 8% | 13% |
| Depends | 3% | 2% | 3% |

Base: total respondents

Is paying for electricity a worry or a major problem?



Base: total respondents

In spite of what customers believe about electricity prices – too high or low – their perceptions of value received for the money is a better indicator of pricing and value.

| Attributes which shape perceptions about service quality as it relates to cost and value | | | |
|--|----------|----------|---------|
| | Veridian | National | Ontario |
| Provides good value for money | 71% | 69% | 59% |
| Works with customers to keep their electricity costs affordable | 68% | 64% | 57% |
| The cost of electricity is reasonable when compared to other utilities | 63% | 65% | 55% |

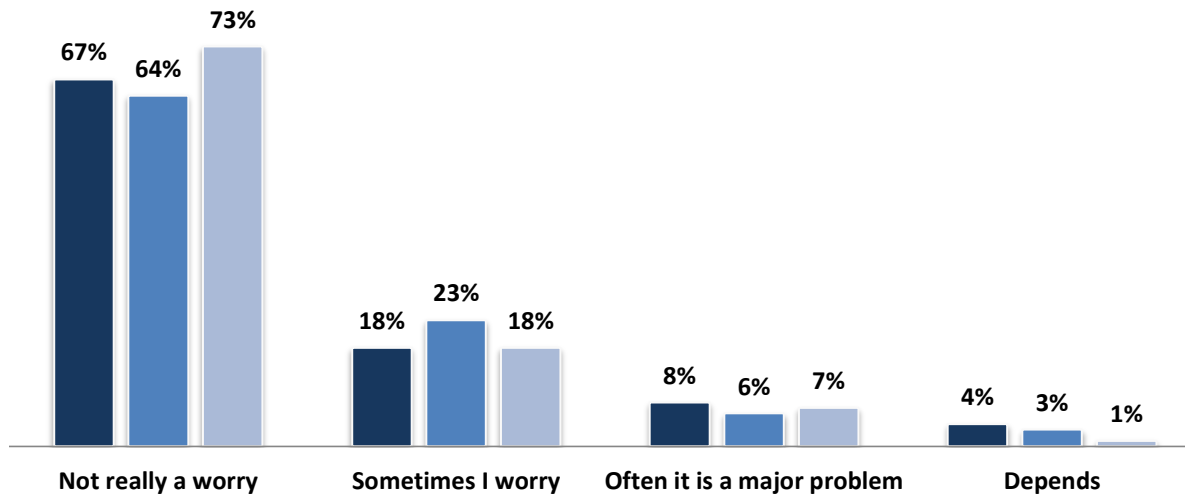
Base: total respondents with an opinion

| Is paying for electricity a worry or a major problem ? | | | | |
|--|-------------|-----------|-------|---------|
| | Not a worry | Sometimes | Often | Depends |
| Ontario | | | | |
| 2011 | 52% | 31% | 13% | 3% |
| 2010 | 67% | 23% | 8% | 2% |
| 2009 | 67% | 26% | 4% | 2% |
| 2008 | 64% | 23% | 9% | 2% |
| National | | | | |
| 2011 | 63% | 25% | 8% | 2% |
| 2010 | 71% | 20% | 6% | 1% |
| 2009 | 69% | 23% | 6% | 2% |
| 2008 | 66% | 23% | 8% | 2% |

Base: total respondents

Is paying for hydro a worry or major problem?

■ Ajax ■ Belleville ■ Clarington



Base: total respondents

| Attributes which shape perceptions about service quality as it relates to cost and value | | | |
|--|----------------|------------|------------|
| | Ajax/Pickering | Belleville | Clarington |
| Provides good value for money | 70% | 73% | 74% |
| Works with customers to keep their electricity costs affordable | 66% | 67% | 71% |
| The cost of electricity is reasonable when compared to other utilities | 64% | 60% | 66% |

Base: total respondents with an opinion

What do small commercial customers think?

The themes/topics identified by the UtilityPULSE survey indicate significant similarities between small commercial customers and residential customers. Over the 13 years that UtilityPULSE has undertaken electric utility satisfaction surveys, it is evident that in some respects, we can infer that the small business owner behaves in a similar manner to the residential customer. One area of overlap is the receipt and payment of the utility bill. Specifically, since small businesses are often owner-managed, they are seemingly just as interested as individuals in comparing their expenditures across consumption categories. In fact, the business owner might be even more economically motivated to reduce energy costs, as business people typically have a “bottom line” focus.

Based on our full data set from all 2011 surveys, small commercial customers have relatively similar views about their utility. The tables associated with this report will contain your specific information as it relates to residential and commercial customers. Recognizing that smaller data samples create greater swings or spreads in the data we have compiled the following based on all of our 2011 discussions with small commercial and residential customers.

As it relates to the six attributes associated with customer care:

| Very or fairly satisfied with... | Residential | Commercial |
|---|--------------------|-------------------|
| The time it took to answer the phone | 70% | 68% |
| The time it took someone to deal with your problem | 70% | 71% |
| The helpfulness of the staff who dealt with your problem | 77% | 80% |
| The knowledge of the staff who dealt with your problem | 74% | 76% |
| The level of courtesy of the staff who dealt with your problem | 84% | 84% |
| The quality of information provided by the staff member | 72% | 72% |

Base: total respondents from the full 2011 database

| | Residential | Commercial |
|--|--------------------|-------------------|
| Very/somewhat satisfied | 89% | 89% |
| Definitely/probably would continue | 81% | 82% |
| Definitely/probably would recommend | 75% | 76% |

Base: total respondents from the full 2011 database

| Comparisons between Residential and Commercial | | |
|--|-------------|------------|
| <i>Loyalty Groups</i> | Residential | Commercial |
| Secure | 24% | 27% |
| Still Favourable | 12% | 13% |
| Indifferent | 56% | 53% |
| At risk | 8% | 7% |

Base: total respondents from the full 2011 database

| <i>Outages & Bill problems</i> | Residential | Commercial |
|------------------------------------|-------------|------------|
| Respondents with outage problems | 29% | 26% |
| Respondents with billing problems | 11% | 14% |

Base: total respondents from the full 2011 database

| <i>Satisfaction (Top 2 Boxes: "very + somewhat satisfied")</i> | Residential | Commercial |
|--|-------------|------------|
| Initially | 89% | 89% |
| End of Interview | 91% | 93% |

Base: total respondents from the full 2011 database

| Important attributes which shape perceptions about service quality | | |
|--|-------------|------------|
| | Residential | Commercial |
| Deals professionally with customers' problems | 84% | 85% |
| Customer-focused and treats customers as if they're valued | 79% | 80% |
| Provides good value for money | 69% | 70% |
| Works with customers to keep their electricity costs affordable | 65% | 66% |
| Is pro-active in communicating changes and issues which may affect customers | 80% | 80% |
| The cost of electricity is reasonable when compared to other utilities | 60% | 63% |

Base: total respondents with an opinion from the full 2011 database

| Important attributes which describe operational effectiveness | | |
|---|-------------|------------|
| | Residential | Commercial |
| Provides consistent, reliable energy | 91% | 91% |
| Delivers on its service commitments to customers | 87% | 88% |
| Accurate billing | 86% | 86% |
| Quickly handles outages and restores power | 90% | 90% |
| Makes using electricity safely a top priority | 90% | 91% |
| Uses responsible business practices when completing work | 87% | 89% |

Base: total respondents with an opinion from the full 2011 database

| Important attributes which shape perceptions about corporate image | | |
|--|-------------|------------|
| | Residential | Commercial |
| Is a respected company in the community | 86% | 87% |
| Maintains high standards of business ethics | 84% | 86% |
| A leader in promoting energy conservation | 81% | 83% |
| Keeps its promises to customers and the community | 82% | 85% |
| Beyond providing jobs and paying taxes, is socially responsible | 82% | 84% |
| Is a trusted and trustworthy company | 85% | 87% |

Base: total respondents with an opinion from the full 2011 database

Method

The findings in this report are based on telephone interviews conducted for Simul Corp. by Consumer Contact Ltd. between March 23 - April 5, 2011, with 462 respondents who pay or look after the electricity bills from a list of residential and small and medium-sized business customers supplied by Veridian Connections.

The sample of phone numbers chosen was drawn randomly to insure that each business or residential phone number on the list had an equal chance of being included in the poll.

The sample was stratified so that 85% of the interviews were conducted with residential customers and 15% with commercial customers.

In sampling theory, in 19 cases out of 20 (95% of polls in other words), the results based on a random sample of 462 residential and commercial customers will differ by no more than ± 4.6 percentage points where opinion is evenly split.

This means you can be 95% certain that the survey results do not vary by more than 4.6 percentage points in either direction from results that would have been obtained by interviewing all Veridian Connections residential and small and medium-sized commercial customers if the ratio of residential to commercial customers is 85%:15%.

The margin of error for the sub samples is larger. To see the error margin for subgroups use the calculator at <http://www.surveysystem.com/sscalc.htm>.

Interviewers reached 1,247 households and businesses from the customer list supplied by Veridian Connections. The 462 who completed the interview represent a 37% response rate; 158 from Ajax/Pickering, 154 from Belleville and 150 from Clarington.

The findings for the Simul/UtilityPULSE National Benchmark of Electric Utility Customers are based on telephone interviews conducted March 15 through March 29, 2011, with adults throughout the country who are

responsible for paying electric utility bills. The ratio of 85% residential customers and 15% small and medium-sized business customers in the National study reflects the ratios used in the local community surveys. The margin of error in the National poll is ± 2.7 percentage points at the 95% confidence level.

For the National study, the sample of phone numbers chosen was drawn by recognized probability sampling methods to insure that each region of the country was represented in proportion to its population and by a method that gave all residential telephone numbers, both listed and unlisted, an equal chance of being included in the poll.

The data were weighted in each region of the country to match the regional shares of the population.

The margin of error refers only to sampling error; other non-random forms of error may be present. Even in true random samples, precision can be compromised by other factors, such as the wording of questions or the order in which questions were asked.

Random samples of any size have some degree of precision. A larger sample is not always better than a smaller sample. The important rule in sampling is not how many respondents are selected but how they are selected. A reliable sample selects poll respondents randomly or in a manner that insures that everyone in the population being surveyed has an equal chance of being selected.

How can a sample of only several hundred truly reflect the opinions of thousands or millions of electricity customers within a few percentage points?

Measures of sample reliability are derived from the science of statistics. At the root of statistical reliability is probability, the odds of obtaining a particular outcome by chance alone. For example, the chances of having a coin come up heads in a single toss are 50%. A head is one of only two possible outcomes.

The chance of getting two heads in two coin tosses is less because two heads are only one of four possible outcomes: a head/head, head/tail, tail/head and tail/tail.

But as the number of coin tosses increases, it becomes increasingly more likely to get outcomes that are either close to or exactly half heads and half tails because there are more ways to get such outcomes. Sample survey reliability works the same way but on a much larger scale.

As in coin tosses, the most likely sample outcome is the true percentage of whatever we are measuring across the total customer base or population surveyed. Next most likely are outcomes very close to this true percentage. A statement of potential margin of error or sample precision reflects this.

Some pages in the computer tables also show the standard deviation (S.D.) and the standard error of the estimate (S.E.) for the findings. The standard deviation embraces the range where 68% (or approximately two-thirds) of the respondents would fall if the distribution of answers were a normal bell-shaped curve.

The spread of responses is a way of showing how much the result deviates from the "standard mean" or average. In the Veridian Connections data on corporate image,

Simul converted the answers to a point scale with 4 meaning agree strongly, 3 meaning agree somewhat and so on (see in the computer tables).

For example, the mean score is 3.62 for providing consistent, reliable energy. The average is 2.70 for working with customers to keep their energy costs affordable.

For reliable energy the standard deviation is 0.57. For affordable energy the S.D. is 0.98. These findings mean there is a wider range of opinion – meaning less consensus – about whether Veridian Connections works with customers to keep their energy costs affordable than about whether Veridian Connections energy supplies are reliable.

Beneath the S.D. in the tables is the standard error of the estimate. The S.E. is a measure of confidence or reliability, roughly equivalent to the error margin cited for sample sizes. The S.E. measures how far off the sample's results are from the standard deviation. The smaller the S.E. the greater the reliability of the data.

In other words, a low S.E. indicates that the answers given by respondents in a certain group (such as residential bill payers or women) do not differ much from the probable spread of the answers "predicted" in sampling and probability theory.

Certain questions pertaining to conservation and conservation efforts used an aggregate data approach whereby similar data sets were accumulated to form a larger sample size establishing a higher confidence interval, forecasting value and modeling data.

In these instances, all of the sub-datasets from the entire UtilityPULSE database for 2011 were concatenated in

order to use the average of all the control samples for comparison. The cumulated population base for these questions was in excess of 4,000.

At a 95% confidence level the margin of error is ± 1.53 and at a 99% confidence level the margin of error would be ± 3.01 . So the aggregate strategy has given a very good population sample size which better, or more accurately, reflects the true feelings and beliefs of the population as a whole.



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Good things happen when work places work. You'll receive both strategic and pragmatic guidance about how to improve Customer & Employee satisfaction with leaders that lead and a front-line that is inspired. We provide: training, consulting, surveys, diagnostic tools and keynotes. The electric utility industry is a market segment that we specialize in. We've done work for the Ontario Electrical League, the Ontario Energy Network, and both large and small utilities. For thirteen years we have been talking to 1000's of utility customers in Ontario and across Canada and we have expertise that is beneficial to every utility.

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Sid Ridgley, CSP, MBA

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Veridian Connections



UtilityPULSE

14th Annual Electric Utility Customer Satisfaction Survey

The purpose of this report is to profile the connection between Veridian Connections (Veridian) and its customers.

The primary objective of the Electric Utility Customer Satisfaction Survey is to provide information that will support discussions about improving customer care at every level in your utility.

The UtilityPULSE Report Card® and survey analysis contained in this report do not merely capture state of mind or perceptions about your customers' needs and wants - the information contained in this survey provides actionable and measurable feedback from your customers.

This is privileged and confidential material and no part may be used outside of Veridian Connections without written permission from UtilityPULSE, the electric utility survey division of Simul Corporation.

All comments and questions should be addressed to:

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Toll free: 1-888-291-7892 or Local: 905-895-7900

Email: sidridgley@utilitypulse.com or sridgley@simulcorp.com

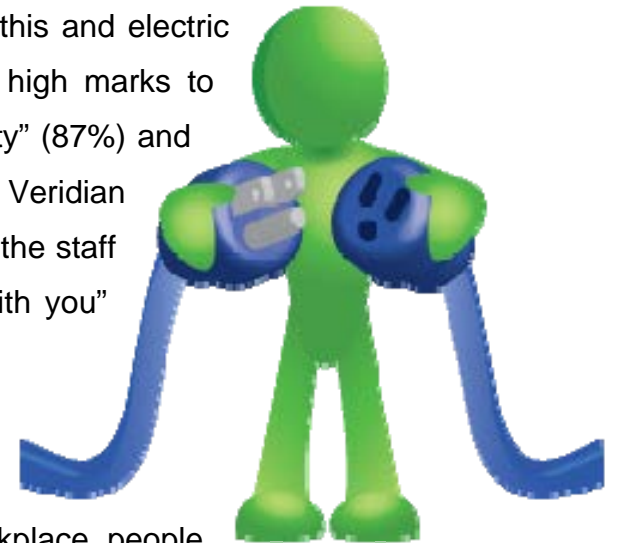


Executive summary

One of the challenges for utilities today, in the midst of finalizing the SMART meter roll-out and migration to Time-Of-Use (TOU) pricing, is how to educate, empower and really connect with their residential and small business customers. The goal for utilities being, to cut through the fog of fear, misinformation and confusion that exists amongst its customers regarding a myriad of subjects (e.g., electricity contracts, TOU, SMART meters, and more) while retaining a very high level of trust, respect and credibility.

The heart of the word customer is “custom”. Excellent companies know this and electric utilities are recognizing a need for more “custom”. Respondents gave high marks to Veridian Connections as it relates to “respected company in the community” (87%) and “is a trusted and trustworthy company” (87%). When customers contacted Veridian Connections about a problem they gave top marks for “The helpfulness of the staff who dealt with you” (80%) and “The knowledge of the staff who dealt with you” (78%).

While the pace of change quickens, a major challenge is to ensure that Veridian Connections remains relevant to all of its stakeholders. For businesses in a regulated environment it is difficult for leaders to make workplace, people and process changes in order to be successful today and successful again tomorrow in a changed



world. The stakes are very high, and the more successful organizations will be those that become customer-centric, incorporating the customer's perspective, values and needs into their business and operations strategy, capability development, and execution prowess.

| Veridian's UtilityPULSE Report Card® | | | | |
|--------------------------------------|-------------------------------|----------|----------|-----------|
| <i>Performance</i> | | | | |
| | CATEGORY | Veridian | National | Ontario |
| 1 | Customer Care | A | B+ | B+ |
| | Price and Value | A | B+ | B+ |
| | Customer Service | A | B+ | B+ |
| 2 | Company Image | A | A | B+ |
| | Company Leadership | A | A | B+ |
| | Corporate Stewardship | A | A | B+ |
| 3 | Management Operations | A | A | A |
| | Operational Effectiveness | A | A | A |
| | Power Quality and Reliability | A | A+ | A |
| OVERALL | | A | A | B+ |

* Weightings are based on pulse figures shown in the UtilityPULSE Report Card®



UtilityPULSE, in the conducting of your survey, measures respondents' feedback from over 20+ attributes that a customer could use to describe their thinking about how satisfied and loyal they might be towards their utility. While customer perceptions always add up to 100%, the attributes or factors that customers use to assess their satisfaction and relationship with Veridian Connections are not equally weighted. Adverse publicity or negative factors in the economy, or polarized messaging in the industry create shifts as to what is important to the customer. For example, if an electric utility were to experience 3X as many outages as they have had in the past, then the category "Management Operations" would play a strong role in assisting customers in making a judgment about their electric utility.

| Veridian's UtilityPULSE Report Card [®] | | | | |
|--|-----------------------|----------|----------|---------|
| <i>Importance to Customers</i> | | | | |
| | CATEGORY | Veridian | National | Ontario |
| 1 | Customer Care | 20% | 19% | 21% |
| 2 | Company Image | 37% | 34% | 32% |
| 3 | Management Operations | 43% | 47% | 47% |
| Total | | 100% | 100% | 100% |

Shares may not add exactly to 100% due to rounding.



While there are shifts year to year, there are also some longer term shifts as well. For example, Company Image was rated in the low 20's for most utilities in 2007, now it is firmly entrenched in the 30 percent range.

Marketing communications remains an important area of investment for electric utilities, for 2012-2013 articulating Price and Value should be a priority.

| SATISFACTION SCORES – Electricity customers' satisfaction | | | |
|---|----------|----------|---------|
| Top 2 Boxes: 'very + fairly satisfied' | Veridian | National | Ontario |
| PRE: Initially | 92% | 88% | 86% |
| POST: End of Interview | 95% | 89% | 88% |

Base: total respondents

| SATISFACTION SCORES – Electricity customers' satisfaction | | | |
|---|----------------|------------|-------|
| Top 2 Boxes: 'very + fairly satisfied' | Ajax/Pickering | Belleville | Other |
| PRE: Initially | 92% | 96% | 89% |
| POST: End of Interview | 95% | 98% | 95% |

Base: total respondents



| Electricity bill payers who are 'very or fairly' satisfied with... | | | | |
|--|------|------|------|------|
| | 2012 | 2011 | 2010 | 2009 |
| Veridian | 92% | 90% | 88% | 92% |
| National | 88% | 89% | 86% | 90% |
| Ontario | 86% | 84% | 80% | 87% |

Base: total respondents

Confidence in an organization's brand is demonstrated when customers agree strongly with the attributes; "keeps its promises to customers and the community" and "is a trusted and trustworthy company."

| Attributes strongly linked to a hydro utility's image | | | |
|--|----------|----------|---------|
| | Veridian | National | Ontario |
| Is a respected company in the community | 87% | 85% | 82% |
| Maintains high standards of business ethics | 86% | 82% | 80% |
| A leader in promoting energy conservation | 82% | 81% | 79% |
| Keeps its promises to customers and the community | 84% | 81% | 79% |
| Beyond providing jobs and paying taxes, is socially responsible | 83% | 80% | 77% |
| Is a trusted and trustworthy company | 87% | 83% | 80% |

Base: total respondents with an opinion



| Attributes strongly linked to a hydro utility's image | | | |
|---|----------------|------------|-------|
| | Ajax/Pickering | Belleville | Other |
| Is a respected company in the community | 87% | 89% | 86% |
| Maintains high standards of business ethics | 85% | 90% | 85% |
| A leader in promoting energy conservation | 80% | 86% | 82% |
| Keeps its promises to customers and the community | 85% | 85% | 83% |
| Beyond providing jobs and paying taxes, is socially responsible | 80% | 86% | 85% |
| Is a trusted and trustworthy company | 86% | 89% | 86% |

Base: total respondents with an opinion

Trust is a word that we use all the time, yet it is one of the most over-used and under-practiced words of our time. Corporate credibility refers to customer and other stakeholder perceptions of an organization's trustworthiness and expertise. That is, the believability of its intentions and communications at a particular moment in time. Corporate credibility is whether a company can be relied on to do what it says it will do. Our research shows that the under-pinning components that lead a person to believe that an organization has credibility and can be trusted are: Knowledge, Integrity, Involvement and Trust. Your customers give you an “A” overall for demonstrating credibility and trust.

The Killer B's (Blackouts and Bills)

It is inevitable that there will be blackouts/power outages – the key is how a utility anticipates outages and deals with them.



| Percentage of Respondents indicating that they had a Blackout or Outage problem in the last 12 months | | | |
|---|----------|----------|---------|
| | Veridian | National | Ontario |
| 2012 | 43% | 44% | 46% |
| 2011 | 28% | 43% | 43% |
| 2010 | 36% | 45% | 41% |
| 2009 | 43% | 50% | 46% |

Base: total respondents

There is a disconnect between what a utility might call a “billing problem” and what a customer defines as a “billing problem”. Though both viewpoints are valid, employees need to be trained to answer those that cause the most concern with customers.

| Percentage of Respondents indicating that they had a Billing problem in the last 12 months | | | |
|--|----------|----------|---------|
| | Veridian | National | Ontario |
| 2012 | 12% | 12% | 13% |
| 2011 | 10% | 10% | 16% |
| 2010 | 10% | 10% | 12% |
| 2009 | 7% | 9% | 10% |

Base: total respondents



| Types of Billing Problems | | | |
|--------------------------------------|----------|----------|---------|
| | Veridian | National | Ontario |
| The amount owed was too high | 33% | 60% | 62% |
| Complaint about rates or charges | 19% | 20% | 19% |
| The bill was difficult to understand | 10% | 3% | 3% |

Base: total respondents

| Percentage of Respondents indicating that they had an Outage or Billing problem in the last 12 months | | | |
|---|----------------|------------|-------|
| | Ajax/Pickering | Belleville | Other |
| Billing | 15% | 6% | 9% |
| Outage | 48% | 29% | 41% |

Base: total respondents

For those respondents who indicated during the interview that they did have a problem, we also asked whether they had contacted their utility about the problem. High affinity customers call in less and state more frequently that their problem was “solved.”

The following table illustrates some of the important attributes which help shape a customer’s perception about quality service and customer care when they contact the utility.





Customer Service – Top 2 Boxes

| | Veridian | National | Ontario |
|---|----------|----------|---------|
| The time it took someone to answer the phone | 66% | 69% | 69% |
| The time it took someone to deal with your problem | 74% | 72% | 75% |
| The helpfulness of the staff who dealt with you | 80% | 75% | 76% |
| The knowledge of the staff who dealt with you | 78% | 76% | 73% |
| The level of courtesy of the staff who dealt with you | 88% | 83% | 85% |
| The quality of information provided by the staff who dealt with you | 76% | 77% | 74% |

Base: total respondents

Customer Service – Top 2 Boxes

| | Ajax/Pickering | Belleville | Other |
|---|----------------|------------|-------|
| The time it took someone to answer the phone | 64% | 66% | 72% |
| The time it took someone to deal with your problem | 69% | 79% | 80% |
| The helpfulness of the staff who dealt with you | 79% | 89% | 77% |
| The knowledge of the staff who dealt with you | 72% | 89% | 88% |
| The level of courtesy of the staff who dealt with you | 84% | 89% | 95% |
| The quality of information provided by the staff who dealt with you | 73% | 82% | 80% |

Base: total respondents

There is a difference between Customer Service and Customer Care. Customer Service is a series of processes/activities designed to ensure that Customers are getting what they expected while, simultaneously, enhancing the level of customer satisfaction. Customer Care is a larger body of work, activities and processes that enable the customer to fulfill a need or solve a problem.



| Attributes describing the local electricity utility | | | |
|--|----------|----------|---------|
| | Veridian | National | Ontario |
| Deals professionally with customers' problems | 86% | 83% | 83% |
| Customer-focused and treats customers as if they're valued | 80% | 75% | 75% |
| Provides good value for money | 72% | 70% | 65% |
| Works with customers to keep their electricity costs affordable | 70% | 62% | 60% |
| Is pro-active in communicating changes and issues which may affect customers | 80% | 75% | 76% |
| Adapts well to changes in customer expectations | 75% | 73% | 70% |
| The cost of electricity is reasonable when compared to other utilities | 65% | 65% | 57% |

Base: total respondents with an opinion

| Attributes describing the local electricity utility | | | |
|--|----------------|------------|-------|
| | Ajax/Pickering | Belleville | Other |
| Deals professionally with customers' problems | 85% | 87% | 88% |
| Customer-focused and treats customers as if they're valued | 77% | 85% | 82% |
| Provides good value for money | 71% | 74% | 74% |
| Works with customers to keep their electricity costs affordable | 68% | 74% | 69% |
| Is pro-active in communicating changes and issues which may affect customers | 78% | 86% | 83% |
| Adapts well to changes in customer expectations | 73% | 82% | 76% |
| The cost of electricity is reasonable when compared to other utilities | 65% | 67% | 65% |

Base: total respondents with an opinion

This year's survey indicates that customers really want **CARE**:

- Customer-centricity
- Affordability
- Reliability
- Empathy



What do customers think about electricity costs?

There is a correlation between ability to pay and satisfaction with higher earners reporting the highest levels of initial satisfaction with their utility. It is also true that emotional connectivity, i.e. loyalty, also plays a role about what customers think about costs. Out of all the Ontario survey respondents this year, 18% of Secure customers vs 49% of At Risk customers report that they sometimes or often worry about paying their electricity bill.

| Is paying for electricity a worry or major problem... | | | |
|---|----------|----------|---------|
| | Veridian | National | Ontario |
| Not really a worry | 63% | 67% | 59% |
| Sometimes I worry | 25% | 22% | 27% |
| Often it is a major problem | 8% | 8% | 11% |
| Depends | 2% | 2% | 2% |

Base: total respondents



| Is paying for electricity a worry or major problem... | | | |
|---|----------------|------------|-------|
| | Ajax/Pickering | Belleville | Other |
| Not really a worry | 62% | 69% | 62% |
| Sometimes I worry | 24% | 23% | 29% |
| Often it is a major problem | 10% | 4% | 5% |
| Depends | 2% | 2% | 3% |

Base: total respondents

Renewable Energy

55% of survey respondents in the Ontario survey indicated that it was very important or somewhat important that the Government of Ontario continue to encourage the development of green energy.

Solar power is a renewable energy source of interest for many residential customers. However, when asked, how soon a respondent might act on their "interest", the vast majority of respondents state 12 months or more.

Purchasing an Electric Vehicle

Electric cars are currently priced thousands of dollars more than equivalent gasoline-fuelled models, and they currently have limited range; customers are very much concerned over recharging time, availability of charging stations and battery replacement cost. The challenge becomes building a



better lithium-ion battery, one that improves range, has longer battery life, is quick charging and can be obtained at low-cost

While consumers, en masse, are not ready to sacrifice financially to make the shift to EVs, 4 out of 10 Canadians – 44% – responded they would have interest in purchasing an electric vehicle. However, 13% of those are actually considering making the purchase over the course of the next 24 months.

Conservation, Smart Meters & TOU

SMART meter implementation hinges on the idea that consumers actually understand their electricity use. It's not news that SMART meter customers don't yet care enough to obsessively track their electricity use but a lack of interest isn't the problem; it's a lack of understanding. There is a direct correlation between customer familiarity with SMART meters and their favourable views toward the technology. Most customers in our survey still don't understand what SMART meters are all about, and this lack of knowledge is a real barrier to ultimate acceptance.

For 2012 there is a drop in the number of respondents who said that they were paying more as a result of TOU – time and experience have a way of allaying fears that many might have had caused by negative press. [2012:28% - 2011:38%]



| For those that are on TOU what is the effect on the bill? | |
|---|-----|
| Ontario LDCs | |
| Paying more | 28% |
| Paying less | 13% |
| Paying about the same | 45% |
| Don't know | 14% |

Base: An aggregate of respondents from 2012 participating LDCs

Clearly, the only way to help Ontarians cope with rising electricity rates over the long term is to push for deep energy conservation in households. Achieving energy conservation is a twofold challenge, partly technical and partly human. The development of energy-conserving technologies is a necessary but insufficient step toward reduced energy consumption. Unless adopted by a significant segment of customers, the impact of technical innovations will be negligible.

32% of respondents in the Ontario survey indicated that the primary reason for conserving electricity was “to protect the environment” and 24% said “to save money”. However 36% of Ontarians certainly like the idea of using coupons to help them make purchases of qualified products.

"It's too expensive or I cannot afford it" are the most frequently given reasons for not taking energy efficiency actions, according to this year's survey results. This is closely followed by time required and a lack of knowledge or understanding about energy conservation issues.

| What are the 1 or 2 barriers to energy conservation experienced by Ontarians? | |
|---|---------|
| | Ontario |
| Cost involved in making equipment/appliance changes | 18% |
| Time required to implement some of the measures | 8% |
| Lack of interest or personal responsibility | 7% |
| Lack of knowledge | 6% |
| Lack good information on where to save energy | 4% |



| | |
|--|-----|
| Hydro bill is going up faster than I can reduce use of electricity, so why bother | 4% |
| Have an issue with Government policies | 3% |
| Not enough incentives | 2% |
| Not sure that the savings advertised are “real” | 1% |
| Don’t know | 54% |

Base: total respondents from 2012 Ontario benchmark survey

Keeping education on conservation simple is an important key to changing customer behaviour. There are just three basic questions that people need to answer in order to engage in energy conservation:

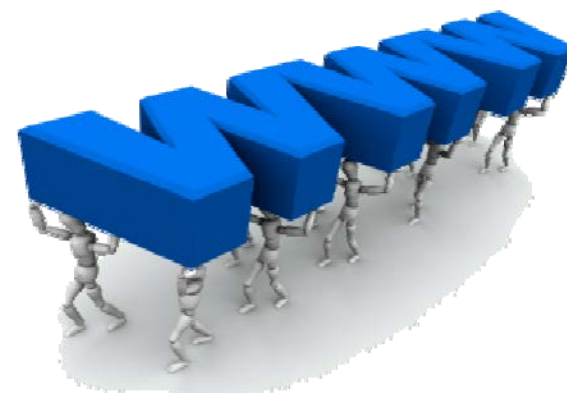
1. What – What is the specific action that I can take?
2. Why - Why is this action important to me?
3. How - How can I implement this action in the most effective and non-obtrusive way?

It may be necessary to start with the “why” because people don't want to invest any time in learning until they understand what the potential benefits are. So what does this all mean? People need to be educated about the financial and environmental implications of their actions. Very few people are willing to change their behaviours just because someone tells them to do it. People want to know the specifics of what they can do and clearly see how it can save them money and make an impact.




E-billing, E-care and Social Media

Research shows the growing importance of customer care and the role that the internet now plays. Canadians are making greater and more diverse use of the internet, however, there still exists a gap in the rate of internet use among certain groups of Canadians on the basis of income, education and age. Surprisingly 14% of all Ontario survey respondents indicated that they do not have access to the internet. Of those that do have access, 78% said they had visited their utility's website in the last 6 months.



The internet is starting to change the way utilities interact with their customers. The mandate-besides cutting costs-is to provide a richer, more productive experience than telephone communications for many customer activities. In addition, the proliferation of smart phones and mobile devices will continue to change how customers choose to interact with their utility. Utilities will need to be prepared to support multiple platforms of interaction.



| Likelihood of using the internet for future customer care needs for things such as: | | |
|---|--------------|----------|
| Top 2 Boxes: 'very + somewhat likely' | Ontario LDCs | Veridian |
| Setting up a new account | 37% | 44% |
| Arranging a move | 44% | 53% |
| Accessing information about your bill | 56% | 65% |

| | | |
|--|-----|-----|
| Accessing information about your electricity usage | 57% | 69% |
| Accessing energy saving tips and advice | 50% | 62% |
| Learning more about SMART meters | 52% | 59% |
| Registering a complaint | 40% | 48% |
| Registering a compliment | 47% | 55% |
| Accessing information about Time Of Use rates | 57% | 63% |
| Maintaining information about your account or preferences | 54% | 62% |
| Paying your bill through the utility's website | 33% | 37% |
| Paying your bill using smart phone applications | 23% | 28% |

Base: An aggregate of respondents from 2012 participating LDCs / 90% of total respondents from the local utility

You can't ignore that using electronic means to deliver and pay for bills is on the rise. Ten years ago marked the advent of electronic billing. Today, it's become the norm for internet users to receive bills via email or collect them from a website.

Respondents of this year's survey were asked *"As it relates to using the internet for billing which of the following statements comes closest to your own feelings about electronic bill statements ..."*



| Using the internet for billing | | |
|--|--------------|----------|
| | Ontario LDCs | Veridian |
| I am already receiving my hydro bill electronically | 7% | 8% |
| I use on-line banking and will definitely be requesting that my bill be sent electronically | 11% | 12% |
| I use on-line banking but prefer to have paper statements | 37% | 41% |
| I prefer to have the paper copy of my bills | 24% | 23% |
| I don't use on-line banking | 19% | 15% |

Base: An aggregate of respondents from 2012 participating LDCs / 90% of total respondents from the local utility

Not surprisingly, 28% of 18-34 year old respondents indicate that they are or will be requesting electronic billing, it was 14% for respondents aged 55+.

Cost savings is the most frequently cited benefit of internet-based service. The cost of customer support through a web-based support system is much lower compared to a voice-response unit or human interaction. In theory, paperless billing makes a lot of sense for consumers and companies. Customers get their bills quicker and have less paper cluttering files on desks, while companies can save a lot of money by reducing their printing and mailing costs. The only problem is paperless billing has been embraced with a tepid enthusiasm.



| Likelihood of the following to encourage customers to go paperless for billing purposes | | |
|---|--------------|----------|
| Top 2 Boxes: 'very + somewhat likely' | Ontario LDCs | Veridian |
| Providing a one-time financial incentive to switch | 54% | 66% |
| Being entered into a special draw for customers who make the switch | 43% | 50% |
| Charging more for paper bills | 40% | 44% |
| Learning more about the benefits to going green with paperless billing | 47% | 56% |
| A better understanding of the convenience of paperless billing | 45% | 54% |

Base: An aggregate of respondents from 2012 participating LDCs / 90% of total respondents from the local utility

Utilities should concentrate their message on “what customers get” when they go paperless. We would also recommend that utilities think creatively about bundling paperless with other technologically assisted information i.e., electronic notification of high use, monthly billing (where bi-monthly currently exists), or even bi-weekly billing.



Internet forums, user communities, and social-networking sites are the new ways people are talking to each other and getting some of the answers they need. Twitter is fast becoming the go-to medium for customer support. Have a question – tweet it – and wait sometimes less than an hour for a quick fix, recommended remedy, or information on where to go next.



Social media is evolving and it gives companies the opportunity to proactively identify customer issues which will help the utility address problems quickly thereby minimizing the impact on the broader customer base.

Respondents of this year's survey were asked *"how likely they would use social media such as twitter, facebook (and others) to get information"*...

| Likelihood of using Social Media to gather information | | |
|--|--------------|----------|
| | Ontario LDCs | Veridian |
| Very likely | 4% | 5% |
| Somewhat likely | 7% | 7% |
| Not likely | 18% | 25% |
| Not likely at all | 67% | 63% |
| Don't have social media account | 2% | 1% |
| Don't know | 1% | 0% |

Base: An aggregate of respondents from 2012 participating LDCs / 90% of total respondents from the local utility



In a world of uncertainty, customers want to be connected to an organization that is credible and trusted. With multiple channels for contact, the number of customer "touch points" and "moments of truth" have grown exponentially. Fostering a culture of superior customer care will help ensure that those "touch points" result in a favourable impression.



Customer satisfaction is certainly nice to have, but it does not result in a secure customer. Satisfied customers may be pleased with a recent experience or the utility overall, but often they may not have an emotional connection with the utility.

As stated earlier, cutting through the fog of fear, misinformation and confusion that exists amongst customers is really quite a challenge. We recommend the following actions as important for your utility to do:

- 1- Continuing the utility's diligence in delivering high quality service with the aim of creating more "secure" customers [Secure customers are those who are advocates for you.]
- 2- Being seen as a pro-active communicator on issues or opportunities which affect customers.
- 3- Maintaining the integrity of your brand image.
- 4- Dealing effectively with mis-information about issues.
- 5- Profiling testimonials from real people about the value of conservation.

| Customer Loyalty Groups | | | | |
|-------------------------|--------|-----------|-------------|---------|
| Veridian | Secure | Favorable | Indifferent | At Risk |
| 2012 | 27% | 11% | 57% | 4% |
| 2011 | 28% | 15% | 52% | 5% |
| 2010 | 15% | 21% | 56% | 8% |
| 2009 | 22% | 16% | 59% | 4% |

Base: total respondents



| Customer Loyalty Groups | | | | |
|-------------------------|--------|-----------|-------------|---------|
| | Secure | Favorable | Indifferent | At Risk |
| Ajax/Pickering | 24% | 11% | 61% | 4% |
| Belleville | 38% | 13% | 44% | 5% |
| Other | 28% | 12% | 55% | 5% |

Base: total respondents

For Ontario utilities the top 5 factors most closely correlated with high satisfaction are: reliable energy, respected company, trusted company, accurate billing and electricity safety as a top priority. Doing the core job of the utility AND maintaining a positive brand image is important to your customers.

Recognizing that there are many “moments of truth” that add up to a customer experience then it is important that your utility:

- Demonstrate its knowledge about the things that matter to customers (reliability, safety, conservation).
- Ensure that every utility employee recognizes that every interaction with a customer is an opportunity to delight or disappoint, therefore always be helpful.
- Effectively communicate, in customer-friendly ways, about its energy conservation and billing programs.



- Leadership recognizes that organizational culture, leadership style and performance are tightly tied together.

The primary goal of really listening to customers and responding effectively to them is to create a higher level of affinity with your organization. With higher levels of affinity come higher levels of confidence that you and your people will handle their problems with speed and professionalism. This results in less stress on your call-centre. It also results in higher levels of acceptance of various communiqués and marketing messages which you send to the customer.

By effectively leveraging results from your 2012 customer survey derived from speaking with 452 Veridian Connections customers [March 23 - April 2, 2012] you can have meaningful conversations with everyone about customers'—satisfaction, concerns, suggestions, etc. Utilities with a constructive employee culture with high levels of employee engagement will have an easier time navigating the choppy waters of the current environment. The reason is simple, everything you do and everyone in your utility represents the brand – hence its perceived value.

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June, 2012



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Satisfaction (pre & post)

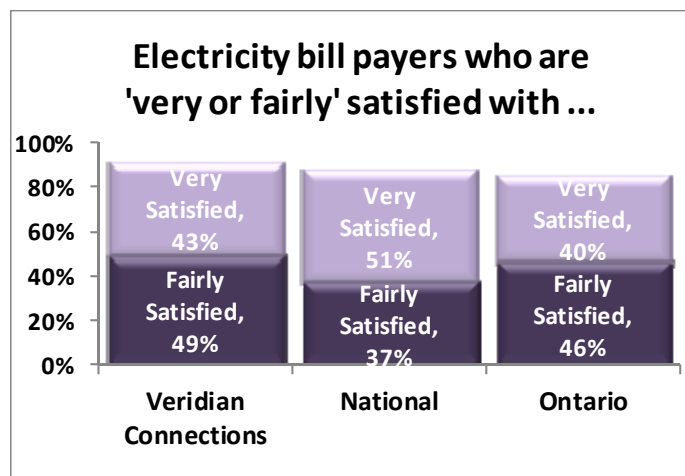
The old adage “You cannot command respect, you have to earn respect” is a lesson that aptly describes the loyalty effect with customers. Many people mistakenly think doing a good job will lead to loyalty; that a satisfied customer equals a loyal customer.

While private industry companies are compelled to understand their customers in order to drive sales and revenue, customer satisfaction measurement can form a similar focus for organizations in the absence of the commercial imperative, such as utilities which operate under monopolistic conditions. It can also help to build a connection with customers and front-line staff, and provide a uniting motivating factor across the organization. Monopolies are not really different in what they should measure except that trying to determine which customers are “loyal” or “at risk” is not about their future behaviour but more about their “attitudinal” loyalty (are they advocates?). In the private sector customer satisfaction and loyalty are often seen as essential for survival and success. Public sector organizations, especially Municipalities, have come to realize that looking after their customers and taking the opportunity to learn from them is key to delivering services which are both effective and efficient.

After 14 years of continued research with electric utility customers, expectations of their electric utility go far beyond “keeping the lights on”, “billing me properly”, and “restoring power quickly”.

- **Satisfaction** happens when utility core services meets customer's needs, wants, or expectations.
- **Loyalty**, occurs when a customer makes an emotional connection with their electric utility on a diverse range of expectations beyond core services.

Customer satisfaction is not necessarily a guarantee for customer loyalty, however satisfaction and loyalty are recognized as strongly related; and satisfaction is one of the essential pinnacles for customers to become loyal—from a utility's perspective—to become emotionally connected.



Base: total respondents

A mutual correlation exists between employee and customer attitudes and loyalty. Employees who are in a Constructive organization culture state that they are empowered and enabled to play their part in building and maintaining strong relationships. Employees who are trained well, have the right tools and are focused on successful outcomes for customers contribute greatly to the customers' perception of

their utility. There is a direct, irrefutable link between empowered and engaged employees and customer satisfaction – after all -- *your employees are part of your brand and they deliver the promises that you make.*

| Electricity bill payers who are 'very or fairly' satisfied with... | | | | |
|--|------|------|------|------|
| | 2012 | 2011 | 2010 | 2009 |
| Veridian | 92% | 90% | 88% | 92% |
| National | 88% | 89% | 86% | 90% |
| Ontario | 86% | 84% | 80% | 87% |

Base: total respondents

Satisfied employees who are working in an organizational culture which promotes service excellence is critical, too. Many companies make the mistake of measuring only customer satisfaction. Measuring organizational culture is the key because employees play an integral role in the customer relationship. Employees do more than deliver customer service – they personalize the relationship between customer and the utility.

Creating loyal customers and loyal employees go hand in hand and it is the leaders of organizations that must create this alignment. Implementing service excellence works best when its principles are well understood and widespread collaboration is encouraged by management's visible actions. In our experience, this is best achieved by driving change from the 'top down' at the same time as inspiring and fully engaging employees from the 'bottom up'.

In the Simul/UtilityPULSE Customer Satisfaction survey, the overall satisfaction question is asked both at the beginning (PRE) and the end (POST). Our rationale is simply this. The satisfaction questions placed at the beginning of the survey render the customer's first impression. After the customer has gone through more questions, about the nature of the services, products, and relationship they have with their local utility, they often think about additional factors, not considered in the original first impression. This may move their rating of overall satisfaction, up or down.

| SATISFACTION SCORES – Electricity customers' satisfaction | | | |
|---|----------|----------|---------|
| Top 2 Boxes: 'very + fairly satisfied' | Veridian | National | Ontario |
| PRE: Initial Satisfaction Scores | 92% | 88% | 86% |
| POST: End of Interview | 95% | 89% | 88% |

Base: total respondents

| SATISFACTION SCORES – Electricity customers' satisfaction | | | | |
|---|------|------|------|------|
| Top 2 Boxes: 'very + fairly satisfied' | 2012 | 2011 | 2010 | 2009 |
| PRE: Initial Satisfaction Scores | 92% | 90% | 88% | 92% |
| POST: End of Interview | 95% | 91% | 94% | 95% |

Base: total respondents

| SATISFACTION SCORES – Electricity customers' satisfaction | | | |
|---|----------------|------------|-------|
| Top 2 Boxes: 'very + fairly satisfied' | Ajax/Pickering | Belleville | Other |
| PRE: Initially | 92% | 96% | 89% |
| POST: End of Interview | 95% | 98% | 95% |

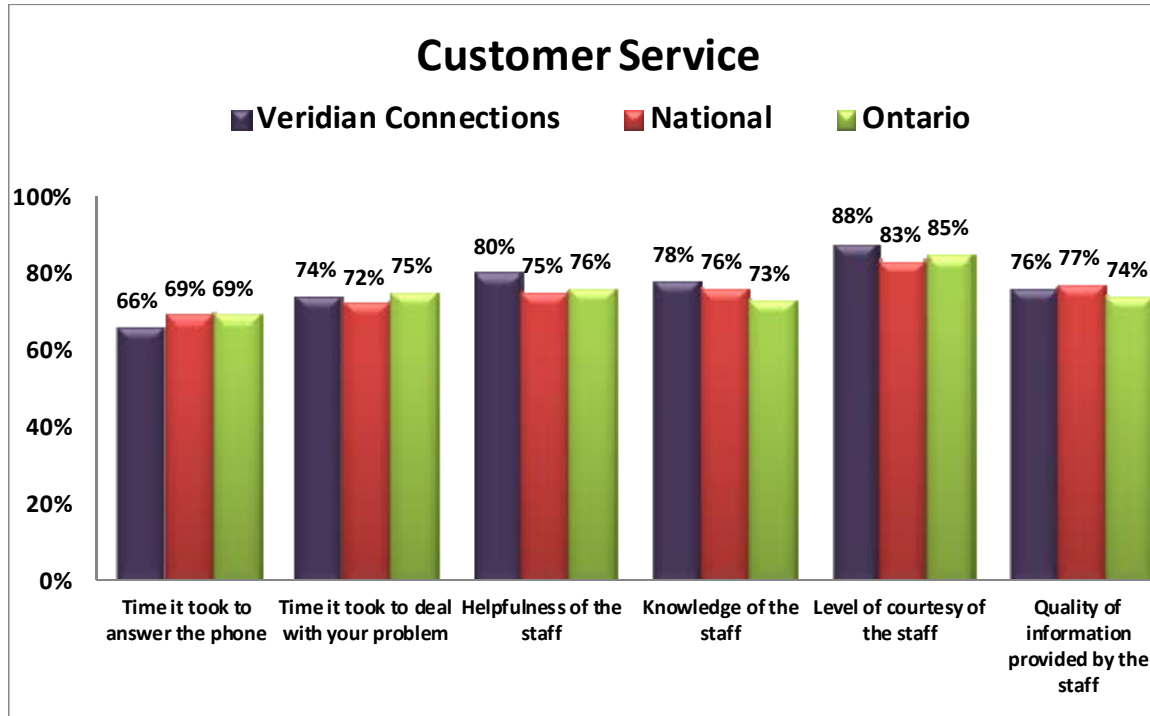
Base: total respondents

Customer Service

Customer Service is about the experience your customers have with your utility, your products and your service. In customer service, the goal is to ensure that each of your customers receives high quality customer service and an experience that meets or exceeds their expectations - on each and every call to your organization. Each caller will have a memorable experience that will encourage him or her to be an advocate of your utility (which happens to be one of the three arms to build customer loyalty.)

Most of us want the same things when we are customers: We want to be treated with respect. We want to be listened to. We don't want to be bounced around or ignored or treated as inferior. The customer experience is largely defined through the customer service received and the front-line staff with whom they interact.

Some of the main elements which help construct this customer experience when contacting your utility are things such as: polite and friendly staff, being treated fairly, empathy of the staff to the customer's needs, knowledge and competency of employees and their ability to convey trust and confidence, comprehensive and accurate information, willingness to help and to provide prompt service, and the final outcome; the way the utility handled the problem and its ability to deliver on its promises.



Base: total respondents who contacted the utility

| Customer Service – Top 2 Boxes | | | |
|---|----------|----------|---------|
| | Veridian | National | Ontario |
| The time it took someone to answer the phone | 66% | 69% | 69% |
| The time it took someone to deal with your problem | 74% | 72% | 75% |
| The helpfulness of the staff who dealt with you | 80% | 75% | 76% |
| The knowledge of the staff who dealt with you | 78% | 76% | 73% |
| The level of courtesy of the staff who dealt with you | 88% | 83% | 85% |
| The quality of information provided by the staff who dealt with you | 76% | 77% | 74% |

Base: total respondents who contacted the utility

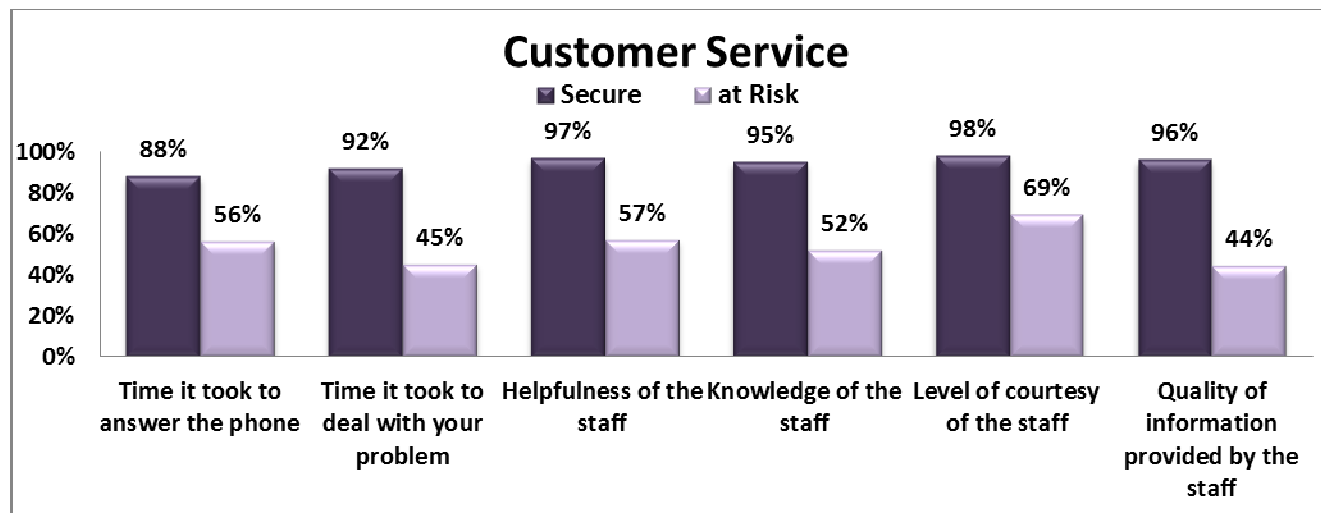
| Customer Service – Top 2 Boxes | Ajax/Pickering | Belleville | Other |
|--|-----------------------|-------------------|--------------|
| The time it took someone to answer the phone | 64% | 66% | 72% |
| The time it took someone to deal with your problem | 69% | 79% | 80% |
| The helpfulness of the staff who dealt with you | 79% | 89% | 77% |
| The knowledge of the staff who dealt with you | 72% | 89% | 88% |
| The level of courtesy of the staff who dealt with you | 84% | 89% | 95% |
| The quality of information provided by the staff who dealt with you | 73% | 82% | 80% |

Base: total respondents

It is important that each and every person in your organization is capable of delivering that positive customer experience. This involves customer service training - ensuring each has the knowledge, skills and attitude that will be successful. However, will they USE these skills to achieve a positive outcome?

| Customer Service - Secure vs At Risk Customers | Secure | At Risk |
|--|---------------|----------------|
| The time it took someone to answer the phone | 88% | 56% |
| The time it took someone to deal with your problem | 92% | 45% |
| The helpfulness of the staff who dealt with you | 97% | 57% |
| The knowledge of the staff who dealt with you | 95% | 52% |
| The level of courtesy of the staff who dealt with you | 98% | 69% |
| The quality of information provided by the staff who dealt with you | 96% | 44% |

Base: data from the full 2012 database



Base: data from the full 2012 database

Customers prefer and value companies that provide high service quality. Thus, the attainment of quality in products and services has become a driving concern of most organizations. Customers judge service quality relative to what they want by comparing their perceptions of service experiences with their expectations of what the service performance should be. Some of the determinants of service quality and customer care which help shape a customer's perception were rated as follows:

| Important attributes which shape perceptions about service quality | | | |
|--|----------|----------|---------|
| | Veridian | National | Ontario |
| Deals professionally with customers' problems | 86% | 83% | 83% |
| Customer-focused and treats customers as if they're valued | 80% | 75% | 75% |
| Provides good value for money | 72% | 70% | 65% |
| Works with customers to keep their electricity costs affordable | 70% | 62% | 60% |
| Is pro-active in communicating changes and issues which may affect customers | 80% | 75% | 76% |
| The cost of electricity is reasonable when compared to other utilities | 65% | 65% | 57% |
| Is a company that is 'easy to do business with' | 85% | 81% | 80% |
| Quickly deals with issues that affect customers | 83% | 81% | 80% |
| Adapts well to changes in customer expectations | 75% | 73% | 70% |

Base: total respondents with an opinion

| Important attributes which shape perceptions about service quality | | | |
|--|----------------|------------|-------|
| | Ajax/Pickering | Belleville | Other |
| Deals professionally with customers' problems | 85% | 87% | 88% |
| Customer-focused and treats customers as if they're valued | 77% | 85% | 82% |
| Provides good value for money | 71% | 74% | 74% |
| Works with customers to keep their electricity costs affordable | 68% | 74% | 69% |
| Is pro-active in communicating changes and issues which may affect customers | 78% | 86% | 83% |
| The cost of electricity is reasonable when compared to other utilities | 65% | 65% | 57% |

| | | | |
|--|-----|-----|-----|
| Is a company that is 'easy to do business with' | 85% | 87% | 85% |
| Quickly deals with issues that affect customers | 81% | 86% | 84% |
| Adapts well to changes in customer expectations | 73% | 82% | 76% |

Base: total respondents with an opinion

Utilities can improve customer experiences across all channels through continuing to simplify processes, tailoring services to be more personalized and explicitly recognizing customer value.

It often seems that the entire customer support experience has been designed with the goal of minimizing human interaction, rather than maximizing the support and service provided. Utilities have opportunities to create a personalized experience through online, face to face and call-centre interactions by better using customer information and leveraging new technology capabilities to increase the level of context and personalization in interactions. The customer-service representative relationship can help to strengthen relationships between customer, service rep, and the utility itself.

Service quality derives from corporate culture, therefore utilities need to develop a customer oriented strategy concerning customer satisfaction and customer service. Delivering quality service means conforming to customer expectations on a consistent basis. Utilities need to foster work environments where every single employee is encouraged to consider it their job to recommend ways to innovate, save money and serve customers better. First, your front-line people are often in the best position to see how it could be done better when serving the customer, and second, employees who feel

challenged to be involved in the improvement of their workplace are more motivated and engaged. This ultimately leads to them performing better.

We live and operate in an imperfect world so mistakes are bound to happen. With regards to services, good service recovery in ways that exceed customers' expectations may produce higher satisfaction levels than services provided well at first. It is quite possible that the customer loyalty rate is higher after a problem has been found and resolved to the customer's satisfaction (within 24-48 hours) than if there are no problems.

| SATISFACTION SCORES – Electricity customers' satisfaction | | | |
|---|----------|-----------------|---------------------|
| National | National | Problems Solved | Problems Not Solved |
| Top 2 Boxes: 'very + fairly satisfied' | 88% | 92% | 58% |
| Bottom 2 Boxes: 'fairly + very dissatisfied' | 10% | 5% | 38% |

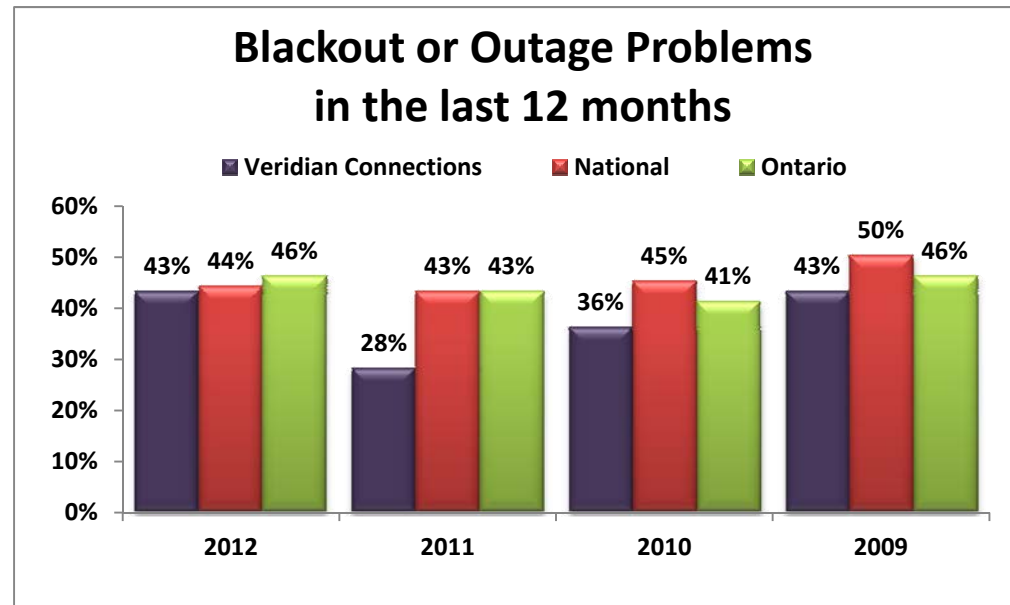
Base: total respondents from 2012 National Benchmark survey

Empowerment is the backbone of the service recovery principle. In the face of error or problems, acting quickly and decisively, being empowered and turning a dissatisfied customer into a satisfied one tends to have a positive impact.

Bill payers' recent problems and problem resolution

Outages are unavoidable in electric utility systems; failed equipment or processes, human interference i.e. car accidents bringing down utility poles, Mother Nature or even acts of God. However, ensuring reliability has and will continue to be a priority for electricity industry restructuring.

Any blackout highlights the significant public and commercial interest in electricity reliability. A key aspect of having electricity available on-demand, whether it is to individual households or large industrial complexes, is the fact that outages – brief or extended – interrupt essential as well as discretionary use of appliances, motors, electronics and other devices for which electricity is the primary, if not the only, source of energy.



Base: total respondents

Reliability of service needs to be always given primary importance by electric utility systems. Customers are least interested about the availability of power sources, grid conditions, rather they must be ensured a power supply, which is most reliable and qualitative. Reliability to a customer means that power made available to them is fault free and the outage or interruptions are tolerable and do not disturb their normal life. Customer satisfaction can be improved through providing better quality power in terms of voltage and frequency fluctuations and reliability by reducing outages.

| Percentage of Respondents indicating that they had a Blackout or Outage problem in the last 12 months | | | |
|---|----------|----------|---------|
| | Veridian | National | Ontario |
| 2012 | 43% | 44% | 46% |
| 2011 | 28% | 43% | 43% |
| 2010 | 36% | 45% | 41% |
| 2009 | 43% | 50% | 46% |

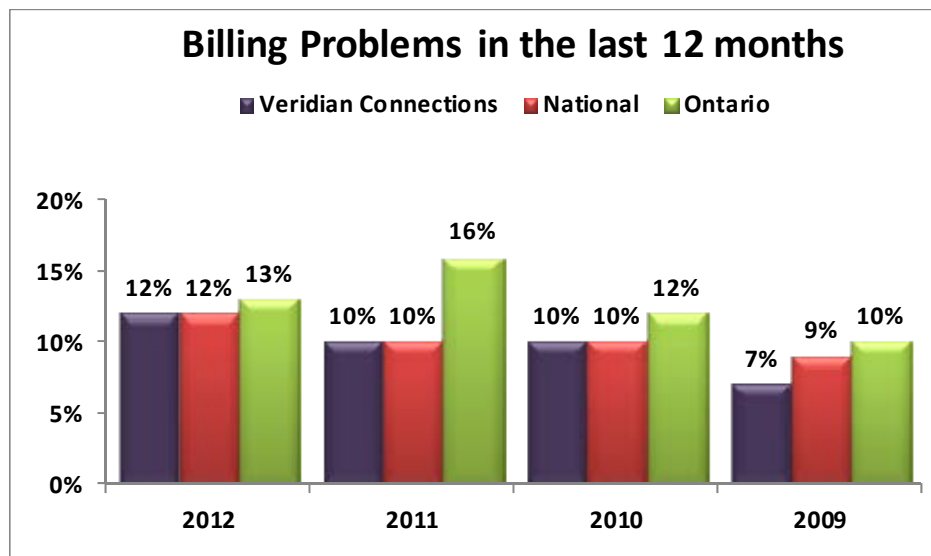
Base: total respondents

Percentage of Respondents indicating that they had a Blackout or Outage problem in the last 12 months

- Ajax/Pickering; 48%
- Belleville; 29%
- Other; 41%

As the principal form of communication between a utility and its customers, utilities cannot underestimate the importance of billing. Regardless of whether a meter is smart or not, in terms of invoicing customers, clarity and accuracy are vital in keeping down service costs.

The impact of poor billing on a utility's business is considerable, in terms of costs incurred handling customer queries and complaints. The quality of billing remains a driving force behind managing customer satisfaction and can help utilities reduce costs associated with customer service. Through reducing the total number of calls to a utility by providing accurate bills which are easily understood, a utility stems the flow of billing-related complaints into its call-centre. However, customers have a different definition than their utility as to what constitutes a billing problem.



| Percentage of Respondents indicating that they had a Billing problem in the last 12 months | | | |
|--|----------|----------|---------|
| | Veridian | National | Ontario |
| 2012 | 12% | 12% | 13% |
| 2011 | 10% | 10% | 16% |
| 2010 | 10% | 10% | 12% |
| 2009 | 7% | 9% | 10% |

Base: total respondents

Percentage of Respondents indicating that they had a Billing problem in the last 12 months

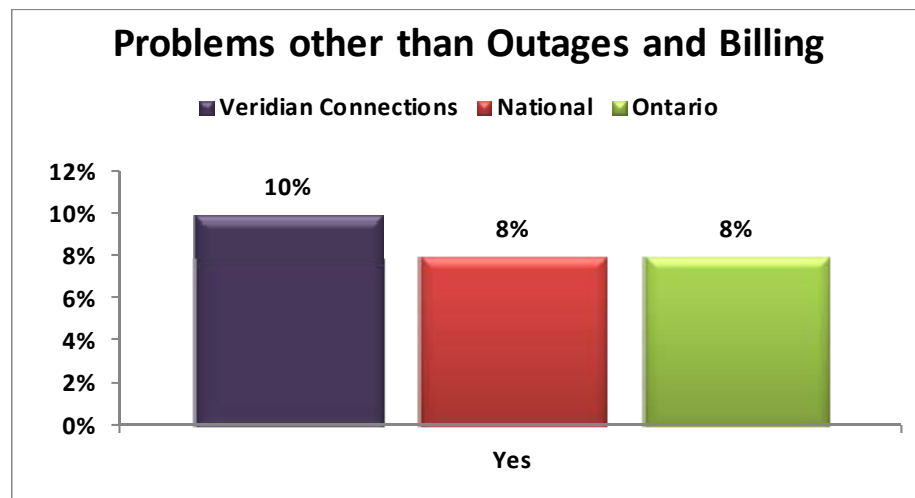
- Ajax/Pickering; 15%
- Belleville; 6%
- Other; 9%

While the accuracy of SMART meters promises an end to bill estimation and associated customer complaints, SMART meters will introduce a new level of complexity in residential billing. While complaints about billing inaccuracies should decline, we expect that utilities will have to deal with a number of different issues

| Types of Billing Problems | | | |
|---|----------|----------|---------|
| | Veridian | National | Ontario |
| The amount owed was too high | 33% | 60% | 62% |
| Complaint about rates or charges | 19% | 20% | 19% |
| The meter reading was incorrect | 3% | 11% | 6% |
| The payment made was recorded incorrectly | 3% | 0% | 5% |
| The bill was difficult to understand | 10% | 3% | 3% |
| The bill arrived late | 12% | 1% | 3% |
| Pricing systems (tiers or flat) | 0% | 1% | 0% |
| No bill/skipped bill | 6% | 2% | 0% |
| Too many extra charges | 0% | 1% | 2% |
| Change name/address on the bill | 10% | 0% | 0% |

Base: total respondents

While the killer B's – Blackouts and Bills – are the most salient problems customers report to their utility, other problems or reasons for calling the utility include: Moving/setting up a new account, maintenance or repair calls, requests for a meter reading, wanting to know about SMART meters, upgrades for thermostats or to understand ways to conserve energy, water heater rental or repairs, rebates on energy efficient products, to discuss different tiered pricing or energy marketers/retailers.



Customer service representatives should be trained to have the necessary skills, motivation, and authority to handle successful service recoveries. Service recovery is an important part of a customer-centric organization and service culture. By providing excellent complaint handling and service recovery procedures to their customers, utilities can mend the relational tension, prove their trustworthiness and increase customer loyalty.

| Percentage of Respondents attempting to contact the utility about problems other than billing or power outages in the last 12 months | | | |
|--|----------|----------|---------|
| | Veridian | National | Ontario |
| Yes | 10% | 8% | 8% |
| No | 90% | 92% | 92% |

Base: total respondents

| Percentage of Respondents who contacted their utility and had their problem solved in the last 12 months | | | |
|--|----------|----------|---------|
| | Veridian | National | Ontario |
| Yes | 72% | 69% | 66% |
| No | 25% | 28% | 30% |

Base: total respondents

Percentage of Respondents who contacted their utility and had their problem solved in the last 12 months

- Ajax/Pickering; 70%
- Belleville; 75%
- Other; 74%

Our research over 14 years demonstrates that successful problem resolution makes customers more loyal to a company than they were before they ever encountered a problem. Satisfaction has a negative relationship with customer complaints, as the more satisfied the customers, the less likely they are to complain.

When power outages occur, providing customers, especially small business customers, with accurate estimates of power restoration times is critical to maintaining customer satisfaction. Providing comprehensive information about outages has a notable positive effect on satisfaction with power quality and reliability.

Utilities need to ensure that their customer complaint/service recovery processes are made to be more responsive and proactive. Call-centres need to be capable enough to meet the growing demand of information conscious and tech savvy customers. Every minute counts when it comes to complaints being voiced with the aid of social media.

| Attributes describing operational effectiveness | | | |
|--|----------|----------|---------|
| | Veridian | National | Ontario |
| Provides consistent, reliable energy | 89% | 90% | 89% |
| Delivers on its service commitments to customers | 87% | 86% | 84% |
| Accurate billing | 88% | 85% | 82% |
| Quickly handles outages and restores power | 87% | 89% | 88% |
| Makes using electricity safely a top priority | 90% | 91% | 90% |
| Uses responsible business practices when completing work | 88% | 86% | 85% |

Base: total respondents with an opinion

| Attributes describing operational effectiveness | | | |
|--|----------------|------------|-------|
| | Ajax/Pickering | Belleville | Other |
| Provides consistent, reliable energy | 88% | 94% | 89% |
| Delivers on its service commitments to customers | 87% | 89% | 87% |
| Accurate billing | 85% | 91% | 90% |
| Quickly handles outages and restores power | 86% | 90% | 86% |
| Makes using electricity safely a top priority | 89% | 93% | 90% |
| Uses responsible business practices when completing work | 87% | 91% | 89% |

Base: total respondents with an opinion

| Attributes describing operational effectiveness | | | |
|---|---------------|----------------|--------------------|
| | Overall Score | Problem Solved | Problem Not Solved |
| Provides consistent, reliable energy | 91% | 90% | 83% |
| Delivers on its service commitments to customers | 87% | 88% | 75% |
| Accurate billing | 87% | 87% | 68% |
| Quickly handles outages and restores power | 89% | 87% | 79% |
| Makes using electricity safely a top priority | 90% | 91% | 86% |
| Uses responsible business practices when completing work | 88% | 89% | 77% |

Base: data from the full 2012 database from those respondents with an opinion

Historically, utility customers have had limited interactions with their electric utilities, except to start or stop service, report outages, and pay bills or resolve billing questions. This situation is changing as the result of factors that include rising energy prices, increasing concerns about the environment and trends toward more customer interaction.

Over the next five to 10 years, we expect utility customers to continue seeking improvements in three key areas:

- Increased communication with their utility company, through a greater variety of media;
- Improved understanding of and control over their own energy use; and
- More accurate and timely information on outage events and service restoration.

UtilityPULSE Report Card®

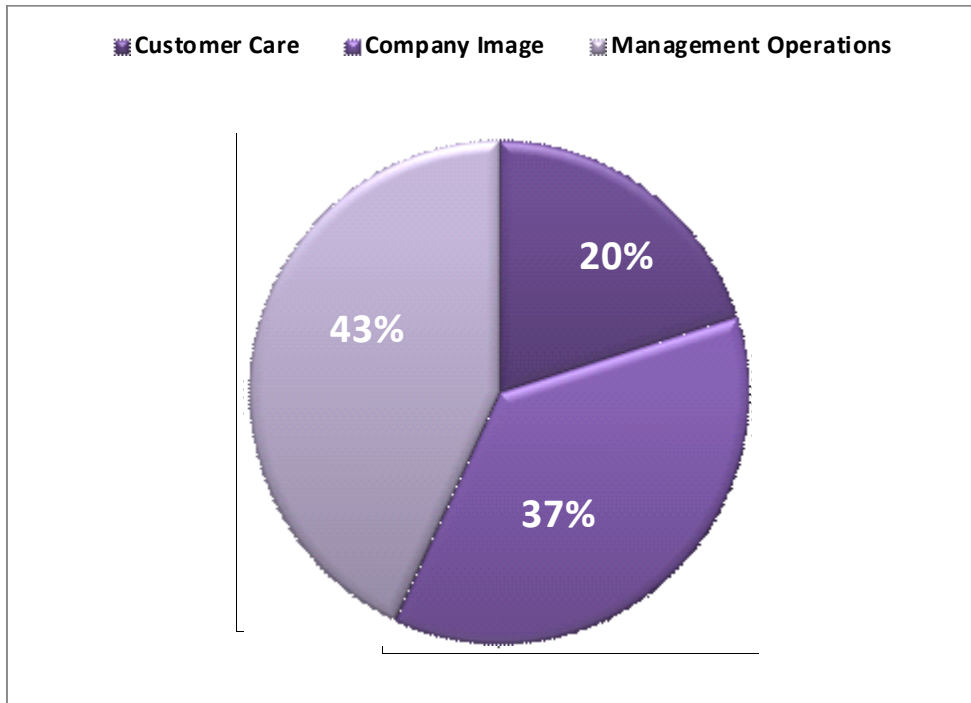
Simul's UtilityPULSE Report Card® is based on tens of thousands of customer interviews gathered over fourteen years. The purpose of the UtilityPULSE Report Card® is to provide electric utilities with a snapshot of performance – on the things that customers deem to be important. Research has identified over 20 attributes that customers have used to describe their utility when they have been satisfied or very satisfied with their utility. These attributes form the nucleus, or base, from which “grades” are assigned. Customer satisfaction and loyalty also play a major role in the calculations.

There are two main dimensions of the UtilityPULSE Report Card® the first is Customer psyche and the other is Customer perceptions about how the utility executes its business.

The Psyche of Customers

Every utility has virtually the same responsibility – provide safe and reliable electricity – yet not all customers are the same. The following chart shows the weight or significance of each category to the customer when forming their overall impression of the utility. Three major categories, each with two major drivers make up the UtilityPULSE Report Card®. In effect the Report Card provides feedback about your customers' perception on the importance of each category and driver – as it relates to the benchmark.

UtilityPULSE Report Card® for Veridian Connections



Base: total respondents

The UtilityPULSE Report Card® also provides customer perceptions about how your utility executes or performs its responsibilities. This is different, very different, from what a customer might say about a major concern or worry that they have about electricity. As our survey has shown since its inception the primary suggestion for improvement is “reduce prices”, which is also a major concern which your customers have about municipal taxes, gas for the vehicle, and other utilities.

Readers of this report should note that the categories and drivers are interdependent. Which means that, for example, failure to provide high levels of power quality and reliability will have a negative impact on customer perceptions as it relates to customer service. Customer care, when it doesn't meet customer expectations has a negative impact on Company Image, etc.

Defining the categories and major drivers:

Category: Customer Care

Drivers: Price and Value; Customer Service

Just because everyone likes good customer care, that in and by itself is not a reason to provide it – though it may be important to do so. In highly competitive industries good customer service may be a differentiating factor. The case for electric utilities is simple, high levels of customer care result in less work (hence cost) of responding to customer inquiries and higher levels of acceptance of the utility's actions.

Price and Value:

Customers have to purchase electricity because life and lifestyle depend on it. This driver measures customer perceptions as to whether the total costs of electricity represent good value and whether the utility is seen as working in the best interests of its customers as it relates to keeping costs affordable.

Customer Service:

Customers do have needs and every now and again have to interface with their utility. How the utility handles various customers' requests and concerns is what this driver is all about. Promptly answering

inquiries, providing sound information, keeping customers informed and doing so in a professional manner are the major components of this driver.

Category: Company Image

Drivers: Company Leadership; Corporate Stewardship

Utilities have an image even if they do not undertake any activities to try to build it.

A company's image is both a simple and complex concept. It is simple because companies do create images that are easily described and recognized by their target customers. It is complex because it takes many discrete elements to create an image which includes, but is not limited to: advertising, marketing communications, publicity, service offering and pricing.

An electric utility trying to manage its image has one more challenge to deal with, and that is the electric industry itself. There are so many players that residential customers (in particular) don't know who does what or who is responsible for what. So when there are political or regulatory announcements, the local utility is swept up into the collective reaction of the population.

Company Leadership

This driver is comprised of customer perceptions as it relates to industry leadership, being a good corporate citizen and being involved in the community.

Corporate Stewardship

Customers rely on electricity and want to know that their utility is a credible organization that is well managed, is accountable, and has its financial house in order. In short, they want a stable organization.

Category: Management Operations

Drivers: Operational Effectiveness; Power Quality and Reliability

Electrical power is the primary product which utilities provide their customers and, they have very high expectations that the power will be there when they need it. Customers have little tolerance for outages. The reality is, every utility has to get this part right...no excuses. It is the utility's core business. This category and its drivers are clearly the most important to a utility's customers.

Operational Effectiveness

This driver measures customers' perceptions as they relate to ensuring that their utility runs smoothly. Attributes such as: accurate billing and meter reading, completing service work in a professional and timely manner and maintaining equipment in good repair are deemed as important to customers.

Power Quality and Reliability

Power outages are a fact of life – and, customers know it. They expect their utility to provide consistent, reliable energy, handle outages and restore power quickly and make using electricity safely an important priority.

Veridian's UtilityPULSE Report Card®

Part 1: Importance to Customers

| | CATEGORY | Veridian | National | Ontario |
|--------------|-------------------------------|-------------|-------------|-------------|
| 1 | Customer Care | 20% | 19% | 21% |
| | Price and Value | 9% | 9% | 9% |
| | Customer Service | 11% | 10% | 12% |
| 2 | Company Image | 37% | 34% | 32% |
| | Company Leadership | 16% | 15% | 16% |
| | Corporate Stewardship | 20% | 19% | 16% |
| 3 | Management Operations | 43% | 47% | 47% |
| | Operational Effectiveness | 20% | 23% | 23% |
| | Power Quality and Reliability | 23% | 24% | 24% |
| Total | | 100% | 100% | 100% |

Shares may not add exactly to 100% due to rounding.

Veridian's UtilityPULSE Report Card®

Part 2: Performance

| | CATEGORY | Veridian | National | Ontario |
|----------------|-------------------------------|----------|-----------|-----------|
| 1 | Customer Care | A | B+ | B+ |
| | Price and Value | A | B+ | B+ |
| | Customer Service | A | B+ | B+ |
| 2 | Company Image | A | A | B+ |
| | Company Leadership | A | A | B+ |
| | Corporate Stewardship | A | A | B+ |
| 3 | Management Operations | A | A | A |
| | Operational Effectiveness | A | A | A |
| | Power Quality and Reliability | A | A+ | A |
| OVERALL | | A | A | B+ |

* Weightings are based on pulse figures shown in Part 1 of the UtilityPULSE Report Card®

As the UtilityPULSE Report Card[®] shows, the total customer experience with an electric utility is defined as more than “keeping the lights on”. Customers deal with your utility every day for a variety of reasons, most likely because they need someone to help them solve a problem, answer a question or take their order for service. All your employees, from customer service representatives to linemen, leave a lasting impression on the customers they interact with. In effect there are many moments of truth. Moments of truth are every customer touch point that a utility has with their customers. Therefore, managing these moments of truth creates higher levels of Secure customers while reducing the number of At Risk customers that exist.

It's the small things done consistently that matter: Things like greeting every customer, whether on the phone or in person, in a friendly and helpful manner. Things like listening to the customer's needs, providing solutions to their problems and showing appreciation to the customer for their business.

For communication, utilities now recognize customer communications as a valuable aspect of their business. The better a utility communicates with customers, in a manner that speaks to them, the more satisfied they are with their overall service. “Sending out information” is not the same as having a “conversation” with a customer. We believe that it is increasingly important to channel your communications to the various customer segments which exist.

Obviously employees – in every area – play a critical role in customer service success. Consequently how they feel about their job responsibilities and role in the company will be communicated indirectly

through the level of service which they actually provide customers with whom they interact. The reality is engaged employees are the key to excellent customer care.

Our survey work with employees shows that there are many elements of an organizational culture to support the people model needed to achieve high levels of engagement. Our research has identified 6 main drivers that promote and support people giving their best: feeling empowered, valued, belonging, inspired, growing and performance oriented. There are 12 key processes from “attracting employees” to “saying goodbye to employees” that are part of your people model to get the best performance from every employee.

We believe that taking the time to understand the difference between employee satisfaction and organizational culture is worthwhile from a resourcing perspective and from a people development perspective. Every organization has a culture – we believe that it is a leadership imperative to install and maintain a culture that ensures that you attain the achievements and successes of your utility’s many investments in people, technology and equipment.

The Loyalty Factor

If a customer is satisfied, it doesn't necessarily mean he or she is loyal. Satisfaction is about fulfilling promises/expectations; loyalty goes way beyond that by creating exceptional experiences and long-lasting relationships. There is a reason why marketing campaigns strive to build brand loyalty, not brand satisfaction. Measuring customer loyalty in an industry where many customers don't have a choice of providers doesn't make sense. Or does it?

The answer depends on how you define "customer loyalty."

Private industry often equates customer loyalty with basic customer retention. If a customer continues to do business with a company, that customer is, by definition, considered to be loyal. If this definition were applied to many companies in the utility industry, all customers would automatically be considered loyal. As such, measuring customer loyalty would appear to be unnecessary.

Monopolies are not really different in what they should measure except that trying to determine which customers are "loyal" or "at risk" is not about their future behaviour but more about their "attitudinal" loyalty (are they advocates?).

Perhaps a better or more relevant way for utilities to approach the definition of customer loyalty is to further expand how they think about loyalty. Consider the following definition: Customer loyalty is an emotional disposition on the part of the customer to respond favourably toward the brand and company consistently and across situations.

So what does it mean to respond favourably to a company? At a basic level, this can mean choosing to remain a customer. As previously mentioned however, this is essentially a non-issue for many utility companies. It then becomes necessary to think beyond just customer retention. One needs to consider other ways in which customers can respond favourably toward a company.

Other favourable responses or behaviours can be classified into one of three categories that reflect the concept of customer loyalty:

- Expansion
- Compliance or Influence
- Advocacy

Specific examples of potential expansion behaviour in the electric utility industry include:

- Signing up for programs that help the customer reduce or manage their energy consumption
- Using the utility as a consultant when selecting energy products and services from a third party
- Participating in pilot programs or research studies

Specific examples of potential compliance or influence behaviours that utility customers might exhibit include:

- Seeking the utility's advice or expertise on an energy-related issue
- Voluntarily cutting back on electricity usage if the utility advised the customer to do so
- Accepting the utility's energy advice or referrals to energy contractors or equipment
- Being influenced by the utility's opinion regarding energy- management advice, equipment, or technologies
- Providing personal information that enables the utility to better serve the customer
- Paying bills online

Creating customer advocates can be especially important for a company in a regulated industry. In the absence of customer advocates, or worse, in a situation where customers speak unfavourably about a company or actively work to support issues that are counter to those the company supports, companies can suffer a variety of negative consequences like increased business costs, lawsuits, fines and construction delays. For an electric utility, specific examples of potential advocacy behaviour include:

- Supporting the utility's positions or actions on energy-related public issues, including the environment
- Supporting the utility's position on the location and construction of facilities
- Providing testimonials about positive experiences with the utility

In short, loyal behaviour in the utility industry may not be as evident as it is in a more competitive environment. Measuring customer loyalty in a generally non-competitive industry requires one to think about loyalty in non-traditional ways. Customer loyalty is an intangible asset that has positive



consequences or outcomes associated with it no matter what the industry. Properly measuring loyalty among utility customers requires thoughtful probing to thoroughly identify the range of expansion, compliance, and advocacy behaviours that will ultimately benefit the company in meaningful ways, and foster happier and more loyal customers.

Simul/UtilityPULSE uses three questions to segment customer loyalty.

1. Are customers satisfied overall with their local hydro?
2. Would they recommend their electric utility?
3. Would they switch to competitors if they could?

Simul/UtilityPULSE segments residential and small and medium-sized electricity customers into four groups:

The Simul Customer Loyalty Performance Score segments customers into four groups: **Secure** – the most loyal - **Still Favorable**, **Indifferent**, and **At risk**.

Loyalty is driven primarily by a company's interaction with its customers and how well it delivers on their wants and needs.

Customer Loyalty Model



- **Satisfaction:** overall satisfaction
- **Commitment:** continue as a customer
- **Advocacy:** willingness to recommend

Secure customers are “very satisfied” overall with their local electricity utility. They have a very high emotional connection with their utility and definitely would recommend their local utility.

Still favorable customers are “very satisfied” overall, “definitely” or “probably” would recommend their local utility and not switch if they could.

Indifferent customers are less satisfied overall than secure and still-favorable customers and less inclined to recommend their local utility or say they would not switch.

At risk customers, who are “very dissatisfied” with their electricity utility, “definitely” would switch and “definitely” would not recommend it.

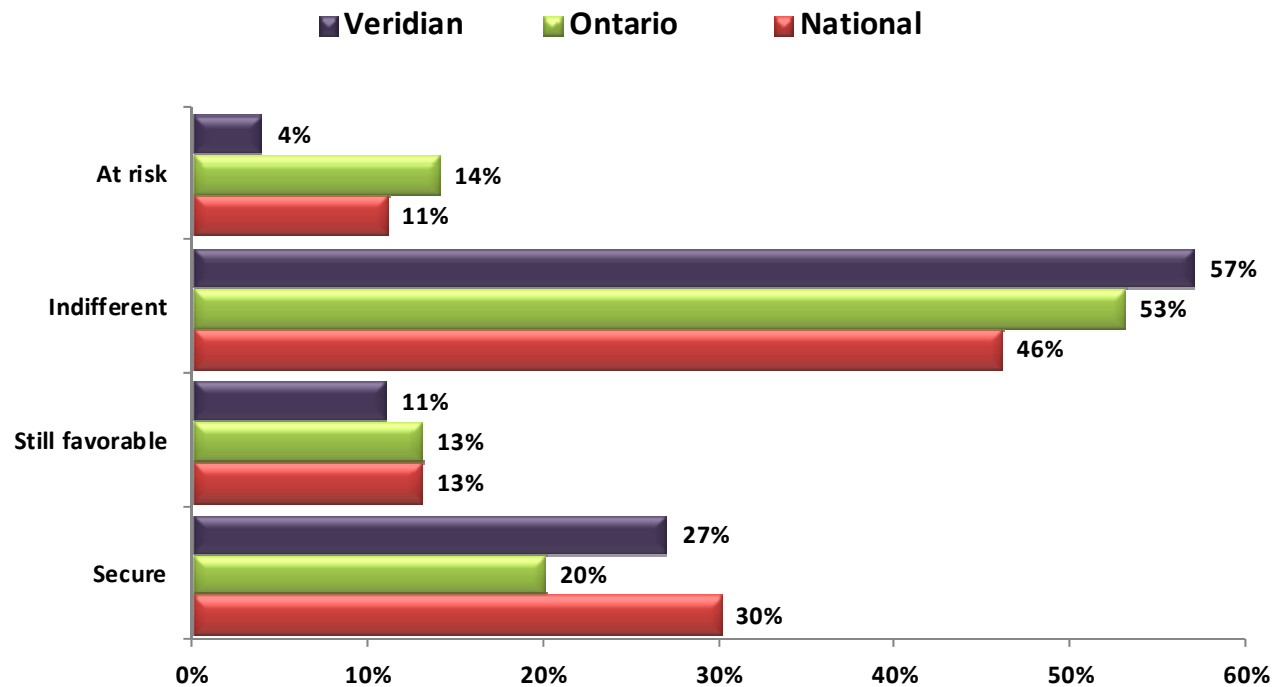
| Customer Loyalty Groups | | | | |
|-------------------------|--------|-----------|-------------|---------|
| | Secure | Favorable | Indifferent | At Risk |
| Veridian | | | | |
| 2012 | 27% | 11% | 57% | 4% |
| 2011 | 28% | 15% | 52% | 5% |
| 2010 | 15% | 21% | 56% | 8% |
| 2009 | 22% | 16% | 59% | 4% |

Base: total respondents

| Customer Loyalty Groups | | | | |
|-------------------------|--------|-----------|-------------|---------|
| | Secure | Favorable | Indifferent | At Risk |
| Ontario | | | | |
| 2012 | 20% | 13% | 53% | 14% |
| 2011 | 17% | 13% | 54% | 16% |
| 2010 | 21% | 12% | 52% | 15% |
| 2009 | 21% | 14% | 53% | 12% |
| National | | | | |
| 2012 | 30% | 13% | 46% | 11% |
| 2011 | 28% | 14% | 46% | 12% |
| 2010 | 17% | 14% | 60% | 9% |
| 2009 | 17% | 16% | 59% | 8% |

Base: total respondents

The Loyalty Factor



Base: total respondents

Secure customers' experiences and perceptions are distinct from those of Indifferent customers. There is yet an even greater gap between those identified as Secure versus At Risk.

- Problems are experienced and remain unresolved far more often by the Indifferent or At Risk segments in comparison to others. This is not an unusual finding.
- Other areas of interaction also revealed considerable differences among the segments. Consistently, Secure customers' perceptions are most positive.

| Important attributes which shape perceptions about service quality | | | |
|---|---------------|--------|---------|
| | Overall Score | Secure | At Risk |
| Provides good value for money | 71% | 88% | 39% |
| Works with customers to keep their electricity costs affordable | 67% | 85% | 38% |
| Deals professionally with customers' problems | 85% | 97% | 62% |
| Is pro-active in communicating changes and issues which may affect customers | 82% | 83% | 58% |
| Quickly deals with issues that affect customers | 83% | 95% | 56% |
| Customer-focused and treats customers as if they're valued | 80% | 95% | 50% |
| The cost of electricity is reasonable when compared to other utilities | 63% | 80% | 35% |
| Adapts well to changes in customer expectations | 76% | 91% | 45% |
| Is a company that is "easy to do business with" | 85% | 97% | 56% |

Base: data from the full 2012 database from those respondents with an opinion

| Customer Loyalty Groups | | | | |
|-------------------------|--------|-----------|-------------|---------|
| Age | Secure | Favorable | Indifferent | At Risk |
| Veridian | | | | |
| 18-34 | 29% | 8% | 60% | 3% |
| 35-54 | 24% | 13% | 60% | 3% |
| 55+ | 32% | 12% | 48% | 8% |

Base: total respondents

| Customer Loyalty Groups | | | | |
|-------------------------|--------|-----------|-------------|---------|
| | Secure | Favorable | Indifferent | At Risk |
| Ajax/Pickering | 24% | 11% | 61% | 4% |
| Belleville | 38% | 13% | 44% | 5% |
| Other | 28% | 12% | 55% | 5% |

Base: total respondents



Customer commitment

Commitment also sometimes referenced as emotional loyalty, is the willingness to continue to do business, in this case with your electric utility.

Customers can be distinguished as being behaviourally or emotionally loyal. Behaviourally loyal customers act loyal but have no emotional bond with the brand or the supplier whereas emotionally loyal customers do. Emotional loyalty is much stronger and longer lasting than behavioural loyalty. It's an enduring desire to maintain a valued relationship.

For electric utilities, this measurement is about identifying the number of customers who feel that they “want to” vs “have to” do business with you. Potential benefits of commitment may include word of mouth communications - an important aspect of attitudinal loyalty. Committed customers have been known to demonstrate a number of beneficial behaviours, for example committed customers tend to:

Loyalty is driven primarily by a company's interaction with its customers and how well it delivers on their wants and needs.

Customer Loyalty Model



Loyalty is based on likelihood to:

- **Satisfaction: overall satisfaction**
- **Commitment: continue as a customer**
- **Advocacy: willingness to recommend**

- Come to you. One of the key benefits of establishing a good level of customer loyalty is that your customers will come to you when they need a product or service.
- Validate information received from 3rd parties with information and expertise that you have.
- Try new products/initiatives.
- Perhaps they will even trust you when suggestions are made.
- Be less price sensitive because they favour their supplier.
- More receptivity of utility viewpoints on various issues.
- More tolerance of errors or issues that inevitably take a swipe at the utility.
- Stronger levels of perception regarding how the utility is managed.



Though customers can not physically leave you, they can emotionally leave you and when they do it becomes an extreme challenge to garner their participation in or support for utility initiatives.

Would you tell me if you agree or disagree with the following statement? Veridian Connections is a company that you would like to continue to do business with ...

| Electricity customers' loyalty – ... Is a company that you would like to continue to do business with | | | |
|---|----------|----------|---------|
| | Veridian | National | Ontario |
| Top 2 Boxes: 'Definitely + Probably' would continue | 83% | 77% | 77% |
| Definitely would continue | 47% | 47% | 40% |
| Probably would continue | 36% | 30% | 36% |
| Might or might not continue | 3% | 7% | 6% |
| Probably would not continue | 3% | 4% | 5% |
| Definitely would not continue | 3% | 7% | 7% |

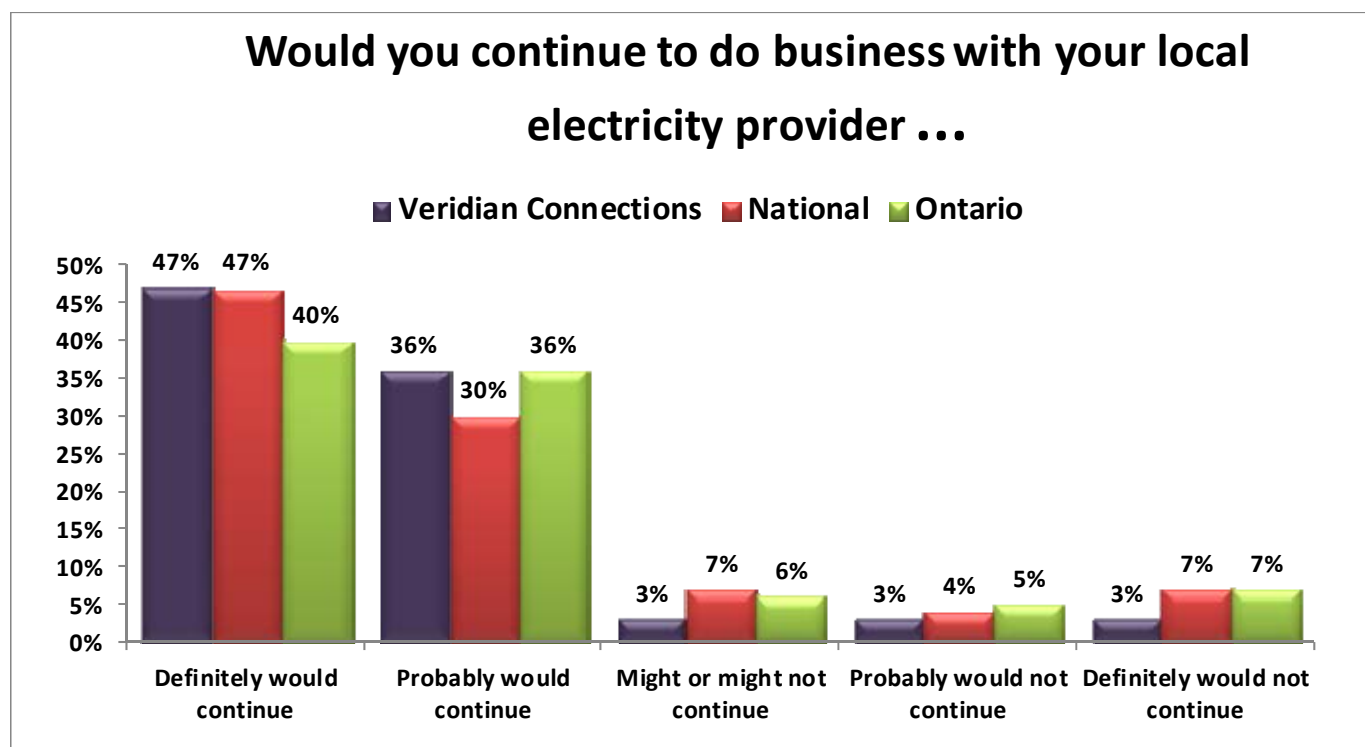
Base: total respondents

| Electricity customers' loyalty – ... Is a company that you would like to continue to do business with | | | |
|---|----------------|------------|-------|
| | Ajax/Pickering | Belleville | Other |
| Top 2 Boxes: 'Definitely + Probably' would continue | 80% | 93% | 85% |

Base: total respondents

| Electricity customers' loyalty – Is a company that you would like to continue to do business with | | | | |
|---|------|------|------|------|
| Veridian | 2012 | 2011 | 2010 | 2009 |
| Top 2 boxes: 'Definitely + Probably' would continue | 83% | 84% | 85% | 88% |

Base: total respondents



Base: total respondents

Word of mouth

Understanding customers' intent to recommend you helps assess the value and strength of your customer base. Customers' willingness to put their own reputation on the line with friends and colleagues suggests a high level of trust, satisfaction, and loyalty. That's because when customers recommend your utility, they are putting their reputations on the line. And they'll take that risk only if they're fiercely loyal. By asking "How likely is it that you would recommend your utility to a friend or colleague?" you find out how many "advocates" your company has.

Advocacy is one of a series of loyalty metrics. In layman's terms, it is simply "word-of-mouth" or the "willingness to recommend". Positive word of mouth is critical to driving buying decisions in your favour. Customer advocates are the deeply connected and brand-involved, energized, positive and vocal de facto sales force within a company's, product's, or service's customer base.

Loyalty is driven primarily by a company's interaction with its customers and how well it delivers on their wants and needs.

Customer Loyalty Model



Loyalty is based on likelihood to:

- **Satisfaction:** overall satisfaction
- **Commitment:** continue as a customer
- **Advocacy:** willingness to recommend

There are two forms of word of mouth which utilities need to understand. The first is Experience-based word of mouth which is the most common and most powerful form. It results from a customer's direct experience with the utility or the re-statement of a direct experience from a trusted source.

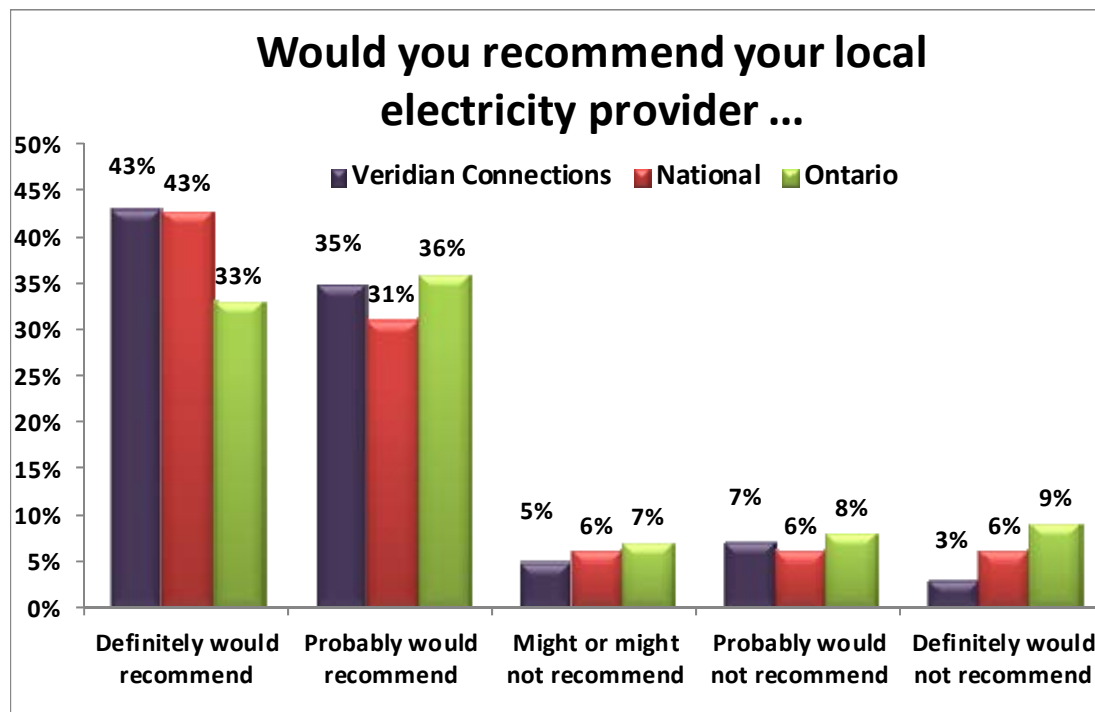
The second is Relay-based word of mouth. This is when customers pass along important messages to others based on what they have learned through the more traditional forms of communications. For example, if the utility was communicating an offer for "free LED lights" chances are high that the offer will be "relayed" to others through word of mouth.

For an electric utility, specific examples of potential positive advocacy behaviour include:

Recommending that other customers specifically locate in the geographic area that is serviced by that utility

- Supporting the utility's positions or actions on energy-related public issues, including the environment
- Supporting the utility's position on the location and construction of facilities
- Providing testimonials about positive experiences with the utility

Would you tell me if you agree or disagree with the following statement?
Veridian Connections is a company that you would recommend to a friend or colleague ...



Base: total respondents

| Electricity customers' loyalty – ... is a company that you would recommend to a friend or colleague | | | |
|---|----------|----------|---------|
| | Veridian | National | Ontario |
| Top 2 boxes: 'Definitely + Probably' would recommend | 78% | 74% | 69% |
| Definitely would recommend | 43% | 43% | 33% |
| Probably would recommend | 35% | 31% | 36% |
| Might or might not recommend | 5% | 6% | 7% |
| Probably would not recommend | 7% | 6% | 8% |
| Definitely would not recommend | 3% | 6% | 9% |

Base: total respondents

| Electricity customers' loyalty – is a company that you would recommend to a friend or colleague | | | |
|---|----------------|------------|-------|
| Veridian | Ajax/Pickering | Belleville | Other |
| Top 2 boxes: 'Definitely + Probably' would recommend | 76% | 85% | 78% |

Base: total respondents

| Electricity customers' loyalty – is a company that you would recommend to a friend or colleague | | | | |
|---|------|------|------|------|
| Veridian | 2012 | 2011 | 2010 | 2009 |
| Top 2 boxes: 'Definitely + Probably' would recommend | 78% | 77% | 68% | 67% |

Base: total respondents



Corporate image

Although reputation is an intangible concept, research universally shows that a good reputation encourages higher levels of emotional connection with their utility. A business can achieve its objectives more easily if it has a good reputation among its stakeholders, especially key stakeholders such as its largest customers, opinion leaders in the business community, suppliers and current and potential employees.

Corporate identity is the reality of the corporation. It is the unique, individual personality of the company that differentiates it from other companies. To use the marketing metaphor, it is also called a company's "brand equity." Customers perceive an organization's image based on whether they trust organizations or they believe that those organizations represent values congruent with their own. Image is the mental picture that people have of an organization, whereas reputation constitutes a value judgment about the company's attributes.

Your organization can't actually *control* its own reputation – it can only operate in a sound and ethical way, and work to communicate this to stakeholders. Thus the common term 'reputation management' is misleading because you can't directly manage your own reputation; you can only act to strengthen your standing in the areas that are linked to your company image such as the extent to which the utility is an



ideal place to work, whether the utility is known as leader in the industry and respected in the community, how the utility delivers value, reliable service and support, how the utility efficiently manages its business, the utility's approach to making the world a better place - environmental and social commitments, and the emotional connection the utility has with the people.

Increasingly, organizations have realized that the management of a strong positive image with various stakeholders can be beneficial. Below are some of the attributes measured in the annual UtilityPULSE survey which are strongly linked to a utility's image.

| Attributes strongly linked to a hydro utility's image | | | |
|--|-----------------|-----------------|----------------|
| | Veridian | National | Ontario |
| Is a respected company in the community | 87% | 85% | 82% |
| Maintains high standards of business ethics | 86% | 82% | 80% |
| A leader in promoting energy conservation | 82% | 81% | 79% |
| Keeps its promises to customers and the community | 84% | 81% | 79% |
| Beyond providing jobs and paying taxes, is socially responsible | 83% | 80% | 77% |
| Is a trusted and trustworthy company | 87% | 83% | 80% |

Base: total respondents with an opinion

For most companies, building a corporate image is in the hands of their employees. Perhaps the best tip for building corporate image is to make certain the employees are empowered and enabled to professionally deal with every customer request or interaction.

| Attributes strongly linked to a hydro utility's image | | | |
|---|----------------|------------|-------|
| | Ajax/Pickering | Belleville | Other |
| Is a respected company in the community | 87% | 89% | 86% |
| Maintains high standards of business ethics | 85% | 90% | 85% |
| A leader in promoting energy conservation | 80% | 86% | 82% |
| Keeps its promises to customers and the community | 85% | 85% | 83% |
| Beyond providing jobs and paying taxes, is socially responsible | 80% | 86% | 85% |
| Is a trusted and trustworthy company | 86% | 89% | 86% |

Base: total respondents with an opinion



Corporate Credibility & Trust

Trust and credibility are as important to corporate reputation as the quality of products and services.

Being or becoming trustworthy cannot be reduced to pure behaviours. You can't bottle it in a competency model. Our actions are driven by our beliefs, and our beliefs are driven by our values or principles.

Trust and credibility have been identified as critical elements for productive stakeholder relationships. Whether an investor, customer, employee, or supplier, stakeholders increasingly want to know that a utility is delivering on its nonfinancial as well as its financial commitments.

Trust and credibility can be thought of as indicators of the degree of confidence stakeholders have in your organization's ability to deliver on its commitments. Trust and credibility are outcomes based on what your utility actually does, not what it might be doing.

Simul/UtilityPULSE research shows the under-pinning components which lead customers to believe an organization has credibility and can be trusted are: Knowledge, Integrity, Involvement and Trust.

Knowledge is captured by the utility's ability to demonstrate that it is actively aware of industry, regulatory and economic changes within the industry and how these might impact the lives of customers.

Integrity is established by demonstrating adherence to a code of conduct. It requires consistently acting in accordance with the values and goals that have been communicated to customers.

Involvement — Corporate Involvement is increasingly important to Canadian communities as it is an opportunity for their local utility to use their resources and man-power to benefit people at the community level. This helps to build credibility as customers see that the organization is acting and delivering on its commitments. This helps customers regard the utility with esteem and respect.

Develop Trust — Trust is achieved through a track record of consistent and reliable performance, delivering on commitments and demonstrated accountability.



The credibility of a company is important to the success of its marketing and branding strategies. Confidence in an organization's brand is demonstrated when customers agree strongly with the following attributes:

| Attributes strongly linked to a hydro utility's image | | | |
|---|----------|----------|---------|
| | Veridian | National | Ontario |
| Keeps its promises to customers and the community | 84% | 81% | 79% |
| Is a trusted and trustworthy company | 87% | 83% | 80% |

Base: total respondents with an opinion

Using the scale of agree strongly, agree somewhat, disagree somewhat, disagree strongly, here is how your customers would respond:

| <i>Demonstrating Credibility and Trust</i> | |
|---|--|
| Knowledge | The utility is seen as being knowledgeable about the services it provides, about what is happening in the industry, and how customers can reduce costs or create more value. |
| Integrity | The utility is seen as an organization that will act in the best interests of its customers and can be counted on to provide services and resolve problems in a professional manner. |
| Involvement | The utility is actively involved in the industry, in the community and in things that affect the customer. |
| Trust | The utility is an organization that can be trusted and is worthy of respect. |
| Overall ... A | |

Differences in Age

In the early years of conducting the UtilityPULSE Electric Utility Customer Satisfaction survey one could say, generally speaking, that if a utility customer was 55+ (and certainly if he/she made more than \$70K per year) then they had a higher tendency to be satisfied with their electric utility. But times do change, and for many aspects of this survey, respondents in the 18-34 year range actually provided much higher scores than their older counterparts.

The data could suggest that “the older one gets the more demanding they become with high standards” or one could say that “youth just don’t have enough experience to fairly assess”. We believe that there is some truth to both positions. None-the-less what the data does tell us is, utilities are granted a fair amount of respect and credit for being a trusted and credible organization by respondents in the 18-34 age group. It is important, especially from a marketing communications point of view that the “positive differences” be nurtured.

Clearly there are differences between the ages which add to the complexity of communicating effectively with customers.

| Differences in Age Groups | | | |
|--|-------|-------|-----|
| | 18-34 | 35-54 | 55+ |
| Initial Satisfaction | 94% | 90% | 89% |
| The time it took someone to answer the phone | 71% | 76% | 74% |
| The time it took someone to deal with your problem | 78% | 75% | 73% |
| The helpfulness of the staff who dealt with you | 84% | 82% | 77% |
| The knowledge of the staff who dealt with you | 84% | 78% | 76% |
| The level of courtesy of the staff who dealt with you | 86% | 87% | 85% |
| The quality of information provided by the staff who dealt with you | 81% | 79% | 72% |
| Deals professionally with customers' problems | 84% | 71% | 68% |
| Customer focused and treats customers as if they're valued | 86% | 72% | 72% |
| Provides good value for your money | 75% | 66% | 65% |
| The cost of electricity is reasonable when compared to other utilities | 67% | 51% | 49% |
| Is 'easy to do business with' | 91% | 84% | 82% |
| Quickly deals with issues that affect customers | 80% | 69% | 67% |
| Adapts well to changes in customer expectations | 71% | 60% | 59% |
| Uses responsible business practices | 80% | 74% | 70% |

Base: data from the full 2012 database

Corporate Value Creation

Value is a central concept in economic theory; theories of different schools of thought have been developed around different definitions of value. For the purpose of understanding corporate value creation, we are adopting a definition of value that is broader than the traditional definition used by economists.

Value is the capacity of a good, service, or an activity, or activities of an organization to satisfy a need, or provide a benefit to a person or legal entity.

It includes any type of good, service, or act that satisfies a need or provides a benefit, tangible or intangible. The reality is, most enterprises including electric utilities do an excellent job of telling people (and regulators) how much things cost, but do a poor job of defining value. As such, if the dialogue between the utility and its customers, and other stakeholders is cost of service, then the only dialogue that will be meaningful is the one around cost. Yet every stakeholder group expects more from their electric utility than “lowest price”.

Although price may factor into the measurement of



some values, there is a difference between price and the value of the good or service.

- 1. Value is not what goes into a product, but what a customer gets out of it*
- 2. A customer gets this value out over a period of time, rather than at a point in time*
- 3. Value happens in the customer's space rather than in supplier's space, where only costs accumulate.*

Our 14 years of intensive research has shown that attributes such as “is trusted and trustworthy”, “keeps its promises to its customers and community”, “uses responsible business practices when completing work”, “beyond creating jobs and paying taxes, is a socially responsible company” and many others, were much smaller factors in the minds of most customers 5, 10 or more years ago than they are today. These attributes acknowledge that value is comprised of market value as well as nonmarket values. More importantly, the majority of customers recognize that value creation for an electric utility means creating value for many stakeholders. For the purpose of this survey study we have adopted the following as the definition of a stakeholder:

A stakeholder of an organization is any group or individual who can affect or is affected by the organization's internal and external activities.

We believe that the following five groups constitute a fairly comprehensive set of stakeholders: owners/stockholders, employees, customers, suppliers, and the society at large. We simply assume that management, at any point in time, will decide which group, if any, has priority over others and how much weight the interest of each should carry in corporate decisions. To understand how value can be created for stakeholders, we must first understand the stakes they have in the company.

Owners/stockholders. This group has a financial stake in the utility; they have invested their financial resources in the utility with the expectation that their investment will grow in value.

Employees. People who work for a company rely on the wages or salaries they receive for their livelihood. Job security and benefit related considerations are now seen by many as at least as important as the monetary income a job provides.

Customers. Individuals or organizations who purchase electricity and any other goods and services from the utility are customers and the stakes for customers is considered high... customers need to purchase electricity to carry out most daily activities personal and business related – without it – the effect would be crippling and devastating.

Suppliers. A utility that does business with a supplier becomes the customer of the supplier. Suppliers have a stake in the well-being of the utility for continued business and source of sales revenue.

Stakeholders. The last group of stakeholders is society at large. This group includes people and organizations affected by the activities of the utility in general; usually limited to the local community. In most cases the local community, have a stake in the utility terms of tax revenues, jobs for the residents, volunteer activities, charitable contributions, etc.. They also have a stake if the company's activities result in pollution, increased cost of living, and/or have an impact on other quality of life issues.

Earlier this year, in preparation for the 14th annual survey, UtilityPULSE tested the subject of value with potential respondents – and it became very clear, very quickly – the concept of value is an extremely

difficult one. Customers find it difficult, and more found it almost impossible, to articulate what actually creates value for them as it relates to their electric utility.

Your electric utility operates in a regulated environment where the costs of electricity and other charges require the approval of the Ontario Energy Board. Your electricity utility recognizes that value in the minds of customers is shaped by many factors. Beyond the cost of electricity, in your view how important or unimportant is each of the following for enhancing the value of your local utility

| Importance of the following factors on value creation | |
|---|--------------|
| Top 2 Boxes: 'very + somewhat important' | Ontario LDCs |
| Understanding the needs of customers | 98% |
| Being professional in handling customer inquiries and problems | 98% |
| Having information to help customers reduce the costs of their electricity bill | 96% |
| Providing information and education about energy conservation | 94% |
| Developing its human resources to ensure high levels of performance for today & tomorrow | 93% |
| Taking responsibility for the impact of their activities on the environment | 97% |
| Providing electricity reliably and safely | 99% |
| Investing in the utility's infrastructure to ensure the reliability of the electricity grid | 95% |
| Being operationally excellent in everything that an electric utility does for its customers | 97% |
| Ensuring that the business remains financially strong | 94% |
| Being a respected and trusted enterprise | 95% |

| | |
|--|-----|
| Participating in and/or contributing to various local charities | 78% |
| Educating customers and students about electricity safety | 95% |
| Contributing to the development of a healthy community | 92% |
| Considering the interests of society when making business decisions | 92% |

Base: An aggregate of respondents from 2012 participating LDCs

Value, certainly in the minds of customers is multi-dimensional. Value-creation is about “and/also” not “either/or” thinking. It is about understanding the needs of customers AND/ALSO taking responsibility for the impact of their activities on the environment AND/ALSO being professional in handling customer inquiries and problems AND/ALSO providing electricity reliably and safely, etc.

As the above chart shows, many things add to the perception of value. The late Harvard Business School professor Theodore Levitt pointed out that customers often do not want the product itself, but rather the effect that the product produces. In his famous example, customers do not want a drill; they want the holes that the drill will make. In the same light, we observe, customers do not want volts or wattage or kilowatt hours; they want the comfort and convenience that electricity facilitates; heat when they are cold, cool relief when they are hot, the ability to use appliances which bring additional comfort and/or convenience i.e. washer to wash their clothes etc.

How can service to customers be improved?

Electric utility managers today face a variety of management challenges. They must address aging infrastructure, respond to new and more stringent regulatory requirements, and meet increasing public expectations for service costs, environmental performance, and transparency; and plan for changing work force demographics. Just as in previous years, respondents were asked once again what their utility could do to improve service. It is fascinating to actually listen in on suggested improvements that bill payers actually make.

Qualitative questions typically do not provide the statistical richness that is associated with a quantitative question. However, they do provide words, phrases, insights into the thinking patterns and/or feelings of customers. This means that qualitative questions have an interpretive richness that assist in deriving meaning from the survey. The broader range of suggestions that we are getting in the survey is a sign that the customer base is becoming more and more segmented. Not all customers are the same.

The struggle for electric utilities is finding the right balance between cost-effective, technology-enabled approaches to customer services and person-to-person contact.

And we are interested in knowing what you think are the one or two most important things ‘your local utility’ could do to improve service to their customers?

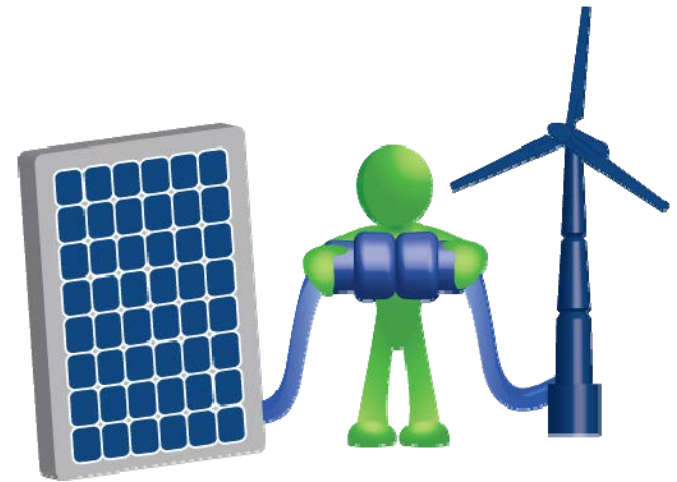
| One or two most important things ‘your local utility’ could do to improve service | |
|---|----------------------|
| Veridian | % of all suggestions |
| Better prices/lower rates | 40% |
| Concerns about SMART meters | 7% |
| Improve/simplify/clarify billing | 15% |
| Improve power reliability | 12% |
| Better communication with customers | 12% |
| Information & incentives on energy conservation | 6% |
| Remove hidden costs on bills | 5% |
| Be more efficient | 1% |
| More knowledgeable staff | 8% |
| Increase service hours/availability of hydro representative | 5% |
| Better on-line presence | 9% |
| Don’t charge for previous debt | 5% |

Base: total respondents with suggestions

Renewable Energy

The Ontario Government passed the “Green Energy and Green Economy Act” into law on May 14, 2009. The Act was and still is expected to boost investment in renewable energy projects and increase conservation, creating green jobs and economic growth.

Although the newer forms of renewable power still make up a relatively small component of Ontario’s power grid, they’ve garnered a disproportionately high amount of attention, because of the relatively high prices they attract. An increasing number of renewable energy projects (primarily wind, but also large-scale solar) have met with resistance from local residents or environmentalists; one of the main criticisms for wind turbines was cited as impact on human health, as well as potential harm to wildlife.



Most would agree that they want their families to enjoy a clean and green Canada. The big question is which path will get us there? When considering whether Canada needs to impose a moratorium on wind development or expand wind power in the way Ontario’s Green Energy Act proposes, this year’s survey once again asked residents for their feedback on this issue.

How important is it to you that the Government of Ontario continues to encourage the development of green energy such as solar and wind power?

| Importance of Ontario Government to encourage Green Energy development | |
|--|-----|
| Ontario | |
| Very important | 55% |
| Somewhat important | 25% |
| Not important | 7% |
| Not very important | 12% |
| Don't know | 2% |

Base: total respondents from 2012 Ontario benchmark survey



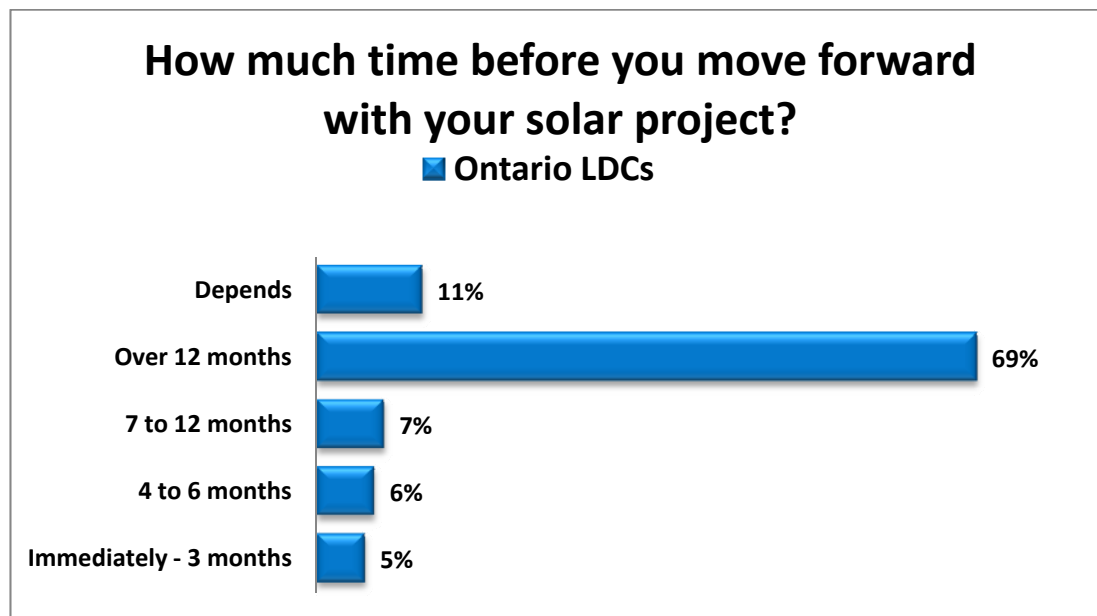
Are you considering the installation of solar panels on your home to sell power back to the utility?

| Considering the installation of solar panels? | |
|---|-----|
| Ontario LDCs | |
| Yes | 13% |
| No | 84% |
| Don't know | 3% |

Base: An aggregate of respondents from 2012 participating LDCs

Although the initial outlay may seem prohibitive to some, the long-term gains are worth considering. There are a number of government grants available for the purchase and installation of solar PV panels meaning that this option is becoming more affordable. In April 2012, the OPA announced it is continuing to move forward with the revised microFIT Program, which incorporates the results of the two-year FIT Program review. The objective of the review was to ensure the long-term sustainability of the program. One of the key changes was a reduction in solar prices to reflect the decreased costs in equipment.

How soon do you believe that you will be moving ahead with your Solar project?



Base: An aggregate of respondents from 2012 participating LDCs

The average Canadian would probably switch to solar power if cost were not such a prohibitive factor. That seems to sum up what a lot of people think about solar at home—that it would be great because of the environmental and independent energy benefits, but who can afford it? While *it still is* an investment in a home, today's lowered costs have broadened the appeal of installing a photovoltaic system.

Residents were asked how much of a premium they would be willing to pay on their hydro bill to ensure that solar power is used.

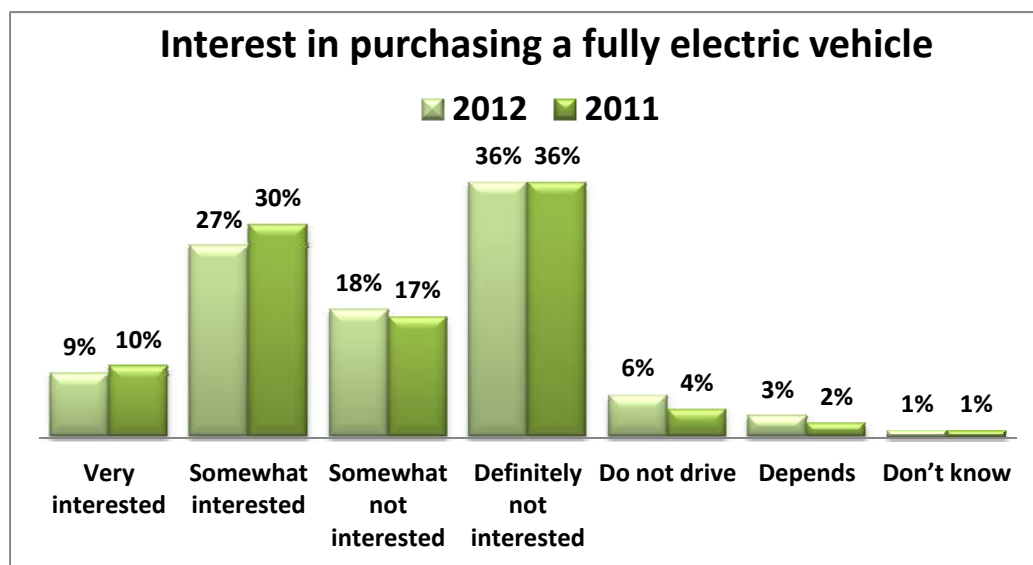
| How much of a premium would you pay to ensure that solar power is used? | |
|---|---------|
| | Ontario |
| More than 20% | 2% |
| 10% to 20% | 11% |
| 5% to 10% | 18% |
| 1% to 5% | 11% |
| No premium should be paid | 52% |
| Depends | 3% |
| Don't know | 4% |

Base: total respondents from 2012 Ontario benchmark survey



Purchasing an Electric Vehicle

About 3 out 10 Canadians – 31% National – 36% in Ontario - say they are definitely not interested in purchasing a fully electric vehicle. Experts agree consumers will not fully embrace electric vehicles until they get over range anxiety – being able to travel as far as a gas-powered vehicle on a single charge.



Base: total respondents from 2012 Ontario benchmark survey



Electric cars are currently priced thousands of dollars more than equivalent gasoline-fuelled models, and they currently have limited range; customers are very much concerned over recharging time,

availability of charging stations and battery replacement cost. The challenge becomes building a better lithium-ion battery, one that improves range, has longer battery life, is quick charging and can be obtained at low-cost.

While consumers, en masse, are not ready to sacrifice financially to make the shift to EVs, 4 out of 10 Canadians – 44% and 36% in Ontario - responded they would have interest in purchasing an electric vehicle. Only 13% of those are actually considering making the purchase over the course of the next 24 months.

| Length of time before purchasing a fully electric vehicle | |
|---|-----|
| Ontario | |
| Immediately to next 6 months | 2% |
| 7 to 12 months | 1% |
| 13 to 24 months | 6% |
| Over 24 months | 81% |
| Depends | 8% |
| Don't know | 2% |

Base: total respondents from 2012 Ontario benchmark survey

Conservation, SMART Meters & TOU

SMART meter implementation hinges on the idea that consumers actually understand their electricity use. It's not news that SMART meter customers don't yet care enough to obsessively track their electricity use but a lack of interest isn't the problem; it's a lack of understanding. SMART meters do not by themselves save any energy, but attempt to shift usage patterns of consumers by reporting premium rates at peak usage hours.

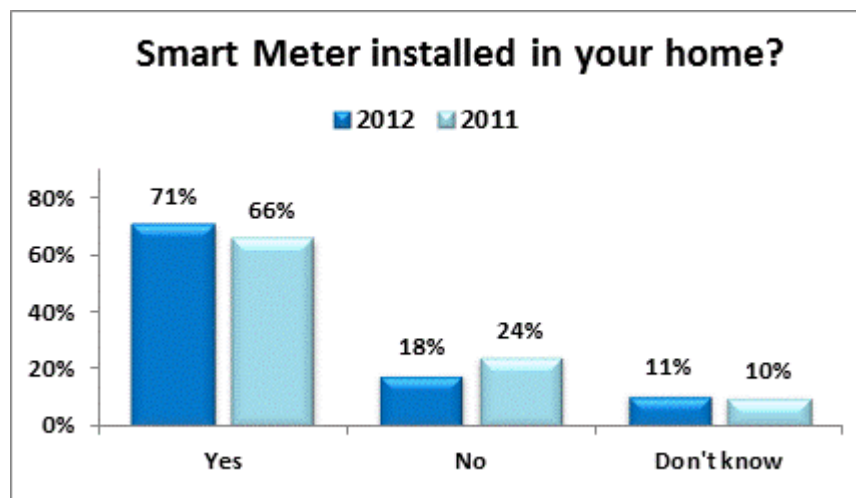
Electricity takes up very little mindshare – turning on a switch is a pretty mindless occurrence. Utilities should not assume that customers know anything more than the basics of electricity as it applies to them and make it easy for customers to obtain the information they need. A key message: keep educating the customer and pay attention to the customer's wants and needs.

People who are familiar with energy technology and pricing have a favourable view of SMART metering. Once people understand what the technology does, it becomes more likely that they will pay attention to variable electricity pricing.

The Ontario government has mandated that SMART meters be installed in homes and small businesses. A SMART meter electronically tracks how much electricity is used on an hourly basis, ensuring that bills are based on real-time consumption. Do you know if you have one of these SMART meters installed in your home or small business?

| SMART Meter installed in home or small business | |
|---|-----|
| Ontario LDCs | |
| Yes | 71% |
| No | 18% |
| Don't Know | 11% |

Base: An aggregate of respondents from 2012 participating LDCs



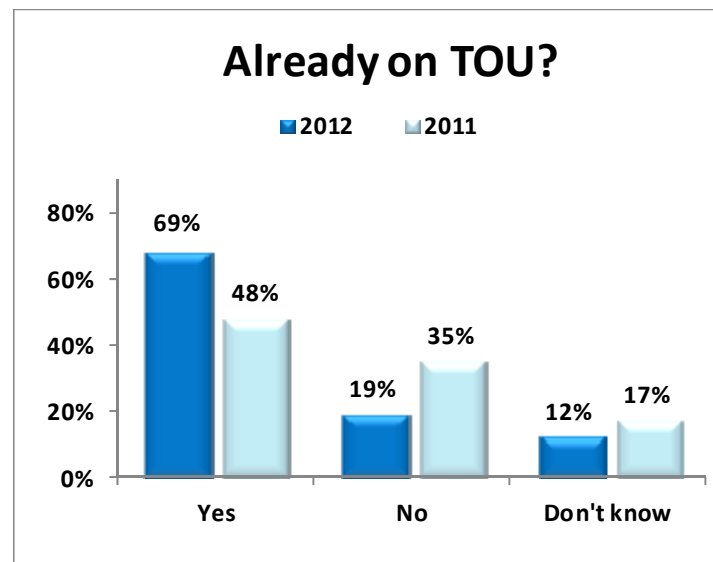
Base: An aggregate of respondents from 2012 participating LDCs



SMART meters pave the way for Time-of-Use billing, are you already on Time-of-Use billing?

| Already on TOU? | |
|-----------------|-----|
| Ontario LDCs | |
| Yes | 69% |
| No | 19% |
| Don't Know | 12% |

Base: An aggregate of respondents from 2012 participating LDCs



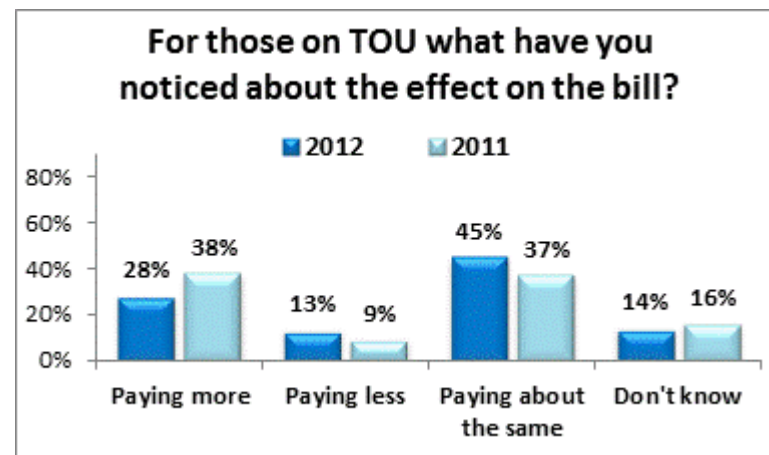
An aggregate of respondents from 2012/2011 participating LDCs

There is a direct correlation between customer familiarity with SMART meters and their favourable views toward the technology. Most customers in our survey still don't understand what smart meters are all about, and this lack of knowledge is a real barrier to ultimate acceptance.

Media reports have cited many customers have been less than impressed with SMART meters so far. Some have complained that their bills are much higher, even when they try to adjust their usage. SMART meters are viewed by many as just one more attempt by government to regulate behaviour. Negative press, especially on things that affect customer costs definitely irritate the customer—which in turn, leads to lower levels of confidence with the utility.

| For those that are on TOU what is the effect on the bill? | |
|---|-----|
| Ontario LDCs | |
| Paying more | 28% |
| Paying less | 13% |
| Paying about the same | 45% |
| Don't Know | 14% |

Base: An aggregate of respondents from 2012 participating LDCs



An aggregate of respondents from 2012/2011 participating LDCs

Public skepticism is healthy. We should be examining and investigating the moves made by public bodies. Journalists, especially, have a responsibility to act as watchdogs on the behalf of citizens. But this skepticism must be based on fact. False information has a way of building upon itself and gaining momentum. When far-reaching theories are tossed around as proven fact, more and more people buy into them and they start to jump to conclusions.

Clearly, the only way to help Canadians cope with rising electricity rates over the long term is to push for deep energy conservation in households across the provinces. Achieving energy conservation is a twofold challenge, partly technical and partly human. The development of energy-conserving technologies is a necessary but insufficient step toward reduced energy consumption. Unless adopted by a significant segment of consumers, the impact of technical innovations will be negligible. Several

studies have shown that energy users have failed to adopt currently available energy-conserving technologies even when adoption is highly cost effective.

The operation of economic incentives and penalties is also highly complex. To take advantage of fiscal incentives, one must first understand the provisions of the incentive or penalty and then act to maximize economic self-interest. Our research indicates that incentive programs are poorly understood by energy users. This lack of public understanding of conservation programs is of great importance because public awareness and understanding of specific programs is a necessary precondition for conservation behaviour.

The topic of energy conservation has been in the news. Which one of the following do you believe represents the most important reason for conserving electricity?

| Most important reason for conserving electricity | | |
|--|---------|----------|
| | Ontario | National |
| To protect the environment | 32% | 36% |
| To save money | 24% | 19% |
| To be seen as a conserver not a waster | 17% | 16% |
| To maintain a secure supply of electricity | 22% | 24% |
| Don't know | 5% | 5% |

Base: total respondents from 2012 Ontario and National benchmark survey

While the most important reason to conserve is alleged to protect the environment, are Canadians really serious about conserving energy as they say they are? We have many choices i.e. we could ride our bicycles to work but that would neither be practical for some or convenient; we could purchase electric vehicles which is certainly the greener option however much more expensive too, we could replace less efficient appliances or household equipment but again that could be costly and requires the time to look into and go make the purchase... So are Canadians actually serious about becoming environmentally and energy responsible? As stewards of scarce resources what actions are we willing to take, which measures are we willing to adopt?

| Efforts to conserve energy | | | | |
|--|-----|-----|--------------|------------|
| Ontario LDCs | Yes | No | Already Done | Don't Know |
| Install energy-efficient light bulbs or lighting equipment | 24% | 9% | 66% | 1% |
| Install timers on lights or equipment | 15% | 51% | 32% | 2% |
| Shift use of electricity to lower cost periods | 27% | 17% | 53% | 3% |
| Install window blinds or awnings | 17% | 26% | 56% | 1% |
| Install a programmable thermostat | 16% | 23% | 59% | 2% |
| Have an energy expert conduct an energy audit | 10% | 68% | 18% | 4% |
| Purchase solar powered products | 13% | 75% | 9% | 3% |
| Purchase 1 or more ENERGY STAR appliances | 22% | 22% | 54% | 2% |

Base: An aggregate of Residential respondents from 2012 participating LDCs

Energy users receive information from diverse sources: local, provincial and federal governments; electric and gas utility companies; building contractors; and personal acquaintances. In the absence of clear and simple information about the true benefits of different energy alternatives, consumers are likely to rely on the source they perceive as most credible. A message attributed to a highly credible source produces greater attitude change than the same message attributed to a less credible source.

| Efforts to conserve energy | | | | |
|--|-----|-----|--------------|------------|
| Ontario LDCs | Yes | No | Already Done | Don't know |
| Removing old refrigerator or freezer for free | 17% | 46% | 33% | 4% |
| Join the peaksaver™ program | 19% | 42% | 22% | 17% |
| Replacing furnace with a high efficiency model | 16% | 33% | 48% | 3% |
| Replacing air-conditioner with a high efficiency model | 15% | 42% | 39% | 4% |
| Use a coupon to purchase energy saving products | 36% | 40% | 21% | 3% |

Base: An aggregate of Residential respondents from 2012 participating LDCs

"It's too expensive or I cannot afford it" are the most frequently given reasons for not taking energy efficiency actions, according to this year's survey results. This is closely followed by a lack of knowledge or understanding about energy conservation issues. "I don't know what to do", "I am confused about which option to choose" is often heard. We found that the cost barrier and the lack of knowledge issues are often tied together.

| What are the 1 or 2 barriers to energy conservation experienced by Ontarians? | |
|---|---------|
| | Ontario |
| Cost involved in making equipment/appliance changes | 18% |
| Time required to implement some of the measures | 8% |
| Lack of interest or personal responsibility | 7% |
| Lack of knowledge | 6% |
| Lack good information on where to save energy | 4% |
| Hydro bill is going up faster than I can reduce use of electricity, so why bother | 4% |
| Have an issue with Government policies | 3% |
| Not enough incentives | 2% |
| Not sure that the savings advertised are “real” | 1% |
| Don’t know | 54% |

Base: total respondents from 2012 Ontario benchmark survey

The truth is, there are many basic energy conservation strategies that have little or no cost. The basic strategies can have a significant impact on the energy consumed in our homes and schools, but people don't always understand what they can do.

We don't have to overly complicate the education needed to change people's behaviour. Three basic questions that people need to answer in order to engage in energy conservation:

1. What – What is the specific action that I can take?
2. Why – Why is this action important to me?
3. How – How can I implement this action in the most effective and non-obtrusive way?

It may be necessary to start with the “why” because people don't want to invest any time in learning until they understand what the potential benefits are. So what is this all mean? People need to be educated about the financial and environmental implications of their actions. Very few people are willing to change their behaviour simply because someone tells them to do it; this often times incites resentment. People want to know the specifics of what they can do, have the flexibility and freedom to choose, and clearly see how it can save them money.

E-billing, E-care and Social Media

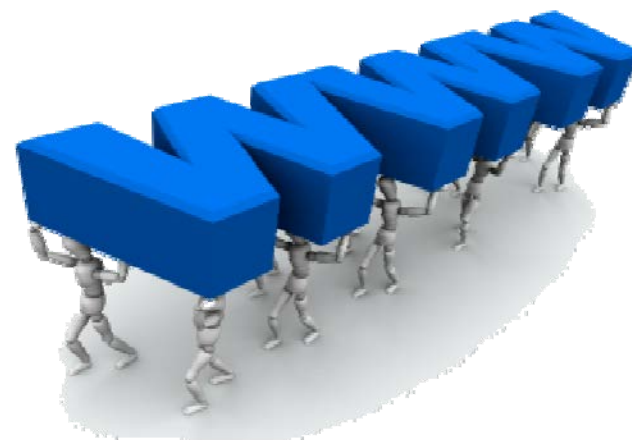
Research shows the growing importance of customer care and the role that the internet now plays. Canadians are making greater and more diverse use of the internet however there still exists a gap in the rate of internet use among certain groups of Canadians on the basis of income, education and age.

| Do you have access to the internet? | | |
|-------------------------------------|--------------|----------|
| | Ontario LDCs | Veridian |
| Yes | 86% | 91% |
| No | 14% | 9% |

Base: An aggregate of respondents from 2012 participating LDCs / 90% of total respondents from the local utility

| Over the past six months have you accessed your local utility website? | | |
|--|--------------|----------|
| | Ontario LDCs | Veridian |
| Yes | 22% | 23% |
| No | 78% | 76% |

Base: An aggregate of respondents from 2012 participating LDCs / 90% of total respondents from the local utility



The internet is starting to change the way utilities interact with their customers. The mandate - besides cutting costs - is to provide a richer, more productive experience than telephone communications for everything from setting up a new account to accessing information about a billing statement. The vision

is to reinvent customer service, become more responsive and seamless and offer more tailored and focused service. In addition, the proliferation of smart phones and mobile devices will continue to change how customers choose to interact with their utility. Utilities will need to be prepared to support multiple platforms of interaction.

| Likelihood of using the internet for future customer care needs for things such as: | | |
|---|--------------|----------|
| Top 2 Boxes: 'very + somewhat likely' | Ontario LDCs | Veridian |
| Setting up a new account | 37% | 44% |
| Arranging a move | 44% | 53% |
| Accessing information about your bill | 56% | 65% |
| Accessing information about your electricity usage | 57% | 69% |
| Accessing energy saving tips and advice | 50% | 62% |
| Learning more about SMART meters | 52% | 59% |
| Registering a complaint | 40% | 48% |
| Registering a compliment | 47% | 55% |
| Accessing information about Time Of Use rates | 57% | 63% |
| Maintaining information about your account or preferences | 54% | 62% |
| Paying your bill through the utility's website | 33% | 37% |
| Paying your bill using smart phone applications | 23% | 28% |

Base: An aggregate of respondents from 2012 participating LDCs / 90% of total respondents from the local utility

You can't ignore that using electronic means to deliver and pay for bills is on the rise. Ten years ago marked the advent of electronic billing. Today, it's become the norm for internet users to receive bills via email or collect them from a website.

Respondents of this year's survey were asked *"As it relates to using the internet for billing which of the following statements comes closest to your own feelings about electronic bill statements ..."*

| Using the internet for billing | | |
|--|--------------|----------|
| | Ontario LDCs | Veridian |
| I am already receiving my hydro bill electronically | 7% | 8% |
| I use on-line banking and will definitely be requesting that my bill be sent electronically | 11% | 12% |
| I use on-line banking but prefer to have paper statements | 37% | 41% |
| I prefer to have the paper copy of my bills | 24% | 23% |
| I don't use on-line banking | 19% | 15% |

Base: An aggregate of respondents from 2012 participating LDCs / 90% of total respondents from the local utility

One of the reasons for the slow uptake is that millions of people, even the ones who are willing to pay online, still want to receive a paper bill. Nothing says proof like the "original", something that even the Canada Revenue Agency subscribes too; 'only originals will suffice.'



| Using the internet for billing | | |
|---|-------|-----|
| Ontario LDCs | 18-34 | 55+ |
| I am already receiving my hydro bill electronically | 13% | 6% |
| I use on-line banking and will definitely be requesting that my bill be sent electronically | 15% | 8% |
| I use on-line banking but prefer to have paper statements | 54% | 25% |
| I prefer to have the paper copy of my bills | 10% | 18% |
| I don't use on-line banking | 7% | 26% |
| Don't know | 0% | 4% |

Base: An aggregate of respondents from 2012 participating LDCs

Cost savings is the most frequently cited benefit of internet-based service. The cost of customer support through a web-based support system is much lower compared to a voice-response unit or human interaction. However, the utility must monitor and track these levels of supports as automated support systems can distance customers rather than pull them in. The goal of internet-based service should be to enhance the customer's experience. But the shift to internet-based customer support portends major cultural changes for IT managers used to conventional call centres or field services. And the risk of frustrating a customer base accustomed to personal rather than virtual hand-holding can be substantial.

In theory, paperless billing makes a lot of sense for consumers and companies. Customers get their bills quicker and have less paper cluttering files on desks, while companies can save a lot of money by reducing their printing and mailing costs.

The only problem is paperless billing has been embraced with a tepid enthusiasm. Maybe digital bills don't resonate because when it comes to paying them, people cannot rely on tracking different emails from different billers, or it's the wariness of cyber-crime and personal security breaches or quite possibly the customer expects some sort of compensation since the biller is saving money than those savings should be passed on.

| Likelihood of the following to encourage customers to go paperless for billing purposes | | |
|---|--------------|----------|
| Top 2 Boxes: 'very + somewhat likely' | Ontario LDCs | Veridian |
| Providing a one-time financial incentive to switch | 54% | 66% |
| Being entered into a special draw for customers who make the switch | 43% | 50% |
| Charging more for paper bills | 40% | 44% |
| Learning more about the benefits to going green with paperless billing | 47% | 56% |
| A better understanding of the convenience of paperless billing | 45% | 54% |

Base: An aggregate of respondents from 2012 participating LDCs / 90% of total respondents from the local utility

Organizations are encouraged to seek better methods for promoting paperless billing, otherwise they run the risk of negative feedback, an increase in complaint calls to call centres and an overall negative company image. Many customers are still hesitant to switch over to electronic billing and being forced to go paperless could anger and upset customers.



We would recommend that utilities concentrate their message on “what customers get” when they go paperless. We would also recommend that utilities think creatively about bundling paperless with other technologically assisted information i.e., electronic notification of high use, monthly billing (where bi-monthly currently exists), or even bi-weekly billing.

Internet forums, user communities, and social-networking sites are the new ways people are talking to each other and getting some of the answers they need. Twitter is fast becoming the go-to medium for customer support. Have a question – tweet it – and wait sometimes less than an hour for a quick fix, recommended remedy, or information on where to go next. Twitter and Facebook are increasingly being used as tools to not only disseminate information, organizations of all types can use the channels to push out news and pull prospects into their websites.

Social media is evolving and it gives companies the opportunity to proactively identify customer issues which will help the utility address problems quickly thereby minimizing the impact on the broader customer base.

Respondents of this year's survey were asked *"how likely they would use social media such as twitter, facebook (and others) to get information"*...

| Likelihood of using Social Media to gather information | | |
|--|--------------|----------|
| | Ontario LDCs | Veridian |
| Very likely | 4% | 5% |
| Somewhat likely | 7% | 7% |
| Not likely | 18% | 25% |
| Not likely at all | 67% | 63% |
| Don't have social media account | 2% | 1% |
| Don't know | 1% | 0% |

Base: An aggregate of respondents from 2012 participating LDCs / 90% of total respondents from the local utility



What do customers think about electricity costs?

Rising electricity prices inevitably affect every household, but they have an inconsistent effect on those who are on the lowest incomes. These hikes are hitting already under pressure households, many people paying bills have already reached the maximum value of what they can afford.

Raising families, incurring everyday bills and purchasing common necessities are all part of daily life that can rapidly impact a family's budget. This is especially burdensome for low-income and elderly residents on a fixed pension income.

| | Not a worry | Sometimes | Often | Depends |
|---------------|-------------|-----------|-------|---------|
| Veridian | | | | |
| <\$40,000 | 46% | 38% | 11% | 1% |
| \$40<\$70,000 | 63% | 26% | 6% | 5% |
| \$70,000+ | 72% | 19% | 7% | 1% |

Base: total respondents

Next I am going to read a number of statements people might use about paying for their electricity. Which one comes closest to your own feelings, even if none is exactly right? Paying for electricity is not really a worry, Sometimes I worry about finding the money to pay for electricity, or Paying for electricity is often a major problem?

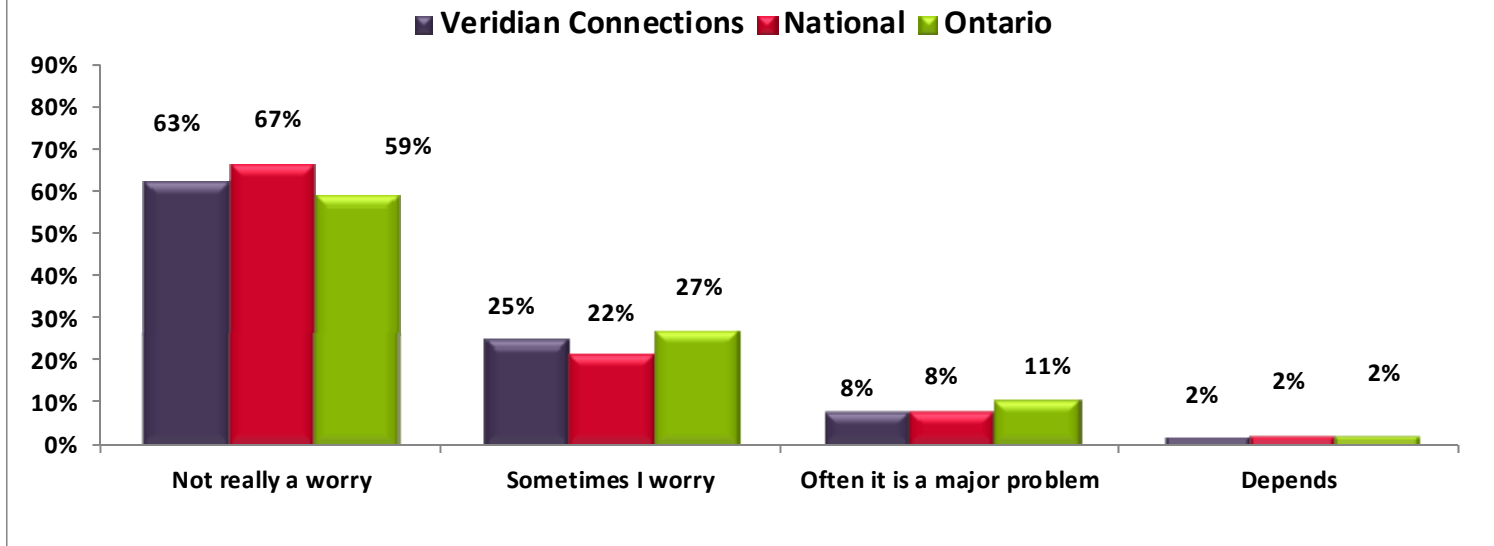
| | Not a worry | Sometimes | Often | Depends |
|-------------|-------------|-----------|-------|---------|
| Veridian | | | | |
| 2012 | 63% | 25% | 8% | 2% |
| 2011 | 68% | 19% | 7% | 3% |
| 2010 | 65% | 24% | 7% | 3% |
| 2009 | 76% | 17% | 6% | 1% |

Base: total respondents

| | Veridian | National | Ontario |
|------------------------------------|----------|----------|---------|
| Not really a worry | 63% | 67% | 59% |
| Sometimes I worry | 25% | 22% | 27% |
| Often it is a major problem | 8% | 8% | 11% |
| Depends | 2% | 2% | 2% |

Base: total respondents

Is paying for electricity a worry or a major problem?



Base: total respondents

| Is paying for electricity a worry or major problem... | | | |
|---|----------------|------------|-------|
| | Ajax/Pickering | Belleville | Other |
| Not really a worry | 62% | 69% | 62% |
| Sometimes I worry | 24% | 23% | 29% |
| Often it is a major problem | 10% | 4% | 5% |
| Depends | 2% | 2% | 3% |

Base: total respondents

Not without question. Utilities across the country report that a large percentage of “bill problem” calls are related to customer complaints about their bill being too high [60% National], and utilities based in Ontario share those same findings [62% Ontario].

As many consumers will find out when they get their utility bills, gasoline is not the only form of energy that costs more. Utility companies aren't sure how much more their customers will pay - except to say they will.

Utilities seeking to become more customer-centric must go beyond the transactional relationship of customer pays a price and receives electricity. Becoming customer-centric involves offering

customers a value proposition; a complete package, filled with lots of human-friendly usability elements, peach of mind, and top-notch customer service.

| Is paying for electricity a worry or a major problem? | | | | |
|---|-------------|-----------|-------|---------|
| | Not a worry | Sometimes | Often | Depends |
| Ontario | | | | |
| 2012 | 59% | 27% | 11% | 2% |
| 2011 | 52% | 31% | 13% | 3% |
| 2010 | 67% | 23% | 8% | 2% |
| 2009 | 67% | 26% | 4% | 2% |
| National | | | | |
| 2012 | 67% | 22% | 8% | 2% |
| 2011 | 63% | 25% | 8% | 2% |
| 2010 | 71% | 20% | 6% | 1% |
| 2009 | 69% | 23% | 6% | 2% |

Base: 2012 Ontario and National benchmark surveys

What do small commercial customers think?

There are more similarities between small commercial and residential accounts than there are differences.

The primary difference between the residential and small business customers lies primarily with power reliability. The effect of a power disruption to small commercial customers is far greater than for residential customers. For the small business customer downtime from power interruption can be converted into an economic loss based on lost profits or costs over savings. The costs of power outages to residential customers are often more intangible. Residential customers tend to describe their costs in terms of the “inconvenience” they endured rather than in terms of specific labour or dollar amounts.

With profit margins tighter than ever for many companies, the rising price of electricity is also a major concern which is a definite sentiment shared by the residential consumer as well.

In the 14 years that UtilityPULSE has undertaken electric utility satisfaction surveys, the data has mostly supported that the small business owner behaves much in the same way as the residential customer. As noted in the opening of this section, there are more similarities between small commercial and residential accounts than there are differences.

The tables associated with this report will contain your specific information as it relates to residential and commercial customers. Recognizing that smaller data samples are susceptible to greater data swings, we have compiled the following based on a group composite of all of our 2012 discussions with small commercial and residential customers.

As it relates to the six attributes associated with customer service:

| Very or fairly satisfied with... | Residential | Commercial |
|--|-------------|------------|
| The time it took to answer the phone | 75% | 74% |
| The time it took someone to deal with your problem | 75% | 76% |
| The helpfulness of the staff who dealt with your problem | 80% | 85% |
| The knowledge of the staff who dealt with your problem | 78% | 83% |
| The level of courtesy of the staff who dealt with your problem | 86% | 92% |
| The quality of information provided by the staff member | 76% | 81% |

Base: total respondents from the full 2012 database

| | Residential | Commercial |
|------------------------------------|-------------|------------|
| Very/somewhat satisfied | 90% | 91% |
| Definitely/probably would continue | 83% | 86% |

| | | |
|--|------------|------------|
| Definitely/probably would recommend | 78% | 81% |
|--|------------|------------|

Base: total respondents from the full 2012 database

| Comparisons between Residential and Commercial | | |
|---|--------------------|-------------------|
| <i>Loyalty Groups</i> | Residential | Commercial |
| Secure | 27% | 28% |
| Still Favourable | 12% | 12% |
| Indifferent | 53% | 53% |
| At risk | 7% | 7% |

Base: total respondents from the full 2012 database

| <i>Outages & Bill problems</i> | Residential | Commercial |
|---|--------------------|-------------------|
| Respondents with outage problems | 31% | 22% |
| Respondents with billing problems | 9% | 12% |

Base: total respondents from the full 2012 database

| Satisfaction: Pre & Post | | |
|---|--------------------|-------------------|
| <i>Satisfaction (Top 2 Boxes: "very + somewhat satisfied")</i> | Residential | Commercial |
| Initially | 90% | 91% |
| End of Interview | 92% | 93% |

Base: total respondents from the full 2012 database

| Important attributes which shape perceptions about service quality | | |
|--|-------------|------------|
| | Residential | Commercial |
| Deals professionally with customers' problems | 85% | 86% |
| Customer-focused and treats customers as if they're valued | 80% | 81% |
| Provides good value for money | 71% | 71% |
| Works with customers to keep their electricity costs affordable | 66% | 68% |
| Is pro-active in communicating changes and issues which may affect customers | 82% | 82% |
| The cost of electricity is reasonable when compared to other utilities | 62% | 63% |
| Is a company that is 'easy to do business with' | 85% | 84% |
| Quickly deals with issues that affect customers | 82% | 83% |
| Adapts well to changes in customer expectations | 75% | 77% |

Base: total respondents with an opinion from the full 2012 database

| Important attributes which describe operational effectiveness | | |
|---|-------------|------------|
| | Residential | Commercial |
| Uses responsible business practices when completing work | 88% | 88% |
| Delivers on its service commitments to customers | 87% | 88% |
| Accurate billing and meter reading | 87% | 86% |
| Provides consistent, reliable energy | 91% | 91% |
| Quickly handles outages and restores power | 89% | 89% |

| | | |
|---|-----|-----|
| Makes using electricity safely a top priority | 90% | 90% |
| Base: total respondents with an opinion from the full 2012 database | | |

| Important attributes which shape perceptions about corporate image | | |
|--|-------------|------------|
| | Residential | Commercial |
| Is a respected company in the community | 88% | 87% |
| Maintains high standards of business ethics | 86% | 86% |
| A leader in promoting energy conservation | 82% | 83% |
| Keeps its promises to customers and the community | 84% | 85% |
| Beyond providing jobs and paying taxes, is socially responsible | 84% | 85% |
| Is a trusted and trustworthy company | 87% | 87% |

Base: total respondents with an opinion from the full 2012 database



Method

The findings in this report are based on telephone interviews conducted for Simul Corp. by Corsential between March 23 - April 2, 2012, with 452 respondents who pay or look after the electricity bills from a list of residential and small and medium-sized business customers supplied by Veridian Connections.

The sample of phone numbers chosen was drawn randomly to insure that each business or residential phone number on the list had an equal chance of being included in the poll.

The sample was stratified so that 85% of the interviews were conducted with residential customers and 15% with commercial customers.

In sampling theory, in 19 cases out of 20 (95% of polls in other words), the results based on a random sample of 452 residential and commercial customers will differ by no more than ± 4 percentage points where opinion is evenly split.

This means you can be 95% certain that the survey results do not vary by more than 4 percentage points in either direction from results that would have been obtained by interviewing all Veridian Connections residential and small

and medium-sized commercial customers if the ratio of residential to commercial customers is 85%:15%.

The margin of error for the sub samples is larger. To see the error margin for subgroups use the calculator at <http://www.surveysystem.com/sscalc.htm>.

Interviewers reached 1,300 households and businesses from the customer list supplied by Veridian Connections. The 452 who completed the interview represent a 35% response rate.

The findings for the Simul/UtilityPULSE National Benchmark of Electric Utility Customers are based on telephone interviews conducted March 13 through March 26, 2012, with adults throughout the country who are responsible for paying electric utility bills. The ratio of 85% residential customers and 15% small and medium-sized business customers in the National study reflects the ratios used in the local community surveys. The margin of error in the National poll is ± 2.7 percentage points at the 95% confidence level.

For the National study, the sample of phone numbers chosen was drawn by recognized probability sampling

methods to insure that each region of the country was represented in proportion to its population and by a method that gave all residential telephone numbers, both listed and unlisted, an equal chance of being included in the poll.

The data were weighted in each region of the country to match the regional shares of the population.

The margin of error refers only to sampling error; other non-random forms of error may be present. Even in true random samples, precision can be compromised by other factors, such as the wording of questions or the order in which questions were asked.

Random samples of any size have some degree of precision. A larger sample is not always better than a smaller sample. The important rule in sampling is not how many respondents are selected but how they are selected. A reliable sample selects poll respondents randomly or in a manner that insures that everyone in the population being surveyed has an equal chance of being selected.

How can a sample of only several hundred truly reflect the opinions of thousands or millions of electricity customers within a few percentage points?

Measures of sample reliability are derived from the science of statistics. At the root of statistical reliability is probability,

the odds of obtaining a particular outcome by chance alone. For example, the chances of having a coin come up heads in a single toss are 50%. A head is one of only two possible outcomes.

The chance of getting two heads in two coin tosses is less because two heads are only one of four possible outcomes: a head/head, head/tail, tail/head and tail/tail.

But as the number of coin tosses increases, it becomes increasingly more likely to get outcomes that are either close to or exactly half heads and half tails because there are more ways to get such outcomes. Sample survey reliability works the same way but on a much larger scale.

As in coin tosses, the most likely sample outcome is the true percentage of whatever we are measuring across the total customer base or population surveyed. Next most likely are outcomes very close to this true percentage. A statement of potential margin of error or sample precision reflects this.

Some pages in the computer tables also show the standard deviation (S.D.) and the standard error of the estimate (S.E.) for the findings. The standard deviation embraces the range where 68% (or approximately two-thirds) of the respondents would fall if the distribution of answers were a normal bell-shaped curve.

The spread of responses is a way of showing how much the result deviates from the "standard mean" or average. In the Veridian Connections data on corporate image, Simul converted the answers to a point scale with 4 meaning agree strongly, 3 meaning agree somewhat and so on (see in the computer tables).

For example, the mean score is 3.57 for providing consistent, reliable energy. The average is 2.78 for working with customers to keep their energy costs affordable.

For reliable energy the standard deviation is 0.65. For affordable energy the S.D. is 1.01. These findings mean there is a wider range of opinion – meaning less consensus – about whether Veridian Connections works with customers to keep their energy costs affordable than about whether Veridian Connections energy supplies are reliable.

Beneath the S.D. in the tables is the standard error of the estimate. The S.E. is a measure of confidence or reliability, roughly equivalent to the error margin cited for sample sizes. The S.E. measures how far off the sample's results are from the standard deviation. The smaller the S.E. the greater the reliability of the data.

In other words, a low S.E. indicates that the answers given by respondents in a certain group (such as residential bill payers or women) do not differ much from the probable spread of the answers "predicted" in sampling and probability theory.

Certain questions pertaining to conservation and conservation efforts used an aggregate data approach whereby similar data sets were accumulated to form a larger sample size establishing a higher confidence interval, forecasting value and modeling data.

In these instances, all of the sub-datasets from the entire UtilityPULSE database for 2012 were concatenated in order to use the average of all the control samples for comparison. The cumulated population base for these questions was in excess of 6,000.

At a 95% confidence level the margin of error is ± 1.23 and at a 99% confidence level the margin of error would be ± 1.62 . So the aggregate strategy has given a very good population sample size which better, or more accurately, reflects the true feelings and beliefs of the population as a whole.



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Good things happen when work places work. You'll receive both strategic and pragmatic guidance about how to improve Customer satisfaction & Employee engagement with leaders that lead and a front-line that is inspired. We provide: training, consulting, surveys, diagnostic tools and keynotes. The electric utility industry is a market segment that we specialize in. We've done work for the Ontario Electrical League, the Ontario Energy Network, and both large and small utilities. For fourteen years we have been talking to 1000's of utility customers in Ontario and across Canada and we have expertise that is beneficial to every utility.

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Benchmarking Surveys

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Service Excellence Leadership

Telephone Skills

Customer Care

Dealing with
Difficult Customers

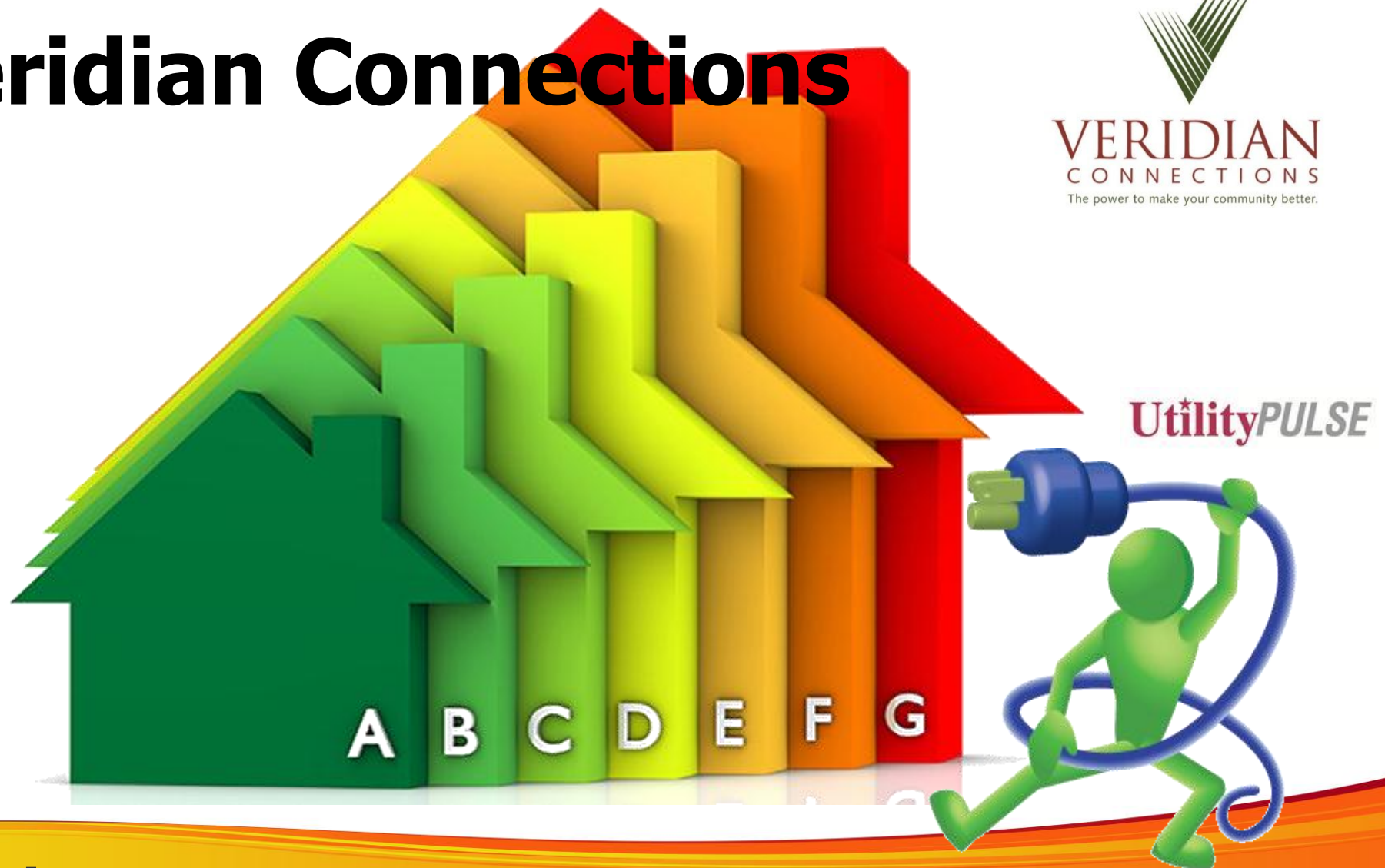
Benefit from our expertise in Customer Satisfaction, Leadership development, Strategy development or review, and Front-line & Top-line driven-change. We're experts in helping you assess and then transform your organization's culture to one where achieving goals while creating higher levels of customer satisfaction is important. Call us when creating an organization where more employees satisfy more customers more often, is important.

Your personal contact is:

Sid Ridgley, CSP, MBA

Phone: (905) 895-7900 Fax: (905) 895-7970 E-mail: sidridgley@utilitypulse.com or sridgley@simulcorp.com

Veridian Connections



15th Annual Electric Utility Customer Satisfaction Survey

The purpose of this report is to profile the connection between Veridian Connections and its customers.

The primary objective of the Electric Utility Customer Satisfaction Survey is to provide information that will support discussions about improving customer care at every level in your utility.

The UtilityPULSE Report Card® and survey analysis contained in this report do not merely capture state of mind or perceptions about your customers' needs and wants - the information contained in this survey provides actionable and measurable feedback from your customers.

This is privileged and confidential material and no part may be used outside of Veridian Connections without written permission from UtilityPULSE, the electric utility survey division of Simul Corporation.

All comments and questions should be addressed to:

Sid Ridgley, UtilityPULSE division, Simul Corporation

Toll free: 1-888-291-7892 or Local: 905-895-7900

Email: sidridgley@utilitypulse.com or sridgley@simulcorp.com



Executive summary

“Putting the Consumer First” was part of the title of the *Report of the Ontario Distribution Sector Review Panel*. Its findings and recommendations add an additional level of challenges and opportunities. While the Report challenges the structural nature and efficiency of LDCs in Ontario, the “customer” remains focused on their own needs and expectations. The customer is primarily concerned about their overall costs for their electricity rather than the costs of the individual components of producing, transmitting, distributing and regulating electricity.

For the past 15 years, the only constant Ontario LDCs and their customers have faced is constant change. With topics such as SMART Meters, SMART Grid, green energy, infrastructure renewal, coupled with the recommendations from the Ontario Distribution Sector Review Panel, it is easy to predict that change will continue – for many years to come. One of the challenges for utilities today is to determine how to educate, empower and engage their residential and small business customers. The goal for utilities is to cut through the fog of fear, misinformation and confusion that exists amongst its customers, regarding a myriad of subjects, while retaining a very high level of trust, respect and credibility.

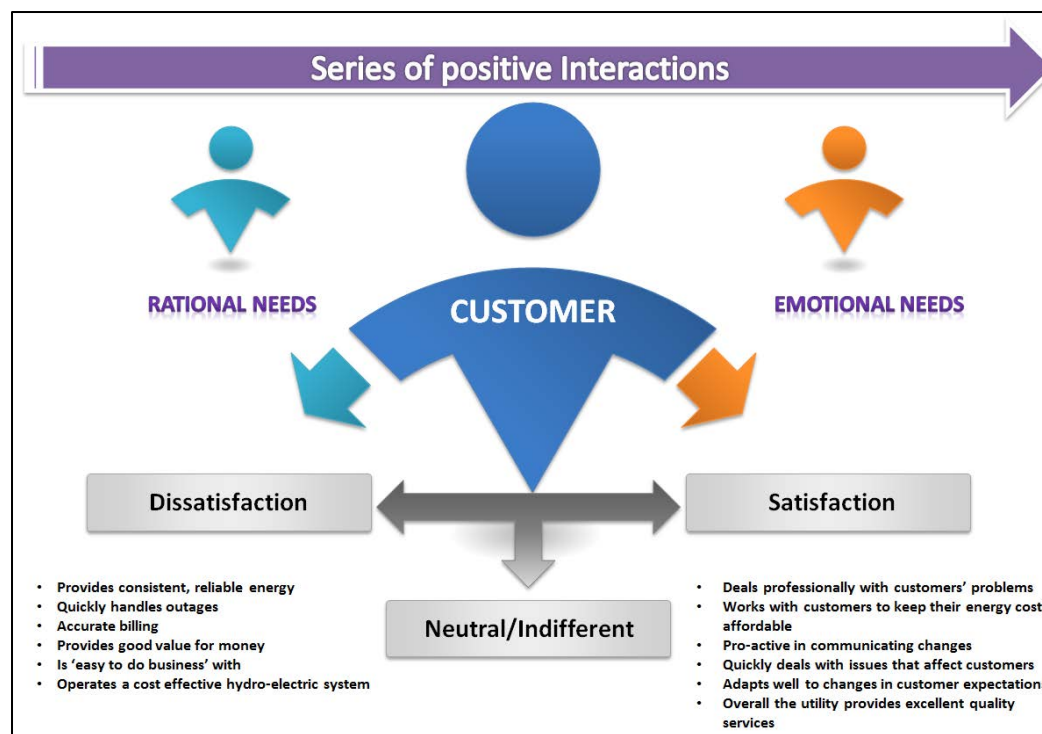
Trust and credibility are the foundational building blocks for ensuring that customers have both their rational and emotional requirements



fulfilled. The attributes which help an LDC to be seen as trusted and highly credible are: knowledge, integrity, involvement and trust. On demonstrating Credibility and Trust, Veridian Connections has done well. Overall, Veridian Connections 86% [Ontario 82%; National 82%].

Customers, as human beings, are both rational and emotional. The rational side of the customer

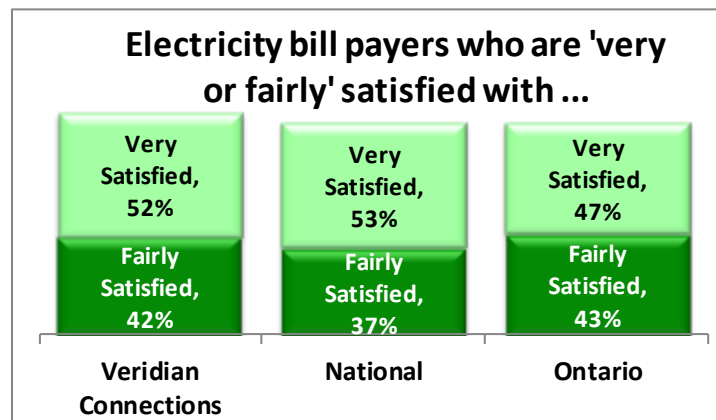
holds the LDC accountable for doing its job (as contracted), thereby fulfilling the customer's basic needs. The emotional side of the customer is about fulfilling expectations. Meeting rational needs – at best – gets the customer to a neutral state and at worst creates dissatisfaction. Emotional needs, when met, assuming base



level rational needs are met, can move a customer from neutral to higher levels of satisfaction.

The old adage, “You cannot command respect, you have to earn respect” is a lesson that aptly describes the loyalty effect with customers. Many people mistakenly think doing a good job will lead to loyalty; that a satisfied customer equals a loyal customer. Customers have expectations of their electric utility that go far beyond “keeping the lights on”, “billing me properly”, and “restoring power quickly”.

- **Satisfaction** happens when utility core services meet or exceed customer’s needs, wants, or expectations.
- **Loyalty** occurs when a customer makes an emotional connection with their electric utility on a diverse range of expectations beyond core services.



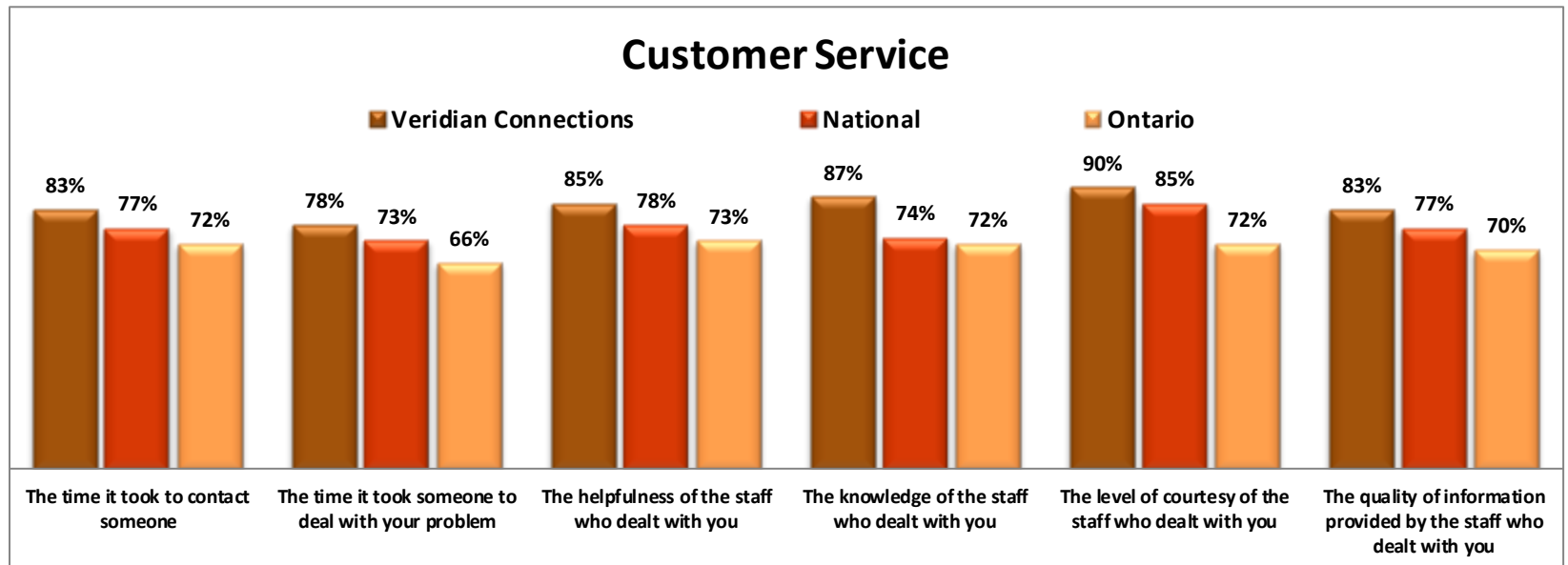
Satisfaction alone does not make a customer loyal; a willingness to commit and advocate for a company along with satisfaction identifies the three basic customer attitudes which underpin loyalty profiles. While satisfaction is an important component of loyalty, the loyalty definition needs to incorporate more attitudinal and emotive components.



| Veridian Connections SATISFACTION SCORES – Electricity customers' satisfaction | | | | |
|--|------|------|------|------|
| Top 2 Boxes: 'very + fairly satisfied' | 2013 | 2012 | 2011 | 2010 |
| PRE: Initial Satisfaction Scores | 94% | 92% | 90% | 88% |
| POST: End of Interview | 93% | 95% | 91% | 94% |

Base: total respondents

Customers have needs and expectations AND they will have problems. How those problems are dealt with are “proof points” which will validate or invalidate their perceptions. Customer problems are far more diverse than they have ever been, thereby, causing customer service to change in response to those problems and needs. Given the increase in fragmentation of customer type and customer problems, the need for building a customer-centric culture in line with customers’ needs, preferences and expectations is important when customer satisfaction is important to the organization.



Base: total respondents who contacted the utility



The Killer B's (Blackouts and Bills)

It is inevitable that there will be blackouts/power outages – the key is how a utility anticipates outages and deals with them. It should also be noted that there is a disconnect between what a utility might call a “billing problem” and what a customer defines as a “billing problem”. Though both viewpoints are valid, employees need to be trained to answer those that cause the most concern with customers.

| Percentage of Respondents indicating that they had a Blackout or Outage problem in the last 12 months | | | |
|---|----------------------|----------|---------|
| | Veridian Connections | National | Ontario |
| 2013 | 34% | 41% | 35% |
| 2012 | 43% | 44% | 46% |
| 2011 | 28% | 43% | 43% |
| 2010 | 36% | 45% | 41% |

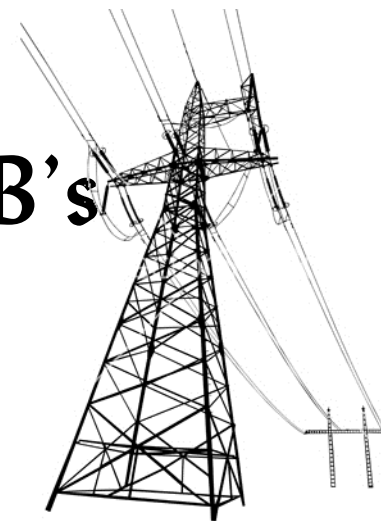
Base: total respondents

| Percentage of Respondents indicating that they had a Billing problem in the last 12 months | | | |
|--|----------------------|----------|---------|
| | Veridian Connections | National | Ontario |
| 2013 | 5% | 8% | 10% |
| 2012 | 12% | 12% | 13% |
| 2011 | 10% | 10% | 16% |
| 2010 | 10% | 10% | 12% |

Base: total respondents



Killer B's



What do customers think about electricity costs?

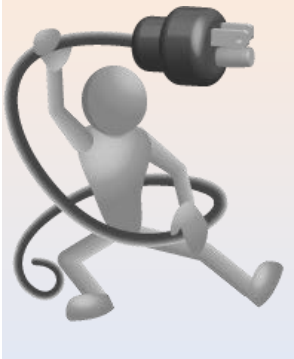
There is a correlation between ability to pay and satisfaction with higher earners reporting the highest levels of initial satisfaction with their utility. It is also true that emotional connectivity, i.e. loyalty, also plays a role about what customers think about costs. Out of all the Ontario survey respondents this year, only 17% of Secure customers vs 43% of At Risk customers report that they sometimes or often worry about paying their electricity bill.

| Is paying for electricity a worry or major problem ... | | | |
|--|----------------------|----------|---------|
| | Veridian Connections | National | Ontario |
| Not really a worry | 78% | 70% | 66% |
| Sometimes I worry | 13% | 18% | 21% |
| Often it is a major problem | 5% | 8% | 11% |
| Depends | 3% | 2% | 1% |

Base: total respondents

Customer Experience Performance rating (CEPr)

New for 2013 is the Customer Experience Performance rating (CEPr). Every touch point with customers on the phone, website or in-person influences what customers think and feel about the organization.

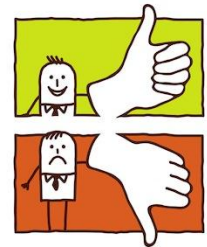


| Customer Experience Performance rating (CEPr) | | | |
|---|-------------------------|----------|---------|
| | Veridian Connections | National | Ontario |
| CEPr: all respondents | 86% | 83% | 83% |
| CEPr: respondents <i>who have</i> contacted their utility | 86% | 79% | 77% |
| CEPr: respondents <i>who have not</i> contacted their utility | 87% | 84% | 85% |

Base: total respondents

The key is handling every individual element of an interaction with a customer so that he/she feels good at the end of the whole interaction and the utility achieves its business objectives.

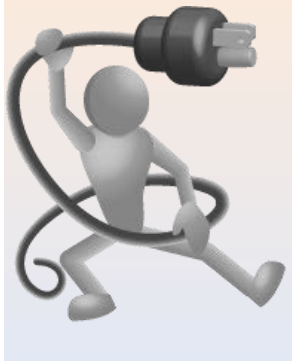
While an excellent transaction today creates a positive experience today, the perception created is that future transactions will be excellent too, which is how you want your customers to feel. Of course, a negative transaction creates the perception that future transactions will be negative.



Customer Engagement Index (CEI)

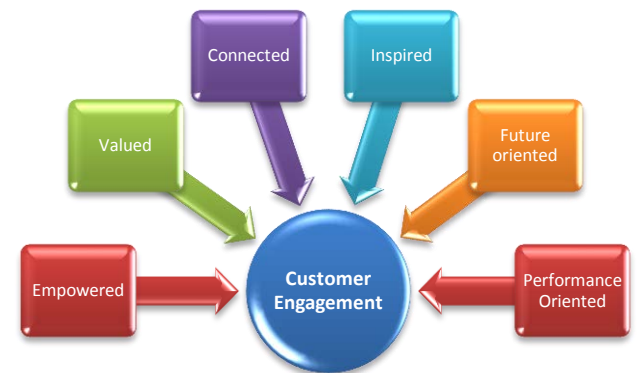
UtilityPULSE has been researching this topic for the past 2 years and we have found that there are 4 basic types of definitions associated with the term called “customer engagement”. Here are the basic types:

- 1- Participation in programs or service offerings
- 2- Pro-active “reach-out” to customers
- 3- Customer loyalty
- 4- How customers think, feel and act towards the organization that serves them.



Drawing from our 25+ years of experience working with enterprises in both the private and public domains, we believe that basic types 1 & 2 are too simplistic and tend to be an efficiency measurement. Whereas types 3 & 4 are more valuable to the organization especially when a key corporate goal is to create an operationally effective place to do business with – essentially an effectiveness and outcomes oriented measurement.

Engagement is how customers think, feel and act towards the organization. As such, ensuring that customers respond in a positive way requires that they are rationally satisfied with the services provided AND emotionally connected to your LDC and its brand. The more frequently and consistently an organization's products and services can connect with a customer, especially on an emotional level, the stronger and deeper the customer becomes engaged with the organization. The six dimensions of an outcome based definition of customer engagement are: empowered, valued, connected, inspired, future oriented and performance oriented.



| Utility Customer Engagement Index (CEI) | | | |
|---|----------------------|----------|---------|
| | Veridian Connections | National | Ontario |
| CEI | 85% | 81% | 81% |

Base: total respondents



UtilityPULSE Report Card®

The purpose of the UtilityPULSE Report Card is to provide your utility with a snapshot of performance – it represents the sum total of respondents' ratings on 6 categories of attributes that research has shown are important to customers for influencing satisfaction and affinity levels with their utility.

| Veridian Connections' UtilityPULSE Report Card® | | | | |
|---|-------------------------------|----------------------|-----------|-----------|
| Performance | | | | |
| | CATEGORY | Veridian Connections | National | Ontario |
| 1 | Customer Care | A | B+ | B+ |
| | Price and Value | B+ | B | B |
| | Customer Service | A | B+ | A |
| 2 | Company Image | A | A | A |
| | Company Leadership | A | A | A |
| | Corporate Stewardship | A | A | A |
| 3 | Management Operations | A | A | A |
| | Operational Effectiveness | A | A | A |
| | Power Quality and Reliability | A+ | A | A |
| OVERALL | | A | A | A |



Base: total respondents

Corporate Image

Organizations today, are always under scrutiny and have to consider the reality AND perception of their image. Increasingly, organizations have realized that the management of a strong positive image with various stakeholders can be beneficial.

| Attributes strongly linked to a hydro utility's image | | | |
|---|-------------------------|----------|---------|
| | Veridian Connections | National | Ontario |
| Is a respected company in the community | 89% | 83% | 84% |
| Maintains high standards of business ethics | 88% | 81% | 81% |
| A leader in promoting energy conservation | 83% | 80% | 80% |
| Keeps its promises to customers and the community | 85% | 81% | 82% |
| Beyond providing jobs and paying taxes, is socially responsible | 86% | 79% | 79% |
| Is a trusted and trustworthy company | 87% | 83% | 83% |
| Adapts well to changes in customer expectations | 79% | 74% | 73% |
| Is 'easy to do business with' | 86% | 82% | 81% |
| Overall the utility provides excellent quality services | 87% | 85% | 83% |
| Operates a cost effective hydro-electric system | 78% | 72% | 68% |

Base: total respondents with an opinion

Supplemental Insights

Recognizing that customers' interests and needs continue to shift, we have provided data and SMART insights, on a number of subjects such as e-care, e-billing, conservation and more.



SMART Meters & SMART Grid

Do economic incentives have an impact on resource consumption patterns? *77% agree strongly or somewhat that Time-of-Use billing has changed the way in which they consume electricity on a day-to-day basis. [Base: Ontario LDC respondents]*

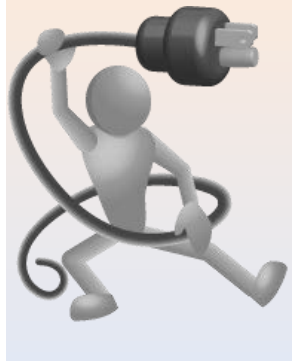


SMART metering is also a key element of SMART grid technology. This year's survey probed around the concept of SMART grid, its importance and support towards working with neighbouring utilities. It is clear that the need for education is immense. It is also clear that the majority of respondents are very + somewhat supportive of the utility working with neighbouring utilities on SMART grid initiatives.



| Level of knowledge about the SMART Grid | |
|--|--------------|
| | Ontario LDCs |
| I have a fairly good understanding of what it is and how it might benefit homes and businesses | 7% |
| I have a basic understanding of what it is and how it might work | 17% |
| I've heard of the term, but don't know much about it | 33% |
| I have not heard of the term | 42% |
| Don't know | 1% |

Base: An aggregate of respondents from 2013 participating LDCs



| Importance of pursuing implementation of the SMART Grid | |
|---|-----|
| Ontario LDCs | |
| Very important | 23% |
| Somewhat important | 30% |
| Neither important or unimportant | 9% |
| Somewhat unimportant | 5% |
| Unimportant | 10% |
| Don't know | 23% |

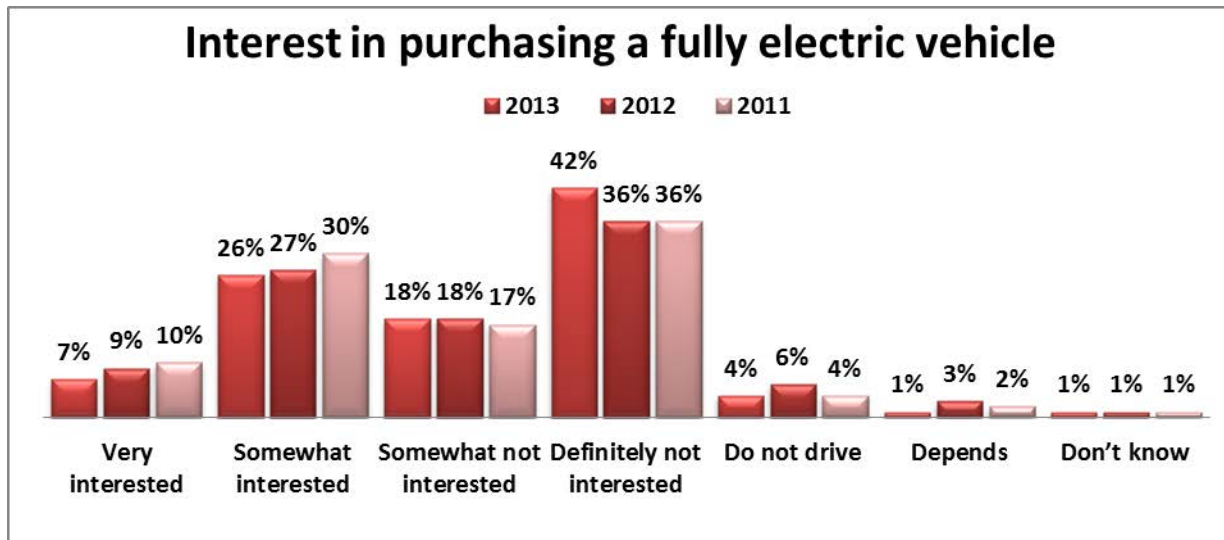
Base: An aggregate of respondents from 2013 participating LDCs

| Support towards working with neighbouring utilities on SMART Grid initiatives | |
|---|-----|
| Ontario LDCs | |
| Very supportive | 38% |
| Somewhat supportive | 37% |
| Neither supportive or unsupportive | 4% |
| Somewhat unsupportive | 2% |
| Unsupportive | 6% |
| Don't know | 12% |

Base: An aggregate of respondents from 2013 participating LDCs

Purchasing an Electric Vehicle

Looking at age demographics, 22% of older respondents (55+) versus 47% of respondents aged 35-54 and 43% aged 18-34 are in favor of EVs replacing conventional cars.



Base: total respondents in the Ontario Benchmark survey

Energy Conservation & Efficiency

Improving energy efficiency does not mean that customers have to give up or forgo activities to save energy. Rather, new technologies and more effective behaviour will actually allow customers to do more, improving their living conditions rather than reducing their comfort. Energy efficiency can be broken down into two areas: *better use of energy through improved energy-efficient technologies*; and



energy saving through changes in customer awareness and behaviour. During the survey interview process, we asked “what are the 1 or 2 barriers for creating higher levels of energy efficiency?” 21% identified “costs involved in making equipment/appliance changes”, and 12% identified “lack of knowledge or lack of information”. Respondents were asked: “What will you be doing to conserve energy?”



| Efforts to conserve energy | | | | |
|--|-----|-----|--------------|------------|
| Ontario LDCs | Yes | No | Already Done | Don't Know |
| Install energy-efficient light bulbs or lighting equipment | 20% | 10% | 69% | 1% |
| Install timers on lights or equipment | 15% | 49% | 35% | 2% |
| Shift use of electricity to lower cost periods | 21% | 19% | 57% | 3% |
| Install window blinds or awnings | 15% | 26% | 58% | 1% |
| Install a programmable thermostat | 15% | 20% | 63% | 2% |
| Have an energy expert conduct an energy audit | 9% | 70% | 18% | 3% |
| Removing old refrigerator or freezer for free | 14% | 45% | 37% | 4% |
| Join the peaksaverPLUS™ program | 18% | 48% | 21% | 13% |
| Replacing furnace with a high efficiency model | 13% | 36% | 48% | 3% |
| Replacing air-conditioner with a high efficiency model | 16% | 39% | 41% | 4% |
| Use a coupon to purchase qualified energy saving products | 33% | 42% | 21% | 4% |

Base: An aggregate of respondents from 2013 participating LDCs



E-care and E-billing

For any service provider including electric utilities, using the Internet for online customer care and electronic billing involves a number of interrelated requirements, including a customer's ability to: sign up for and change their services using the internet, find answers to their questions online about their accounts, learn about products, services and topics, i.e., green energy, electricity pricing, etc. It is about giving control to the customer.



89% of Veridian Connections respondents have access to the internet and 23% have accessed their utility's website in the last six months.

Consumers will eventually adopt electronic billing and online customer care as many industries/companies begin providing consumer bills online, and critical mass is reached.

| Using the internet for billing | | |
|---|--------------|----------------------|
| | Ontario LDCs | Veridian Connections |
| I am already receiving my hydro bill electronically | 10% | 10% |
| I use on-line banking and will definitely be requesting that my bill be sent electronically | 11% | 14% |
| I use on-line banking but prefer to have paper statements | 30% | 33% |
| I prefer to have the paper copy of my bills | 23% | 25% |
| I don't use on-line banking | 17% | 19% |

Base: An aggregate of respondents from 2013 participating LDCs / 90% of total respondents from the local utility



Social Media

Social media is evolving at an incredible pace. Importantly, it seems to represent a shift in how people discover, read and share news, information and content. Respondents of this year's survey were asked *"how likely they would use social media such as twitter®, facebook® (and others) as a resource for energy efficiency tips or to help manage your electricity use"...*



| | Likelihood of using Social Media | | | |
|--|----------------------------------|--------------|------------------------------|-----------------------------|
| | Veridian Connections | Ontario LDCs | Ontario LDCs Age Group:18-34 | Ontario LDCs Age Group: 55+ |
| Very likely | 4% | 6% | 10% | 3% |
| Somewhat likely | 10% | 11% | 17% | 6% |
| Not likely | 21% | 20% | 24% | 17% |
| Not likely at all | 64% | 61% | 48% | 68% |
| Don't have social media account | 2% | 2% | 0% | 4% |
| Don't know | 1% | 1% | 0% | 1% |

Base: An aggregate of respondents from 2013 participating LDCs / 90% of total respondents from the local utility

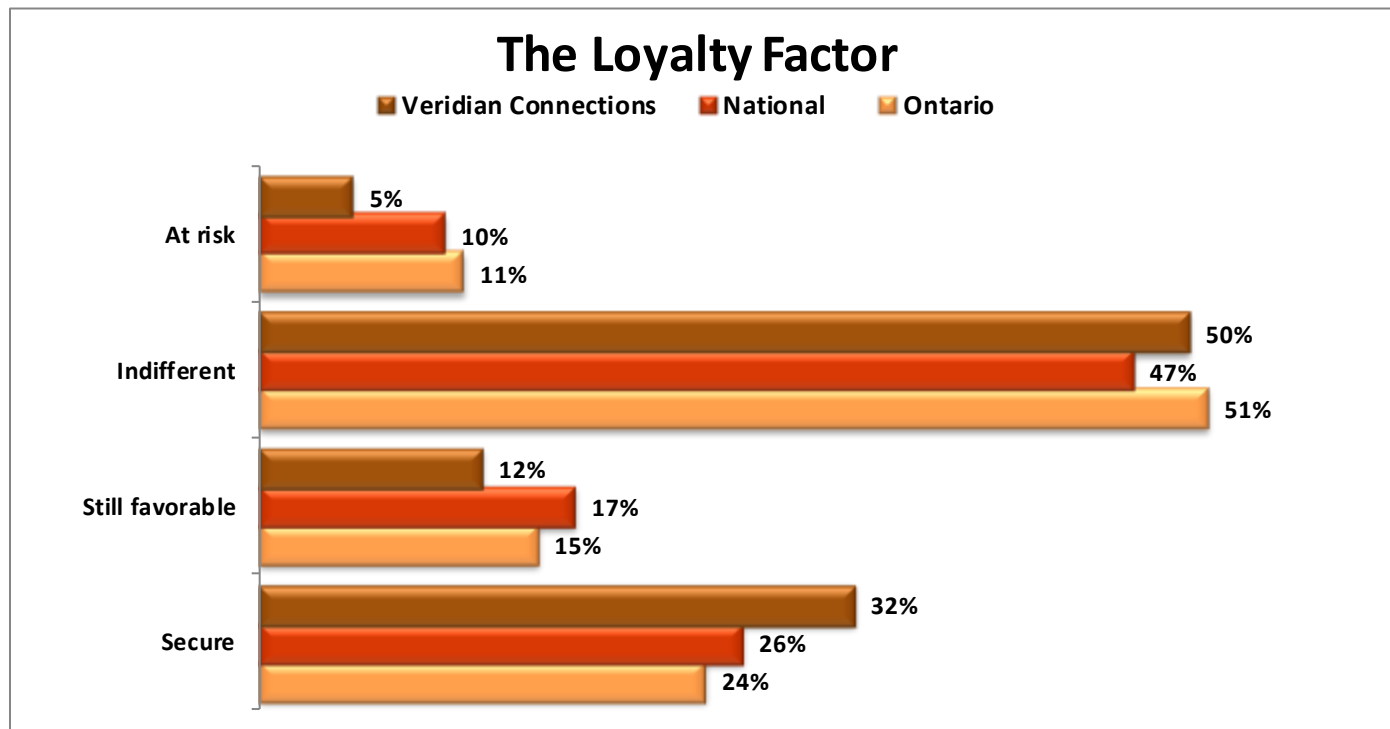
Customer Affinity

Private industry often equates customer loyalty with basic customer retention. If a customer continues to do business with a company, that customer is, by definition, considered to be loyal. If this definition



were applied to many companies in the utility industry, all customers would automatically be considered loyal. As such, measuring customer loyalty would appear to be unnecessary.

Natural monopolies (like LDCs) are not really different in what they should measure except that trying to determine which customers are “loyal” or “at risk” is not about a customer’s future behaviour but more about their “attitudinal” loyalty (are they advocates?).



Base: total respondents



| Customer Loyalty Groups | | | | |
|-------------------------|--------|-----------|-------------|---------|
| | Secure | Favorable | Indifferent | At Risk |
| Veridian Connections | | | | |
| 2013 | 32% | 12% | 50% | 5% |
| 2012 | 27% | 11% | 57% | 4% |
| 2011 | 28% | 15% | 52% | 5% |
| 2010 | 15% | 21% | 56% | 8% |

Base: total respondents



| Electricity customers' loyalty – Is a company that you would like to continue to do business with | | | | |
|---|------|------|------|------|
| Veridian Connections | 2013 | 2012 | 2011 | 2010 |
| Top 2 boxes: 'Definitely + Probably' would continue | 86% | 83% | 84% | 85% |

Base: total respondents

| Electricity customers' loyalty – is a company that you would recommend to a friend or colleague | | | | |
|---|------|------|------|------|
| Veridian Connections | 2013 | 2012 | 2011 | 2010 |
| Top 2 boxes: 'Definitely + Probably' would recommend | 76% | 78% | 77% | 68% |

Base: total respondents



Every LDC has a brand and a brand image, while that image can be affected by events in the industry beyond the control of the LDC, the reality is there is a cost benefit to improving the customer experience, generating higher levels of customer engagement and growing the numbers of Favourable and Secure customers. Providing consistent reliable energy while being seen as 'easy to do business with', along with providing information and support for customers to use electricity more efficiently are core components of a successful relationship with customers.

| Marketing – Communications | | | |
|---|-------------------------|----------|---------|
| | Veridian Connections | National | Ontario |
| Topics that require more pro-active communication | | | |
| Cost of electricity is reasonable when compared to other utilities | 67% | 66% | 61% |
| Works with customers to keep their energy costs affordable | 72% | 66% | 65% |
| Adapts well to changes in customer expectations | 79% | 74% | 73% |
| Operates a cost effective hydro-electric system | 78% | 72% | 68% |
| Provides good value for money | 75% | 71% | 68% |
| Topics that your utility scores very well on | | | |
| Is a trusted and trustworthy company | 87% | 83% | 83% |
| Respected company in the community | 89% | 83% | 84% |
| Accurate billing | 90% | 85% | 86% |
| Overall the utility provides excellent quality services | 87% | 85% | 83% |
| Provides consistent, reliable energy | 91% | 90% | 90% |

Base: total respondents with an opinion



UtilityPULSE is the only enterprise with multiple year customer trend data that appears on the List of Presenters and Submitters in the *Report of the Ontario Distribution Sector Review Panel*. With 14 years of data (15 now that the 2013 survey has been completed), we know that LDCs in Ontario have made excellent progress in the way(s) in which customers are cared for and served – despite the massive amounts of change that have taken place during that same timeframe.

We've often been asked: "What does it take to be seen as having great customer service?" Our answer continues to be "have genuine empathy for customers". If you and your fellow employees don't have it, then your organization will not achieve the highest levels of customer engagement and affinity as may be possible. This requires Veridian Connections to ensure that it is truly embracing the strategic intent of being "customer centric" AND it requires the establishment of a corporate culture that supports both customer and employee engagement.

We recommend having meaningful two-way dialogue with employees (and others) to leverage the results from your 2013 customer satisfaction survey derived from speaking with 451 Veridian Connections customers [March 28 - April 11, 2013]. After-all, people can't care about the things that they don't know about.

Sid Ridgley

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June, 2013



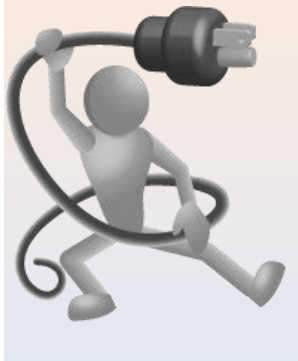


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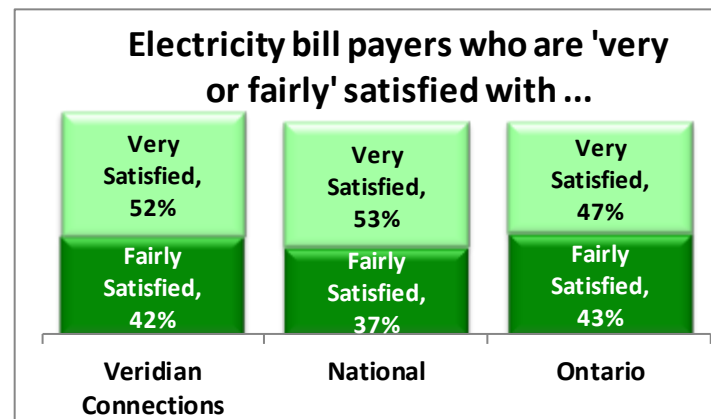
Satisfaction (pre & post)

The old adage “You cannot command respect, you have to earn respect” is a lesson that aptly describes the loyalty effect with customers. Many people mistakenly think doing a good job will lead to loyalty; that a satisfied customer equals a loyal customer.

While private industry companies are compelled to understand their customers in order to drive sales and revenue, customer satisfaction measurement can form a similar focus for organizations in the absence of the commercial imperative, such as utilities which operate under monopolistic conditions. It can also help to build a connection with customers and front-line staff, and provide a uniting, motivating factor across the organization. Monopolies are not really different in what they should measure except that trying to determine which customers are “loyal” or “at risk” is not about their future behaviour but more about their “attitudinal” loyalty (are they advocates?). In the private sector customer satisfaction and loyalty are often seen as essential for survival and success. Public sector organizations, especially municipalities, have come to realize that looking after their customers and taking the opportunity to learn from them is key to delivering services which are both effective and efficient.

After 15 years of continued research with electric utility customers, expectations of their electric utility go far beyond “keeping the lights on”, “billing me properly”, and “restoring power quickly”.

- **Satisfaction** happens when utility core services meet or exceed customer's needs, wants, or expectations.
- **Loyalty** occurs when a customer makes an emotional connection with their electric utility on a diverse range of expectations beyond core services.



Satisfaction alone does not make a customer loyal; a willingness to commit and advocate for a company along with satisfaction identifies the three basic customer attitudes which underpin loyalty profiles. While satisfaction is an important component of loyalty, the loyalty definition needs to incorporate more attitudinal and emotive components.

| Electricity bill payers who are 'very or fairly' satisfied with... | | | | |
|--|------|------|------|------|
| | 2013 | 2012 | 2011 | 2010 |
| Veridian Connections | 94% | 92% | 90% | 88% |
| National | 90% | 88% | 89% | 86% |
| Ontario | 90% | 86% | 84% | 80% |

Base: total respondents

Our research has found that in the utility industry environment, especially in Ontario, where most utilities are municipally owned, satisfaction is a strong driver of customer trust as well as, impacts employee engagement. The satisfaction of public customers/citizens both improves employee engagement and is improved by it.



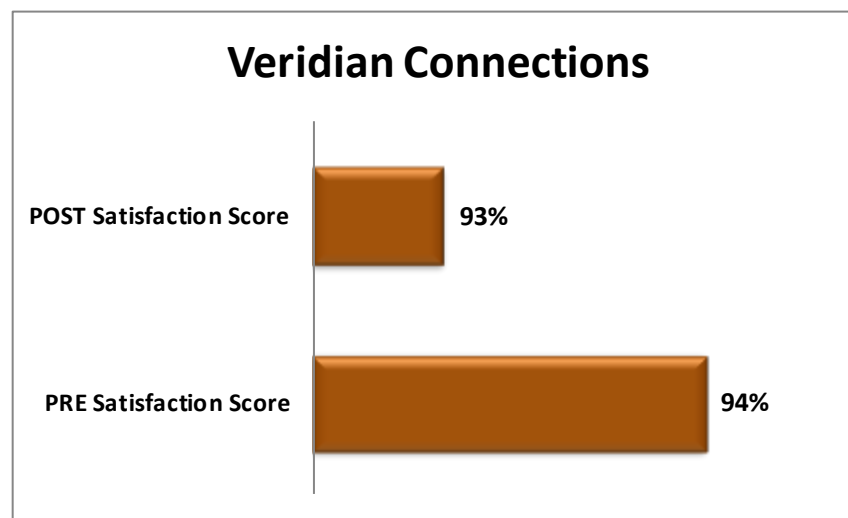
The synergy which exists between customer satisfaction and employee engagement has enormous implications for the performance of those who make up a utility's workforce. Many service personnel are motivated by their desire to help others; succeeding at this task (and having clear evidence that they have satisfied their "customers") can help keep them motivated and engaged.

Satisfied employees, who are working in an organizational culture which promotes service excellence is critical, too. Many companies make the mistake of measuring only customer satisfaction. Measuring organizational culture is the key because employees play an integral role in the customer relationship.

Employees do more than deliver customer service – they personalize the relationship between customer and the utility.

Creating loyal customers and loyal employees go hand in hand and it is the leaders of organizations that must create this alignment. Implementing service excellence works best when its principles are well understood and widespread collaboration is encouraged by management's visible actions. In our experience, this is best achieved by driving change from the 'top down' at the same time as inspiring and fully engaging employees from the 'bottom up'.

In the Simul/UtilityPULSE Customer Satisfaction survey, the overall satisfaction question is asked both at the beginning (PRE) and the end (POST). Asking the general satisfaction question at the start of the survey avoids bias and we obtain a spontaneous rating. This allows measurement of customers' overall impressions of the utility prior to prompting them to think of specific aspects of the relationship. After we have asked about specific aspects of the customer experience, we gain a more *considered* (or conditioned) response.



Base: total respondents

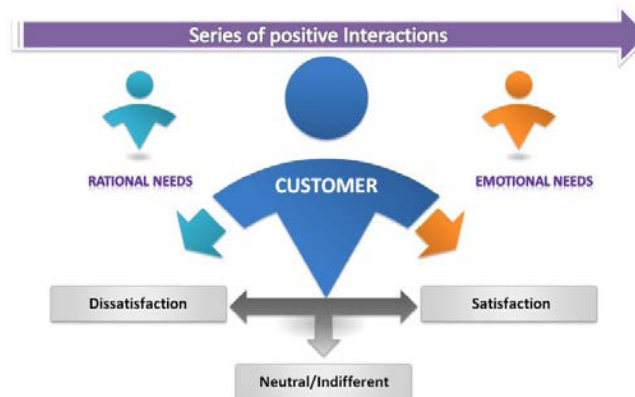
| SATISFACTION SCORES – Electricity customers' satisfaction | | | |
|---|----------------------|----------|---------|
| Top 2 Boxes: 'very + fairly satisfied' | Veridian Connections | National | Ontario |
| PRE: Initial Satisfaction Scores | 94% | 90% | 90% |
| POST: End of Interview | 93% | 91% | 90% |

Base: total respondents

| SATISFACTION SCORES – Electricity customers' satisfaction | | | | |
|---|------|------|------|------|
| Top 2 Boxes: 'very + fairly satisfied' | 2013 | 2012 | 2011 | 2010 |
| PRE: Initial Satisfaction Scores | 94% | 92% | 90% | 88% |
| POST: End of Interview | 93% | 95% | 91% | 94% |

Base: total respondents

Customers, as human beings, are both rational and emotional. The rational side of the customer holds the LDC accountable for doing its job (as contracted), thereby fulfilling the customer's basic needs. The emotional side of the customer is about fulfilling expectations. Meeting rational needs – at best – gets the customer to a neutral state and at worst creates dissatisfaction. Emotional needs, when met, assuming base level rational needs are met, can move a customer from neutral to higher levels of satisfaction.



| Attributes strongly linked to a hydro utility's image | | | |
|--|-------------------------|----------|---------|
| | Veridian Connections | National | Ontario |
| RATIONAL NEEDS | | | |
| Provides consistent, reliable energy | 91% | 90% | 90% |
| Quickly handles outages | 88% | 88% | 88% |
| Accurate billing | 90% | 85% | 86% |
| Provides good value for money | 75% | 71% | 68% |
| Is 'easy to do business' with | 86% | 82% | 81% |
| Operates a cost effective hydro-electric system | 78% | 72% | 68% |
| EMOTIONAL NEEDS | | | |
| Deals professionally with customers' problems | 87% | 83% | 84% |
| Works with customers to keep their energy costs affordable | 72% | 66% | 65% |
| Pro-active in communicating changes | 83% | 77% | 80% |
| Quickly deals with issues that affect customers | 85% | 82% | 82% |
| Adapts well to changes in customer expectations | 79% | 74% | 73% |
| Overall the utility provides excellent quality services | 87% | 85% | 83% |

Base: total respondents with an opinion

Customer Service

Customer service is a series of activities grouped in processes designed to provide customers and other stakeholders with information or assistance which address customer's needs. Those needs are far more diverse than they have ever been thereby, compelling customer service to change in response to increasing customer demands. Given the increase in fragmentation of customer type and customer problems the need for building a customer-centric culture in line with customers' needs, preferences and expectations is important when customer satisfaction is important to the organization.

Customers don't want to be passed from CSR to CSR, unnecessary bureaucracy, to keep repeating why they are calling, to duplicate information already given, or to have to understand the inner workings of the utility organization.

Respondents were asked about six aspects of their most recent experience with a representative from Veridian Connections.

- Information – quality of information provided
- Staff attitude – level of courtesy
- Professionalism – the knowledge of staff
- Delivery – helpfulness of staff
- Timeliness – the length of time it took to get what they needed
- Accessibility – how easy it was to contact someone

Customer Service



Base: total respondents who contacted the utility

| Satisfaction with Customer Service | | | |
|---|----------------------|----------|---------|
| Top 2 Boxes: 'very + fairly satisfied' | Veridian Connections | National | Ontario |
| The time it took to contact someone | 83% | 77% | 72% |
| The time it took someone to deal with your problem | 78% | 73% | 66% |
| The helpfulness of the staff who dealt with you | 85% | 78% | 73% |
| The knowledge of the staff who dealt with you | 87% | 74% | 72% |
| The level of courtesy of the staff who dealt with you | 90% | 85% | 82% |
| The quality of information provided by the staff who dealt with you | 83% | 77% | 70% |

Base: total respondents who contacted the utility

The customer service representative's role is essential to effectively handling customer issues/incidents/problems/requests. Having a skilled, trained representative is vital for a positive customer experience when a customer decides to make contact. Respondents who did have contact with a utility representative within the last 12 months were asked about their overall satisfaction with *that* experience.

| Overall satisfaction with most recent experience | | | |
|--|----------------------|----------|---------|
| | Veridian Connections | National | Ontario |
| Top 2 Boxes: 'very + fairly satisfied' | 84% | 81% | 76% |

Base: total respondents who contacted the utility

This year we asked respondents to approximate the time since their most recent contact.

| Approximation of how long ago most recent contact was made | |
|--|----------------------|
| | Veridian Connections |
| 12+ months ago | 5% |
| 7-12 months ago | 19% |
| 4-6 months ago | 22% |
| 3 or less months ago | 46% |

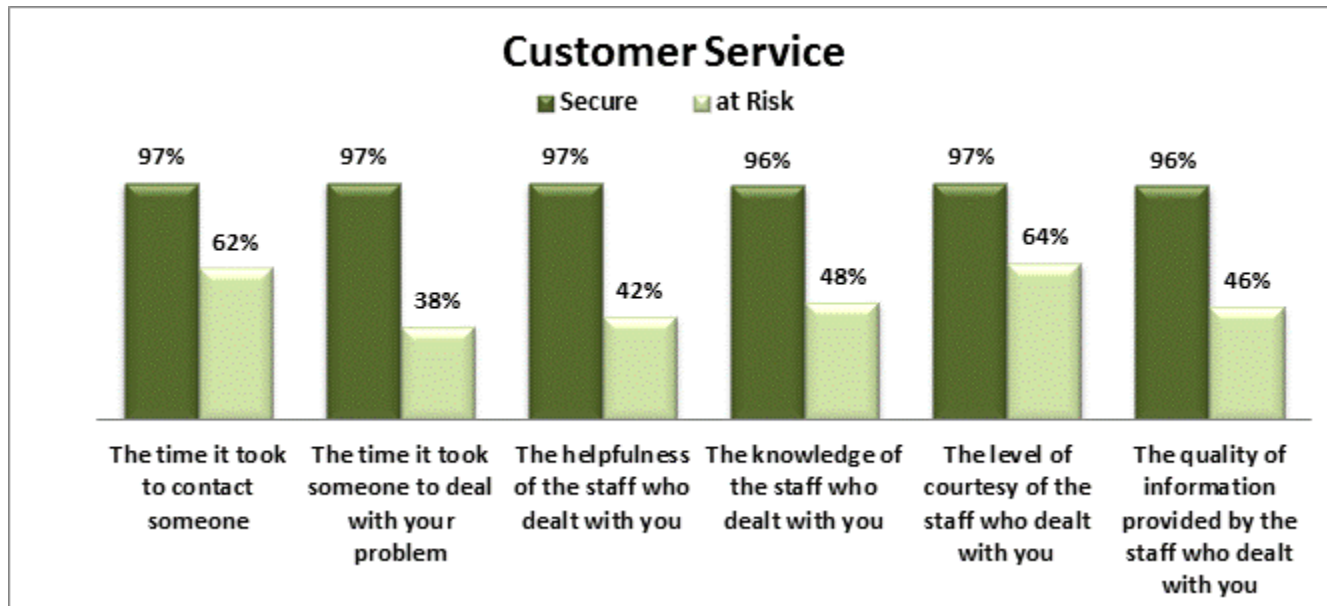
Base: total respondents who tried to contact the utility in the past 12 months

Customers value speed and responsiveness especially as it relates to solving problems. The more flexibility you're able to offer and the more empowerment given to employees, the better able employees will be to meet those "speed" and "responsiveness" requirements. Customers benefit, too, when employees are able to resolve problem issues "on the spot" instead of having to "talk to my manager."

| SATISFACTION SCORES – Electricity customers' satisfaction | | | |
|---|----------|-----------------|---------------------|
| National | National | Problems Solved | Problems Not Solved |
| Top 2 Boxes: 'very + fairly satisfied' | 90% | 93% | 56% |
| Bottom 2 Boxes: 'fairly + very dissatisfied' | 8% | 5% | 44% |

Base: total respondents from 2013 National Benchmark survey

Empowerment is the backbone of the service recovery principle. In the face of error or problems, acting quickly and decisively, being empowered and turning a dissatisfied customer into a satisfied one tends to have a positive impact.



Base: data from the full 2013 database

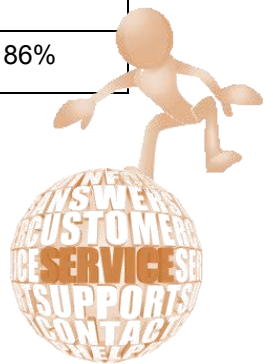
| Satisfaction with Customer Service | | | |
|---|---------|-------------------------------------|--|
| Top 2 Boxes: 'very + fairly satisfied' | Overall | Recent Experience Very Satisfied | Recent Experience Very Dissatisfied |
| The time it took to contact someone | 80% | 92% | 45% |
| The time it took someone to deal with your problem | 77% | 95% | 17% |
| The helpfulness of the staff who dealt with you | 80% | 98% | 21% |
| The knowledge of the staff who dealt with you | 80% | 97% | 21% |
| The level of courtesy of the staff who dealt with you | 87% | 97% | 48% |
| The quality of information provided by the staff who dealt with you | 77% | 96% | 21% |

Base: data from the full 2013 database

| Important attributes which shape perceptions about service quality | | | |
|--|-------------------------|----------|---------|
| | Veridian Connections | National | Ontario |
| Is pro-active in communicating changes and issues which may affect customers | 83% | 77% | 80% |
| Trusted and trustworthy company | 87% | 83% | 83% |
| Respected company in the community | 89% | 83% | 84% |
| Provides good value for money | 75% | 71% | 68% |
| Customer-focused and treats customers as if they're valued | 82% | 76% | 77% |
| Deals professionally with customers' problems | 87% | 83% | 84% |
| Is a company that is 'easy to do business with' | 86% | 82% | 81% |
| Quickly deals with issues that affect customers | 85% | 82% | 82% |
| Provides information and tools to help manage electricity | 84% | 79% | 80% |
| Adapts well to changes in customer expectations | 79% | 74% | 73% |
| Delivers on its service commitments to customers | 88% | 85% | 87% |
| Uses responsible business practices when completing work | 89% | 85% | 86% |

Base: total respondents with an opinion

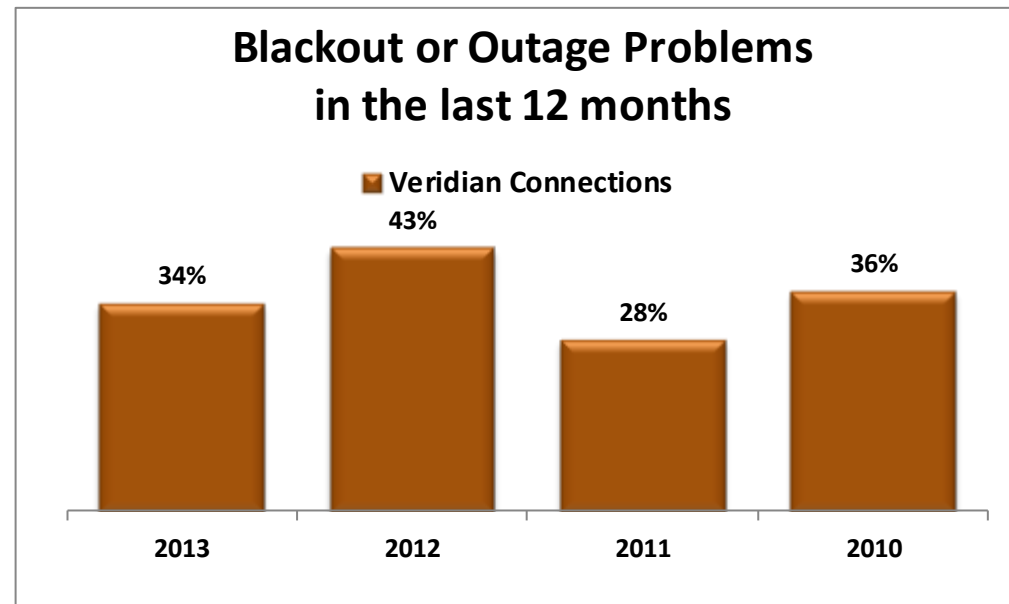
The service experience has a profound impact on customer service scores. The data shows a direct correlation between a very satisfied customer experience and the ratings given across all six measures of customer service. While there are a lot of things utilities cannot control, one thing they can control is the quality of service they provide.



Bill payers' recent problems and problem resolution

Outages and billing problems, we call them the “Killer B’s”, the two issues that are most likely to cause grief to utility customers.

At one time, if the power went off for a few minutes, it was considered annoying and inconvenient. However, with the onset of computers and smart appliances in homes and businesses, a power outage is now unbearable. Customers have little tolerance for an interruption in their flow of electricity.



Base: total respondents

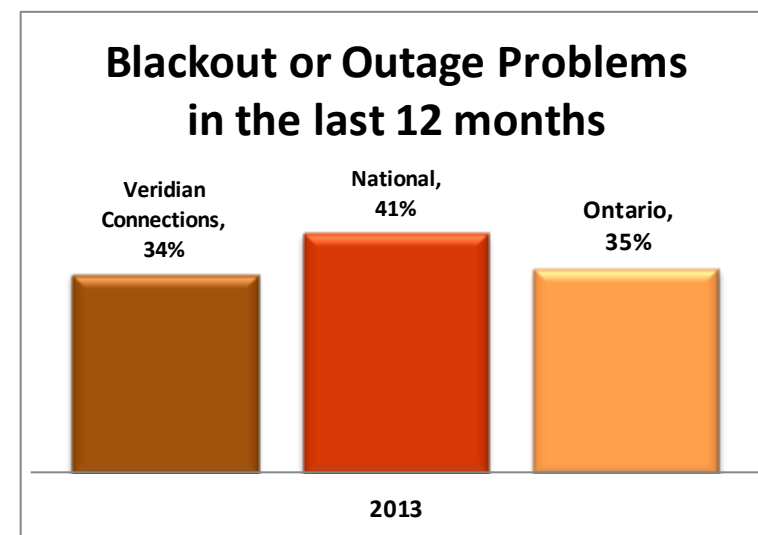
While blackouts are rare, each one has the potential of affecting thousands of people. Think of the thousands of football fans at Super Bowl 2013 who sat in darkness for 38 minutes.

Besides the mere inconvenience an outage creates, economic loss is a principal concern. Typically during an outage, employees are unable to do their work because computers and other equipment are not able to operate. An outage therefore causes an employer to pay wages to idle employees, potentially causes employers to deal with overtime work to clear the backlog created by the down time. Outages also could potentially threaten life by interfering with the operation of life-support equipment i.e. those requiring life-support equipment i.e. ventilators for those afflicted with paralysis (although these instances would be rare and uncommon, the risk and potential liability do exist).

Despite a utility's best efforts, there will be times when the power goes off.

| Percentage of Respondents indicating that they had a Blackout or Outage problem in the last 12 months | | | |
|---|----------------------|----------|---------|
| | Veridian Connections | National | Ontario |
| 2013 | 34% | 41% | 35% |
| 2012 | 43% | 44% | 46% |
| 2011 | 28% | 43% | 43% |
| 2010 | 36% | 45% | 41% |

Base: total respondents



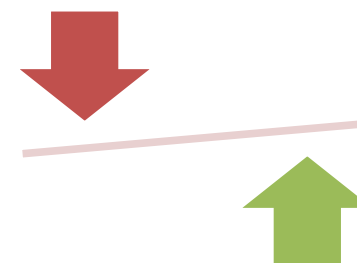
Base: total respondents

Reliability of service needs to be always given primary importance by electric utility systems. Reliability to a customer means that power made available to them is fault free and the outage or interruptions are tolerable and do not disturb their 'normal life'. Customer satisfaction can be improved through providing better quality power in terms of voltage and frequency fluctuations and reliability by reducing outages.

A “pain point” such as a power outage which will cause grief and could anger some customers will impact customer satisfaction scores.

| Bill payers recalling a power failure or outage | | | | |
|---|--------|-----------|-------------|---------|
| | Secure | Favorable | Indifferent | At Risk |
| Yes | 19% | 24% | 34% | 39% |
| No | 80% | 75% | 65% | 61% |

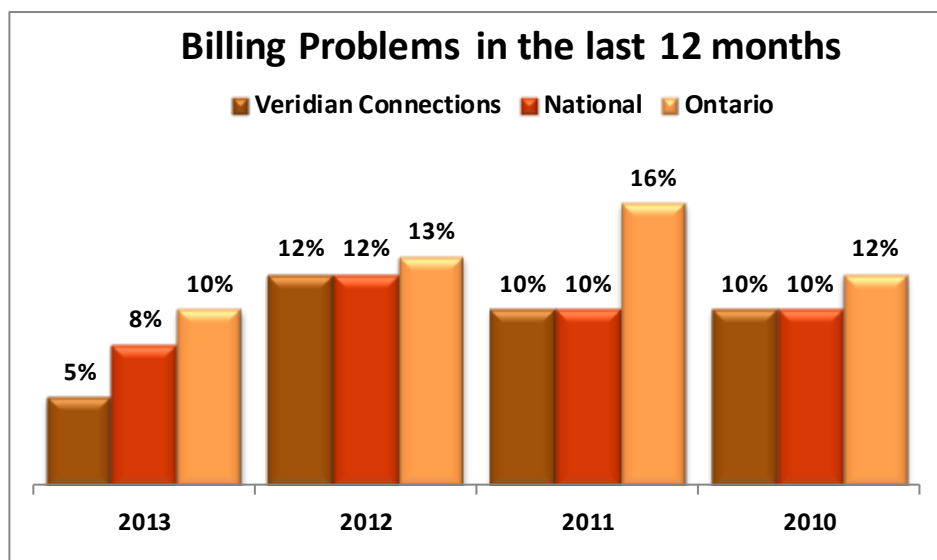
Base: data from the full 2013 database



Even though outages can have a negative impact on satisfaction, utility providers who manage these incidents properly-by providing sufficiently detailed information about the outage and restoring power when they say they will-may be able to mitigate declines, or even improve satisfaction.

For most customers, their bill is the only thing they see (or pay attention to) from their utility provider. It not only tells them how much to pay, it documents their service usage, breakdowns the various charges and provides contact information for customer service. As the principal form of communication between a utility and its customers, utilities cannot underestimate the importance of billing.

When it comes to billing, customers expect zero-defect delivery. Customers expect timely and accurate billings which they understand. Incorrect information, miscalculated balances, bills that are too difficult to understand result in time logged by your CSR's as well as dissatisfied customers. Improving billing activities has an immediate impact on the revenue streams of a utility, in terms of costs associated with managing call center applications.



Base: total respondents

| Percentage of Respondents indicating that they had a Billing problem in the last 12 months | | | |
|--|----------------------|----------|---------|
| | Veridian Connections | National | Ontario |
| 2013 | 5% | 8% | 10% |
| 2012 | 12% | 12% | 13% |
| 2011 | 10% | 10% | 16% |
| 2010 | 10% | 10% | 12% |

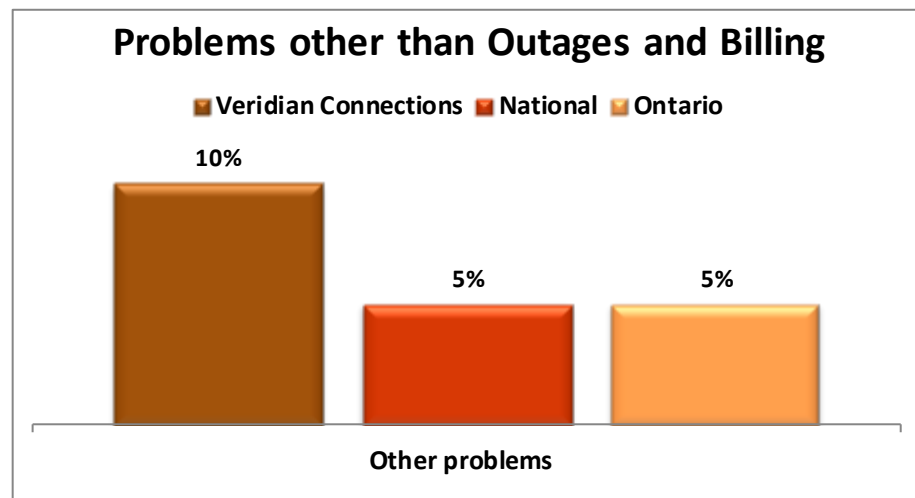
Base: total respondents



| Types of Billing Problems | |
|--|----------------------|
| | Veridian Connections |
| Complaint about rates or charges | 35% |
| The amount owed was too high | 31% |
| The bill arrived late | 5% |
| Sent notice to terminate | 5% |
| The payment made was recorded incorrectly | 4% |
| The bill was difficult to understand | 4% |
| No bill/skipped bill | 4% |

Base: total respondents with billing problems

As it relates to problems, the Killer B's – Bills and Blackouts still occupy top ranking – while moving/setting up a new account, maintenance repairs, high bills, information on pricing, SMART meters and energy conservation are issues which also contribute to inbound call-centre calls.



Base: total respondents

A customer who has experienced a problem or unfavourable service experience may spread negative word-of-mouth communication. While people have long complained about service providers in offline meeting places such as work lunch rooms, or social gatherings, today's social networks and online discussion forums mean such gripes often reach a considerably wider audience.

By understanding the complaint process and customer complaint behaviour, a utility can learn how to reduce the impact of an unfavourable service experience or complaint.

Our 15 years of research corroborates the notion that customer dissatisfaction and the handling of service recovery are key indicators of customer loyalty. A complaint allows the utility to obtain

customer feedback that is useful in making improvements to increase customer satisfaction and loyalty. Effective resolution of customer problems can have a positive impact on customers' trust and commitment. The complaint handling process therefore, is a series of critical "moments of truth" in maintaining and developing customer relationships.

| Percentage of Respondents with problems other than billing or power outages in the last 12 months | | | |
|---|----------------------|----------|---------|
| | Veridian Connections | National | Ontario |
| Yes | 10% | 5% | 5% |
| No | 90% | 95% | 95% |

Base: total respondents

| Percentage of Respondents who contacted their utility and had their problem solved in the last 12 months | | | |
|--|----------------------|----------|---------|
| | Veridian Connections | National | Ontario |
| Yes | 89% | 73% | 74% |
| No | 11% | 19% | 19% |

Base: total respondents

Utilities need to ensure that their customer complaint/service recovery processes are made to be more responsive and proactive. Call-centres need to be capable enough to meet the growing demand of information conscious and tech savvy customers. Every minute counts when it comes to complaints being voiced with the aid of social media.

| Attributes describing operational effectiveness | | | |
|---|---------------|----------------|--------------------|
| | Overall Score | Problem Solved | Problem Not Solved |
| Provides consistent, reliable energy | 91% | 90% | 81% |
| Delivers on its service commitments to customers | 87% | 86% | 72% |
| Accurate billing | 87% | 85% | 65% |
| Quickly handles outages and restores power | 89% | 88% | 80% |
| Makes electricity safety a top priority | 90% | 91% | 83% |
| Uses responsible business practices when completing work | 88% | 87% | 76% |
| Is efficient at handling the hydro-electric systems | 84% | 83% | 73% |
| Is a company that is 'easy to do business with' | 85% | 85% | 63% |
| Operates a cost effective hydro-electric system | 75% | 73% | 58% |
| Overall the utility provides excellent quality services | 87% | 86% | 69% |

Base: data from the full 2013 database from those respondents with an opinion

Technology is considered by many in the electricity utility industry to be both a blessing and a curse. On one hand, the LDC (and other service providers) can benefit from embracing technology to reduce costs and hopefully improve service thereby, putting control into the hands of the customer. On the other, when the problem has not been solved or is handled poorly, technology can enable the customer's dissatisfaction to go viral – the impact is on overall satisfaction with customers as well as employees.

Customer Experience Performance rating (CEPr)

New for 2013 is the Customer Experience Performance rating (CEPr). Every touch point with customers on the phone, website or in-person influences what customers think and feel about the organization. The key is handling every individual element of an interaction with a customer so that he/she feels good at the end of the whole interaction and the utility achieves its business objectives.

Great experiences occur when all functions of the organization align with one another to achieve the outcomes your customers seek. A good customer experience starts with understanding what your customers care about most and understanding which promises are most important to your customers.

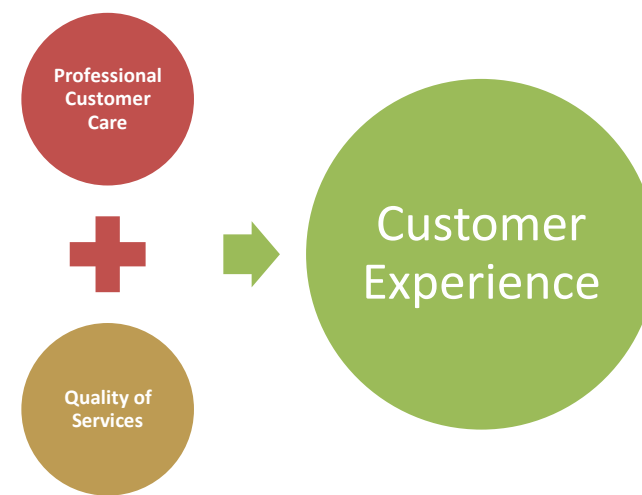


At the heart of the CEPr are 4 central questions:

- Are interactions with the organization professional and productive?
- Is the organization 'easy to deal with'?
- Does the organization effectively meet your needs?
- Does the organization provide high quality services?

Some of the factors which contribute to the overall Customer experience:

- Delivering accessible and consistent customer service
- Understanding customer expectations
- Maintaining timely resolution timelines
- Providing effective communication(s) according to customer needs
- Demonstrating responsiveness
- Speeding up problem resolution
- Conducting problem analysis to prevent recurring issues
- Easy to do business with
- Seeking customer feedback and following through on recommendations



| Customer Experience Performance rating (CEPr) | | | |
|--|----------------------|----------|---------|
| | Veridian Connections | National | Ontario |
| CEPr: all respondents | 86% | 83% | 83% |
| CEPr: respondents <i>who have</i> contacted their utility | 86% | 79% | 77% |
| CEPr: respondents <i>who have not</i> contacted their utility | 87% | 84% | 85% |

Base: total respondents

The CEPr (all respondents) for Veridian Connections is 86%. On the surface this rating appears to be very high (and it is). But put the rating in context – it would mean that a very large majority of customers have a belief that they will have a good to excellent experience dealing with a Veridian Connections professional. However, the balance of respondents are not anticipating a good to excellent experience, and as such could be more challenging to serve.

While an excellent transaction today creates a positive experience today, the perception created is that future transactions will be excellent too, which is how you want your customers to feel. Of course a negative transaction creates the perception that future transactions will be negative. The key then is to emphasize problem resolution with a “one call” mindset.

| The impact of Very Satisfied or Very Dissatisfied experiences on some operational attributes | | | |
|--|---------------|-------------------------------------|---|
| Veridian Connections | Overall Score | Recent Experience Very Satisfied | Recent Experience Very Dissatisfied |
| Provides consistent, reliable energy | 91% | 94% | 71% |
| Delivers on its service commitments to customers | 88% | 92% | 67% |
| Accurate billing | 90% | 95% | 87% |
| Quickly handles outages and restores power | 88% | 92% | 63% |
| Makes electricity safety a top priority | 91% | 92% | 75% |
| Uses responsible business practices when completing work | 89% | 94% | 75% |
| Is efficient at handling hydro-electric systems | 84% | 92% | 75% |
| Overall the utility proves excellent quality services | 87% | 95% | 59% |

Base: respondents who have contacted the utility

Customer Engagement Index (CEI)

The UtilityPULSE Customer Engagement Index (CEI) is a metric designed to get a more in-depth look at the attachment a customer has with your LDC and its brand.

What is Customer Engagement?

Ask 10 pundits, experts or academics about the definition of customer engagement and you will not get a consistent answer. UtilityPULSE has been researching this topic for the past 2 years and we have found that there are 4 basic types of definitions associated with the term called “customer engagement”. Here are the basic types:

- 1- Participation in programs or service offerings
- 2- Pro-active “reach-out” to customers
- 3- Customer loyalty
- 4- How customers think, feel and act towards the organization that serves them.

Ultimately, one has to decide if customer engagement is a program, or an outcome? Basic types 1 & 2 as shown above would suggest that engagement is a program. Types 3 & 4 are outcome based definitions. Drawing from our 25+ years of experience working with enterprises in both the private and

public domains, we believe that basic types 1 & 2 are too simplistic and tend to be efficiency measurements. Whereas types 3 & 4 are more valuable to the organization especially when a key corporate goal is to create an operationally effective place to do business with, essentially they are effectiveness and outcomes oriented measurements.

Your Annual UtilityPULSE survey tracks a customer's willingness to continue to do business, and willingness to recommend their local utility. Through a combination of calculations the end result is a Customer Loyalty index. That is, the number of customers that are: At risk, Indifferent, Favourable, Secure. The goal of every enterprise ought to be the creation of more Secure and Favourable customers. We believe that high levels of customer engagement correlate strongly to high levels of Secure and Favourable customer numbers.

We believe that a customer-centric definition of engagement is more valuable to individuals, teams and executives in an LDC for determining what needs to be done to ensure that the organization is successful today and successful again tomorrow – in a changed world.

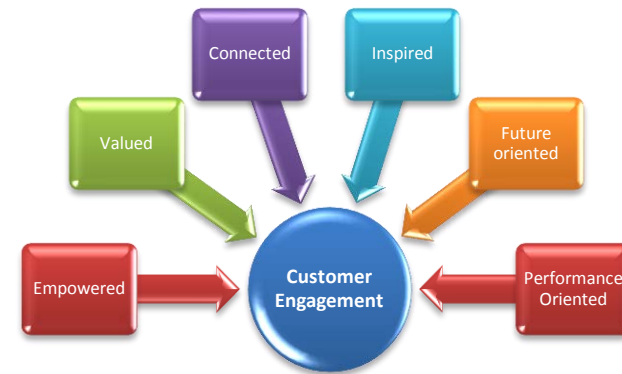
Engagement is how customers think, feel and act towards the organization. As such, ensuring that customers respond in a positive way requires that they are rationally satisfied with the services provided AND emotionally connected to your LDC and its brand. The more frequently and consistently an organization's products and services can connect with a customer, especially on an emotional level, the stronger and deeper the customer becomes engaged with the organization.

What does an engaged customer look like?

UtilityPULSE has identified the six key dimensions of what defines customer engagement. They are: empowered, valued, connected, inspired, future oriented and performance oriented.

They include:

- Does the utility allow their customers to feel **empowered** about their interactions with the company and decisions affecting their electricity usage
- Does the utility give customers the sense of being **valued**
- Does the utility act in ways which allows customers to stay **connected**
- Do customers get **inspired** by the way the utility conducts business
- Is the utility forward thinking enabling customers to be **future oriented**
- Does the utility conduct operations in such a way that customers believe that they are truly **performance oriented** in achieving goals and results



| Utility Customer Engagement Index (CEI) | | | |
|---|----------------------|----------|---------|
| | Veridian Connections | National | Ontario |
| CEI | 85% | 81% | 81% |

Base: total respondents



UtilityPULSE Report Card®

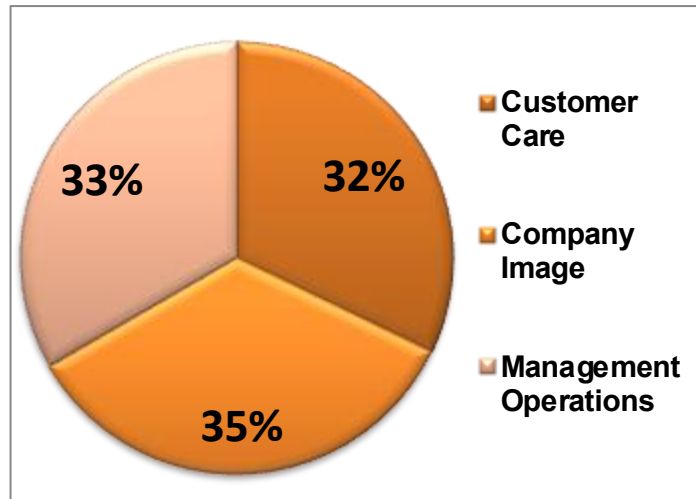
Simul's UtilityPULSE Report Card® is based on tens of thousands of customer interviews gathered over fifteen years. The purpose of the UtilityPULSE Report Card® is to provide electric utilities with a snapshot of performance – on the things that customers deem to be important. Research has identified over 20 attributes, sorted into six topic categories (we call these drivers), that customers have used to describe their utility when they have been satisfied or very satisfied with their utility. These attributes form the nucleus, or base, from which “scores” are assigned. Customer satisfaction and loyalty also play a major role in the calculations.

There are two main dimensions of the UtilityPULSE Report Card® the first is Customer psyche and the other is Customer perceptions about how the utility executes its business.

The Psyche of Customers

Every utility has virtually the same responsibility – provide safe and reliable electricity – yet not all customers are the same. The following chart shows the weight or significance of each category to the customer when forming their overall impression of the utility. Three major themes, each with two major categories make up the UtilityPULSE Report Card®. In effect the Report Card provides feedback about your customers' perception on the importance of each category and driver – as it relates to the benchmark.

UtilityPULSE Report Card® for Veridian Connections



Base: total respondents

The UtilityPULSE Report Card® also provides customer perceptions about how your utility executes or performs its responsibilities. This is different, very different, from what a customer might say about a major concern or worry that they have about electricity. As our survey has shown since its inception the primary suggestion for improvement is “reduce prices”, which is also a major concern which your customers have about municipal taxes, gas for the vehicle, and other utilities.

Readers of this report should note that the categories and drivers are interdependent. Which means that, for example, failure to provide high levels of power quality and reliability will have a negative impact on customer perceptions as it relates to customer service. Customer care, when it doesn't meet customer expectations has a negative impact on Company Image, etc.

Defining the categories and major drivers:

Category: Customer Care

Drivers: Price and Value; Customer Service

Just because everyone likes good customer care, that in and by itself, is not a reason to provide it – though it may be important to do so. In highly competitive industries good customer service may be a differentiating factor. The case for electric utilities is simple, high levels of customer care result in less work (hence cost) of responding to customer inquiries and higher levels of acceptance of the utility's actions.

Price and Value:

Customers have to purchase electricity because life and lifestyle depend on it. This driver measures customer perceptions as to whether the total costs of electricity represent good value and whether the utility is seen as working in the best interests of its customers as it relates to keeping costs affordable.

Customer Service:

Customers do have needs and every now and again have to interface with their utility. How the utility handles various customers' requests and concerns is what this driver is all about. Promptly answering inquiries, providing sound information, keeping customers informed and doing so in a professional manner are the major components of this driver.

Category: Company Image

Drivers: Company Leadership; Corporate Stewardship

Utilities have an image even if they do not undertake any activities to try to build it.

A company's image is both a simple and complex concept. It is simple because companies do create images that are easily described and recognized by their target customers. It is complex because it takes many discrete elements to create an image which includes, but is not limited to: advertising, marketing communications, publicity, service offering and pricing.

An electric utility trying to manage its image has one more challenge to deal with, and that is the electric industry itself. There are so many players that residential customers (in particular) don't know who does what or who is responsible for what. So when there are political or regulatory announcements, the local utility is often swept up into the collective reaction of the population.

Company Leadership

This driver is comprised of customer perceptions as it relates to industry leadership, keeping promises and being a respected company in the community.

Corporate Stewardship

Customers rely on electricity and want to know that their utility is both a trusted and credible organization that is well managed, is accountable, is socially responsible and has its financial house in order.

Category: Management Operations

Drivers: Operational Effectiveness; Power Quality and Reliability

Electrical power is the primary product which utilities provide their customers and, they have very high expectations that the power will be there when they need it. Customers have little tolerance for outages. The reality is, every utility has to get this part right...no excuses. It is the utility's core business. This category and its drivers are clearly the most important for fulfilling the rational needs of a utility's customers.

Operational Effectiveness

This driver measures customers' perceptions as they relate to ensuring that their utility runs smoothly. Attributes such as: accurate billing and meter reading, completing service work in a professional and timely manner and maintaining equipment in good repair are deemed as important to customers.

Power Quality and Reliability

Power outages are a fact of life – and, customers know it. They expect their utility to provide consistent, reliable energy, handle outages and restore power quickly and make using electricity safely an important priority.

Veridian Connections' UtilityPULSE Report Card[®]

Performance

| | CATEGORY | Veridian Connections | National | Ontario |
|----------------|-------------------------------|----------------------|-----------|-----------|
| 1 | Customer Care | A | B+ | B+ |
| | Price and Value | B+ | B | B |
| | Customer Service | A | B+ | A |
| 2 | Company Image | A | A | A |
| | Company Leadership | A | A | A |
| | Corporate Stewardship | A | A | A |
| 3 | Management Operations | A | A | A |
| | Operational Effectiveness | A | A | A |
| | Power Quality and Reliability | A+ | A | A |
| OVERALL | | A | A | A |

Base: total respondents

As the UtilityPULSE Report Card® shows, the total customer experience with an electric utility is defined as more than “keeping the lights on”. Customers deal with your utility every day for a variety of reasons, most likely because they need someone to help them solve a problem, answer a question or take their order for service. All your employees, from customer service representatives to linemen, leave a lasting impression on the customers they interact with. In effect there are many moments of truth. Moments of truth are every customer touch point that a utility has with their customers. Therefore, managing these moments of truth creates higher levels of Secure customers while reducing the number of At Risk customers that exist.

It's the small things done consistently that matter: Things like greeting every customer, whether on the phone or in person, in a friendly and helpful manner. Things like listening to the customer's needs, providing solutions to their problems and showing appreciation to the customer for their business.

For communication, utilities now recognize customer communications as a valuable aspect of their business. The better a utility communicates with customers, in a manner that speaks to them, the more satisfied they are with their overall service. “Sending out information” is not the same as having a “conversation” with a customer. We believe that it is increasingly important to channel your communications to the various customer segments which exist.

Obviously employees – in every area – play a critical role in customer service success. Consequently how they feel about their job responsibilities and role in the company will be communicated indirectly

through the level of service which they actually provide customers with whom they interact. The reality is engaged employees are the key to excellent customer care.

Our survey work with employees shows that there are many elements of an organizational culture to support the people model needed to achieve high levels of engagement. Our research has identified 6 main drivers that promote and support people giving their best: feeling empowered, valued, belonging, inspired, growing and performance oriented. There are 12 key processes from “attracting employees” to “saying goodbye to employees” that are part of your people model to get the best performance from every employee.

We believe that taking the time to understand the difference between employee satisfaction and organizational culture is worthwhile from a resourcing perspective and from a people development perspective. Every organization has a culture – we believe that it is a leadership imperative to install and maintain a culture that ensures that you attain the achievements and successes of your utility’s many investments in people, technology and equipment.

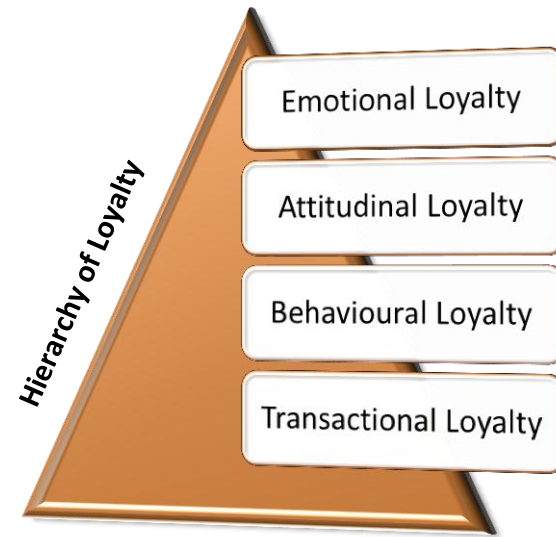
The Loyalty Factor

If a customer is satisfied, it doesn't necessarily mean he or she is loyal. Satisfaction is about fulfilling promises/expectations; loyalty goes way beyond that by creating exceptional experiences and long-lasting relationships. There is a reason why marketing campaigns strive to build brand loyalty, not brand satisfaction. Measuring customer loyalty in an industry where many customers don't have a choice of providers doesn't make sense. Or does it?

The answer depends on how you define “customer loyalty.”

Private industry often equates customer loyalty with basic customer retention. If a customer continues to do business with a company, that customer is, by definition, considered to be loyal. If this definition were applied to many companies in the utility industry, all customers would automatically be considered loyal. As such, measuring customer loyalty would appear to be unnecessary.

Natural monopolies (like LDCs) are not really different in what they should measure except that trying to determine which customers are “loyal” or “at risk” is not about their future behaviour but more about their “attitudinal” loyalty (are they advocates?).



© UtilityPULSE

Perhaps a better or more relevant way for utilities to approach the definition of customer loyalty is to further expand how they think about loyalty. Consider the following definition: Customer loyalty is an emotional disposition on the part of the customer that affects the way(s) in which the customer (consistently) interacts, responds or reacts towards the company – its products & services and its brand.

So what does it mean to respond favourably to a company? At a basic level, this can mean choosing to remain a customer. As previously mentioned however, this is essentially a non-issue for many utility companies. It then becomes necessary to think beyond just customer retention. One needs to consider other ways in which customers can respond favourably toward a company.

Other favourable responses or behaviours can be classified into one of three categories that reflect the concept of customer loyalty:

- Participation
- Compliance or Influence
- Advocacy

Specific examples of potential participatory behaviour in the electric utility industry include:

- Signing up for programs that help the customer reduce or manage their energy consumption
- Using the utility as a consultant when selecting energy products and services from a third party
- Participating in pilot programs or research studies



Specific examples of potential compliance or influence behaviours that utility customers might exhibit include:

- Seeking the utility's advice or expertise on an energy-related issue
- Voluntarily cutting back on electricity usage if the utility advised the customer to do so
- Accepting the utility's energy advice or referrals to energy contractors or equipment
- Being influenced by the utility's opinion regarding energy- management advice, equipment, or technologies
- Providing personal information that enables the utility to better serve the customer
- Paying bills online

Creating customer advocates can be especially important for a company in a regulated industry. In the absence of customer advocates, or worse, in a situation where customers speak unfavourably about a company or actively work to support issues that are counter to those the company supports, companies can suffer a variety of negative consequences like increased business costs, lawsuits, fines and construction delays. For an electric utility, specific examples of potential advocacy behaviour include:

- Supporting the utility's positions or actions on energy-related public issues, including the environment
- Supporting the utility's position on the location and construction of facilities
- Providing testimonials about positive experiences with the utility

In sum, loyal behaviour in the utility industry may not be as evident as it is in a more competitive environment. Measuring customer loyalty in a generally non-competitive industry requires one to think

about loyalty in non-traditional ways. Customer loyalty is an intangible asset that has positive consequences or outcomes associated with it no matter what the industry. Properly measuring loyalty among utility customers requires thoughtful probing to thoroughly identify the range of participation, compliance, and advocacy behaviours that will ultimately benefit the company in meaningful ways, and foster happier and more loyal customers.

The UtilityPULSE Customer Loyalty Performance Score segments customers into four groups: **Secure** – the most loyal - **Still Favorable**, **Indifferent**, and **At risk**.

Secure customers are “very satisfied” overall with their local electricity utility. They have a very high emotional connection with their utility and definitely would recommend their local utility.

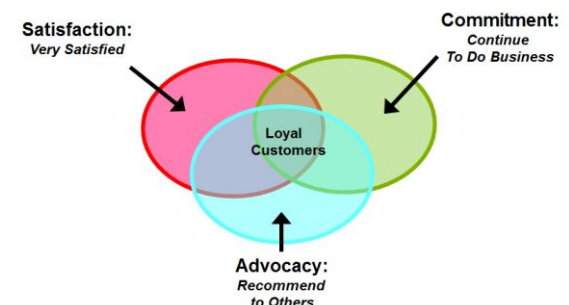
Still favorable customers are “very satisfied” overall, “definitely” or “probably” would recommend their local utility and not switch if they could.

Indifferent customers are less satisfied overall than secure and still-favorable customers and less inclined to recommend their local utility or say they would not switch.

At risk customers, who are “very dissatisfied” with their electricity utility, “definitely” would switch and “definitely” would not recommend it.

Loyalty is driven primarily by a company’s interaction with its customers and how well it delivers on their wants and needs.

Customer Loyalty Model

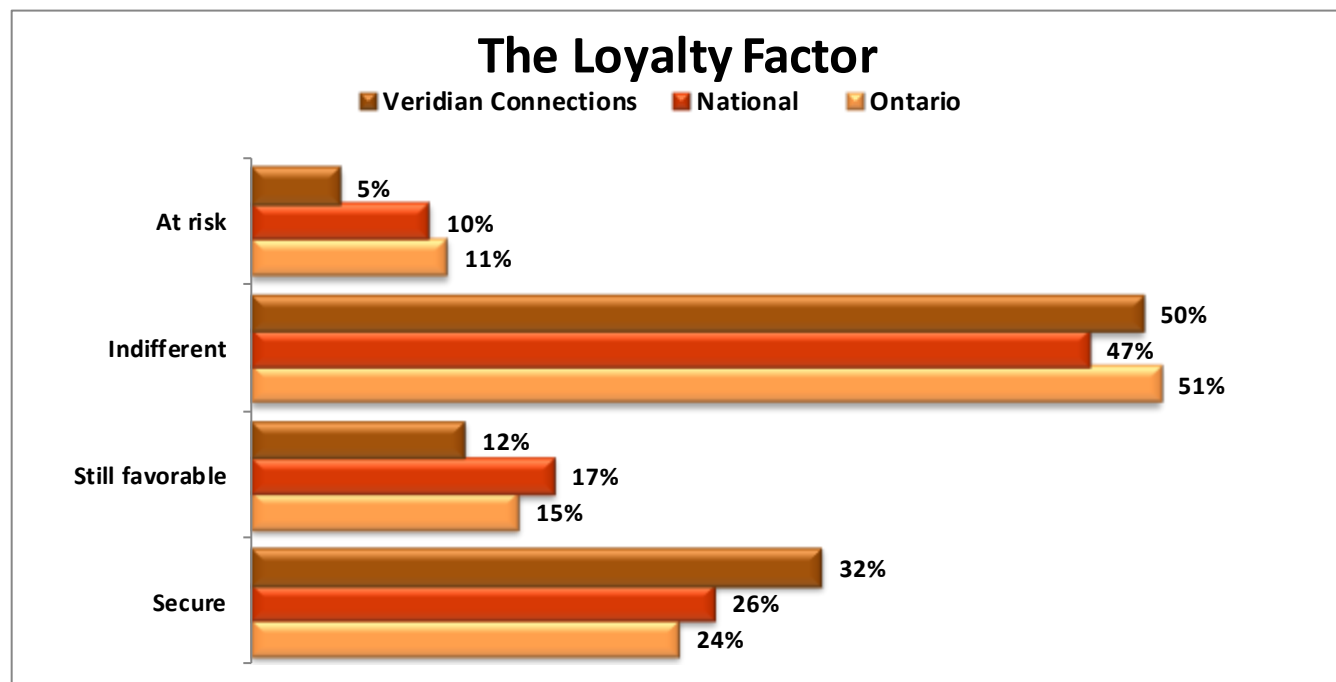


Loyalty is based on likelihood to:

- **Satisfaction:** overall satisfaction
- **Commitment:** continue as a customer
- **Advocacy:** willingness to recommend

| Customer Loyalty Groups | | | | |
|-------------------------|--------|-----------|-------------|---------|
| | Secure | Favorable | Indifferent | At Risk |
| Veridian Connections | | | | |
| 2013 | 32% | 12% | 50% | 5% |
| 2012 | 27% | 11% | 57% | 4% |
| 2011 | 28% | 15% | 52% | 5% |
| 2010 | 15% | 21% | 56% | 8% |

Base: total respondents



Base: total respondents

| Customer Loyalty Groups | | | | |
|-------------------------|--------|-----------|-------------|---------|
| | Secure | Favorable | Indifferent | At Risk |
| Ontario | | | | |
| 2013 | 24% | 15% | 51% | 11% |
| 2012 | 20% | 13% | 53% | 14% |
| 2011 | 17% | 13% | 54% | 16% |
| 2010 | 21% | 12% | 52% | 15% |
| National | | | | |
| 2013 | 26% | 17% | 47% | 10% |
| 2012 | 30% | 13% | 46% | 11% |
| 2011 | 28% | 14% | 46% | 12% |
| 2010 | 17% | 14% | 60% | 9% |

Base: total respondents



Secure customers' experiences and perceptions are distinct from those of Indifferent customers. There is yet an even greater gap between those identified as Secure versus At Risk.

- Problems are experienced and remain unresolved far more often by the Indifferent or At Risk segments in comparison to others. This is not an unusual finding.
- Other areas of interaction also revealed considerable differences among the segments. Consistently, Secure customers' perceptions are most positive.

| Important attributes which shape perceptions about customer affinity | | | |
|--|---------------|--------|---------|
| | Overall Score | Secure | At Risk |
| Customer focused and treats customers as if they're valued | 81% | 95% | 51% |
| Is pro-active in communicating changes and issues which may affect customers | 82% | 94% | 59% |
| Deals professionally with customers' problems | 86% | 97% | 62% |
| Works with customers to keep their energy costs affordable | 70% | 87% | 40% |
| Quickly deals with issues that affect customers | 84% | 96% | 60% |
| Delivers on its service commitments to customers | 87% | 97% | 62% |
| Provides information and tools to help manage electricity consumption | 83% | 94% | 61% |
| Is 'easy to do business with' | 85% | 98% | 57% |
| Adapts well to changes in customer expectations | 77% | 91% | 49% |
| The cost of electricity is reasonable when compared to other utilities | 65% | 81% | 38% |
| Provides good value for your money | 73% | 89% | 39% |
| Provides consistent reliable energy | 91% | 99% | 80% |
| Operates a cost effective hydro-electric system | 75% | 91% | 44% |
| Overall the utility provides excellent quality services | 87% | 98% | 64% |

Base: data from the full 2013 database from those respondents with an opinion

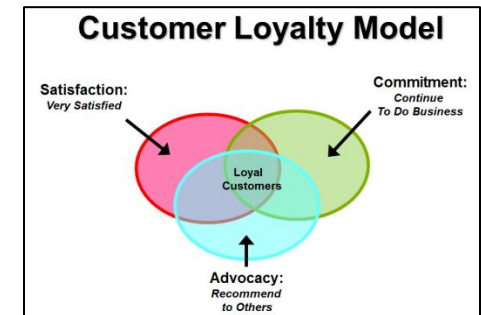
Customer commitment

Customer loyalty is a term that can be used to embrace a range of customer attitudes and behaviours. One of the metrics used to gauge loyalty is the measure of **retention**, or intention to buy again; this loyalty attitude is termed **commitment**.

Customer commitment to the local electricity supplier is a very important driver of customer loyalty in the electricity service industry. In a similar way to trust, commitment is considered an important ingredient in successful relationships. In simpler terms, commitment refers to the motivation to continue to do business with and maintain a relationship with a business partner i.e. the local utility.

For electric utilities, this measurement is about identifying the number of customers who feel that they “want to” vs “have to” do business with you. Potential benefits of commitment may include word of mouth communications - an important aspect of attitudinal loyalty. Committed customers have been known to demonstrate a number of beneficial behaviours, for example committed customers tend to:

- Come to you. One of the key benefits of establishing a good level of customer loyalty is that customers will come to you when they need a product or service.



- Validate information received from 3rd parties with information and expertise that you have.
- Try new products/initiatives.
- Perhaps they will even trust you when recommendations are made.
- Be more price tolerant.
- More receptivity of utility viewpoints on various issues.
- More tolerance of errors or issues that inevitably take a swipe at the utility.
- Stronger levels of perception regarding how the utility is managed.

Though customers can not physically leave you, they can emotionally leave you and when they do, it becomes an extreme challenge to garner their participation or support for utility initiatives.

| Electricity customers' loyalty – ... Is a company that you would like to continue to do business with | | | |
|---|----------------------|----------|---------|
| | Veridian Connections | National | Ontario |
| Top 2 Boxes: 'Definitely + Probably' would continue | 86% | 79% | 80% |
| Definitely would continue | 53% | 47% | 46% |
| Probably would continue | 33% | 31% | 33% |
| Might or might not continue | 6% | 6% | 6% |
| Probably would not continue | 4% | 4% | 5% |
| Definitely would not continue | 2% | 6% | 6% |

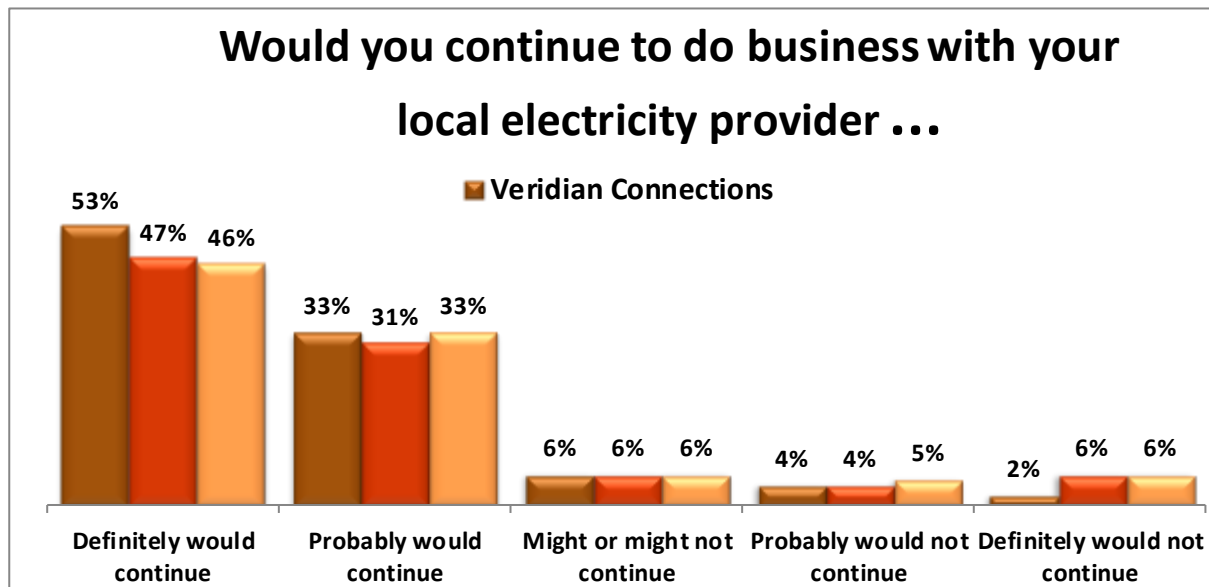
Base: total respondents

| Electricity customers' loyalty – ... Is a company that you would like to continue to do business with | | | | |
|---|--------|--------|-------|-----|
| Veridian Connections | <\$40K | \$70K+ | 18-34 | 55+ |
| Top 2 Boxes: 'Definitely + Probably' would continue | 88% | 87% | 93% | 81% |

Base: total respondents

| Electricity customers' loyalty – Is a company that you would like to continue to do business with | | | | |
|---|------|------|------|------|
| Veridian Connections | 2013 | 2012 | 2011 | 2010 |
| Top 2 boxes: 'Definitely + Probably' would continue | 86% | 83% | 84% | 85% |

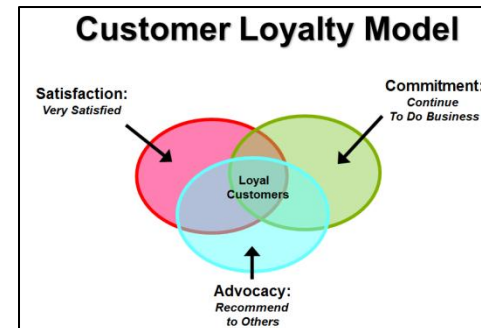
Base: total respondents



Base: total respondents

Word of mouth

Advocacy is one of the metrics measured in determining customer loyalty. Essentially, companies believe that a loyal customer is one that is spreading the value of the business to others, leading new people to the business and helping the company grow. Customer referrals, endorsements and spreading the word are extremely important forms of customer behaviour. For LDCs this is about generating positive referants about the LDC as a relevant and valuable enterprise.



When customers are loyal to a company, product or service, they not only are more likely to purchase from that company again, but they are more likely to recommend it to others – to openly share their positive feelings and experiences with others. In today's world, thanks to the Internet, they can tell and influence millions of people. That equates to new customers and revenue. The same holds true, if not more, when customers are disloyal. Disgruntled customers could share their negative experiences with an ever-widening audience, jeopardizing a company's reputation and resulting in fewer engaged customers and/or customers who are Favourable or Secure. Secure customers, typically are advocates and they are deeply connected and brand-involved.



There are two forms of word of mouth which utilities need to understand. The first is Experience-based word of mouth which is the most common and most powerful form. It results from a customer's direct experience with the utility or the re-statement of a direct experience from a trusted source.

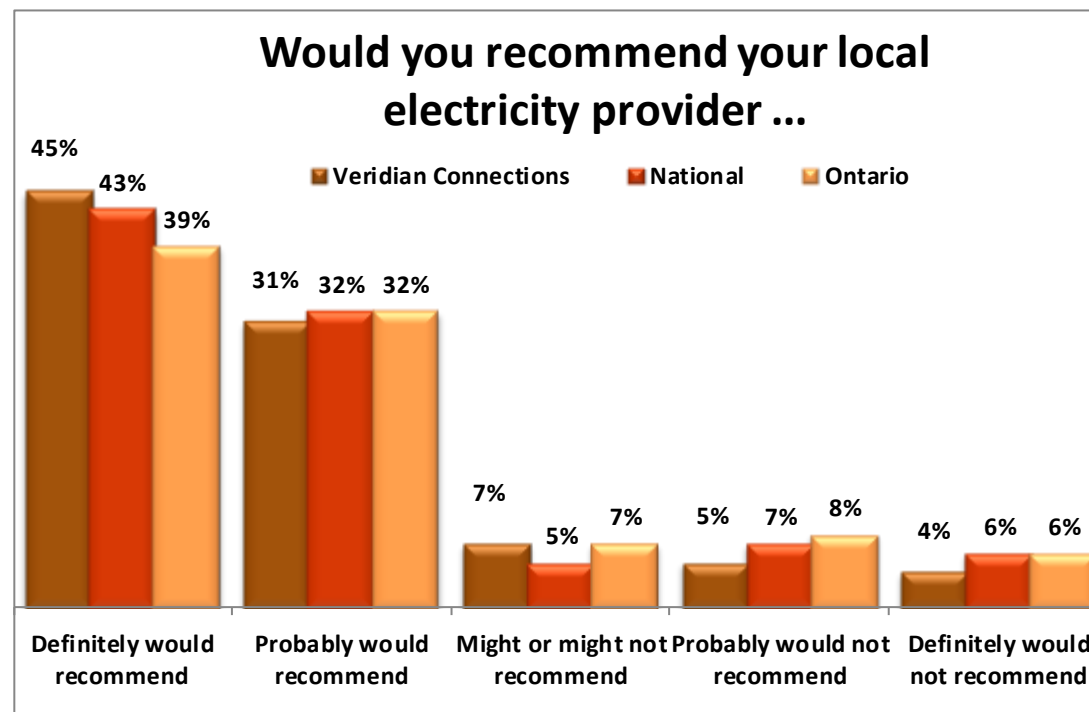
The second is Relay-based word of mouth. This is when customers pass along important messages to others based on what they have learned through the more traditional forms of communications. For example, if the utility was communicating an offer for "free LED lights" chances are high that the offer will be "relayed" to others through word of mouth.

For an electric utility, specific examples of potential positive advocacy behaviour include:

Recommending that other customers specifically locate in the geographic area that is serviced by that utility

- Supporting the utility's positions or actions on energy-related public issues, including the environment
- Supporting the utility's position on the location and construction of facilities
- Providing testimonials about positive experiences with the utility

Would you tell me if you agree or disagree with the following statement? Veridian Connections is a company that you would recommend to a friend or colleague ...



Base: total respondents

Word of mouth communication is a very powerful form of communication and influence. When customers are speaking to other customers (or their peers) it is more credible, goes through less perceptual filters and can enhance the view of services or products provided better than marketing communication.

| Electricity customers' loyalty – ... is a company that you would recommend to a friend or colleague | | | |
|---|----------------------|----------|---------|
| | Veridian Connections | National | Ontario |
| Top 2 boxes: 'Definitely + Probably' would recommend | 76% | 75% | 71% |
| Definitely would recommend | 45% | 43% | 39% |
| Probably would recommend | 31% | 32% | 32% |
| Might or might not recommend | 7% | 5% | 7% |
| Probably would not recommend | 5% | 7% | 8% |
| Definitely would not recommend | 4% | 6% | 6% |

Base: total respondents

| Electricity customers' loyalty – is a company that you would recommend to a friend or colleague | | | | |
|---|--------|--------|-------|-----|
| Veridian Connections | <\$40K | \$70K+ | 18-34 | 55+ |
| Top 2 boxes: 'Definitely + Probably' would recommend | 77% | 78% | 86% | 73% |

Base: total respondents

| Electricity customers' loyalty – is a company that you would recommend to a friend or colleague | | | | |
|---|------|------|------|------|
| Veridian Connections | 2013 | 2012 | 2011 | 2010 |
| Top 2 boxes: 'Definitely + Probably' would recommend | 76% | 78% | 77% | 68% |

Base: total respondents

Corporate image

Organizations today are always under scrutiny and have to consider the reality AND perception of their image. In the simplest of terms, how you are seen by your stakeholders is your corporate image and reputation. The corporate image is a dynamic and profound affirmation of the nature, culture and structure of an organization. This applies equally to corporations, businesses, government entities, and non-profit organizations.

The corporate image communicates the organization's mission, the professionalism of its leadership, the caliber of its employees and its roles within the marketing environment or political landscape. Every organization has a corporate image, whether it wants one or not.

All companies survive on the strength of the relationships they build with their customers. To build and maintain a corporate image, a company must express its brand consistently in a wide range of ways including websites, advertising and "information" materials, but also customer service, the look and layout of the workplace and the way the company functions as a whole. Failure to do that can mean a business could, at worst, appear fraudulent, and at best not exploit the brand's potential.



When properly designed and managed, corporate image will accurately reflect the level of the organization's commitment to quality, excellence and relationships with its various stakeholders, including customers, employees, suppliers, partners, governing bodies, and the general public at large. As a result, corporate image is a critical concern for every organization, one deserving the same attention and commitment by senior management as any other vital issue.

Increasingly, organizations have realized that the management of a strong positive image with various stakeholders can be beneficial. Below are some of the attributes measured in the annual UtilityPULSE survey which are strongly linked to a utility's image.

| Attributes strongly linked to a hydro utility's image | | | |
|--|---------------------------------|-----------------|----------------|
| | Veridian Connections | National | Ontario |
| Is a respected company in the community | 89% | 83% | 84% |
| Maintains high standards of business ethics | 88% | 81% | 81% |
| A leader in promoting energy conservation | 83% | 80% | 80% |
| Keeps its promises to customers and the community | 85% | 81% | 82% |
| Beyond providing jobs and paying taxes, is socially responsible | 86% | 79% | 79% |
| Is a trusted and trustworthy company | 87% | 83% | 83% |
| Adapts well to changes in customer expectations | 79% | 74% | 73% |
| Is 'easy to do business with' | 86% | 82% | 81% |
| Overall the utility provides excellent quality services | 87% | 85% | 83% |
| Operates a cost effective hydro-electric system | 78% | 72% | 68% |

Base: total respondents with an opinion

These attributes measure different facets of reputation such as the extent to which the company is providing excellent quality services, whether the company is known as leader in the industry and respected in the community, how the company delivers value, reliable service and support, how the company efficiently manages its business, the company's approach to making the world a better place - environmental and social commitments, and the emotional connection the company has with the people.

People feel better about themselves when they believe they are dealing with an organization that cares about “doing the right thing”. Today, being a good corporate citizen requires more than business as usual, it requires investments in society and the environment.

Our research has shown when customers attribute positive feelings to a utility's corporate visual identity systems, when they think that marketing communication activities reflect corporate values, and when they perceive the company as socially responsible, they tend to form a favourable image of that organization. Our research also shows that customers put more emphasis on an LDC's brand image as an influencer of satisfaction and loyalty today than they did 10-15 years ago.



Corporate Credibility & Trust

No organization or company can plunge trust and credibility among its customers and stakeholders – and survive. Building and maintaining credibility and confidence make up a deliberate process that occurs over numerous interactions usually over a long period of time.

Establishing trust and credibility, whether with business partners, customers or regulators, is not achieved overnight. Creating credibility is a process, which advances only through honest, continuous communication between the utility, its regulators, and the public at large. Credible communications are informed and nurtured by diligent efforts on the utility's part to understand the legal and regulatory framework in which it operates. Public trust in their local utility is the degree to which the public believes that the utility will act in a particular manner because the utility has incorporated the public's interest into its own. The public trusts the utility to produce consistent and reliable electricity.

| Attributes strongly linked to a hydro utility's image | | | |
|--|-------------------------|----------|---------|
| | Veridian Connections | National | Ontario |
| Overall the utility provides excellent quality services | 87% | 85% | 83% |
| Keeps its promises to customers and the community | 85% | 81% | 82% |
| Customer-focused and treats customers as if they're valued | 82% | 76% | 77% |
| Is a trusted and trustworthy company | 87% | 83% | 83% |

Base: total respondents with an opinion

Trust and credibility can be thought of as indicators of the degree of confidence stakeholders have in your organization's ability to deliver on its commitments. Trust and credibility are outcomes based on what your utility actually does, not what it might be doing.



Simul/UtilityPULSE research shows the underpinning components which lead customers to believe an organization has credibility and can be trusted are: Knowledge, Integrity, Involvement and Trust.

Knowledge is captured by the utility's ability to demonstrate that it is actively aware of industry, regulatory and economic changes within the industry and how these might impact the lives of customers.

Integrity is established by demonstrating adherence to a code of conduct. It requires consistently acting in accordance with the values and goals that have been communicated to customers.

Involvement — Corporate Involvement is increasingly important to Canadian communities as it is an opportunity for their local utility to use their resources and manpower to benefit people at the community level. This helps to build credibility as customers see that the organization is acting and delivering on its commitments. This helps customers regard the utility with esteem and respect.

Trust — Trust is achieved through a track record of consistent and reliable performance, delivering on commitments and demonstrated accountability.

Using the four components of demonstrating Credibility and Trust, the resultant index shows that LDCs enjoy a high level of credibility and trust. As Benjamin Franklin said, “It takes many good deeds to build a good reputation, and only one bad one to lose it.”

| <i>Credibility and Trust Index</i> | |
|---|--|
| Knowledge | The utility is seen as being knowledgeable about the services it provides, about what is happening in the industry, and how customers can reduce costs or create more value. |
| Integrity | The utility is seen as an organization that will act in the best interests of its customers and can be counted on to provide services and resolve problems in a professional manner. |
| Involvement | The utility is actively involved in the industry, in the community and in things that affect the customer. |
| Trust | The utility is an organization that can be trusted and is worthy of respect. |
| Overall Veridian Connections 86% [Ontario 82%; National 82%] | |

How can service to customers be improved?

Perception is an opinion about something viewed and assessed and it varies from customer to customer, as every customer has different beliefs towards certain services and products that play an important role in determining customer satisfaction.

Customers are more informed, more aware, more conscious of what's going on around big issues in the world around them and in this age of internet and social media, they are better equipped to influence service quality and outcomes. They have learned to compare products and services, to document and monitor customer service and satisfaction, and to request or demand higher quality.

Customer satisfaction is determined by the customers' perceptions and expectations of the quality of the products and services. In many cases, customer perception is subjective, but it provides some useful insights for organizations to develop their marketing strategies. Just as in previous years, respondents were asked once again what their utility could do to improve service.

And we are interested in knowing what you think are the one or two most important things ‘your local utility’ could do to improve service to their customers?

| One or two most important things ‘your local utility’ could do to improve service | |
|---|----------------------|
| Veridian Connections | % of all suggestions |
| Better prices/lower rates | 39% |
| Better communication with customers | 13% |
| Be more efficient | 10% |
| Concerns about SMART meters | 9% |
| Improve power reliability | 9% |
| Improve/simplify/clarify billing | 7% |
| Remove hidden costs on bills | 7% |
| Information & incentives on energy conservation | 5% |
| Staff related concerns | 4% |
| Better on-line presence | 4% |
| Don’t charge for previous debt | 3% |
| Increase service hours/availability of hydro representative | 2% |

Base: total respondents with suggestions

SMART Meters & SMART Grid

Consumers are used to paying different amounts during different times of day in a variety of settings. In larger cities, drivers pay more for parking when there is higher demand, such as during the day or during special events. Similarly, some highway toll charges increase during commuting hours, while drivers who drive across during off peak hours will save money. Customers even acknowledge that they will pay more for using their cell phone minutes during weekdays rather than nights and weekends.

Demand for energy is going up. Energy prices are climbing. What are customers to do?

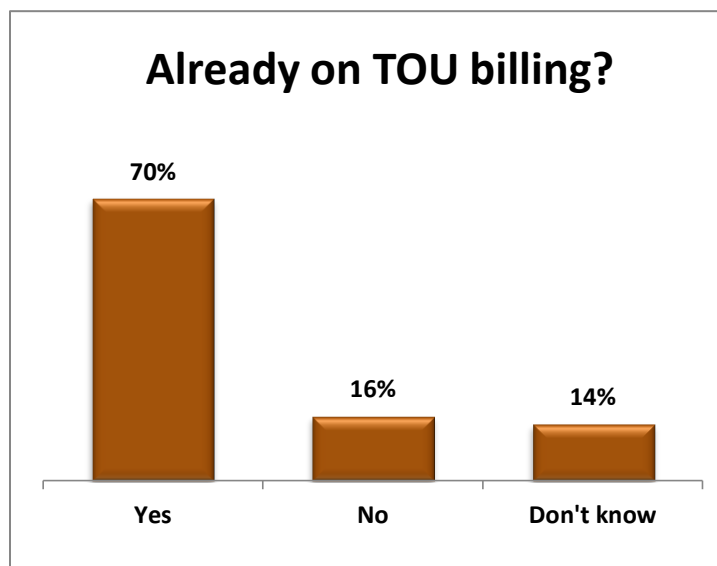
Customers can respond to increases in energy prices in one of 3 ways:

- (1) changing energy usage behaviour,
- (2) investing in energy-using technologies and practices, or
- (3) making no change to their energy usage.

Time-of-use (TOU) pricing was designed to reward consumers who shift their load to off-peak times. Electricity rates on weekends and overnight are about half of the cost during peak hours. This is supposed to be an economic incentive for people to shift electricity use to off-peak hours.

There is a direct correlation between customer familiarity with SMART meters and their favourable views toward the technology. While the majority of respondents could identify they were on TOU

billing, a significant proportion were not in the know. Lack of knowledge is a real barrier to ultimate acceptance and/or any type of behaviour modification.



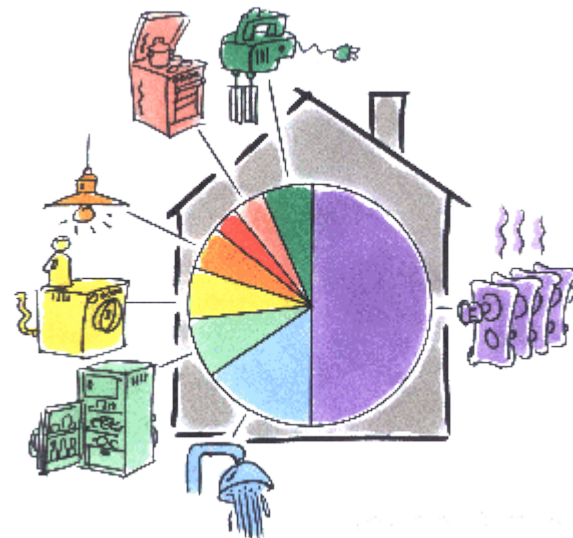
Base: An aggregate of respondents from 2013 participating LDCs / 90% of total respondents from the local utility



Do economic incentives, based on time-tiered pricing, have an impact on resource consumption patterns? Does awareness about electricity use change behaviours? Respondents of the 2013 survey seem to believe they have. *77% agree strongly or somewhat that Time-of-Use billing has changed the way in which they consume electricity on a day-to-day basis. [Base: Ontario LDC respondents]*

| Time-of-Use billing has changed the way in which you consume electricity on a day-to-day basis | |
|--|-----|
| Ontario LDCs | |
| Agree strongly | 42% |
| Agree somewhat | 35% |
| Neither / Neutral | 2% |
| Disagree somewhat | 10% |
| Disagree strongly | 11% |

Base: An aggregate of respondents from 2013 participating LDCs



Most residential energy use, most of the time, is invisible to the user. Most people have only a vague idea of how much energy they are using for different purposes and what sort of difference they could make by changing day-to-day behaviour or investing in efficiency measures. Feedback is important so that energy usage becomes visible, thereby, creating more understanding and ultimately easier to exercise control.

When it comes to energy, people tend to overestimate the amount of energy used by devices that are “visible” to them and underestimate the amount of energy used by devices that are “not visible” to them. SMART metering is also a key element of SMART grid technology. This year’s survey probed around the concept of SMART grid, its importance and support towards working with neighbouring utilities.

The survey data indicates that customer awareness and understanding of the benefits that can be derived from SMART grid technologies are still in an early stage. For the most part respondents were mostly unfamiliar or uninformed.

| Level of knowledge about the SMART Grid | |
|--|-----|
| Ontario LDCs | |
| I have a fairly good understanding of what it is and how it might benefit homes and businesses | 7% |
| I have a basic understanding of what it is and how it might work | 17% |
| I've heard of the term, but don't know much about it | 33% |
| I have not heard of the term | 42% |
| Don't know | 1% |

Base: An aggregate of respondents from 2013 participating LDCs

Next respondents were asked what degree of importance they attached to their local hydro utility in pursuing the implementation of the SMART Grid and its associated technologies.

The SMART Insight from this poll is: even though more than half the respondents did not know much about the SMART Grid, 53% felt it was very or somewhat important to pursue its implementation and 75% responded that they were very or somewhat supportive of their local utility working with neighbouring utilities to get the most value out of the SMART Grid.

| Importance of pursuing implementation of the SMART Grid | |
|---|-----|
| Ontario LDCs | |
| Very important | 23% |
| Somewhat important | 30% |
| Neither important or unimportant | 9% |
| Somewhat unimportant | 5% |
| Unimportant | 10% |
| Don't know | 23% |

Base: An aggregate of respondents from 2013 participating LDCs

| Support towards working with neighbouring utilities on SMART Grid initiatives | |
|---|---------|
| Ontario LDCs | |
| Very supportive | 38% |
| Somewhat supportive | 37% |
| Neither supportive or unsupportive | 4% |
| Somewhat unsupportive | 2% |
| Unsupportive | 6% |
| Don't know | 12% 0 % |

Base: An aggregate of respondents from 2013 participating LDCs

Energy Conservation & Efficiency

Improving energy efficiency does not mean that citizens have to give up or forgo activities to save energy, that is, “turn off the lights and put on another sweater”. Rather, new technologies and more effective behaviour will actually allow citizens to do more, improving their living conditions rather than reducing their comfort.



Reducing the amount of energy we use by choosing energy-efficient appliances and services, and ensuring we do not waste energy can make a big difference. It is possible for residents to cut energy use without compromising on performance, through changes in customer behaviour and by investing in more efficient energy technologies – effectively doing more with less.

This makes sense both for society as a whole and for businesses, individuals and families. Less energy use means lower energy bills. People simply need to be aware of their energy use.

Energy efficiency can be broken down into two areas:

- 1) *better use of energy through improved energy-efficient technologies; and*
- 2) *energy saving through changes in customer awareness and behaviour.*

Energy efficiency has been seen as primarily about technologies: using the best technology to consume less energy. Examples include changing a household furnace or air condition unit for one that consumes one third less energy, using low-energy light bulbs and avoiding keeping appliances in ‘standby’ mode. Respondents were asked what they have done or will do to conserve energy.

| Efforts to conserve energy | | | | |
|--|-----|-----|--------------|------------|
| Ontario LDCs | Yes | No | Already Done | Don't Know |
| Install energy-efficient light bulbs or lighting equipment | 20% | 10% | 69% | 1% |
| Install timers on lights or equipment | 15% | 49% | 35% | 2% |
| Shift use of electricity to lower cost periods | 21% | 19% | 57% | 3% |
| Install window blinds or awnings | 15% | 26% | 58% | 1% |
| Install a programmable thermostat | 15% | 20% | 63% | 2% |
| Have an energy expert conduct an energy audit | 9% | 70% | 18% | 3% |
| Removing old refrigerator or freezer for free | 14% | 45% | 37% | 4% |
| Join the peaksaverPLUS™ program | 18% | 48% | 21% | 13% |
| Replacing furnace with a high efficiency model | 13% | 36% | 48% | 3% |
| Replacing air-conditioner with a high efficiency model | 16% | 39% | 41% | 4% |
| Use a coupon to purchase qualified energy saving products | 33% | 42% | 21% | 4% |

Base: An aggregate of respondents from 2013 participating LDCs

New technologies will have little effect if users cannot be convinced to use them. Changing customer behaviour has to be driven by increasing awareness of the benefits of energy saving, both for the individual and for society. Awareness of the energy that we use as individuals, families, households or organizations is very important – as is the impact that can be made by not wasting energy – both individually and collectively.

Behaviour is one of the parameters with a direct relation to individual energy consumption. Individual behaviour in energy use is determined by a number of factors, the most important of which are attitude, income and energy pricing. Less directly related are energy policy (including taxation) and technology availability as these relate to pricing and income respectively. However education can influence attitude in order to change behaviour; it can also inform individuals about energy policy and technology which feeds into behavioural change.

SMART Feedback from participants shows, predictably, the most frequently mentioned barrier to energy conservation was upfront financial costs. Not having the upfront funds limits the household's ability to invest in new appliances and to make other energy efficiency retrofits.

One participant noted that, even with programs that provide free appliance disposal, “if you get rid of your old fridge, you don't pay for disposal, but you need money for the cost of the new appliance”. Likewise, another respondent commented that limited upfront funds “affect all households - but are particularly strong for low income households where there is no money to invest in retrofits.”

Another barrier to conservation described by the survey respondents was awareness of programs and issues related to energy conservation. Generally speaking, the respondents felt that often lower-income and senior-occupied households did not have access to sufficient information that would allow them to reduce or to shift electricity usage. The respondents noted that although the person may have intentions of wanting to do the right thing, they are not sure or do not know exactly what the right thing to do is.

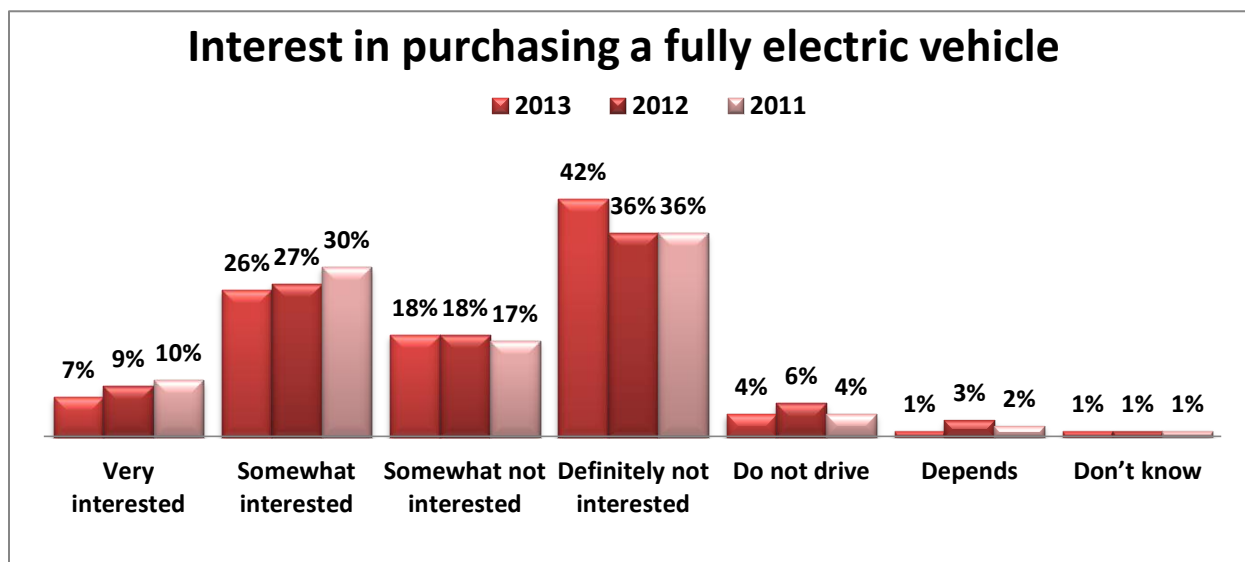
| What are the 1 or 2 barriers to energy conservation experienced by Ontarians? | |
|---|---------|
| | Ontario |
| Cost involved in making equipment/appliance changes | 21% |
| Lifestyle changes / inconvenient | 11% |
| Lack of interest or personal responsibility | 8% |
| Lack of knowledge | 7% |
| Waiting for better technology / Greener options | 6% |
| Lack of information / confusion as to the “right” thing to do | 5% |
| Not enough incentives | 4% |
| Have an issue with Government policies | 3% |
| None | 12% |
| Don’t know | 29% |

Base: total respondents from 2013 Ontario Benchmark survey

Purchasing an Electric Vehicle

A clear majority (60%) of car drivers are strongly not in favour of electric vehicles replacing conventional vehicles at this time. There is, however a significant minority (34%) who do favour such a development. None-the-less the EV is having an impact on travel and its influence is set to increase.

An income breakdown of the “positive support” data shows the strength of opinion in the higher income ranges. 45% of respondents in the \$40k-\$70k income range and 43% of those making \$70K or more are in favour of EVs replacing conventional vehicles over time, and less than one



Base: total respondents from 2013 Ontario Benchmark survey

quarter (22%) of wage earners in the under \$40k category. Looking at age demographics, 22% of older respondents (55+) versus 47% of respondents aged 35-54 are in favour of EVs replacing conventional cars. 43% of those aged 18-34 are receptive to the idea of purchasing an electric vehicle.

When asked how long it would be before they would consider an EV as an option for their next car purchase, only 1 in 10 (11%) would consider an EV within the next 24 months.

| Interest in purchasing a fully electric vehicle | | | | | | |
|---|------------------|-----------------------|-------------------|--------------|--------------|------------|
| | Income <\$40K | Income \$40K<\$70K | Income \$70K + | Age 18-34 | Age 35-54 | Age 55+ |
| Very interested | 4% | 10% | 11% | 14% | 12% | 3% |
| Somewhat interested | 18% | 35% | 32% | 29% | 35% | 19% |
| Somewhat not interested | 17% | 17% | 21% | 24% | 21% | 16% |
| Definitely not interested | 46% | 35% | 34% | 33% | 28% | 53% |
| Don't know | 1% | 0% | 2% | 0% | 2% | 1% |

Base: total respondents from 2013 Ontario Benchmark survey

| Length of time before purchasing a fully electric vehicle | |
|---|---------|
| | Ontario |
| Immediately to next 6 months | 1% |
| 7 to 12 months | 2% |
| 13 to 24 months | 8% |
| Over 24 months | 84% |
| Depends | 1% |
| Don't know | 3% |

Base: total respondents from 2013 Ontario Benchmark survey



E-care and E-billing

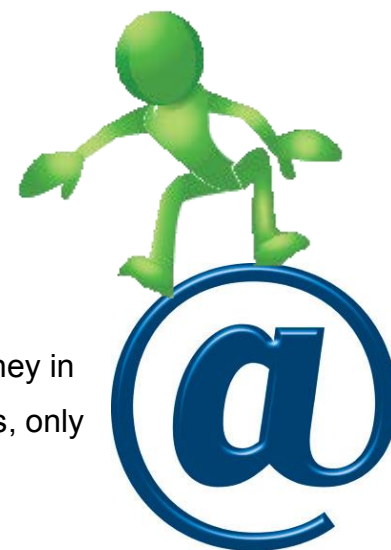
For any service provider including electric utilities, using the Internet for online customer care and electronic billing involves a number of interrelated requirements, including a customer's ability to:

- receive and pay bills on the internet,
- sign up for and change their services using the internet,
- find answers to their questions online about their accounts, i.e. statements, payments, balances
- learn about products, services and topics, i.e., green energy, electricity pricing, etc.

| Do you have access to the internet? | | |
|-------------------------------------|--------------|----------------------|
| | Ontario LDCs | Veridian Connections |
| Yes | 86% | 89% |
| No | 14% | 11% |

Base: An aggregate of respondents from 2013 participating LDCs / 90% of total respondents from the local utility

We asked respondents who were currently connected or had access to the internet if they in fact visited their local utility website. Out of all the respondents who had internet access, only 23% claim that they had actually been to their utility's website.



| Over the past six months have you accessed your local utility website? | | |
|--|--------------|----------------------|
| | Ontario LDCs | Veridian Connections |
| Yes | 27% | 23% |
| No | 72% | 76% |

Base: An aggregate of respondents from 2013 participating LDCs / 90% of total respondents from the local utility

Does the average household customer feel comfortable enough with internet technology to believe it is the best place to get customer care or to receive and pay their bills?

Moving customer care and billing to the internet raises a number of questions and presents new opportunities to the utility industry.

- Is online billing and customer care a differentiator for utility providers?
- Can e-bills be used to improve customer loyalty by attracting customers to their website on a regular basis and thereby exposing customers to additional information, news, and education?
- Does the internet provide an environment where the most commonly asked general questions about a customer's hydro bill be highlighted or linked directly to the customer's bill?
- Can e-bills follow a cycle time that is customer driven? That is, could the customer determine the day in the billing cycle for the e-bill to be produced?

| Likelihood of using the internet for future customer care needs for things such as: | | |
|---|--------------|----------------------|
| Top 2 Boxes: 'very + somewhat likely' | Ontario LDCs | Veridian Connections |
| Setting up a new account | 39% | 37% |
| Arranging a move | 47% | 44% |
| Accessing information about your bill | 59% | 57% |
| Accessing information about your electricity usage | 58% | 56% |
| Accessing energy saving tips and advice | 52% | 50% |
| Learning more about SMART meters | 49% | 47% |
| Registering a complaint | 43% | 41% |
| Registering a compliment | 48% | 47% |
| Accessing information about Time Of Use rates | 59% | 55% |
| Maintaining information about your account or preferences | 56% | 56% |
| Paying your bill through the utility's website | 35% | 30% |
| Paying your bill using smart phone applications | 23% | 21% |
| Getting information about power outages | 47% | 45% |

Base: An aggregate of respondents from 2013 participating LDCs / 90% of total respondents from the local utility

Ideally, utilities want customers to embrace e-billing and other electronic services; however, a hindrance on the most basic level will discourage customers from considering additional online

services, i.e. accessing SMART meter data. The goal is to inform customers of their electricity usage, and make them aware of the potential to conserve electricity.

| Accessed SMART meter information from the utility's website | | |
|---|--------------|----------------------|
| | Ontario LDCs | Veridian Connections |
| Yes | 8% | 5% |
| No | 91% | 94% |

Base: An aggregate of respondents from 2013 participating LDCs / 90% of total respondents from the local utility



What utilities don't want to do is force their customers to contend with a time-consuming, labour-intensive process. Instead, make it easy, quick and secure. A positive online experience will most likely lead to a better online relationship with customers that will grow over time. Inconsistent user experiences are harmful to customer confidence.

The respondents, who did access their SMART meter information, claimed they found it to be easy ('very + somewhat') to access their SMART meter information.

| Ease of accessing SMART meter information on the utility's website | | |
|--|--------------|----------------------|
| | Ontario LDCs | Veridian Connections |
| Top 2 Boxes: 'very + somewhat easy' | 90% | 84% |

Base: An aggregate of respondents from 2013 participating LDCs / 90% of total respondents from the local utility



Respondents were asked about the likelihood of accessing SMART meter data on the website in future.

| Likelihood of accessing SMART meter information on the utility's website in future | | |
|--|--------------|----------------------|
| | Ontario LDCs | Veridian Connections |
| Top 2 Boxes: 'very + somewhat likely' | 49% | 44% |
| Bottom 2 Boxes: 'somewhat + very unlikely' | 50% | 56% |

Base: An aggregate of respondents from 2013 participating LDCs / 90% of total respondents from the local utility

The banking industry is one industry that has entered the online environment with consumers earlier than most industries; and therefore, many lessons can be learned from that industry for utility providers, including security, FAQs, prompt e-mail response, online bill history, and mistakes to avoid.

In order to convert traditional billing and payment customers to a paperless, automated solution, utilities need to understand the reasons behind customers' reservations, such as:

- process is not user-friendly leading to a poor customer experience
- online registration is or could be a hassle
- the extra work of keeping track, downloading etc. in a time pressed society
- password fatigue for customers who just don't want to manage another log-in credential
- apprehension that no longer receiving a paper bill could increase the likelihood that they'll inadvertently miss a bill and/or payment
- unease that payment information will not be secure and could be easily hacked.

Consumers will eventually adopt electronic billing and online customer care as many industries begin providing consumer bills online, and critical mass is reached. However, customers still want to have the choice of receiving customer care from a live person. Even after they start using online technology, customers still want to be able to receive hard copies of their bills as a backup.

| Using the internet for billing | | |
|--|--------------|----------------------|
| | Ontario LDCs | Veridian Connections |
| I am already receiving my hydro bill electronically | 10% | 10% |
| I use on-line banking and will definitely be requesting that my bill be sent electronically | 11% | 14% |
| I use on-line banking but prefer to have paper statements | 30% | 33% |
| I prefer to have the paper copy of my bills | 23% | 25% |
| I don't use on-line banking | 17% | 19% |

Base: An aggregate of respondents from 2013 participating LDCs / 90% of total respondents from the local utility

Because utilities serve a diverse demographic that includes households, businesses, all income levels, and people from all walks of life, understanding customers' concerns, needs and comfort levels will go a long way to ensuring that the solution is one that they will actually use. For example, interactive voice response (IVR) system with specific-language call flows, young working commuters might be more inclined to use mobile bill-pay, or those customers (e.g., senior citizens) who might not be as adept or comfortable with technology might prefer the ability to pay over the phone or in-person.

Understanding customer profiles will enable utilities to provide the right bill-pay options for them; thereby increasing usability rates--- and, the perception that they adapt well to changes in customer expectations.

| Using the internet for billing | | |
|---|-------|-----|
| Ontario LDCs | 18-34 | 55+ |
| I am already receiving my hydro bill electronically | 19% | 8% |
| I use on-line banking and will definitely be requesting that my bill be sent electronically | 20% | 7% |
| I use on-line banking but prefer to have paper statements | 36% | 24% |
| I prefer to have the paper copy of my bills | 9% | 29% |
| I don't use on-line banking | 5% | 24% |
| Don't know | 10% | 8% |

Base: An aggregate of respondents from 2013 participating LDCs

If utility companies ensure that the electronic billing solutions they offer customers are easy to use, convenient, feature-rich, comprehensive and secure, adoption rates will surely increase.

| Likelihood of the following to encourage customers to go paperless for billing purposes | | |
|---|--------------|----------------------|
| Top 2 Boxes: 'very + somewhat likely' | Ontario LDCs | Veridian Connections |
| Providing a one-time financial incentive to switch | 53% | 50% |
| Being entered into a special draw for customers who make the switch | 42% | 39% |
| Learning more about the benefits to going green with paperless billing | 46% | 43% |
| A better understanding of the convenience of paperless billing | 45% | 42% |

Base: An aggregate of respondents from 2013 participating LDCs / 90% of total respondents from the local utility

Customers are afraid if they don't receive a paper bill in the mail each month, they are going to forget to make a payment as well as, incur penalties and late fees or even harm their credit score. By proactively delivering information to customers, by phone, text, and email, customers will remain informed and in control of their billing and account status and be more likely to use additional online services. Also, giving customers online access to the prior 18 to 24 months of billing statements will alleviate concerns over losing a bill or needing old statements. Ensuring that a switch to online processes does not change anything for a customer is key; the idea is to make sure customers are provided with everything they have always had, plus a lot more.

Social Media

Social media is evolving at an incredible pace. Importantly, it seems to represent a shift in how people discover, read and share news, information and content. As customers increasingly turn to social channels to seek information and advice and to express opinions, there is no question that organizations must engage with those channels to deliver appropriate customer care and ensure positive experiences. Respondents of this year's survey were asked *"how likely they would use social media as a resource for energy efficiency tips or to help manage your electricity use"...*



| Likelihood of using Social Media to gather information | | | | |
|--|----------------------|--------------|-------------------------------|-----------------------------|
| | Veridian Connections | Ontario LDCs | Ontario LDCs Age Group: 18-34 | Ontario LDCs Age Group: 55+ |
| Very likely | 4% | 6% | 10% | 3% |
| Somewhat likely | 10% | 11% | 17% | 6% |
| Not likely | 21% | 20% | 24% | 17% |
| Not likely at all | 64% | 61% | 48% | 68% |
| Don't have social media account | 2% | 2% | 0% | 4% |
| Don't know | 1% | 1% | 0% | 1% |

Base: An aggregate of respondents from 2013 participating LDCs / 90% of total respondents from the local utility

What do customers think about electricity costs?

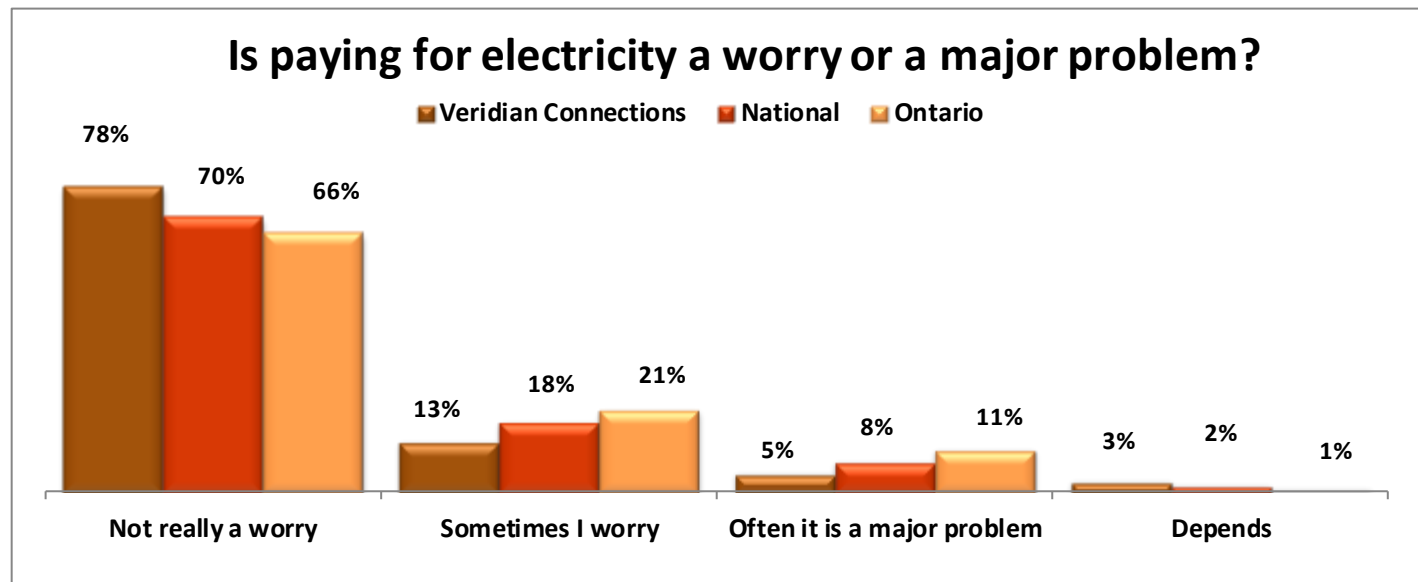
Today electric utilities are facing steadily, increasing costs to generate and deliver electricity. Utilities are building transmission lines, installing new equipment and fixing up power plants. While LDC's make continuous efficiency improvements and are working with regulators to contain costs and to keep electricity prices as low as possible, the fact is that rising electricity costs are becoming inevitable.

At a time when income growth seems to be stagnating, electricity is consuming a greater share of Canadians' after-tax income than at any time since the mid 1990's. Higher costs are being driven by both higher prices per kilowatt hour and greater electricity use at home, in roughly equal measure. While modern electronics and appliances require less electricity than older models, i.e. a new refrigerator runs on half the electricity of a model from the 1990's, houses have become bigger, which entail more air-conditioning and more electronics than before.

Next I am going to read a number of statements people might use about paying for their electricity. Which one comes closest to your own feelings, even if none is exactly right? Paying for electricity is not really a worry, Sometimes I worry about finding the money to pay for electricity, or Paying for electricity is often a major problem?

| Is paying for electricity a worry or a major problem? | | | | |
|---|-------------|-----------|-------|---------|
| | Not a worry | Sometimes | Often | Depends |
| Veridian Connections | | | | |
| 2013 | 78% | 13% | 5% | 3% |
| 2012 | 63% | 25% | 8% | 2% |
| 2011 | 68% | 19% | 7% | 3% |
| 2010 | 65% | 24% | 7% | 3% |

Base: total respondents



Base: total respondents

There are certain kinds of costs that hit fixed-income (those on disability income) and low-income people the most, and one of those things is energy costs, which are not discretionary. Ontario is one of several provinces to install “SMART” electricity meters on households. They promote better resource use by billing customers extra for energy consumed during peak daytime hours, however it means added financial pain for those who have little choice but to stay home on weekdays.

| Is paying for electricity a worry or a major problem? | | | | |
|---|-------------|-----------|-------|---------|
| | Not a worry | Sometimes | Often | Depends |
| Veridian Connections | | | | |
| <\$40,000 | 72% | 17% | 8% | 3% |
| \$40<\$70,000 | 83% | 8% | 3% | 5% |
| \$70,000+ | 83% | 13% | 2% | 2% |

Base: total respondents

Customers have a right to expect more than the mere delivery of electricity. They have the right to expect efficiency, competence and value for money. Utilities seeking to become more customer-centric must go beyond the transactional relationship of customer pays a price and receives electricity. Becoming customer-centric involves offering customers a value proposition; a complete package, filled with lots of human-friendly usability elements, peace of mind, and top-notch customer service.

| Is paying for electricity a worry or a major problem? | | | | |
|---|-------------|-----------|-------|---------|
| | Not a worry | Sometimes | Often | Depends |
| Ontario | | | | |
| 2013 | 66% | 21% | 11% | 1% |
| 2012 | 59% | 27% | 11% | 2% |
| 2011 | 52% | 31% | 13% | 3% |
| 2010 | 67% | 23% | 8% | 2% |
| National | | | | |
| 2013 | 70% | 18% | 8% | 2% |
| 2012 | 67% | 22% | 8% | 2% |
| 2011 | 63% | 25% | 8% | 2% |
| 2010 | 71% | 20% | 6% | 1% |

Base: 2013 Ontario and National benchmark surveys

What do small commercial customers think?

Residential and small business customers create the bulk of a utility's service transactions every day—and account for more than half of the energy consumed — understanding their needs and expectations is becoming more important than ever before.

In the 15 years that UtilityPULSE has undertaken electric utility satisfaction surveys, the data has mostly supported that the small business owner behaves much in the same way as the residential customer. While there are typically more similarities between small commercial and residential accounts, there are some fundamental differences in these customer classed segments. This year's data shows a difference in satisfaction levels for customer service; commercial customers responded more favourably than residential. On the subject of bills and outages, residential respondents reported more outage problems and fewer billing problems than commercial customers.

Small Commercial Customer (General Service < 50kW Demand)

A small commercial customer is defined by the OEB as a non-residential customer in a less than 50 kW demand rate class. These customers are similar to the residential customer in that their bill does not have a demand component to it and their charges are based upon KWH of consumption. Most of these customers would occupy small storefront locations or offices

Deposit requirements, monthly energy bills (and, therefore, energy usage), power quality, and reliability all directly impact a small business's financial situation. Unlike residential customers who tend to describe the cost of power interruptions in terms of a "inconvenience", commercial (and industrial) customers associate power interruptions with the cost of lost business, i.e., a loss in production is a loss in profits.

Likewise, based on the requirement of electricity to sustain business operations, there exists a difference in actual levels of demand response. For instance, small business and commercial users are unlikely to choose to decrease their electricity consumption if it is incompatible with efficient management of their business processes or threatens contracted deliveries to their primary product markets. In some cases, electricity consumption is a relatively small proportion of total input and operating costs, which substantially reduces the financial incentive for shutting down production during on peak pricing.

The tables associated with this report will contain Ontario LDC specific information as it relates to residential and commercial customers. Recognizing that smaller data samples are susceptible to greater data swings, for most LDCs there would be 60 or 90 responses from small commercial customers. We have compiled the following based on a group composite of all of our 2013 discussions with small commercial and residential customers.

| Satisfaction: Pre & Post | | |
|---|-------------|------------|
| Satisfaction (Top 2 Boxes: 'very + somewhat satisfied') | Residential | Commercial |
| Initially | 92% | 93% |
| End of Interview | 93% | 94% |

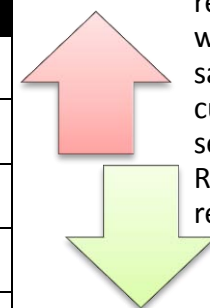
Base: total respondents from the full 2013 database

As it relates to the six attributes associated with customer service:

| Very or fairly satisfied with... | Residential | Commercial |
|--|-------------|------------|
| The time it took to contact someone | 79% | 83% |
| The time it took someone to deal with your problem | 76% | 81% |
| The helpfulness of the staff who dealt with your problem | 78% | 85% |
| The knowledge of the staff who dealt with your problem | 79% | 85% |
| The level of courtesy of the staff who dealt with your problem | 86% | 92% |
| The quality of information provided by the staff member | 76% | 83% |

Base: total respondents from the full 2013 database

Overall
Commercial
respondents
were more
satisfied with
customer
service than
Residential
respondents



| Overall satisfaction with most recent experience | | |
|--|-------------|------------|
| | Residential | Commercial |
| Top 2 Boxes: 'very + somewhat satisfied' | 78% | 81% |
| Bottom 2 Boxes: 'somewhat + very dissatisfied' | 20% | 17% |

Base: total respondents from the full 2013 database

| Comparisons between Residential and Commercial | | |
|--|-------------|------------|
| Loyalty Groups | Residential | Commercial |
| Secure | 30% | 29% |
| Still Favourable | 13% | 14% |
| Indifferent | 51% | 50% |
| At risk | 6% | 7% |

Base: total respondents from the full 2013 database

| Loyalty Model Factors | Residential | Commercial |
|-------------------------------------|-------------|------------|
| Very/somewhat satisfied | 92% | 93% |
| Definitely/probably would continue | 84% | 83% |
| Definitely/probably would recommend | 78% | 79% |

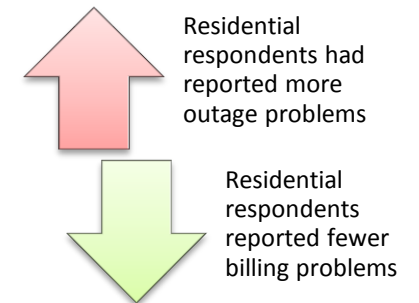
Base: total respondents from the full 2013 database

| Outages & Bill problems | Residential | Commercial |
|--|--------------------|-------------------|
| Respondents with outage problems | 29% | 23% |
| Respondents with billing problems | 9% | 13% |

Base: total respondents from the full 2013 database

| Attempts to contact local utility... | Residential | Commercial |
|---|--------------------|-------------------|
| Respondents with outage problems | 18% | 37% |
| Respondents with billing problems | 51% | 69% |

Base: total respondents from the full 2013 database



| Important attributes which describe operational effectiveness | | |
|--|--------------------|-------------------|
| | Residential | Commercial |
| Provides consistent, reliable energy | 96% | 95% |
| Delivers on its service commitments to customers | 89% | 89% |
| Accurate billing | 86% | 88% |
| Quickly handles outages and restores power | 87% | 85% |
| Makes electrical safety a top priority | 55% | 66% |
| Uses responsible business practices | 67% | 75% |
| Is efficient at managing the hydro-electric system | 72% | 71% |
| Is a company that is 'easy to do business with' | 85% | 89% |
| Operates a cost effective hydro-electric system | 61% | 61% |

Base: total respondents with an opinion from the full 2013 database

| Important attributes which shape perceptions about corporate image | | |
|--|-------------|------------|
| | Residential | Commercial |
| Is a respected company in the community | 85% | 86% |
| Maintains high standards of business ethics | 70% | 76% |
| A leader in promoting energy conservation | 74% | 70% |
| Keeps its promises to customers and the community | 72% | 73% |
| Beyond creating jobs and paying taxes, is socially responsible | 66% | 65% |
| Is a trusted and trustworthy company | 85% | 87% |
| Adapts well to changes in customer expectations | 62% | 64% |
| Overall the utility provides excellent quality services | 91% | 92% |

Base: total respondents with an opinion from the full 2013 database

| Important attributes which shape perceptions about service quality and value | | |
|--|-------------|------------|
| | Residential | Commercial |
| Is pro-active in communicating changes and issues which may affect customers | 79% | 78% |
| Provides good value for money | 69% | 69% |
| Customer-focused and treats customers as if they're valued | 75% | 77% |
| Deals professionally with customers' problems | 72% | 82% |
| Quickly deals with issues that affect customers | 71% | 76% |
| Provides information and tools to help manage electricity consumption | 82% | 78% |
| Works with customers to keep their electricity costs affordable | 61% | 57% |
| The cost of electricity is reasonable when compared to other utilities | 56% | 53% |

Base: total respondents with an opinion from the full 2013 database

| Is paying for electricity a worry or a major problem? | | |
|---|-------------|------------|
| | Residential | Commercial |
| Not really a worry | 70% | 71% |
| Sometimes I worry | 20% | 19% |
| Often it is a major problem | 6% | 6% |
| Depends | 3% | 2% |

Base: total respondents



Method

The findings in this report are based on telephone interviews conducted for Simul Corp. by Corsential between March 28 - April 11, 2013, with 451 respondents who pay or look after the electricity bills from a list of residential and small and medium-sized business customers supplied by Veridian Connections.

The sample of phone numbers chosen was drawn randomly to insure that each business or residential phone number on the list had an equal chance of being included in the poll.

The sample was stratified so that 85% of the interviews were conducted with residential customers and 15% with commercial customers.

In sampling theory, in 19 cases out of 20 (95% of polls in other words), the results based on a random sample of 451 residential and commercial customers will differ by no more than ± 4.60 percentage points where opinion is evenly split.

This means you can be 95% certain that the survey results do not vary by more than 4.60 percentage points in either direction from results that would have been obtained by interviewing all Veridian Connections residential and small

and medium-sized commercial customers if the ratio of residential to commercial customers is 85%:15%.

The margin of error for the sub samples is larger. To see the error margin for subgroups use the calculator at <http://www.surveysystem.com/sscalc.htm>.

Interviewers reached 1,558 households and businesses from the customer list supplied by Veridian Connections. The 451 who completed the interview represent a 29% response rate.

The findings for the Simul/UtilityPULSE National Benchmark of Electric Utility Customers are based on telephone interviews conducted March 13 through March 26, 2013, with adults throughout the country who are responsible for paying electric utility bills. The ratio of 85% residential customers and 15% small and medium-sized business customers in the National study reflects the ratios used in the local community surveys. The margin of error in the National poll is ± 2.7 percentage points at the 95% confidence level.

For the National study, the sample of phone numbers chosen was drawn by recognized probability sampling

methods to insure that each region of the country was represented in proportion to its population and by a method that gave all residential telephone numbers, both listed and unlisted, an equal chance of being included in the poll.

The data were weighted in each region of the country to match the regional shares of the population.

The margin of error refers only to sampling error; other non-random forms of error may be present. Even in true random samples, precision can be compromised by other factors, such as the wording of questions or the order in which questions were asked.

Random samples of any size have some degree of precision. A larger sample is not always better than a smaller sample. The important rule in sampling is not how many respondents are selected but how they are selected. A reliable sample selects poll respondents randomly or in a manner that insures that everyone in the population being surveyed has an equal chance of being selected.

How can a sample of only several hundred truly reflect the opinions of thousands or millions of electricity customers within a few percentage points?

Measures of sample reliability are derived from the science of statistics. At the root of statistical reliability is probability,

the odds of obtaining a particular outcome by chance alone. For example, the chances of having a coin come up heads in a single toss are 50%. A head is one of only two possible outcomes.

The chance of getting two heads in two coin tosses is less because two heads are only one of four possible outcomes: a head/head, head/tail, tail/head and tail/tail.

But as the number of coin tosses increases, it becomes increasingly more likely to get outcomes that are either close to or exactly half heads and half tails because there are more ways to get such outcomes. Sample survey reliability works the same way but on a much larger scale.

As in coin tosses, the most likely sample outcome is the true percentage of whatever we are measuring across the total customer base or population surveyed. Next most likely are outcomes very close to this true percentage. A statement of potential margin of error or sample precision reflects this.

Some pages in the computer tables also show the standard deviation (S.D.) and the standard error of the estimate (S.E.) for the findings. The standard deviation embraces the range where 68% (or approximately two-thirds) of the respondents would fall if the distribution of answers were a normal bell-shaped curve.

The spread of responses is a way of showing how much the result deviates from the "standard mean" or average. In the Veridian Connections data on corporate image, Simul converted the answers to a point scale with 4 meaning agree strongly, 3 meaning agree somewhat and so on (see in the computer tables).

For example, the mean score is 3.62 for providing consistent, reliable energy. The average is 2.89 for working with customers to keep their energy costs affordable.

For reliable energy the standard deviation is 0.58. For affordable energy the S.D. is 0.94. These findings mean there is a wider range of opinion – meaning less consensus – about whether Veridian Connections works with customers to keep their energy costs affordable than about whether Veridian Connections energy supplies are reliable.

Beneath the S.D. in the tables is the standard error of the estimate. The S.E. is a measure of confidence or reliability, roughly equivalent to the error margin cited for sample sizes. The S.E. measures how far off the sample's results are from the standard deviation. The smaller the S.E., the greater the reliability of the data.

In other words, a low S.E. indicates that the answers given by respondents in a certain group (such as residential bill payers or women) do not differ much from the probable spread of the answers "predicted" in sampling and probability theory.

Certain questions pertaining to conservation and conservation efforts used an aggregate data approach whereby similar data sets were accumulated to form a larger sample size establishing a higher confidence interval, forecasting value and modeling data.

In these instances, all of the sub-datasets from the entire UtilityPULSE database for 2013 were concatenated in order to use the average of all the control samples for comparison. The cumulated population base for these questions was in excess of 6,000.

At a 95% confidence level the margin of error is ± 1.23 and at a 99% confidence level the margin of error would be ± 1.62 . So the aggregate strategy has given a very good population sample size which better, or more accurately, reflects the true feelings and beliefs of the population as a whole.



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1.2-EP-1

Ref: Exhibit 1, Tab 2, Schedule 1

Request

- (a) Please provide the complete customer opinion surveys for each of 2011, 2012 and 2013.
- (b) Please provide the meeting notes for each of the meetings held by the Gravenhurst Advisory Committee in 2011, 2012 and 2013.
- (c) Please indicate any adjustments that were built into the design plans and budgets based on feedback from the Gravenhurst Advisory Committee in each of the years noted above, as well as any impacts on the 2014 test year.
- (d) Do the Key Account Representatives perform their OPA function only in the Veridian distribution territory or do they also perform this function for other distributors or other customers in other distributor territories?
- (e) Has Veridian consulted with other Ontario electricity distributors about potential economies of scale and cost savings of combining the type of OPA services provided to the Veridian commercial and industrial customers?
- (f) Please provide the minutes or notes taken from any Special Purpose Community Meetings held in 2013.
- (g) Please provide a summary of any feedback obtained by Veridian from Business Associations/Community Events in 2013.

Response:

- a) An index of customer opinion survey questions for each of 2011, 2012 and 2013 is provided in the following attachments:

Attachment 1: 2011 Index of Survey Questions
Attachment 2: 2012 Index of Survey Questions
Attachment 3: 2013 Index of Survey Questions

See the response to 1.2-CCC-3 for the survey results for each of these years.

- b) There were five meetings of the Gravenhurst Advisory Committee (GAC) during the period of 2011 to 2013. Meeting notes are appended as attachments as follows:

Attachment 4: GAC Meeting Notes, May 9, 2011
Attachment 5: GAC Meeting Notes, Nov. 24, 2011
Attachment 6: GAC Meeting Notes, May 17, 2012
Attachment 7: GAC Meeting Notes, May 29, 2013
Attachment 8: GAC Meeting Notes, Nov. 21, 2013

- c) During the May, 2011 Gravenhurst Advisory Committee meeting, member input on the streetscape project identified a process improvement related to coordination with the municipality on the project design and confirmed the funding (budget) rationale. There were no adjustments built into design plans and budgets for 2012 as there were no planned projects that year. Further engagement with the municipality's planning department continued in 2013 for the one planned project and for future projects. Positive feedback on reliability and O&M activities were more frequent topics of discussion for 2011 - 2013.
- d) Veridian's Key Account Representatives are dedicated to the provision of services to the company's customers located within its licensed service areas. Functions involving customers outside of Veridian's service area are restricted to: 1) co-hosting of customer engagement events with other local distributors, and 2) processing of 'Head Office' applications under the provisions of Veridian's contract with the Ontario Power Authority. Head Office applications are those including satellite project sites located within the service areas of a number of distributors. The processes for dealing with these types of applications have been established by the Ontario Power Authority to streamline application processing for provincial and national accounts.
- e) Yes, Veridian has coordinated its CDM program delivery efforts with other distributors to enhance the efficiency and effectiveness of commercial and industrial program offerings. Examples include:
- Through a partnership with other electricity distributors, Veridian secured the services of one of the Key Account Representatives of Union Gas to support the delivery of CDM programs to a select group of large business customers. Union Gas is the licensed gas distributor in the portions of Veridian's service area where many of these large business customers are located, so this coordinated approach has proven to be convenient to customers and effective at increasing customer engagement in CDM.
 - Veridian led a joint procurement process with Whitby Hydro and Oshawa PUC, through which a common delivery agent was selected for the SaveOnEnergy Home Assistance Program. This initiative achieved economies of scale in program delivery, and also reduced barriers to program participation by institutional customers having eligible sites located across three distributors' service areas.

- Veridian delivers the SaveOnEnergy High Performance New Construction program through a contract with Enbridge. Enbridge had established processes and building industry contacts for its own new construction program and these capabilities have been leveraged to support Veridian's CDM program efforts.
 - Veridian led a joint procurement process with Whitby Hydro through which a common delivery agent was selected for the SaveOnEnergy Small Business Lighting program. This initiative achieved economies of scale in program delivery, and also reduced barriers to program participation by customers with eligible sites located across two distributors' service areas.
 - Veridian routinely coordinates promotional events and advertising initiatives with neighbouring distributors.
- f) One special purpose community meeting was held during 2013. It was hosted in south Ajax to engage customers in a planned underground cable replacement project. Invitations were hand delivered to approximately 90 customers in the affected area, and notice of the meeting was publicized on Veridian's website, the municipality's website and in the local newspaper. There were no attendees and no notes were taken.
- g) There are no formal tracking and record keeping mechanisms in place for customer and stakeholder feedback obtained through participation in business association and community events. A summary of feedback for 2013 is not available.

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**Town of Gravenhurst & Veridian Connections
Advisory Committee Meeting Summary
May 9, 2011**

Location and Time

Northern District Office in Gravenhurst - 10:00 a.m. - 12:00 p.m.

Attendees

Town of Gravenhurst Members - Gord Durnan
Enno Hoekstra

Veridian Connections' Staff - Axel Starck, Executive Vice President
George Armstrong, Manager, Regulatory Affairs and Key Projects

1.0 Committee Reappointment

- 1.1 Gord and Enno were welcomed back and congratulated on their reappointment. Members noted several changes in management at the Town, including a change in CAO, Public Works, Economic Development, and other departments.
- 1.2 Letter from the Town re: Committee visibility in the public. It was agreed the members would discuss this with the Town and report back to Veridian. Veridian noted that advertising the Committee to its customers was not in keeping with its public relations and communications strategy, and that customers and the municipality were always encouraged to communicate directly. The Committee was seen as providing Veridian with an additional means of oversight and insight to community issues.

2.0 Meeting Summary Notes of November 10, 2010 Meeting

They were accepted as circulated and any items for follow-up would arise in the balance of the meeting.

3.0 Streetscape Project Issue

The Committee members noted that the Town was concerned about an apparent delay in Veridian's response to design issues with the project currently underway, and that Veridian was not offering any co-funding. Veridian confirmed a letter had just been received from Public Works on this. A response is being prepared. In general, the design process was encumbered by a slow design coordination process between Veridian and an engineering firm retained by the Town. Veridian will explore the design process with the Town with a view to optimizing similar future projects. On the funding aspect, Veridian will confirm to the Town that the utility plant that is being placed underground as a result of the project is being done for aesthetic reasons at the request of the Town and not due to plant conflicts, and therefore does not attract any relocation funding. Veridian has applied this policy consistently and also recently in several similar projects in other municipalities where streetscape improvements were undertaken via federal infrastructure funding.

4.0 Termination of Sentinel Light Rental Program

Veridian Energy terminated its rental program for sentinel lights and a number of Gravenhurst customers were affected. The Committee had not received any feedback on this, but it was agreed that Veridian should have advised the Committee members in advance so that they would have been prepared. Axel will arrange for a review of contact lists within the various departments to ensure the Committee members are included wherever appropriate.

5.0 Conservation Programs

George provided a brief overview of active and pending programs available to customers. Veridian is engaged in all OPA-sponsored programs, including the Peak Saver program, retail coupon mail outs, business programs, and so on. The Peak Saver program will be changing later this year and move more towards an offering of In-Home Display type devices. A brochure was reviewed summarizing all the programs, and the Committee noted that Lake and Cottage Associations would also be effective ways of distributing the information. Promotion of business programs was suggested via the Chamber of Commerce, Muskoka Homebuilders Association, the BIA, and the Town. Veridian's Key Accounts Representative, Melanie Walls, will follow up on these.

6.0 Rates & Time-of-Use Pricing

The Committee noted no particular concerns had been expressed to them other than the general reports in the media about electricity pricing. Questions had been asked about meter accuracy of Smart Meters vs. the old mechanical meters, as local customers noted some media coverage suggesting accuracy problems. Veridian advised that these are wrong perceptions inflated in the media, and that unfortunately the government and the industry could have done more to attempt to educate customers about the new meters. All meters sold by vendors meet strict Industry Canada accuracy requirements. Veridian noted that 94% of its customers (all municipalities) are now on Time-of-Use billing.

7.0 Public Access

There were no concerns noted with either access to the company by telephone, or the fact that the front doors at the Gravenhurst office were now open by appointment only.

8.0 Reliability of Supply

Veridian's overall and Gravenhurst-specific reliability indices improved significantly during 2010 over performance from preceding years. The Committee reviewed graphs of relevant data. While good weather played a significant role, Veridian noted that activity in recent years of continued deployment of system automation, construction of new plant to enhance the grid, and reconstruction of aged plant is paying off. Significantly in Gravenhurst, more and more strategic tree trimming has been beneficial. Work plans for coming years include a continued emphasis on tree trimming focused in problem areas.

9.0 Other Business

No items were raised.

Next meeting to be scheduled in the late summer/early fall.



**Town of Gravenhurst & Veridian Connections
Advisory Committee Meeting Summary
November 24, 2011**

Location and Time

Northern District Office in Gravenhurst - 10:30 a.m. - 12:00 p.m.

Attendees

Town of Gravenhurst Members - Gord Durnan
Enno Hoekstra

Veridian Connections' Staff - Axel Starck, Executive Vice President
George Armstrong, Manager, Regulatory Affairs and Key Projects
Peter Petriw, Manager, Engineering & Construction

Axel introduced a new person to the Committee, Peter Petriw, Manager of Engineering & Construction.

1.0 Power Outage of November 18-20, 2011

There was discussion about this extensive and lengthy outage caused by a heavy, wet, snowfall. Committee members shared their experiences and observations during the event, and staff provided preliminary information on Veridian's response and restoration management. The event was marked by an initial widespread outage due to a loss of the Hydro One main supply from Orillia TS. Information about actual damages within Veridian's system was slow in coming as it was believed that the outage was mostly due to the loss of supply. Veridian crews from Ajax and Belleville were brought in to assist, and Hydro One was able to provide crew assistance, since their areas nearby were not significantly impacted. Final restoration was completed Sunday November 20th.

It was noted that access to information was generally acceptable. Live voice and IVR contacts were good, although it was noted a brief problem with the IVR system did occur during the event.

Veridian will generate a summary report on the event and provide this to the Committee members.

2.0 Reliability

Overall system reliability in all Veridian areas has dropped from 2010 levels due to a series of major equipment failure events (Ajax and Pickering), and numerous high wind and storm events in all areas.

Staff will have the next annual synopsis of reliability results and findings by March 2012 and provide this to the Committee members also.

3.0 Rates

Items from the last meeting were briefly reviewed and revisited elsewhere in the meeting or updated:

- The termination of Veridian's sentinel light rental program was completed with no issues being noted from Gravenhurst customers. It was noted that with this, as well as the recent sale of Veridian's water heater rental program, all customer activities formerly conducted by Veridian Energy Inc., have been brought to a close. The company remains as an entity but with no current business activity.

4.0 Rates

George provided an overview of current news in customer rates:

- Veridian's conversion to Time of Use rates is essentially complete.
- The Committee members commented that high bill concerns have not been a very visible item in recent months.
- Veridian has applied for a 2012 rate adjustment which has been publicized in all local papers. The rate adjustment, if approved by the OEB as submitted, would result in a slight (~1%) decrease in distribution rates for Gravenhurst customers. The effective date would be May 1, 2012.
- Veridian will be looking at harmonizing its current two-rate structure into one rate for all customers, as part of the plan for the OEB's 2014 Cost of Service review. This would generally result in a reduction for Gravenhurst and a slight increase to Veridian's "main" rate group (all other areas).

5.0 Economic Conditions

Staff discussed the economic climate the company is facing, which generally is placing increasing emphasis on internal cost reductions and lower capital availability. Staff and the Veridian Board is keenly aware of the growing conflict between expectations of service improvements and more capital investments for plant upgrades and new technologies such as Smart Grid, versus the regulatory pressures for rate mitigation:

- Ageing distribution assets – with much of its plant approaching 30-40 years of age, Veridian will be facing significant pressure on availability of capital to replace and upgrade assets. One such example locally is a significant amount of submarine cable for island services.
- Flat or declining consumption – despite modest growth in new customer counts in some areas, overall energy use is trending flat or down, particularly in some segments of the community.
- The requirement to change from traditional CGAAP accounting practices to the international IFRS practices is resulting in significant pressure on operating costs, which must be absorbed within the company.
- Regulatory pressures – the OEB continues to bring in new requirements which challenge utilities' ability to meet cost increases and raise capital. Through direct contacts and industry alliances, Veridian is well engaged in discussions with Government and Regulatory leaders on these emerging trends, and how they may be best addressed.

6.0 Planning

With several new senior staff at the Town, and soon expected, it was agreed that a Town/Veridian planning session should be arranged early in the new year. The Committee members would be copied on the arrangements. It was noted that Veridian had no major construction projects expected for 2012, and that it was not aware of any pending major road projects.

7.0 Conservation

George updated the group on current programs, both OPA funded and other. Committee members were reminded to feel free to contact George or staff at Veridian should they encounter any questions or interests in the various energy saving and funding opportunities.

8.0 Other

Axel mentioned that he will be retiring in 2012, with a date to be set in June. The Committee liaison role within Veridian would be transferred to another senior staff member, but the members are always free to access other contacts including the President's office.

Next meeting to be scheduled in the spring of 2012.



**Town of Gravenhurst & Veridian Connections
Advisory Committee Meeting Summary
May 17, 2012**

Location and Time

Northern District Office in Gravenhurst - 10:00 a.m. – 11:30 a.m.

Attendees

Town of Gravenhurst Members - Gord Durnan
Enno Hoekstra

Veridian Connections' Staff - Axel Starck, Executive Vice President
Peter Petriw, Manager, Engineering & Construction

1.0 General

The recent renovations/redecoration in the Service Centre were reviewed and Peter explained the new training room and the concepts behind "Veridian University" – a new focused effort to provide more, better, and more depth in internal training for staff. The Gravenhurst training room is one of three created to facilitate hands on, computer-based training for all staff, delivered either locally or via remote connection.

Axel advised that as of his last day with Veridian and retirement (June 29), Peter as new VP – Engineering, is confirmed as the main contact for this Committee.

Gord and Enno shared information about the Town's new organization under a recently hired new CAO. Axel and Peter confirmed they are meeting with the CAO following the Committee meeting, as an introduction, and to propose a series of annual/semi-annual capital works planning and coordinating meetings, and a means to allow Veridian to more closely support the Town's economic development objectives.

Gord thanked Veridian again for its very well received contribution and support of the Town's recent 125th celebrations, and Gord and Enno noted Veridian's conservation booth at a recent event in Gravenhurst.

2.0 Meeting Summary from November 24th

There was no specific follow-up information required. Comments included:

2011 reliability indices showed an improvement over the last three year averages, both in Gravenhurst and in Veridian's other services areas. Substantial and more strategic tree trimming was believed to be a key contributor to Gravenhurst's improved stats.

Commodity rate increase of May 1 – no concerns had been expressed to the Committee.

For awareness only, it was noted that a handful of final hold-out customers opposing a smart meter installation were now being pursued more aggressively, to allow Veridian to complete its provincially-mandated smart meter project. If a Committee member were to be approached, questions should of course be referred to our offices.

3.0 New Business

The Committee had no items to be raised.

Next meeting to be scheduled in late summer/fall or at the call of the Chair.



**Town of Gravenhurst & Veridian Connections
Advisory Committee Meeting Summary
May 29, 2013**

Location and Time

Gravenhurst District Office in Gravenhurst - 10:30 a.m. - 12:00 p.m.

Attendees

Town of Gravenhurst Members - Gord Durnan
Enno Hoekstra

Veridian Connections' Staff - Peter Petriw, Vice President, Engineering
Neil Parliament, District Supervisor

1.0 Regular Meeting Schedule

Will work to get back to regular meetings now that reorganization has been generally completed.

2.0 Reliability

Reviewed graphs of customer-hours of interruption charts for both Veridian and Gravenhurst on its own that covered 13 months from April 2012 to April 2013, inclusive (attached). The Gravenhurst trend line is downward (improving) while all of Veridian is relatively flat. The May 2013 should be a peak due to the Hydro One loss of supply event on May 21, 2013.

The major blip in Gravenhurst in June 2012 was caused by two separate events; a vehicle accident and broken pole and an underground secondary issue at the boathouses (Steamship Bay Road) that required 4 days to repair. The major blip in April 2013 was the ice storm.

Substantial tree trimming at approximately \$160k/year for several previous years, in 2013, and for a couple more years will be required to go through the district once. Miller Island was completed in 2011, Highway 169 and Rankin Island in 2012. Taylor Island is planned for fall 2013. Winhara Road and Highway 11, and around Muldrew Lake can also be hopefully completed pending the amount of budget remaining. Otherwise will be in 2014.

3.0 Rates

Veridian will be looking at harmonizing its current two-rate structure into one rate for all customers, as part of the plan for the OEB's 2014 Cost of Service review. This would generally result in a reduction for Gravenhurst and a slight increase to Veridian's "main" rate group (all other areas).

4.0 Economic Conditions

There was a discussion on the economic climate the company is facing, which generally is placing increasing emphasis on internal cost reductions and lower capital availability. Staff and the Veridian Board is keenly aware of the growing conflict between expectations of service improvements and more capital investments for plant upgrades and new technologies such as Smart Grid, versus the regulatory pressures for rate mitigation:

- Ageing distribution assets – with much of its plant approaching 30-40 years of age, Veridian will be facing significant pressure on availability of capital to replace and upgrade assets. One such example locally is a significant amount of submarine cable for island services.
- Flat or declining consumption – despite modest growth in new customer counts in some areas, overall energy use is trending flat or down, particularly in some segments of the community.
- The requirement to change from traditional CGAAP accounting practices to the international IFRS practices is resulting in significant pressure on operating costs, which must be absorbed within the company.
- Regulatory pressures – the OEB continues to bring in new requirements which challenge utilities' ability to meet cost increases and raise capital. Through direct contacts and industry alliances, Veridian is well engaged in discussions with Government and Regulatory leaders on these emerging trends, and how they may be best addressed.

6.0 Planning

Veridian's Manager, Planning & Maintenance (Craig Smith) is reconnecting with all municipalities' planning departments (Geoff Carleton at Town of Gravenhurst) to re-establish communication and possible coordinated activities. It was noted that Veridian has one major construction project in 2013 which is the start of the Gravenhurst Voltage Conversion project and the beginning of the rebuild of infrastructure between the James and First SS. This is expected to continue in 2014. We are not aware of any pending major road projects.

7.0 Conservation

The Committee was updated on the current programs, both OPA funded and other. Committee members were reminded to feel free to contact George or staff at Veridian should they encounter any questions or interests in the various energy saving and funding opportunities. Home Assistance Program (HAP) is the latest program being put in place for homeowners and tenants.

Veridian was at the Muskoka Home and Cottage Show in late April and will be attending Muskoka Ribfest in late July.

8.0 Community Activity

Donations/sponsorships to various Gravenhurst organizations were reviewed and are attached.

9.0 Other

- The Committee liaison role within Veridian has been transferred to Peter Petriw, but the members are always free to access other contacts including the President's office. The best route would be through Asset Services' Executive Assistant, Coleen Platz who will liaise as necessary with other departments. She can be reached at cplatz@veridian.on.ca or by telephone at 1-888-445-2881, Ext. 3223.
- 2012 Annual Report – Work is progressing on the company's 2012 Annual Report. The report, along with a news release announcing the company's 2012 financial results, will be issued/released on June 27 (Veridian's AGM).
- Customer and Employee Newsletters – Work on the spring/summer issue of *the source* (customer newsletter) and *Hot off the Grid* (employee newsletter) will commence in the coming weeks.
- Canada's Top 100 Employers Submission – Veridian will be submitting an application to the Canada's Top 100 Employers contest. This is the very same contest that has recognized Veridian as one of Canada's Greenest Employers.

Next meeting scheduled for Tuesday October 22nd, 2013.

c. Executive Committee



**Town of Gravenhurst & Veridian Connections
Advisory Committee Meeting Summary
November 21, 2013**

Location and Time

Gravenhurst District Office in Gravenhurst - 10:30 a.m. - 12:00 p.m.

Attendees

Town of Gravenhurst Members - Gord Durnan
Enno Hoekstra

Veridian Connections' Staff - Peter Petriw, Vice President, Engineering
Neil Parliament, District Supervisor

1.0 Reliability

Reviewed graphs of customer-hours of interruption charts for both Veridian and Gravenhurst on its own that covered 13 months from October 2012 to October 2013, inclusive (attached).

The major blip in July 2013 was the wind storm. Graphs reflect this both with, and without this event.

The Gravenhurst and Veridian trend line are increasing based on weather related and loss of supply events over the last several months in 2013: April – ice storm, May - Gravenhurst loss of supply, July – windstorm, October – cumulative events (feeder lock-out, fuse blown due to tree contact).

Reviewed possible design criteria change from CSA heavy to CSA severe pole loading to improve survivability of poles during severe weather.

1.1 Tree Trimming

Planned Work – Taylor Island completed. Winhara Road to Hwy 11 and Coons Gravel Pit to Taboo Resort to be completed prior to year end.

Unplanned Work – July storm damage – significant quantity of tree removal/trimming and other minor spot trimming as required over the year.

2.0 Rates

Veridian has proposed harmonizing its current two-rate structure into one rate for all customers as of May 1, 2014, as part of the plan for the OEB's 2014 Cost of Service application. This would generally result in a reduction for Gravenhurst and a slight increase to Veridian's "main" rate group (all other areas). Caution that the plan is a proposal that must be approved by the Ontario Energy Board through our rates proceeding as planned, though results of which will not be known until March or April 2014.

Cost of Service rate application was submitted to the OEB on October 31, 2013.

A summary of total bill impacts for typical Gravenhurst customers by rate class is shown in the following table.

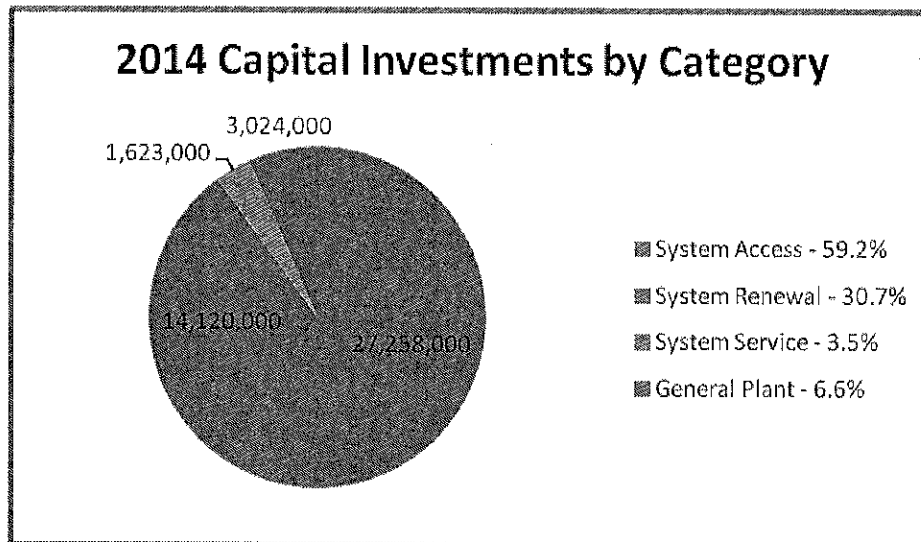
| Rate Class | kWh/kW | Consumption | Demand | Gravenhurst | |
|----------------------|--------|-------------|--------|--------------|---------|
| | | | | \$ | % |
| Residential | kWh | 800 | | \$(6.69) | (5.2%) |
| Residential-Suburban | kWh | 800 | | \$(20.04) | (13.7%) |
| Residential-Seasonal | kWh | 800 | | \$(2.20) | (1.4%) |
| GS < 50 kW | kWh | 2,000 | | \$(16.24) | (5.3%) |
| GS > 50 kW | kW | 100,000 | 500 | \$(1,785.95) | (10.5%) |

3.0 Challenges

There continues to be competition between expectations of service improvements and more capital investments for plant upgrades and new technologies such as Smart Grid, versus the regulatory pressures for rate mitigation.

Ageing distribution assets – with much of our plant approaching 30-40+ years of age, there is significant pressure on the availability of capital to replace and upgrade assets. One such example locally is a significant amount of submarine cable for island services. An Asset Condition Assessment was completed in June 2013. An Asset Management Plan is in development. Reviewed pole testing as an example of managing assets by collecting pole condition information upon which replacements can be planned over time.

Regulatory pressures – the OEB continues to bring in new requirements which challenge utilities' ability to meet cost increases and delivering value to the customers through good planning. A Distribution System Plan (DSP) was a new prescriptive filing requirement for the 2014 Cost of Service application. A comprehensive documented plan showing how Veridian has planned its capital investments for the forecast period of 2014 - 2018. Reviewed proposed capital investment spend by new category for 2014.



4.0 Planning

Phase 1 of the Gravenhurst Voltage Conversion project is now in construction with projected completion date of December 13, 2013. Phase 2 will see the continuation in 2014 towards the James substation. Reviewed 990 First Street customer complaint in regards to anchors and guying associated with new pole. Will respond to customer and copy the Advisory Committee on its response.

5.0 Conservation

Gravenhurst CDM Activity – does not include residential.

- 7 facility assessments (April – October).
- Staff had a booth at the Gravenhurst BIA afterhours get together event September 19th and discussed the OPA programs with business customers.
- The Muskoka Rock has submitted an application for a lighting retrofit.
- Taboo Resort has submitted three applications, two for HVAC projects and one for lighting.
- Veridian and the OPA are working on a case study for the HVAC retrofit that Taboo completed.

6.0 Community Activity

Donations/sponsorships to various Gravenhurst organizations were reviewed and is attached.

7.0 Other

A new customer portal – my veridian – will launch by year's end. The new portal, accessible from Veridian's homepage, will be a "one-stop-shop" for customers where they can do such things as access their account details, enroll in one of Veridian's pre-authorized payment plans, eBill or pay their bill using EZ Pay, view their time-of-use data, learn more about the company's conservation programs and much more.

Veridian is cautioning its customers to be aware of individuals claiming to be representatives of the electric utility and requesting to see their electricity bill. We've been reminding customers and media outlets that we do not carry out this type of door-to-door canvassing, and none of these reported visits are in any way associated with Veridian. The Ontario Energy Board's website offers some important tips on how to detect this type of fraudulent practices.

The new electricity prices are now in effect, applicable to most households and small businesses. The price change for consumers is an increase of approximately \$4.00 on the "Electricity" line, or about 3 per cent of the total monthly bill, for a household with a typical consumption pattern that uses 800 kWh per month.

News

Article that was published in November 13, 2013 edition of Oshawa This Week, which reported that the city's Chamber of Commerce thinks Hydro One is a bad fit for Oshawa and City Council should tread carefully when considering the sale of the utility. Michael was quoted in the article. Link to article: <http://www.durhamregion.com/news-story/4206313-hydro-one-a-bad-fit-for-oshawa-says-chamber-of-commerce/>

8.0 Next Meeting

To be scheduled in the spring of 2014.

1.2-Staff-3

Ref: E4-T1-S2 p.8 table 1 row 7

Request

“Storm Restoration” accounts for \$201,910 [\$122,910+\$79,000] of the increase in OM&A between 2011 actuals and 2014 Test Year.

- (a) Is the \$201,910 the total amount budgeted in 2014 for “Storm Restoration”? If not, please provide the total amount.

In late December 2013, many parts of southern Ontario experienced a significant ice storm.

- (b) Please identify any impacts that the Applicant estimates that the December 2013 ice storm has had or will have on the test year capital and OM&A budget levels (e.g., in terms of infrastructure replacement or maintenance and vegetation management).
- (c) Will the Applicant be updating its Application in light of this event? If so, by when does it intend to file any updated evidence?

Response:

- (a) No, \$201,910 is not the total amount budgeted in 2014 for “Storm Restoration”. The total amount budgeted in 2014 is \$801,081. This information is provided at E4-T2-S2 p.5, table 3 and is labelled as Veridian’s operating program of Emergency Power Restoration.
- (b) Veridian has identified through internal post-storm debriefing sessions and through review of customer input and feedback some deficiencies in its abilities to effectively meet customer expectations during such a severe weather event.

Veridian estimates that additional capital investments and possibly operating program costs will be required in the test year. Additional capital investments include non-material (below materiality thresholds) investments in enhanced customer communication channels such as additional inbound telephone equipment, improvements to existing IVR systems and websites, in redundant SCADA equipment such as enhanced battery and backup generators and in System Control Centre equipment for enhancements to improve real-time system control centre information and the ability to provide customers enhanced outage information.

Additional operating costs may be required for added telecommunication capacity to handle higher call volumes during such severe weather events.

- (c) Veridian, through interrogatories has been asked to provide actual 2013 capital investment details and any update to 2014 capital as a result of changes from 2013 activities. Veridian will be including amounts for the above noted capital investments within the revised 2014 capital plan within its interrogatory response and as such, Veridian will not be submitting any further application update.

Veridian will not be increasing its 2014 OM&A forecast and it will seek cost reductions in 2014 to offset any additional operating costs that are determined to be necessary for preparing for similar outage events.

1.2-Staff-4

Ref: E1-T2-S1 p. 5

Veridian states that its success in identifying and addressing the needs of its customers is reflected in the results of its annual customer opinion survey.

Request

Please provide a copy of the survey and results.

Response:

See the response to 1.2-EP-1 for an index of survey questions, and the response to 1.2-CCC-3 for copies of survey results for the years 2010 to 2013.

1.2-Staff-5

- Ref: (i) E2-T2-S1 p.5
(ii) E2-T2-S1 p.3 Table 2- (Table from DSP)
(iii) E2-T3-S1 p.4

Veridian states that it has increased its capital investments year over year, and is planning to maintain this steady state investment in discretionary and non-discretionary assets throughout the planning window and not just the bridge and test years.

Historically Veridian's capital expenditures have been as follows: 2010- \$20.6M; 2011- \$20.6M; 2012- \$34.2M (includes \$7.M of smart meters); 2013 (est.) \$23.7M

Table 2 shows the following forecasted capital expenditures:

2014 - \$30.7M
2015 - \$26.7M
2016 - \$25.8M
2017 - \$22.3M
2018 - \$41.3M

Request

- (a) Please explain how forecasted continuous year-over-year reductions over the 2014 to 2017 period demonstrate "steady state" approach to investment?
- (b) Veridian notes that the Seaton TS capital investment would total \$21M (in-service 2018). Is the aforementioned \$21M included in the yearly amounts shown above? If so, please indicate in which year(s).
- (c) Has Veridian calculated the impact on its customers' future rates (i) if the Seaton TS is built and operated by Hydro One (ii) is built and operated by Veridian?

Response:

- (a) The phrase "steady state" approach to investment over the forecast period was intended to reflect that Veridian plans to ensure that there is a "steady" ongoing year over year investment in System Renewal activities, though not necessarily at the same investment level as guided by the Asset Condition Assessment. As mentioned in E2-T2-S1, some discretionary investments cannot be delayed indefinitely, and must be addressed. While the absolute amount of dollars invested varies per year in the forecast period, it is the consistent inclusion of investment dedicated to System Renewal as a normal practice.
- (b) The \$21M investment in Seaton TS is included in the yearly amount for 2018.

- (c) At this time, the impact on customer's future rates has not been calculated.

1.2-Staff-6

Ref: E1-T2-S1

Chapter 2 of the Filing Requirements states, “The RRFE Report contemplates enhanced engagement between distributors and their customers to provide better alignment between distributor operational plans and customer needs and expectations.”

Request

- (a) Please describe the differences between customer engagement conducted in preparation for the current application and previous customer engagement.
- (b) Please explain how customer engagement has been enhanced.

Response:

- (a) Section E1-T2-S1 describes the customer engagement mechanisms that Veridian had in place leading up to the July 17, 2013 release of Chapter 2 of the Filing Requirements. The short timeframe between this release and Veridian’s scheduled filing date for its 2014 rate application did not provide sufficient time to pursue additional engagement activities specific to the application.
- (b) See response to (a) above.

1.2-Staff-7

Ref: E1-T2-S1

Chapter 2 of the Filing Requirements states, “Distributors should specifically discuss in the application how their customers were engaged in order to determine their needs. This could include references to any communications sent to customers about the application such as bill inserts, town hall meetings held, or other forms of outreach undertaken to engage customers and explain to them how the application serves their needs and expectations and the feedback heard from customers through these engagement activities.”

Request

What forms of outreach were employed to explain how the current application serves the needs and expectations of customers? If none were employed, please explain why.

Response:

See response to 1.2-Staff-6.

1.2-VECC-2

Ref: E1/T1/S1/pg.1

Request

- (a) Does Veridian survey customers in Gravenhurst separately from those in the southern service area?

Response:

- (a) Veridian understands that the intended evidence reference for this question is E1/T2/S1/pg. 1.

No, Veridian does not separately survey its customers in Gravenhurst as part of its annual customer opinion survey.

1.2-VECC-3

Ref: E1/T1/S1

Request

Surveys:

- (a) Is the telephone survey described at page 1 of the reference the same UtilityPULSE survey described at page 5 of the evidence? If not please provide the telephone customer survey described in the evidence.
- (b) Please provide the UtilityPULSE survey results or the reference to their location in the filing.

Response:

- (a) Veridian understands that that evidence reference for this interrogatory was intended to be E1/T2/S1.

Yes, the references at pages 1 and 5 refer to the same UtilityPULSE survey.

- (b) The survey results were not provided in pre-filed evidence. See the response to 1.2-CCC-3 for copies of the survey results for the years 2010 to 2013.

Performance Measures

Issue 2.1

Does the applicant's performance in the areas of:

- (1) delivering on Board-approved plans from its most recent cost of service decision;**
- (2) reliability performance;**
- (3) service quality, and**
- (4) efficiency benchmarking, support the application?**

2.1-CCC-4

Ref: *none*

Request

Please explain how Veridian is “delivering on Board-approved plans from its most recent cost of service application.” Please include all evidence references.

Response:

Please refer to Veridian’s response to interrogatory 2.1-EP-3.

2.1-CCC-5

Ref: E2/T4/S1

Request

Please set out all of the ways Veridian measures service quality beyond measuring the Board approved metrics. Does Veridian strive to improve its service quality or maintain service quality at existing levels? Is Veridian spending more to maintain or enhance service quality in light of the new RRFE? Please explain.

Response:

In addition to the Board established service quality metrics, Veridian monitors call centre performance and billing accuracy using the following methodologies:

- a. Billing accuracy – measured by comparing the number of adjusted bills to the total number of bills issued.
- b. Billing timeliness – measured by monitoring the percentage of all bills that are issued within one business day (+/-) of the scheduled delivery date.
- c. Final bill timeliness – measured by monitoring the elapsed number of days between a final meter reading and the issuance of a final bill/payment.

Veridian strives to maintain compliance with the Board's minimum service quality performance standards, and seeks to minimize billing errors and the need for repeat customer calls on a common issue.

The Board's RRFE has not yet prompted new investments related to these areas of service quality.

2.1-EP-2

Ref: Exhibit 1, Tab 1, Schedule 2

Request

Please confirm that based on the most recent benchmarking study, Veridian is in Group III and has a stretch factor of 0.3%.

Response:

Veridian confirms that based on the most recent benchmarking study, Veridian is in Group III and has a stretch factor of 0.3%.

2.1-EP-3

Ref: Most Recent Cost of Service Decision

Request

- (a) Please provide a list of all Board-approved plans from the most recent cost of service decision.
- (b) Please provide the evidence references in the current application that illustrates that the distributor is delivering on these approved plans.

Response:

(a) and (b)

Veridian is unaware of any Board-approved plans from the most recent cost of service decision. The Board approved Veridian's rates and charges in its most recent cost of service decision.

2.1-EP-4

Ref: All Exhibits

Request

- (a) Please provide the references to any performance efficiency benchmarking undertaken by the distributor.
- (b) Has the distributor considered benchmarking in relation to other distributors and/or to its own past historical performance? Please indicate where in the evidence this information has been provided for capital expenditures and OM&A expenses.

Response:

- (a) Veridian's pre-filed evidence does not include references to performance efficiency benchmarking.
- (b) See the response to 2.1-SEC-2.

2.1-EP-5

Ref: Exhibit 2, Tab 1, Schedule 2

Request

- (a) Please provide more details on the reduction in capital expenditures of \$4.2 million from the Board approved level. In particular, in addition to the \$4.9 million reduction in account 1820, the \$1.8 million reduction in account 1830 and the \$0.9 million lower contributions, please indicate what accounts for the remaining increase of about \$1.6 million.
- (b) Please provide the amount of approved capital expenditures in 2010 that were carried forward to 2011 for each of the main reasons noted in the evidence for lower expenditures in 2010.

Response:

- (a) The remaining increase of about \$1.6 million includes:

Account 1855 – Services: The 2010 actual balance was approximately \$937 thousand above Board Approved levels. As noted in at E-2,T2-S1 – Capital Expenditures, p.13, there were higher in-service dollars related to residential developments in 2010 by approximately \$1.4 million. The increase in Account 1855 – Services is included in the cost of serving residential developments.

Account 1611 – Computer Software (previously Account 1925): The 2010 actual balance was approximately \$602 thousand above Board Approved levels. This increase was the result of project completion in 2010 of a major project that had originally been forecast to be completed in 2009 (Gravenhurst GIS Data Conversion and Collection-Phase 1 Ref: E-2,T-2,S-2, Page 114 - \$397 thousand) and other unplanned, non-material IT projects.

- (b) Veridian understands the question to provide the amounts and specific projects included in Veridian’s 2010 COS Application that were forecast to be in-service in 2010 but were completed in-service in 2011 and hence ‘carried forward’ to 2011.

The amount of proposed capital expenditure in 2010 that was carried forward to 2011 by account for each significant variance between 2010 Board Approved and 2010 Actual as noted in E-2, T-1, S-2 is provided in the table below.

| Project | Amount Carried Forward to 2011 |
|---|---------------------------------------|
| Liberty St Substation Upgrade – In-Service April 2011 Evidence Ref: E-2,T-2,S-1 p.13 and E-2,T-2,S-2 p.82 | \$1.0 million |
| CIS version upgrade – In-Service September 2011 Evidence Ref: E-2,T-2,S-1 p.14 | \$221 thousand |
| South Ajax Feeder Automation – In-Service 2011/2012 Evidence Ref:E-2,T-2,S-2,ps 56-63 | \$775 thousand |
| Duffin Creek, WPCP – In-Service In-Service 2012, Evidence Ref: E-2,T-2,S-2,ps 77-79 | \$350 thousand |

2.1-EP-6

Ref: Exhibit 2, Tab 1, Schedule 1

Request

- (a) Table 1 shows that the opening 2010 PP&E NBV is \$2.5 million below the Board approved opening balance for 2010. Please explain this reduction.
- (b) Table 1 shows that the closing 2010 PP&E NBV is \$7.6 million below the Board approved closing balance for 2010. Other than the decrease in capital expenditures and contributions noted in the previous interrogatory, please explain the remaining reduction.

Response:

- (a) The opening 2010 PP&E NBV shown in Table 1 is in error and should be the same value as the Board approved opening balance for 2010.

The balance has been corrected and an amended Table 1 is provided below.

Table 1: Rate Base - \$000's - CORRECTED FOR 2010 OPENING BALANCES

| Rate Base | 2010 Board Approved | 2010 Actual-As filed | 2010 Actual- Corrected | 2011 Actual | 2012 Actual | 2013 Forecast | 2014 Forecast |
|--------------------|------------------------|----------------------------|------------------------------|----------------|----------------|------------------|------------------|
| Opening PP&E NBV | \$ 147,971 | \$ 145,445 | \$ 147,970 | \$ 154,917 | \$ 161,115 | \$ 185,279 | \$ 193,251 |
| Closing PP&E NBV | \$ 160,014 | \$ 152,392 | \$ 154,917 | \$ 161,115 | \$ 185,279 | \$ 193,251 | \$ 212,656 |
| PP&E - Average NBV | \$ 153,992 | \$ 148,918 | \$ 151,444 | \$ 158,016 | \$ 173,197 | \$ 189,265 | \$ 202,953 |
| Working Capital | | | | | | | |
| Allowance | \$ 32,603 | \$ 34,388 | \$ 34,388 | \$ 38,840 | \$ 40,473 | \$ 45,061 | \$ 43,115 |
| Rate Base | \$ 186,595 | \$ 183,307 | \$ 185,832 | \$ 196,856 | \$ 213,670 | \$ 234,326 | \$ 246,068 |
| Annual \$ Change | | | | \$ 11,024 | \$ 16,814 | \$ 20,656 | \$ 11,742 |
| Annual %age Change | | | | 5.93% | 8.54% | 9.67% | 5.01% |

In other interrogatories Veridian has been asked to update the 2013 Forecast PP&E values to Actuals and provide any revisions to 2014 Forecast PP&E values resulting from changes in 2013 (7.1-CCC-27). Veridian has also updated the 2014 Cost of Power forecast based on most recent commodity pricing reports as issued by the OEB (7.1-EP-25) and has updated its Working Capital Allowance percentage in response to various interrogatories (7.1-EP-27 through 34).

The table below provides a further amended Table 1 reflecting all of the cumulative changes noted above.

Table 1: Rate Base - \$000's - CORRECTED FOR 2010 OPENING BALANCES, 2013 ACTUAL PP&E, REVISED 2014 FORECAST PP&E, COP UPDATE AND REVISED WCA

| Rate Base | 2010 Board Approved | 2010 Actual | 2011 Actual | 2012 Actual | 2013 Actual | Revised 2014 Forecast |
|------------------------------|------------------------|-------------|-------------|-------------|-------------|-----------------------------|
| Opening PP&E NBV | \$ 147,971 | \$ 147,970 | \$ 154,917 | \$ 161,115 | \$ 185,279 | \$ 188,061 |
| Closing PP&E NBV | \$ 160,014 | \$ 154,917 | \$ 161,115 | \$ 185,279 | \$ 188,061 | \$ 207,640 |
| PP&E - Average NBV | \$ 153,992 | \$ 151,444 | \$ 158,016 | \$ 173,197 | \$ 186,670 | \$ 197,851 |
| Working Capital Allowance | \$ 32,603 | \$ 34,388 | \$ 38,840 | \$ 40,473 | \$ 45,061 | \$ 43,797 |
| Rate Base | \$ 186,595 | \$ 185,832 | \$ 196,856 | \$ 213,670 | \$ 231,731 | \$ 241,648 |
| Annual \$ Change | | | \$ 11,024 | \$ 16,814 | \$ 18,062 | \$ 9,917 |
| Annual %age Change | | | 5.93% | 8.54% | 8.45% | 4.28% |

Veridian notes that as a result of the various updates and corrections, 2014 forecast Rate Base changes from \$243.543 million to \$241.648 million.

- (b) After the correction of the 2010 opening PP&E NBV balances, the closing 2010 PP&E NBV is only \$2.55 million below the 2010 Board Approved. This variance has been explained in decreases in capital expenditures and contributions.

2.1-SEC-2

Ref: *none*

Request

Please provide details and copies of all performance efficiency benchmarking undertaken by the Applicant.

Response:

Veridian participates in an annual utility performance management survey coordinated by a third-party. Pursuant to the terms of the agreement with the third-party, Veridian is not permitted to disclose any details about the survey or the survey itself.

2.1-SEC-3

Ref: E4/T1/S2

Request

Has the Applicant compared its OM&A cost per customer, OM&A cost per FTE, and customer per FTE metrics with other LDCs? If not, please explain?

Response:

Veridian regularly reviews the OEB's annual Yearbook of Electricity Distributors in order to compare its OM&A cost per customer against other LDCs. Although the Yearbook does not contain information on FTE's, Veridian does compare itself to other LDCs using this metric as well.

For examples of Veridian comparing its OM&A costs to other LDCs, please refer to 3.1-Staff-11 and 4.2-CCC-11.

2.1-Staff-8

Ref: E2-T2-S2 pp. 94-100

The evidence indicates that the capital expenditures for the Ajax building expansion project totals about \$8.0M

Request

- (a) Please confirm that this is about \$2.0M or 33% greater than the amount projected in Veridian's last cost of service proceeding.
- (b) Please provide the amount of 2014 rate base that is related to the Ajax building expansion project.
- (c) Would Veridian have undertaken this specific building expansion project if it were known at the time that costs would total \$8.0M? For example, would the business case have changed or alternative solutions been considered?
- (d) The evidence identifies a number of reasons for the overspending i.e. building design changes, municipal site plan approval, driveway & parking lot remediation/expansion, development fees, building system design changes. Does Veridian view any of these as something over which it had no control to foresee or are some due to planning lapses or deficiencies?

Response:

- (a) Confirmed.
- (b) The amount of the 2014 rate base that is related to the Ajax building expansion project is \$7.399M.
- (c) Alternative solutions for Veridian's space needs were presented and explored as part of Veridian's 2010 Cost of Service rate proceeding (EB-2009-0140). Three options were short listed and evaluated on a net present value basis. Planning estimates for all three options were based on the best available information at the time. Actual cost information is only available for the one option that was selected and ultimately constructed. Accurate and comparable cost data is therefore not available to support a re-assessment of an historic decision.

However, Veridian notes that of the three options that were explored in 2009/10, two that leveraged the company's existing property at 55 Taunton Road East in Ajax were significantly more cost effective than a third option involving the construction of a new head office on a separate building site. Further, the second-ranked option

involving the construction of a single storey building addition at 55 Taunton Road East would have been subject to many of the budget variances experienced with the two storey building addition that was selected and constructed.

Veridian is confident that its decision to maximize the use of its existing real estate holdings was the appropriate means of accommodating its office space needs.

- (d) The drivers of budget variances described in evidence were all due to circumstances over which Veridian had no control to foresee and/or prudent expansions of project scope.

2.1-Staff-9

Ref: E4-T3-S1

Veridian indicates that executive compensation is based on an Executive Compensation Review conducted by the Hay Group for Veridian in 2011 and that the base salary range is set equal to the 50th percentile.

Request

- (a) Has Veridian undertaken any other studies of its proposed increases in compensation/headcount on the basis of compensation benchmarking, or any other external comparators or has it justified its proposed increases solely on the basis of its anticipated needs without any specific reference to any external comparators.
- (b) Please confirm whether or not the applicant took into account any external comparators when determining these increases. If yes, please state what they were and how they impacted on what is proposed in the application. If not, please state why not.

Response:

- (a) Veridian understands that this question relates to proposed increases in compensation and headcount in the 2014 test year.

Since the time that its evidence was filed, Veridian finalised its January 1 2014 base wage inflation adjustments for management and non-union staff. The pay ranges for these groups of staff were increased by 2.75%. This level of increase was informed by a review of external comparators that included publicly available national survey information as provided in the following attachments:

Attachment 1: Mercer National Compensation Survey Results
Attachment 2: Morneau Shepell National Compensation Survey Results

No external comparators were considered in determining the proposed headcount additions for the test year.

- (b) See the response to question (a).

Veridian notes that this level of adjustment deviates from the projected 3% increase cited in its pre-filed evidence. Veridian estimates that the impact of this change on 2014 compensation levels is a reduction in OM&A expenses of approximately \$20,567 and a corresponding increase in PILs of approximately \$4,710, for a net revenue requirement reduction estimated at \$15,947.

hrreporter.com

Aug 27, 2013

Salary budgets to increase 3.1 per cent for 2014: Mercer

Lowest gains in Quebec, Manitoba

As the economy returns to full capacity, salary budget increases for Canadian employees are remaining steady, according to a survey by Mercer. The average raise in base pay is expected to be 3.1 per cent in 2014, a small decrease from the average actual salary increase reported both for 2013 and 2012 of 3.2 per cent.

The results are indicative of a flat-lining trend, said Mercer, and there are similar trends in the United States, with the average increase in base pay expected to be 2.9 per cent, modestly rising from 2.8 per cent in 2013 and 2.7 per cent in 2012 and 2011.

"While we are seeing a flattening in salary increases across the country, competitive industries and markets continue to recognize that in order to attract and retain top-performing employees, they're going to have to reward them," said Iain Morris, leader of Mercer's talent consulting business for central Canada. "This includes higher pay increases along with other non-cash rewards such as training opportunities and career development."

Breakdown of results

Executives and management have the highest salary increases in 2013 with 3.4 per cent and 3.3 per cent respectively, found the survey of 719 employers across Canada (see chart below).

The oil and gas industry continues to have the highest salary increases in both 2013 (4.3 per cent) and projected for 2014 (4.2 per cent). The pharmaceutical and biotech, and wholesale/retail industries are projected to see the smallest salary increases at three per cent and 2.7 per cent respectively.

Alberta has the highest projected average salary increases in the country (3.2 per cent), followed by Saskatchewan at 3.1 per cent. Comparatively, the lowest projected salary increase is in Quebec, Manitoba and Greater Vancouver, each at 2.8 per cent, found Mercer's *2013/2014 Canada Compensation Planning Survey*.

Organizations are rewarding high-performing employees with greater than average salary increases. Using five performance categories, survey respondents rewarded the highest performers (six per cent of the workforce) with a 5.1 per cent salary increase in 2013, compared to 2.8 per cent for middle performers (60 per cent of the workforce) and 0.1 per cent for the weakest performers (two per cent of the workforce).

Average base pay increases by employee group

| | Actual 2013 (excluding zeros) | Actual 2013 (including zeros) | Projected 2014 (excluding zeros) | Projected 2014 (including zeros) |
|---------------|-------------------------------------|-------------------------------------|--|--|
| All employees | 3.2% | 3% | 3.1% | 3% |
| Executive | 3.4% | 3% | 3.2% | 2.9% |
| Management | 3.3% | 3.1% | 3.3% | 3.1% |
| Professional | 3.1% | 2.9% | 3.1% | 2.9% |

| | | | | |
|-----------------------------------|------|------|------|------|
| Office/Clerical/Technician | 3.2% | 3.1% | 3.2% | 3% |
| Trades/Production/Service | 3% | 2.7% | 3% | 2.7% |

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Morneau Shepell compensation survey shows salary increase budgets for 2014 are comparable to 2013

MONTREAL, AUGUST 20, 2013 – Canadian employers expect salaries to rise by an average of 2.6% in 2014, according to Morneau Shepell's annual Compensation Survey. This is similar to the increase expected for 2013 and also in line with increases actually granted in 2013. This 2.6% average includes expected salary freezes and excludes promotional or special salary adjustments.

Overall, respondents expect 2014 to be pretty flat in terms of revenue growth, profitability and staffing level.

Respondents in the mining and oil & gas extraction sector expect the greatest salary increases for 2014 at 3.5% on average, but such expectations fall short of the whopping 4.7% granted in 2013 in the oil & gas extraction sector. The manufacturing sector, a key contributor to Canada economic performance, is expected to maintain salary increases in line with the overall average, although some traditional sub-sectors such as printing and paper or wood products are budgeting significantly lower salary increases. Salary budgets are tight as ever and more than 70% of respondents identify the competitiveness of their compensation package as the number one priority on the compensation front.

Sponsors of defined benefit pension plans continue to struggle with oversized pension costs. 70% of large organizations offering defined benefit plans indicate that this is their top issue for next year. In the last couple of years, nearly 50% of these organizations have either elected for funding relief measures made available in various Canadian jurisdictions or adopted plan changes aimed at reducing the employer pension cost. 15% of those who have not yet implemented employer cost reduction measures intend to do so next year. Such a high level of activity is simply unprecedented.

Sponsors of defined contribution retirement plans appear to enjoy a much smoother ride than their defined benefit counterparts. Still, we see rising concerns by sponsors about the ability for participants to adequately plan for their retirement. Short of increasing the level of contributions to these plans, sponsors are strongly promoting financial education for plan members, including making available sophisticated decision support tools, and simplifying the suite of investment options available in order to facilitate the plan members decision-making process.

While cost control and disability management come up as the top priorities for 2014 for sponsors of benefits programs, as many as 15% of our respondents have improved their health care programs over the last couple of years while 10% plan to implement improvements next year.

The issue of mental health in the workplace has grabbed significant employers' attention over the last few years. More than 40% of responding organizations plan to implement management training initiatives next year. These initiatives aim to help remove the stigma associated with mental health issues by equipping managers to better address these delicate matters as they arise. Further, in

response to the new voluntary National Standard for Psychological Health and Safety in the Workplace, one-third of the respondents plan to implement policies in this respect next year while 20% did so during the last two years. The level of activity in this human resources management area is exponential.

Morneau Shepell's 31st annual Compensation – Trends and Projections survey was conducted between mid-June and mid-August, 2013, with input from over 300 organizations employing nearly three million people. The benchmark organizations are mostly from the manufacturing (28%), services (26%), and finance (12%) sectors.

A detailed report of the survey results is available. To purchase the survey report, please visit:

http://www.morneaushepell.com/brochures/comp/identification_E.pdf

About Morneau Shepell Inc.

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Customer Focus

Issue 3.1

Are the applicant's proposed capital expenditures and operating expenses appropriately reflective of customer feedback and preferences?

3.1-CCC-6

Ref: *none*

Request

Please explain the extent to which customer feedback and preferences are used to develop Veridian's capital and operating budgets. Is Veridian changing the way it engages its customers and develops those budgets in light of the new RRFE?

Response:

See the response to 1.2-Staff-6.

Veridian has not yet considered how it might change the way customers are engaged in the development of capital and operating plans for 2016.

3.1-EP-7

Ref: Exhibit 1, Tab 2, Schedule 1

Request

- (a) Please provide all customer feedback and preferences received from residential customers with respect to capital expenditures in the bridge and test years.
- (b) Please provide all customer feedback and preferences received from non-residential customers with respect to capital expenditures in the bridge and test years.
- (c) Please provide all customer feedback and preferences received from residential customers with respect to OM&A expenses in the bridge and test years.
- (d) Please provide all customer feedback and preferences received from non-residential customers with respect to OM&A expenses in the bridge and test years.
- (e) Did the distributor ask customers (residential or non-residential) for feedback and preferences on employee compensation, including, but not limited to salary levels, salary increases, benefits and pensions? If yes, please provide the feedback received.

Response:

- (a) See the response to 1.2-Staff-6
- (b) See the response to 1.2-Staff-6
- (c) See the response to 1.2-Staff-6
- (d) See the response to 1.2-Staff-6
- (e) No, customer feedback was not sought on Veridian's practices in these areas.

3.1-SEC-4

Ref: E1/T2/S1/pg.3

Request

Regarding business planning informed through customer contract with Key Account Representatives, please detail the capital and OM&A spending proposed in this application informed through this process.

Response:

To date, there has been no customer feedback received through the process that would require any proposed capital or OM&A spending.

3.1-SEC-5

Ref: *none*

Request

Please provide all customer feedback and preferences received, by customer class, with respect to the Applicant's Test Year:

- (a) Capital expenditures
- (b) OM&A expenses

Response:

- (a) See the response to 1.2-Staff-6.
- (b) See the response to 1.2-Staff-6.

3.1-SEC-6

Ref: *none*

Request

Please provide a copy of any surveys, questionnaires or other methods that the Applicant used to collecting customers feedback and preferences? Please provide full results for any survey or questionnaire undertaken.

Response:

See the response to 1.2-CCC-3.

3.1-Staff-10

Ref: (i) E4-T1-S1 p.6 Table 3
(ii) E4-T1-S2 p. 3 Table 1
(iii) Appendix 2L

Request

In Tables 3 and 1 Veridian provides a normalized OM&A for the years 2010 to 2012 by adjusting for Smart Meters (add) and Capitalization Policy changes (remove).

- (a) Please explain why Tables 3 and 1 do not show the same normalized totals of OM&A for 2010, 2011 and 2012.

Board staff has prepared the following table to compare cost per customer amounts both on a normalized (sourced from Table 1) and non-normalized basis.

| | 2010 Board Approved | 2010 Actual | 2011 Actual | 2012 Actual | 2013 Bridge Year | 2014 Test Year | ave. annual 2010 Brd App-2013 | ave. annual 2010 Brd App-2014 |
|--------------------------|------------------------|--------------|--------------|--------------|---------------------|-------------------|--|--|
| TOTAL OM&A | \$21,486,322 | \$20,506,848 | \$20,601,507 | \$24,471,462 | \$26,093,500 | \$28,283,692 | | |
| OM&A/Customer | \$ 191.28 | \$ 182.92 | \$ 181.70 | \$ 212.97 | \$ 222.65 | \$ 238.22 | | |
| % change | | -4.4% | -0.7% | 17.2% | 4.5% | 7.0% | 5.19% | 5.64% |
| TOTAL OM&A normalized | \$22,362,802 | \$21,383,328 | \$21,218,503 | \$23,170,067 | \$24,458,824 | \$26,730,627 | | |
| Normalized OM&A/Customer | \$ 199.08 | \$ 190.74 | \$ 187.15 | \$ 201.64 | \$ 208.70 | \$ 225.14 | | |
| % change | | -4.2% | -1.9% | 7.7% | 3.5% | 7.9% | 1.59% | 3.12% |
| Customers | 112,331 | 112,108 | 113,380 | 114,908 | 117,185 | 118,727 | | |

- (b) Does Veridian agree that the average annual increase in OM&A per customer over the 2010 Board-approved to 2014 period is 5.64% (non-normalized) and 3.12 % (normalized) and over the 2010 Board-approved to 2013 period is 5.19% (non-normalized) and 1.59% (normalized)?
- (c) What improvements in services and outcomes will Veridian's customers experience in 2014 and during the subsequent IRM term as a result of increasing the provision for OM&A in 2014 at about 5 times [7.9% divided by 1.59%] the annual rate experienced over the 2010-2013 period.
- (d) How has Veridian communicated these benefits to its customers, and how did the customers respond? If no communications took place please explain why not.

Response:

- (a) The smart meter costs shown for 2010 Board Approved and 2010 Actuals in table 3 are incorrect. A corrected version of table 3 is provided below. Normalized OM&A

costs per year in this corrected version of table 3 are the same as shown in table 1 of the reference.

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

| | 2010 Board Approved (\$) | 2010 Actuals (\$) | 2011 Actuals (\$) | 2012 Actuals (\$) |
|--|--------------------------------|-------------------------|-------------------------|-------------------------|
| O&M | 6,929 | 6,589 | 7,085 | 8,327 |
| Add: SM Costs | 81 | 81 | 110 | |
| | <hr/> 7,010 | <hr/> 6,670 | <hr/> 7,194 | <hr/> 8,327 |
| <i>%age change</i> | | | 7.9% | 15.8% |
| <i>%age change in O&M costs 2010 to 2012</i> | | | | 18.8% |
| Admin | 14,557 | 13,917 | 13,517 | 16,144 |
| Add: SM Costs | 795 | 795 | 507 | |
| Less: Changes in Capitalized | | | | (1,301) |
| Normalized Admin | <hr/> 15,353 | <hr/> 14,713 | <hr/> 14,024 | <hr/> 14,843 |
| <i>%age change</i> | | -4.2% | -4.7% | 5.8% |
| <i>%age change in Admin Costs 2010 to 2012</i> | | | | -3.3% |
| Normalized OM&A | 22,363 | 21,383 | 21,219 | 23,170 |

(b) Veridian agrees with the calculations of average annual increases as shown in the Board Staff prepared table.

(c) It in its discussion of OM&A Program Costs at E-4, T-2, S-2, page 3, Veridian provides information on the drivers of increases in costs related to the delivery of operating programs.

A significant factor in the increase in OM&A costs in the 2014 Test Year is expanded program scope.

The many changes in the scope of programs are directly linked to improvements in service and outcomes for customers.

Examples of these include:

1. New testing programs (pole and cable) to support informed and cost effective asset management practices:
 - Underground cable testing will inform Veridian's replacement vs refurbishment options for aging assets. Testing will assist in determining when a lower total cost refurbishment option will be effective. Outcomes

include a reduced risk of reliability degradation and overall lower capital costs.

- Veridian's pole testing program will provide the information required to complete a proactive planned sustainment program. Testing will identify those poles at highest risk and a planned approach will reduce replacement costs overall as reactive, more costly replacements are reduced.
- 2. An increased scope of station O&M activities are in support of improvements in system reliability for customers. Activities such as regular health checks of SCADA systems, verification of communications with SCADA system and other field automated devices and implementation of database development and programming for automated systems such as voltage-control and self-healing networks will strengthen Veridian's ability to obtain real-time information in the event of an outage and assist in reducing overall power restoration time for customers.
- 3. The newly emerging area of distribution automation requires new inspection and maintenance programs for the many communication devices. New inspection activities include inspection of automation devices on a periodic and scheduled basis. New maintenance activities include relay testing and upgrades. Supporting these new technologies requires technical staffing with advanced skill sets in the field of Protection and Control.

With the advent of the new technology, these additional O&M activities are considered by Veridian to be core to good utility practice but are in addition to the level of operating programs funded within Veridian's current revenue requirement. Customers will have improved outcomes in distribution system performance from these now 'core' activities similarly as is provided by other core maintenance and inspection programs, namely, prudent management of distribution assets to ensure safe, reliable distribution of electricity.

- 4. To provide customers with continuing efficiencies in the implementation of its capital programs and the overall cost of providing O&M programs, Veridian is deploying new technologies such as mobile computing. As is often the case with new technologies, costs of deployment in initial stages can be significant and the benefits in productivity are realized over a longer time frame. Veridian believes that these initial increases in operating costs such as software and hardware maintenance fees will be returned to rate payers through the increase in existing labour force capacity to carry out additional program work in the future.

(d) Please see response to 1.2-Staff-6.

3.1-Staff-11

Ref: E4-T1-S1 pp.6-7

Veridian states that historical spending related to OM&A has been lower on a cost per customer basis than most utilities in Ontario and that “Veridian’s ‘O&M’ cost per customer was \$73.51 in 2012.

Request

- (a) Please confirm that the \$73.51 only covers the “Administration” component of OM&A (ie. no Billing, Community Relations, Operations, Maintenance.) If it includes other components please specify which ones(s).
- (b) Given Veridian’s statement in the preamble above, please identify how Veridian’s total OM&A per customer compares to the utilities in its cohort.

Response:

- (a) The stated O&M cost per customer in 2012 of \$73.51 does not include any costs from the “Administration” component of OM&A.
At E4-T1-S1, page 6 Veridian states “Veridian’s O&M cost per customer in 2012 was \$73.51.” This calculation is derived from the OEB 2012 Yearbook of Electricity Distributors (“the Yearbook”) as follows:

From the IS tab of the Yearbook

| | |
|-----------------------|--------------------|
| Operating Expenses | \$5,407,951 |
| Maintenance Expenses | <u>\$3,065,986</u> |
| Total of O&M Expenses | \$8,473,937 |

From the General tab of the Yearbook

| | |
|-----------------|---------|
| Total Customers | 115,280 |
|-----------------|---------|

Calculated O&M cost per customer - $\$8,473,937 / 115,280 = \73.51

- (b) The table below uses data from the OEB 2012 Yearbook of Electricity Distributors and compares Veridian’s 2012 OM&A cost per customer to other utilities in its cohort.

Veridian has relied on the cohort/peer group as identified in the Board Report “*Third Generation Incentive Regulation Stretch Factor Updates for 2013*” issued November 27, 2012 in identifying appropriate utility cohorts. The establishment of this cohort group was recommended by a benchmarking expert and adopted by the Board for the purpose of establishing efficiency cohort groupings for OM&A costs and use in

calibration of the Third Generation Incentive Regulation stretch factors for Ontario LDCs. At this time Veridian has no better information to identify an alternative OM&A benchmarking cohort group.

Veridian ranks the second lowest in OM&A cost per customer, at \$238.24, with costs only 1.5% more than Hydro Ottawa, at \$234.64.

Veridian's OM&A cost per customer is much lower than the remaining cohorts by margins of 29% and 42% respectively.

| Distributor | 2012 OM&A Cost per Customer | %age of cost using Veridian as Base |
|---------------------------------------|--|--|
| Hydro Ottawa Limited | \$ 234.64 | 98.49% |
| Veridian Connections Inc | \$ 238.24 | 100% |
| EnWin Utilities Ltd | \$ 306.78 | 128.77% |
| Toronto Hydro-Electric System Limited | \$ 338.71 | 142.17% |

3.1-Staff-12

Ref: (i) E2-T2-S-1 p. 3 Table 2
(ii) E2-T3-S7 p.10 lines 8 - 13
(iii) E1-T2-S1/ pp.1-6

Table 2 indicates that the proposed investment under “System Renewal” increases significantly in years 2014 to 2018 compared to prior years. For the test year, the proposed investment is \$14.12 M which is materially higher than the levels reported historically for period 2009-2012 as well as the level for the bridge year of \$6.215 M.

The evidence at reference (ii) states that:

Prior to the test year, and the completion of the ACA, Veridian had a proactive program of planned sustainment to replace the assets in the substation transformers, substation breakers, wood pole, pad mounted switchgear and underground primary cable categories. In the test year, the pole mounted, pad mounted, submersible and vault transformer, and overhead switch asset categories have been included to further take advantage of the benefits realized from its current proactive programs

At reference (iii) Veridian outlines the various activities, multiple communication channels, and surveys Veridian conducts to secure feedback on its performance.

Request

- (a) Did Veridian include in any of its communication with customers its intention to materially increase in 2014 its planned investment in System Renewal as compared to the 2013 bridge and prior years? If so, please provide a copy of such communication.
- (b) Did Veridian conduct any surveys that identified the increase in System Renewal investment in 2014 and/or solicited feedback? If so please provide a copy of the survey and a summary of the feedback, if any.

Response:

- (a) Please refer to the response to 1.2-Staff-6 regarding customer consultation and communication initiatives undertaken by Veridian.
- (b) Please refer to the response to 1.2-Staff-6 regarding customer consultation and communication initiatives undertaken by Veridian.

3.1 -VECC-4

Ref: E1/T2/S1

Request

Please provide a summary of customer engagement and feedback that was used to develop the 2014 capital budget and the Distribution System Plan.

Response:

See the response to 1.2-Staff-6.

Operational Effectiveness

Issue 4.1

Does the applicant's distribution system plan appropriately support continuous improvement in productivity, the attainment of system reliability and quality objectives, and the level of associated revenue requirement requested by the applicant?

4.1-CCC-7

Ref: *none*

Request

Please explain Veridian's overall strategy with respect to productivity. Please provide a list of the efficiency gains or productivity improvements that were achieved during the IRM period. Please explain the extent to which these have been sustainable and are reflected in the proposed revenue requirement for 2014.

Response:

Veridian provides its overall strategy and expectations with respect to productivity and process improvement initiatives under at E-4, T-1, S-4. Detailed lists and examples of efficiency gains achieved and process/productivity improvements achieved during the IRM period are also provided within the referenced schedules.

Additionally, Veridian has provided sources of cost savings as it relates to capital planning and deployment as part of its Distribution System Plan at E-2, T-3, S-1 pages 6 through 12.

All of these improvements are sustainable and have been fully reflected in the proposed revenue requirement for 2014.

4.1-CCC-8

Ref: *none*

Request

Please indicate what Veridian's system reliability and quality objectives are. Please provide evidence to indicate the extent to which Veridian's proposed revenue requirement allows it to meet those objectives.

Response:

Veridian's system reliability objectives are to continuously improve reliability to customers by reducing the system average duration and frequency of outages. Continuous reliability improvement is achieved through the implementation of action plans generated by the internal reliability improvement team at Veridian. All action plans are screened through the generation of the capital plan and O&M budgeting procedure to ensure the expenditures are prudent and will result in the benefit to reliability for customers as expected.

Veridian believes its system quality is currently adequate for customers. Veridian does investigate each power quality complaint and when necessary, makes prudent capital and O&M spend decisions to correct the issue.

The proposed revenue requirement in this application contains projects both in the capital plan and O&M budget that will support reliability improvements for customers. Capital sustainment programs are primarily reliability driven and total \$13.96M in planned expenditures for the 2014 Test Year. Examples of O&M projects primarily driven from reliability requirements include pole testing, underground primary cable testing, vegetation management and dry-ice cleaning of air-insulated switchgear.

4.1-EP-8

Ref: Exhibit 2

Request

- (a) Does the distributor agree that system reliability has to be attained, or does it have to be maintained? Please explain fully.
- (b) How has the distributor determined that its distribution system plan will result in continuous improvement in productivity? Please explain fully.
- (c) Does the distributor believe that its current level of system reliability and quality objectives need to be improved or that they are already high and need to be maintained?
- (d) What component or percentage of the associated revenue requirement does the distributor believe is directly related to the continuous improvement in productivity, the attainment of system reliability and quality objectives?

Response:

- (a) Through the results of customer surveys, Veridian understands that most of its customers are satisfied with the current level of reliability, so from the customer perspective, reliability should be maintained. In Veridian's 2013 customer survey, approximately 10% of customers did note however that improvement in reliability is one of the most important things Veridian could do to improve its service. As good utility asset managers, Veridian believes it is necessary to continually monitor its distribution system at a detailed level to determine through trending analysis any degradation in reliability. Through this analysis, Veridian identifies specific areas of its distribution system where reliability performance may not be at the desired levels (such as worst performing feeders) and that require investment for improvements in reliability to be attained.
- (b) Veridian has not completed any studies to forecast the productivity impacts of its distribution system plan. However, elements of the plan have been established and will be implemented through processes that ensure the cost effective deployment of distribution assets.
- (c) Please refer to answer (a) above.
- (d) Veridian does not categorize its capital investments and operating costs based on anticipated contributions to productivity improvements and attainment of system

reliability and quality objectives. Therefore, it is unable to calculate the associated revenue requirement.

4.1-SEC-7

Ref: E3/T3/S14

Request

Does the Applicant expect that its proposed Test Year capital additions will result in continuous improvements in productivity? If so, can the Applicant quantify the improvements in productivity such as a reduction in OM&A costs?

Response:

Veridian expects that some of its proposed Test Year capital additions will result in continuous improvement in productivity; however these productivity improvements are longer term and Veridian will be unable to quantify them until they are realized in the future. Examples of capital projects that would lead to long term productivity improvements are Mobile Computing (E2-T2-S2, pg 118), GIS Enhancements (E2-T2-S2, pg 110) and Unified Messaging (E2-T3-S17, pg 8).

Additionally, some productivity improvements are not quantifiable in the sense that they may not translate to a direct reduction in OM&A costs, however they may alleviate an administration burden that would allow staff to concentrate on work of higher value.

4.1-Staff-13

Ref: E4-T2-S2 pp.9-10

Request

Veridian indicates that cable locating costs increased significantly between 2012 and 2013, from \$.83M to \$1.3M, and the Test Year provides for \$1.1M. For the 2015 to 2018 period is Veridian simply assuming that major roadway expansions (hwy7 &407) and continued customer growth will continue at 2014 levels or was a more in-depth analysis performed? If so, please provide the details of the analysis.

Response:

Veridian provided in the evidence referenced above, a number of contributing factors to the increase in the volume of underground cable locate requests. Veridian believes the major contributor to the increase in volume is the adoption of the Ontario One Call system. An in-depth analysis of expected locate volumes for the period 2015 to 2018 was not performed.

4.1-Staff-14

Ref: (i) E2-T3-S6 pp. 5-7
(ii) E2-T3-S12 Attachment 1
(iii) E2-T3-S6 Attachment 1 (Asset Condition Assessment)

In reference (i) Veridian indicated that its Asset Condition Assessment (ACA) is evolving as some asset groups had limited asset condition information available other than age. Veridian also indicated that the ACA study results and the basis for the replacement of these assets are mainly driven by age: The noted asset groups (total 7) with limited asset condition information, including the following:

1. pole mounted transformers;
2. overhead line switches,
3. pad mounted transformers, ,
4. pad mounted switchgear and
5. underground primary cable

At page 6, Veridian further indicated that it adjusted the ACA results due to the fact that the basis for replacement is mainly driven by age, and at Table 2 on page 7 listed the comparison, of selected Asset Categories. The table below is a recast covering the five asset categories noted above:

| | Asset Category | Condition-Based Flagged-For-Action Plan for Year 1 based on ACA Results [Number of Units] | Condition-Based Flagged-For-Action Plan for Year 1 based on Veridian Staff Adjusted Results [Number of Units] |
|---|---------------------------|---|--|
| 1 | Pole Mounted Transformers | 116 | 110 |
| 2 | Overhead Line Switches | 299 | 7 |
| 3 | Pad Mounted Transformers | 206 | 70 |
| 4 | Pad Mounted Switchgear | 8 | 8 |
| 5 | Underground Cables | 78 | 12.5 |

In reference (ii), material investment for “System Renewal” is listed where it includes a Replacement Program for 5 of 7 asset categories, whose ACA results are mainly driven by age. The table below recasts a portion of the contents of that Table for the Test Year, and covering proposed program investments for the same 5 asset groups.

| Project Name | Net of Contribution | In Service Date |
|--|------------------------|-----------------------|
| 1 Polemount Transformer Replacement Program, various | \$736,000 | 2014 |
| 2 Overhead Line Switch Replacement Program, various | \$706,000 | 2014 |
| 3 Padmount Transformers Replacement Program, various | \$800,000 | 2014 |
| 4 Padmounted Switchgear Replacement program, various locations | \$900,000 | 2014 |
| 5 Primary Cable Rehabilitation Program, various locations | \$1,000,000 | 2014 |

Veridian notes in reference (iii) that for each of the identified five Categories, limited asset condition information (age only), was the basis for determining the Health Index results.

Request

- (a) Does Veridian agree that the “Condition-Based Flagged-For-Action Plan”, for each asset category, is also based on limited asset information, as outlined in reference (iii) section II pages 3 -12?
- (b) Please explain why it is prudent for Veridian to design proactive programs for the identified seven segments per reference (i), including the 5 noted this interrogatory, before Veridian completes the required data enhancements for these assets.

Response:

- (a) No. Veridian does not agree that all of the Condition-Based Flagged for Action Plans are based on limited asset information. As noted in reference (iii) page ix, substation transformers, substation breakers and pad mounted transformers had sufficient data and information to yield more reliable ACA results.
- (b) Veridian believes that it is prudent to move forward with the design of its proactive sustainment programs, even those with minimal information available at this time, based on the logic that assets will continue to age and degrade over time. The condition of the asset will continue to be affected by faults and other events around them leading to their eventual failure when stress on a component exceeds its ability to resist that stress. The logic continues in that the assets most likely to fail while in service are those that have reached or have surpassed their typical useful life. The Asset Condition Assessment (ACA) failure rate and probability of failure function results support this logic for the asset categories. The proactive program not only allows Veridian to better plan for future replacements, it avoids a future bow wave of replacements, thereby smoothing financial impacts year over year as well as mitigating reliability problems by eliminating the assets most likely to fail sooner rather than when they actually fail.

As well, for some assets, such as Primary Underground Cable, there is a potentially significant deterioration in reliability and customer satisfaction with the failure of this asset. In acknowledgement of that consequence of failure, Veridian will be supplementing its asset condition knowledge with a program of cable testing.

It should also be noted that the recommended Flagged For Action Plans produced by the ACA were modified by Veridian staff in order to smooth out spending and resource impacts. At the same time, the modified programs also represent a more conservative replacement strategy than indicated by the ACA, helping to temper concerns of basing decisions on limited information. As data gaps are filled in with ongoing testing and inspection programs, replacement rates will be modified accordingly.

4.1-Staff-15

Ref: (i) E2-T3-S8 Attachment 4 "Reliability in South Ajax –Overview of Projects" p.4 lines 10-21
(ii) Proceeding (EB-2012-0064) T-4/S-B1/pp. 131 – 132/ Option 2: Rejuvenate existing XLPE direct buried cables via cable injection

At reference (i), the evidence dealing with approaches to improving reliability in South Ajax appears to favour cable injection rather than cable replacement under certain circumstances.

Toronto Hydro Electric System Limited (THESL) evidence in the EB-2012-0064 proceeding (as sourced from reference ii) questions the economics of cable injection.

In 2008, THESL completed a cable rejuvenation pilot job. Direct buried XLPE cable was injected with insulation rejuvenating fluids (such as silicon-based fluids). The pilot job was not as successful as THESL had anticipated. Based upon a qualitative analysis, it was determined that the cable injection process had a number of operational issues and drawbacks, including the need to locate and remove existing splices in cable circuits, the difficulties in accurately locating these splices, and the need for extremely long planned outages required to implement the cable injection procedures. A quantitative analysis was performed, which indicated that a very low percentage of cable assets would receive a positive net benefit from injection. It was concluded that cable injection was not an economically viable alternative to replacement. The detailed study of the cable injection pilot job has been included in Appendix C.

Request

- (a) Is Veridian aware of THESL's experience with the cable injection option? If yes please explain why the THESL experience is not relevant in the case of South Ajax.
- (b) If the answer is no to Question a), please indicate what course of action Veridian would pursue if the injection option is not the most cost effective option going forward.

Response:

- (a) Yes. Veridian reviewed the analysis prepared by Toronto Hydro (part of EB-2012-0064/ Tab 4/SchB1) and spoke directly with the author of THESL's analysis. Veridian has identified a key difference between THESL's experience to how Veridian's program will work. THESL's installation method was done exclusively on cable connected to submersible (underground vault) transformers, as submersibles are used extensively in the THESL's distribution system. Due to

the tight confines of the vault, injection had to be done with the transformer de-energized. With no alternate source available all customers fed on the section of cable isolated experienced an outage for the duration of the work.

Veridian's plan for injection would include only padmounted transformers without the electrical hazard from a confined space. It is possible to perform injection on a de-energized cable in Veridian's distribution system without driving an outage for customers due to a loop feed arrangement.

Not only was the outage an inconvenience to THESL's customers, and an operational difficulty and pressure, it drove costs into the economic analysis used by THESL, as their analysis included assigning costs for the outage driven by the project. THESL assigns a dollar cost value for the amount of transformation dropped, per kVa, as well as a time cost. Their distribution arrangement required an outage for a string of transformers affecting many customers.

Removal of the customer outage costs would have changed the results of the economic analysis done by THESL and would have greatly increased the number of cable sections demonstrating a positive net benefit from injection.

Veridian has spoken with two other Ontario LDC's with thousands of meters of cable injection experience between them. They both have active programs and see a positive benefit from their injection programs. There are many other utilities in Ontario and Canada with thousands of km of injected cable suggesting THESL's experience is not typical.

- (b) To Veridian's knowledge, the only alternative available would be replacement of the cable.

Operational Effectiveness

Issue 4.2

Are the applicant's proposed OM&A expenses clearly driven by appropriate objectives and do they show continuous improvement in cost performance?

4.2-CCC-9

Ref: E4/T1/S1/pg.3

Request

The evidence states that Veridian's labour costs were escalated by 3% for 2013 and 2014 to reflect the current collective agreement negotiated in 2011. Please indicate, specifically, when the next collective agreement will be negotiated. What assumptions has Veridian used for non-union employees for 2013 and 2014?

Response:

Veridian's current collective agreement with the IBEW has an expiry date of March 31, 2015 (E4/T3/S1/Pg.6). Negotiations for a renewed collective agreement have not yet been scheduled, but will likely commence early in 2015.

Base wages for management and non-union staff were escalated by 3% for 2013 and were projected to rise by 3% for 2014 (E4/T3/S1/Pg.19/Table 8). However, the actual 2014 increase was 2.75%. See the response to 2.1-Staff-9 for details.

4.2-CCC-10

Ref: E4/T1/S1/pg.3

Request

Please explain, in detail, how Veridian develops its OM&A budget. Please provide all correspondence provided to its employees as part of the 2014 budgeting process. Is Veridian changing the way in which it prepares its budget in light of the new RRFE? If so, please explain how the process has changed or will be changed.

Response:

The budget or financial planning process at Veridian is coordinated by the Corporate Planning department. It is an annual process and involves key management from every operational and administrative department within the organization.

OM&A Forecast

In the second quarter managers review prior year and current year to date results of budget to actual costs. Corporate Planning provides budget guidelines and templates to all managers. Financial forecasts are provided in detail at USoA account level for the upcoming year and at a general plan level for the subsequent year.

All operations, maintenance and administrative cost budgets are forecasted using a bottom-up or zero-based approach. Forecasts are compared with prior year budget and actual data for reasonableness and trends. Business cases are required for all requested new hires.

For all annually recurring expenses a set inflation factor is to be used for cost increases except where committed contract pricing is known, where the known pricing is used rather than an inflation factor. Other cost increases must be driven by program volume changes or program scope changes.

All budget owners are requested to reflect productivity and cost efficiency improvements within their budgets.

Departmental operational forecasts are compiled and consolidated for executive review and approval. Executive review ensures that the financial plan is designed to achieve Veridian's business objectives. The consolidated operational forecasts is included in the high level financial plan and presented to Veridian's Board of Directors for approval.

In 2012 managers were directed to complete two years of detailed forecasts to determine the financial projections that are included in this distribution rate application. The 2013 and 2014 detailed operating cost projections were completed in August 2012. Updates and reviews of the 2013 and 2014 projections were done periodically between December 2012 and June 2013 and informed the operating cost projections included in this application.

Veridian has established a robust and effective budget process which reflects OM&A program costs to support the Board established performance outcomes for distributors as identified under the RRFE.

As noted at E-1,T-1,S-2 pages 7 and 8, Veridian maintains a corporate scorecard with performance measures closely aligned with Board staff's proposed performance measures for electricity distributors. As the Board's performance measures become more defined, Veridian will ensure that its budgeting process continues to be aligned with Veridian's business objectives and the Board's objectives under the RRFE.

Copies of correspondence provided to employees are provided as Attachments 1 and 2.



MEMORANDUM

To: Managers and Executive **c:**
From: Tracey Strong – Manager, Corporate Planning
Date: November 28, 2012
Re: **2014 Budget Directive**

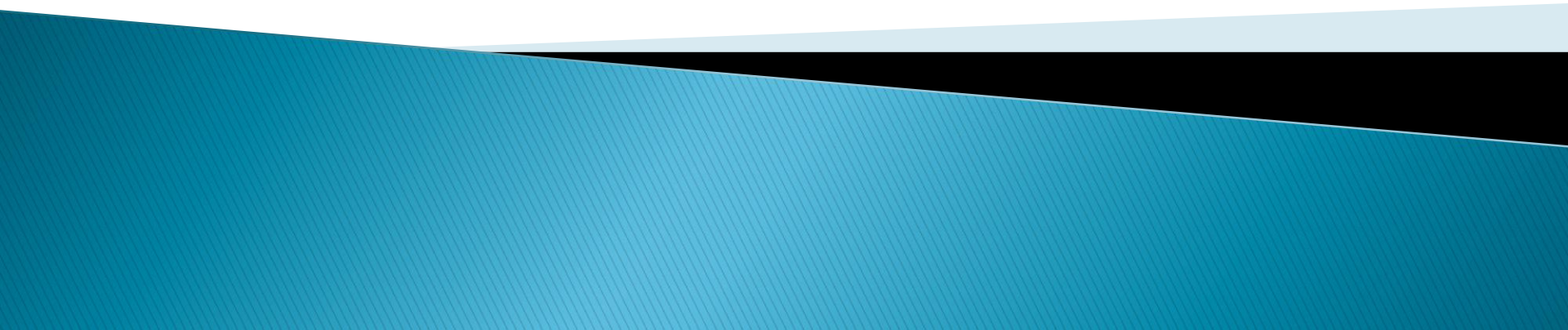
In preparation for our 2014 Cost of Service Rate application, a detailed forecast of 2014 OM&A is required. Corporate Planning will have your Prophix 2014 operating budget available for update shortly.

The directives and planning assumptions for the 2014 OM&A forecast are as follows:

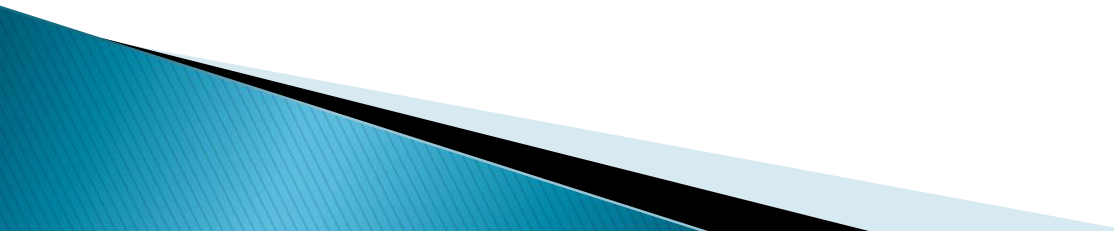
1. 2% increase for non labour costs that are subject to regular inflation
Please review all non labour costs and adjust for any known or forecasted changes such as annual renewal commitments.
2. 3% annual increase on all labour
Please review all positions for scheduled progression increases as scheduled/anticipated
3. Identify new business activities and provide a business case analysis for costs that meet the materiality level criteria as outlined in the guidelines.
4. Identify new hire requirements and provide a completed new employee business justification form for consideration.
5. Identify cost reductions through productivity and efficiencies within your department.

2013-2014 Budget Kickoff

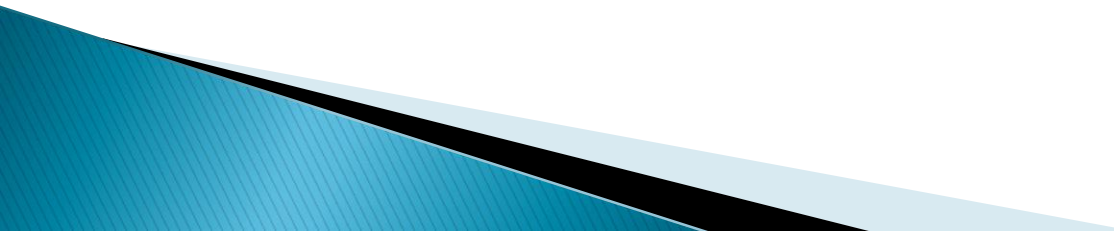
Corporate Planning



2013–2014 Budget

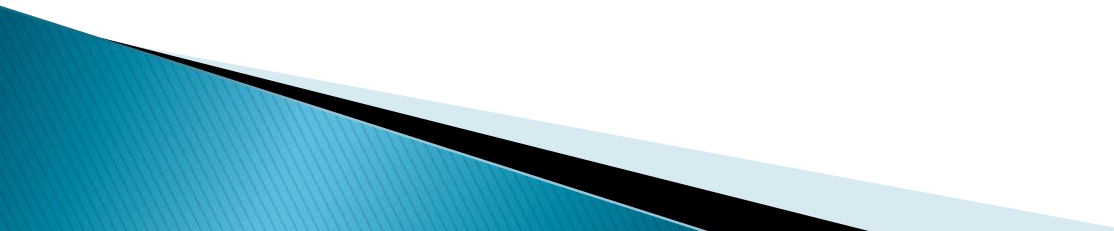
- 2 Years of Departmental Budget required
 - 2013 is the primary focus
 - 2014 required as a preliminary view for rate application
- 

2013–2014 Budget Directives

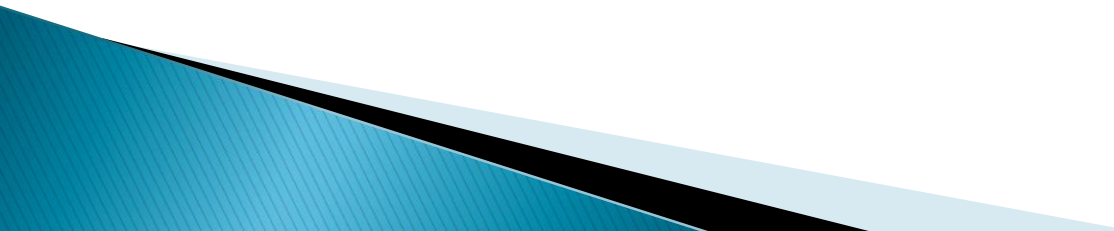
- 2% change Non–Labour Costs (exceptions for increases in contracts and other costs that are known)
 - 3% Labour Costs Increase for union staff
 - Placeholder for 3% labour cost increase for non–union
- 

IFRS for 2013–2014

▶ IFRS effective 2013

- Some accounting changes are beginning in 2012 and will continue into 2013 and forward
 - Excel budget training templates will be issued soon
 - Guidelines will be provided on which training costs will be budgeted by managers and which costs will be centralized
- 

2013–2014 New Budget Process

- ▶ All budgeting will be performed in Prophix
 - ▶ Business Case/New hire templates must be completed at beginning of budget process for VP consideration
 - ▶ Require 2 rounds of updates
 - 1st due June 2012
 - Final due August 2012
- 

► Questions?

4.2-CCC-11

Ref: E4/T1/S1/pg.6

Request

The evidence states that Veridian's historic spending related to O&M has been lower on a cost per customer than most utilities in Ontario. Please explain what factors have contributed to a lower O&M cost per customer.

Response:

Veridian does not have sufficient data to conduct a full comparison of its O&M operating programs and spending and those of other utilities and can only compare at the high levels of Operating and Maintenance costs as provided by sources such as the OEB LDC Yearbook Data.

Veridian believes there are several contributing factors for Veridian's relative lower level of O&M costs per customer;

Efficiency in completing existing operating and maintenance programs— Veridian annually targets and completes its standard utility inspections and maintenance as outlined in its operating program descriptions at E-4, T-1, S-3, pages 6 through 13. Veridian has established cost effective practices which have and will continue to result in lower unit costs for these activities. It may be that utilities with higher O&M costs have not achieved the same level of efficiency as Veridian in completing these activities.

Minimal levels of asset condition data collection within existing programs - Veridian's past practice when completing inspection and maintenance programs have not included the additional tasks and time to include asset condition data gathering. Veridian has begun to collect this additional asset condition data and is employing mobile computing technology to fill these data gaps in the most cost effective manner. As Veridian has noted in its Distribution System Plan, a formalized Asset Management Plan is still being developed and it is likely that some utilities with more mature and formally developed asset management practices have had this additional scope of activity within their O&M programs and hence higher historic O&M costs.

Pole and cable testing not included in historic activities - Historically Veridian has conducted no or very low levels of pole and cable testing. Results of Veridian's Asset Condition Assessment highlighted aging underground cables and wooden poles and the need to adequately prepare a plan for their replacement or refurbishment. Veridian's proposed testing programs will increase O&M costs in the Test Year by approximately \$2.60 per customer or 3.4% over 2013 Bridge Year levels. Similar to asset condition data

collection activities, costs for these activities are likely reflected in historic O&M costs of other utilities with more mature asset management plans.

Critical Asset Maintenance – Substations – Veridian has recognized that the scope of substation maintenance activities and the level of resources dedicated to these critical assets in the past are not adequate on an ongoing basis. Veridian’s non-contiguous service area results in a higher than number of substation assets than a contiguous utility of the same size. As well, each area’s substation needs must be treated as service islands, increasing the need for focus on these critical assets. Changes in program scope to include additional maintenance activities as well as additional resources for adequate planning and supervision are required and will increase costs over historic levels.

The tables below provides comparative O&M costs (sourced from the OEB Yearbook Data) of utilities that Veridian believes to have mature Asset Management Practices and whose historic costs and programs are likely to include the increases in program scope that Veridian is planning to undertake in the Test Year.

| | 2010 | | 2011 | | 2012 | |
|-----------------|-----------------|-----------|-----------------|-----------|-----------------|--------------|
| | O&M Cost | Ranking* | O&M Cost | Ranking* | O&M Cost | Ranking * |
| THESL | \$ 142.53 | 10 | \$ 163.27 | 5 | \$ 154.05 | 14 |
| Enersource | \$ 88.71 | 39 | \$ 97.69 | 36 | \$ 106.11 | 41 |
| Horizon | \$ 78.56 | 47 | \$ 83.52 | 49 | \$ 117.02 | 31 |
| Powerstream | \$ 59.35 | 60 | \$ 64.66 | 61 | \$ 87.90 | 52 |
| Hydro Ottawa | \$ 58.65 | 61 | \$ 62.39 | 63 | \$ 80.37 | 56 |
| Veridian | \$ 58.54 | 62 | \$ 62.31 | 64 | \$ 73.51 | 59 |

**Ranking - From highest cost to lowest cost of all LDCs from Yearbook Data*

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| | Increase 2011 over 2010 | Increase 2012 over 2011 | 2-year Average Increase | 2013 Forecast | % age increase over 2012 | 2014 Forecast | 2-Year Average Increase |
|-----------------|--|--|--|--------------------------|---|--------------------------|--|
| THESL | 14.55% | -5.65% | 4.45% | | | | |
| Enersource | 10.13% | 8.61% | 9.37% | | | | |
| Horizon | 6.31% | 40.11% | 23.21% | | | | |
| Powerstream | 8.94% | 35.95% | 22.45% | | | | |
| Hydro Ottawa | 6.38% | 28.81% | 17.60% | | | | |
| Veridian | 6.45% | 17.97% | 12.21% | \$ 76.41 | 4.0% | \$ 87.10 | 14.0% |

Veridian has highlighted where single year percentage increases in O&M costs per customer for other utilities have been greater than the single year percentage increase in O&M costs per customer proposed by Veridian in the Test Year. In some cases some increases are nearly three times the increases proposed by Veridian.

Veridian's proposed 2014 O&M cost per customer will still be lower than the 2012 costs for four of the five distributors shown.

Veridian proposes that its cost effective approach to existing program activities will allow delivery of these required additional O&M programs at lower than historic levels provided by other larger distributors.

4.2-CCC-12

Ref: E4/T1/S1/pg.7
E4/T3/S1

Request

Veridian cites continued increasing costs related to salaries and wages as a driver of the deficiency. Please provide a schedule setting out total salaries and wages broken out by the following categories - union, non-union, management - for each year 2010-2014 (forecast) which also breaks out overtime and incentive pay. Please include the 2010 Board approved levels.

Response:

The table in Attachment 1 breaks out the compensation data from Veridian's pre-filed evidence in the format requested.

Veridian notes that the board did not approve the compensation component of its revenue requirement as part of its decision on Veridian's 2010 rate application. Rather, it approved a settlement agreement that established an overall revenue requirement that included compensation amounts. Since "2010 Board approved" compensation levels are not available, Veridian has provided compensation amounts from its original application (2010 'As Applied').

4.2-CCC-12
ATTACHMENT 1

| | 2010 'As Applied' | 2010 Actual | 2011Actual | 2012 Actual | 2013 Projected | 2014 Projected |
|--|-------------------|--------------|--------------|--------------|----------------|----------------|
| Salary and Wages (excluding over time and incentive pay) | | | | | | |
| Management (including executive) | \$4,428,334 | \$4,466,947 | \$4,629,655 | \$4,856,598 | \$4,970,261 | \$5,286,993 |
| Non-Union | \$2,127,138 | \$1,838,126 | \$1,945,019 | \$1,913,942 | \$2,008,772 | \$2,083,582 |
| Union | \$9,747,851 | \$8,456,333 | \$9,058,814 | \$9,506,681 | \$9,949,578 | \$11,101,534 |
| Total | \$16,303,323 | \$14,761,406 | \$15,633,489 | \$16,277,222 | \$16,928,612 | \$18,472,109 |
| Overtime | | | | | | |
| Management (including executive) | \$28,443 | \$14,679 | \$44,620 | \$67,767 | \$133,953 | \$104,680 |
| Non-Union | \$7,485 | \$6,267 | \$7,097 | \$16,221 | \$20,104 | \$17,505 |
| Union | \$811,533 | \$864,465 | \$984,214 | \$1,022,473 | \$1,277,416 | \$1,102,024 |
| Total | \$847,461 | \$885,411 | \$1,035,930 | \$1,106,461 | \$1,431,473 | \$1,224,209 |
| Incentive Pay | | | | | | |
| Management (including executive) | \$395,361 | \$583,200 | \$688,987 | \$762,547 | \$776,407 | \$828,794 |
| Non-Union | \$76,278 | \$79,310 | \$95,970 | \$103,898 | \$108,201 | \$124,595 |
| Union | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total | \$471,639 | \$662,510 | \$784,957 | \$866,446 | \$884,608 | \$953,389 |
| Total Salary and Wages, including over time 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-Union | \$2,210,901 | \$1,923,703 | \$2,048,086 | \$2,034,061 | \$2,137,077 | \$2,225,681 |
| Union | \$10,559,384 | \$9,320,797 | \$10,043,028 | \$10,529,155 | \$11,226,995 | \$12,203,558 |
| Total | \$17,622,423 | \$16,309,328 | \$17,454,376 | \$18,250,129 | \$19,244,693 | \$20,649,707 |

4.2-CCC-13

Ref: E4/T1/S2/pp.2-3

Request

The evidence states that Veridian has experienced an increase in costs related to distribution asset maintenance and repairs due to aging infrastructure. For each year 2010-2014 please provide a schedule setting out Veridian's total spending for this category of expenditures. For 2010 please include Board-approved and Actual amounts. For 2014 please include the forecast. Please explain why there is such a significant variance in the level of these expenditures year to year.

Response:

Veridian understands the appropriate evidence reference to be E-4,T-1,S-2 page 9, specifically:

"2. Distribution Asset Management Activities

Veridian has experienced an increase in costs related to distribution asset maintenance and repairs due to aging infrastructure."

Veridian goes on further to state: *"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"*

On the basis of this evidence reference, Veridian understands its Distribution Asset Management Activities to be the 'category of expenditures' for which a 2010 – 2014 schedule is requested.

These activities are a subset of Veridian's Operating and Maintenance programs as provided at E-4,T-2,S-2 – Program Delivery Costs and Variance Analysis.

As outlined in E-4, Veridian began categorizing and tracking detailed cost records by O&M programs in 2012.

Prior to that time, comparable cost records are not available as costs for these activities are combined into the broader account groupings within the USoA for Operations and Maintenance. A noted exception to this is Vegetation Management which has always been recorded as a separate cost component as provided for in the USoA.

As a result, comparative spending on the noted specific groupings is not readily available for the periods prior to 2012.

The schedule below sets out total costs for this category of expenditures for the period of 2012 to 2014 as is available on a comparable basis. Veridian has noted the applicable evidence references where explanations have been provided on rising costs for each activity and/or year over year variability.

Table 1: Distribution Asset Management Activities

| | 2012 Actual | 2013 Bridge | 2014 Forecast | Year over Year variability/changes |
|--------------------------------|--------------------|--------------------|----------------------|---|
| Vegetation Management | 1,185,391 | 993,207 | 1,305,966 | E-4,T-2,S-2 page 16 |
| Critical Substation Asset Mgmt | | | | |
| / Distribution Automation | 207,075 | 340,470 | 527,697 | E-4,T-2,S-2 page 15 |
| Pole Testing | 44,860 | 64,860 | 217,111 | E-4,T-2,S-2 pages 18-19 |
| U/G Cable Reactive Repair | 148,576 | 199,003 | 253,641 | E-4,T-2,S-2 pages 6-7 |
| Cable Testing | 3,843 | - | 180,000 | E-4,T-2,S-2 page 20 |
| System Planning | 169,111 | 217,381 | 255,602 | E-4,T-2,S-2, page 5 and 15 |
| Totals | 1,758,856 | 1,814,921 | 2,740,017 | |

Variability year over year is seen in vegetation management costs as the activities are completed on a cycle basis as explained in E-4,T-1,S-3 – Description of OM&A Programs. In 2012 Veridian advanced a portion of the 2013 cycle work to address customer reliability concerns in south Ajax where tree contact was occurring and a high number of momentary interruptions resulted.

In an attempt to provide some comparative values for the period 2010 and 2011 Veridian has provided the table below. This table provides 2010 Board Approved to 2011 Actual costs for the higher level USoA cost groupings of which the Distribution Asset Management Activities are a portion.

Table 2: Related Higher level Operating and Maintenance USoA - 2010 Board Approved - 2011

| Related Higher Level O&M USoA | Activities included within the higher cost category | 2010 Board Approved | 2010 Actual | 2011 Actual |
|---|--|---------------------|------------------|------------------|
| Vegetation Management | Vegetation Management | 920,679 | 945,101 | 782,602 |
| Maintenance of Underground Conductors and Devices AND Maintenance of Distribution Station Equipment | Critical Substation Asset Mgmt Distribution Automation Cable Testing | 260,347 | 390,031 | 470,586 |
| Maintenance of Poles, Towers and Fixture | Pole Testing | 34,747 | 42,733 | 72,387 |
| Underground Distribution Lines and Feeders - Operation | U/G Cable Reactive Repair | 637,669 | 717,967 | 708,174 |
| Operation Supervision and Engineering | System Planning | 623,566 | 550,972 | 673,882 |
| | Totals | 2,477,008 | 2,646,804 | 2,707,631 |

4.2-CCC-14

Ref: E4/T1/S2/pg.9

Request

Has Veridian experienced increased distribution savings related to the deployment of smart meters? If not, why not? If so, please identify how those savings are reflected in the 2014 revenue requirement.

Response:

The distribution cost savings identified by Veridian related to the deployment of smart meters are limited to the avoided costs of manual meter readings. These avoided costs were reflected in Veridian's 2010 Board Approved revenue requirement and are also reflected in Veridian's 2014 forecast OM&A costs.

No further cost savings have been identified related to deployment of smart meters.

Several new business processes were required to support the smart meter infrastructure including the annual computer software maintenance costs for the various components of the Advanced Metering Control Computer (AMCC) such as the meter data aggregation software and the operational data store. There are significant ongoing telecommunication costs associated with the Wide Area Network used to gather the smart meter data. These costs are for land lines and wireless data transmission. Additional staffing was required to operate and maintain the various databases and systems.

Costs related directly to maintenance of the installed smart meters have also increased as the number of meter trouble reports has increased. With the previous technology employed for metering, data received from the meter indicating trouble occurred only when the meter was visited every 60 days for regular readings or when prompted by a call from a customer. The very immediate nature of smart meter technology generates more frequent and accurate status information and reporting of trouble conditions. Reliance on the smart meter data for on and off peak billing determinants for customer billing, requires Veridian to investigate and resolve all meter trouble reports in a timely and thorough manner, resulting in higher costs related to meter trouble reports.

4.2-CCC-15

Ref: E4/T1/S2/pg.11

Request

Please provide a detailed explanation as to what activities are included in Veridian's "Business Integrity Programs". Please provide a detailed budget for 2013 and 2014.

Response:

As included in the evidence reference of E-4, T-1, S-2 page 11, Veridian included a grouping of Business Integrity Programs to quantify major cost drivers related to a specific subset of OM&A costs within Table 1: Cost Diver Summary provided on Page 8.

In Table 1 Veridian identified cost increases of \$138,250 in 2013 and \$188,269 in 2014 related to Business Integrity Programs.

The table below provides the detail of these cost increases;

| | 2013 | 2014 | Ref: E-4,T-2,S-2 page 29, Table 11- Administrative Programs |
|--|------------|------------|---|
| Insurance - Property and Liability | \$ 114,707 | \$ 62,543 | Insurance identified as line separate line item |
| Business Continuity/Disaster Recovery Site | \$ - | \$ 85,000 | Included within Information Technology in Table 11, see page 36, lines 5 through 24 |
| Records Managements | \$ 23,543 | \$ 40,726 | Included within Governance and Senior Executive Offices see page 30, lines 6 through 11 |
| | \$ 138,250 | \$ 188,269 | |

4.2-CCC-16

Ref: E4/T1/S4/pg.4

Request

Please provide the total operating costs associated with each of the Customer Self-Service Options undertaken included in the 2014 budget.

Response:

The following table illustrates the total operating costs associated with each of the Customer Self-Service Options included in the 2014 budget:

| | |
|---|--|
| IVR payments – Vendor’s IVR | N/A Customer pays convenience fee |
| Web Payments (EZ Pay) | N/A Customer pays convenience fee |
| eBill view and pay option | \$7.3k Transaction fees and Administration by Systems Analyst |
| Self serve options via Veridian’s IVR | \$23k Maintenance costs |
| epost | \$4.2k Transaction Fees |
| Automation of web services data to CIS | \$10.1k Maintenance and Administration by Systems Analyst |

4.2-CCC-17

Ref: E4/T2/S2/pg.16

Request

Please provide a complete description of Veridian's vegetation management program. Please provide the vegetation management expenditures for the period 2010-2014(forecast).

Response:

Evidence reference E4/T2/S2/pg16 addresses the variance in program spending. The vegetation management program is more fully described at E4/T1/S3/pg.10.

Vegetation Mgmt Costs

2010 actual - \$945,101
2011 actual - \$782,602
2012 actual - \$1,185,391
2013 forecast - \$993,207
2014 forecast - \$1,305,966

4.2-CCC-18

Ref: E4/T2/S2/pg.29

Request

For all of the administrative programs in Table 11 please set out the following:
2010-2014 detailed budgets for each element.

Response:

At E-2, T-2, S-1 page 1, Veridian states; *“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.”*

For this same reason, Veridian is unable to provide detailed cost information for its administrative programs as provided in Table 11 prior to 2012. A more detailed breakout of the total costs as set out in Table 11 is provided in Attachment 1 to this response.

Response to 4.2-CCC-18 - Table 11: Administrative Programs - detailed breakout

| | 2012 | 2013 Bridge | 2014 Forecast |
|---|------------------|--------------------|----------------------|
| Governance and Senior Executive offices | | | |
| Labour | 857,037 | 917,321 | 1,046,208 |
| Contractors and Purchases | 102,678 | 136,371 | 141,000 |
| Other | 74,748 | 74,455 | 34,200 |
| Total | 1,034,463 | 1,128,147 | 1,221,408 |
| Financial Services/Rates and Regulatory Accounting | | | |
| Labour | 2,005,097 | 2,005,097 | 2,187,360 |
| Contractors | 233,772 | 228,033 | 148,400 |
| Audit Fees, Bank Charges | 244,448 | 244,448 | 238,000 |
| Other | 17,871 | 88,792 | 12,900 |
| Total | 2,501,188 | 2,566,370 | 2,586,660 |
| Purchasing and Procurement | | | |
| Labour | 479,732 | 469,547 | 504,317 |
| Other | 3,539 | 4,295 | 5,700 |
| Total | 483,271 | 473,842 | 510,017 |
| Human Resources | | | |
| Labour | 355,527 | 355,527 | 422,273 |
| Contractors and Purchases | 30,486 | 30,486 | 17,860 |
| Other | 1,700 | 35,820 | 1,650 |
| Total | 387,713 | 421,834 | 441,783 |
| Regulatory | | | |
| Labour | 301,034 | 301,034 | 300,547 |
| Regulatory Assessments, Cost Awards | 376,714 | 376,714 | 415,159 |
| LEAP | 55,541 | 55,541 | 62,639 |
| Legal, Consulting, Application Costs | 195,222 | 195,222 | 152,300 |
| Other | 4,523 | 20,740 | 15,100 |
| Total | 933,033 | 949,250 | 945,745 |
| Community and Customer Communications | | | |
| Labour | 130,270 | 130,270 | 124,015 |
| Communication Materials | 126,714 | 126,714 | 146,603 |
| Others | 18,606 | 49,521 | 18,349 |
| Total | 275,590 | 306,505 | 288,967 |
| Office and Professional Services | | | |
| Legal, studies and consulting services | 246,375 | 147,013 | 310,600 |
| Telecommunications | 254,619 | 261,125 | 264,080 |
| Corporate Memberships | 139,834 | 138,935 | 133,800 |
| General Office (supplies, mtce agreements) | 134,469 | 133,872 | 142,726 |
| Other | 35,395 | 65,328 | 36,049 |
| Total | 810,692 | 746,274 | 887,255 |

Response to 4.2-CCC-18 - Table 11: Administrative Programs - detailed breakout

| | 2012 | 2013 Bridge | 2014 Forecast |
|--|------------------|--------------------|----------------------|
| Facilities | | | |
| Labour | 260,465 | 218,899 | 256,850 |
| Utilities | 294,297 | 263,133 | 251,500 |
| Contractors (janitorial, landscaping, snow removal, etc) | 249,740 | 244,946 | 262,640 |
| Property Taxes on Administrative Buildings | 299,592 | 313,094 | 319,000 |
| Rent | 30,000 | 30,000 | 30,000 |
| Other | 7,167 | 7,337 | 24,500 |
| Total | 1,141,261 | 1,077,410 | 1,144,490 |
| Insurance - Property and Liability | | | |
| Property Insurance | 176,159 | 162,275 | 165,000 |
| General Liability | 211,591 | 340,183 | 400,000 |
| Total | 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 | | | |
| Labour | 247,005 | 201,752 | 227,551 |
| Contractors, Course Fees and Materials | 415,163 | 511,357 | 562,947 |
| Staff Engagement | 87,284 | 79,723 | 81,360 |
| Other | 21,887 | 14,668 | 24,010 |
| Total | 771,339 | 807,500 | 895,868 |
| Information Technology | | | |
| Labour | 453,591 | 445,151 | 492,488 |
| Hardware Maintenance Fees | 29,034 | 20,207 | 23,600 |
| Software Maintenance Fees | 134,066 | 173,138 | 333,101 |
| Other | 13,812 | 25,686 | 30,600 |
| Total | 630,503 | 664,181 | 879,789 |

4.2-CCC-19

Ref: E4/T2/S2/pg.32

Request

The evidence states that the Office and Professional Services budget for 2014 for legal, studies and consulting services was \$150,000 in 2013 and is projected to be \$310,000 in 2014. Please explain this variance in detail.

Response:

Please see response to 4.2-VECC-14.

4.2-CCC-20

Ref: E4/T2/S3/pg.1

Request

The 2010 approved Regulatory Costs were \$519,000 and amortized over the IRM period. What were the actual Regulatory Costs? Please explain if Veridian has taken any measures to reduce its regulatory costs. For legal and consulting costs associated with the application please provide a detailed break-down. Please include all assumptions (hourly rates, task undertaken etc.)

Response:

Upon review of the above reference, Veridian notes that the evidence was incorrect and should have read "The total actual costs were \$519,000". The Board did not approve costs related specifically to the development of Veridian's 2010 Rate application, but rather approved a settlement agreement that included an envelope of all OM&A costs. Veridian incurred actual costs of \$519,000 for its 2010 Rate Application, however only forecasted costs of \$400,000 were included in its 2010 Rate Application.

In developing its 2014 rate application Veridian attempted to reduce costs by leveraging a higher amount of internal resources, and relying less on consulting and legal services. Veridian notes that the cost projection for its 2014 rate application is \$ 420,000, which is nearly \$100,000 less than the costs incurred during its 2010 rate application. Veridian believes that this is a significant cost reduction, especially when one considers the increased complexity of its 2014 rate application.

Budgeted legal and consulting costs for Veridian's 2014 application are as follow:

- Legal \$100k
 - Our counsel Andrew Taylor's hourly rate for this application is \$500/hour, the same rate that he billed Veridian for its 2010 rate application.
 - The legal budget of \$100k assumes approximately 200 hours
 - § tasks include providing legal support in the creation of the application, review of interrogatory responses, attendance at a settlement conference, drafting a settlement agreement and/or attending at an oral hearing.
- Consulting \$193k
 - range of hourly rates expected: \$250-375/hr
 - Approximately 600 hours
 - § tasks include:
 - preparation of Veridian's 2014 Load Forecast;

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- preparation of the Cost Allocation Study;
- assistance with development of Veridian's Lead-Lag Study and preparation of a report on Veridian's Working Capital Requirement;
- assistance with preparation of capital projects evidence; and
- assistance with development of Distribution System Plan

4.2-CCC-21

Ref: E4/T3/S1

Request

Please explain to what efforts Veridian is making, or has made, to reduce its overall compensation costs.

Response:

Overall compensation costs are influenced by many factors, including the size and composition of the staff needed to meet the requirements of customer growth, rehabilitation of aging infrastructure, and compliance with government initiatives such as roadway improvements, renewable generation connections and TOU billing. Veridian does not necessarily seek to reduce its overall compensation costs. Rather, it strives to meet current and emerging business needs while responsibly managing compensation costs.

Examples of efforts that Veridian has made to manage overall compensation costs include:

- Utilization of lower cost contract resources where appropriate, an example of which is described in evidence at E4/T1/S4/Pg.7&8
- Adoption of new technology to increase employee productivity, as described in evidence at E4/T1/S4/Pg.8&9
- Minimizing increases in headcount, as described in evidence at E4/T1/S4/Pg.10

4.2-EP-9

Ref: Exhibit 1, Tab 1, Schedule 2

Page 3 of 29 indicates the recovery of \$2,577,008 in previously incurred OM&A costs in 2012 associated with smart meter implementation. Similarly, in the 2010 COS application, the Board approved the recovery of \$604,961 in OM&A related smart meter installation costs.

Request

- (a) Please indicate the accounting treatment of the \$2,577,008 figure in 2012. For example, was the amount transferred from a deferral account to OM&A expenses in 2012?
- (b) Please indicate the accounting treatment of the \$604,961 figure in 2010. For example, was the amount transferred from a deferral account to OM&A expenses in 2010? If not 2010, then what year?
- (c) Please provide a breakdown of the \$2,577,008 into the years in which the costs were actually incurred.
- (d) Please provide a breakdown of the \$604,961 into the years in which the costs were actually incurred.
- (e) Please reconcile the figure of \$604,961 shown on page 3 with the figure of \$730,000 shown on page 15.

Response:

- (a) and (b) The amounts were transferred from deferral accounts to OM&A expenses in 2010 (\$604,961) and 2012 (\$2,577,008) for accounting purposes but for purposes of providing comparative year over year OM&A expenses, these prior year amounts were not included in the 2012 OM&A totals within this application.

(c) The table below provides a breakdown of the \$2,577,008 by years incurred by the categories as set out in EB-2012-0247.

Approved in EB-2012-0247 - 2012 Final Disposition

2009-2011 OM&A costs by OEB Category

| | 2009 | 2010 | 2011 | Totals |
|--|------------------|----------------|----------------|------------------|
| Smart Meter Maintenance | 90,258 | 34,274 | 68,181 | 192,713 |
| Collector Maintenance | 29,555 | 46,798 | 41,541 | 117,895 |
| Computer Software Maintenance | 38,553 | 40,727 | 60,285 | 139,566 |
| Other (Security Audit, Systems Operations) | 45,272 | 90,394 | 99,366 | 235,032 |
| WAN Maintenance | 144,729 | 149,251 | 146,136 | 440,117 |
| Business Process Redesign | 294,536 | 123,772 | 3,394 | 421,701 |
| Customer Communications Change Management (Training) | 215,939 | 391,263 | 198,092 | 805,294 |
| | 224,689 | - | - | 224,689 |
| Total Smart Meter OM&A Costs | 1,083,531 | 876,480 | 616,996 | 2,577,007 |

(d) The table below provides a breakdown of the \$604,961 by years incurred by the categories as set out in EB-2009-0140.

Approved in EB-2009-0140 - 2010 Interim Disposition

2007-2008 costs by OEB Category

| | 2007 | 2008 | Totals |
|--|----------------|----------------|----------------|
| O M & A | | | |
| 2.1 Advanced metering communication device (AMCD) | - | - | - |
| 2.2 Advanced metering regional collector (AMRC) (includes LAN) | - | - | - |
| 2.3 Advanced metering control computer (AMCC) | 9,965 | 50,975 | 60,940 |
| 2.4 Wide area network (WAN) | 22,093 | 145,220 | 167,312 |
| 2.5 Other AMI OM&A costs related to minimum functionality | 124,342 | 252,366 | 376,709 |
| Total O M & A Costs | 156,399 | 448,562 | 604,961 |

(e)

The amount of \$604,961 is the amount of the Board approved smart metering costs incurred in 2007 and 2008 that were recovered in Veridian's 2010 COS application EB-2009-0140 as detailed above.

In its final SM disposition application, EB-2012-0247 Veridian forecast its 2012 OM&A costs related to smart metering activities at \$727,102 (Ref: EB-2012-0247, E-1, T-1, S-3, page 15). In 2012, Veridian no longer recorded 'smart metering' costs in prescribed deferral accounts and considered these costs a regular component of its annual OM&A costs and as such, actual costs are included in the various OM&A program costs as outlined in E-4, T-2, S-2 – Program Delivery Costs and Variance Analysis.

On page 15 of E-1, T-1, S-2, Veridian provides, as per the Filing Requirements, information on *"the increase/decrease in revenue requirement from previously approved service revenue requirement and a schedule of the main drivers of revenue requirement changes from the last Board approved year"*.

Veridian used the 2012 value of 'smart metering costs' as included in EB-2012-0247 (approximately \$730,000), to quantify the increase in revenue requirement due to the new activities of smart metering since its previously approved service revenue requirement.

Veridian notes that the amount of \$702,171 is shown as a line item related to 'Smart Metering Expenses' in the summary of components of revenue deficiency provided at E-6, T-1, S-3, page 1.

4.2-EP-10

Ref: Exhibit 1, Tab 1, Schedule 2

Request

- (a) What is the source of the 2.0% inflation that was used for costs where year-specific increases were not used?
- (b) Please provide the amount of OM&A in 2012 and 2013 to which this 2.0% inflation factor was applied.

Response:

- (a) Veridian reviewed several sources in developing its forecast of 2% inflation factor for the 2014 test year including:
 - 1) Statistics Canada publications for GDP-IPI such as that used by the Board as the value of the inflation factor for incentive rate setting under Price Cap IR. Noted as 1.8% in *EB-2010-0379 Report of the Board Rate Setting Parameters and Benchmarking under the Renewed Regulatory Framework for Ontario's Electricity Distributors*, dated November 21, 2013
 - 2) Bank of Canada published CPI inflation: Consensus Forecasts – 2014 inflation forecast noted as 2.0% in Q1 2013 and 1.9% in Q2 2013. 2-3 year inflation forecast noted as 2.0% in Q2 2013.
 - 3) The CPI Inflation forecast from the 2013 Ontario Budget, dated May 2, 2013 – 2013 inflation forecast of 1.5% and 2014 inflation forecast of 2.0%.
- (b) The 2.0% inflation factor was only applied to a subset of 2013 OM&A amounts to forecast 2014 values. The total OM&A in 2013 to which this 2.0% inflation factor was applied was approximately \$3,820,000.

4.2-EP-11

Ref: Exhibit 1, Tab 4, Schedule 13

Request

- (a) Does the test year revenue requirement include any costs associated with the Board of Directors of Veridian Corporation and/or Veridian Energy Inc.? If yes, please indicate the amount included and show how this amount has been calculated.
- (b) What is the total cost for each of 2010 through 2013 (forecast for 2013 if actuals not yet available) associated with the Veridian Connections Inc. Board of Directors and what is the forecast for 2014 that is included in the revenue requirement?

Response:

- (a) No, the test year revenue requirement does not include any costs associated with the Board of Directors of Veridian Corporation and/or Veridian Energy Inc.
- (b) The total costs associated with the Veridian Connections Inc. Board of Directors for each of the years requested is provided in the table below:

| Year | Amount |
|---------------|---------------|
| 2010 A | \$252,555 |
| 2011 A | \$368,580 |
| 2012 A | \$279,290 |
| 2013 Forecast | \$345,037 |
| 2014 Test | \$360,750 |

4.2-EP-12

Ref: Exhibit 4, Tab 1, Schedule 1
Exhibit 4, Tab 1, Schedule 2

Request

- (a) Please reconcile the smart meter costs for 2010 BA, 2010 and 2011 shown in Table 3 in the first reference with the figures shown in Table 1 in the second reference.
- (b) How much of the smart meter deferral account was recorded in OM&A in 2012 when the clearance of the account was approved? Is this amount included in the \$23,170,067 total OM&A cost shown in Table 1 in the second reference? If not, please explain the accounting treatment of the clearance of the smart meter deferral account.
- (c) Are the forecasted smart meter costs for 2012 and 2013 (line 11, page 5, Exhibit 4, Tab 1, Schedule 1) included in the OM&A figures shown for these years in Table 1 in Exhibit 4, Tab 1, Schedule 2?

Response:

- (a) Please see response to 3.1-Staff-10.
- (b) Please see response to 4.2-EP-9.
- (c) Yes – Also, please see response to 4.2-EP-9.

4.2-EP-13

Ref: Exhibit 4, Tab 1, Schedule 2

Request

Please provide a version of Appendix 2-L in Attachment 3 that reflects the "normalized" OM&A expenditures in Table 1 of Exhibit 4, Tab 1, Schedule 2

Response:

See attached.

Appendix 2-L
Normalized Recoverable OM&A Cost per Customer and per FTE

| | Last Rebasings Year - 2010- Board Approved | Last Rebasings 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 |
| Add: SM Costs | \$ 876,481 | \$ 876,481 | \$ 616,996 | | | |
| Less: Accounting Changes in Capitalized Overheads | | | | -\$ 1,301,395 | -\$ 1,634,676 | -\$ 1,553,065 |
| Normalized OM&A | \$ 22,362,803 | \$ 21,383,329 | \$ 21,218,503 | \$ 23,170,067 | \$ 24,458,824 | \$ 26,730,627 |
| Normalized OM&A cost per customer | \$ 199.08 | \$ 190.74 | \$ 187.15 | \$ 201.64 | \$ 208.70 | \$ 225.14 |
| Number of FTEs | 236 | 211 | 214 | 215 | 219 | 230 |
| Customers/FTEs | 476.99 | 532.10 | 530.86 | 535.02 | 535.89 | 517.25 |
| Normalized OM&A Cost per FTE | 94,958.82 | 101,494.77 | 99,347.32 | 107,880.67 | 111,841.94 | 116,454.44 |

Customer Count is average annual customers, not connections

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.

4.2-EP-14

Ref: Exhibit 4, Tab 2, Schedule 4, Attachment 1

Request

Attachment 1 shows a total 2013 cost of \$213,500 associated with the current cost of service proceeding. Please confirm that none of these costs are included in 2013 costs included in Table 1 of Exhibit 4, Tab 1, Schedule 2.

Response:

Confirmed.

4.2-EP-15

Ref: Exhibit 4, Tab 2, Schedule 2
Exhibit 4, Tab 1, Schedule 2

Request

Please explain why the operations, maintenance, customer service and administrative program costs shown in Table 2 in the first reference do not match the figures shown in Table 1 in the second reference.

Response:

Table 2 from E-4, T-2, S-2 is a table of OM&A program costs broken out by category of operating, maintenance, customer service and administrative programs. The total by year of all of these programs, shown as Total OM&A in the table, is equal to the total OM&A costs for each year and matches to the total OM&A expenses by year from Appendix 2-JA provided at E-4,T -1, S-1, A-3.

The amounts by each of the categories in table 2 do not match with the same category amounts in Appendix 2-JA because, as was noted at E-4, T-2, S-2, page 3, *"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."* This allocation of senior management costs will result in differences between the totals for the program costs by category shown in table 1 and the totals for the account categories shown in Appendix 2-JA.

The figures in table 1 of E-4, T-1, S-2 are the total by category from Appendix 2-JA with adjustments for normalization required due to the timing and effect of smart meter costs and accounting changes in capitalized overheads. The figures in table 1 of the second reference will not match with the figures in table 2 of the first reference due to these normalization adjustments.

4.2-SEC-8

Ref: *none*

Request

Please detail the objectives has the Applicant set for its OM&A activities.

Response:

Please see the response to 4.2-Staff-20.

4.2-SEC-9

Ref: E4/T1/S1

Request

Please explain how the Applicant's change in OM&A cost per customer, OM&A cost per FTE and customer per FTE, shows a continuous improvement in cost performance.

Response:

Veridian proposes that the concept of 'continuous improvement in cost performance' must consider the comparable basis of the program activities delivered within those OM&A cost levels and the programs delivered by the FTE employees referenced.

Program Activities

At E-4, T-2, S-2, page 3, Veridian provides analysis of changes in program costs on the basis of 1) Scope Changes, 2) Input Cost Changes, 3) Volume Changes and 4) External Factors/Conditions.

OM&A program activities and outcomes in 2014 are not the same as those of 2010. Many programs have experienced increases in scope and changes in volumes. Simply stated, the activities and deliverables within the total costs year over year have changed and expanded since 2010.

Veridian has provided details of increases in the scope of many OM&A programs and new OM&A programs that will be delivered within the OM&A cost levels proposed for 2014. Many of the planned 2014 programs reflect an increase in scope compared to 2010.

These include additional maintenance activities related to critical substation activities, pole and cable testing to inform a planned replacement program for aging assets, activities related to renewable generation connections, TOU billing, smart metering operations including the Advanced Metering Infrastructure, and enhanced Business Continuity and Disaster Recovery programs.

Veridian has also provided details of volume increases to existing programs in 2014 over 2010 levels.

Volumes related to cable locating have been increasing steadily since 2010 as noted at E-2, T-2, S-2, Table 5 – Cable locate volume growth. Volumes have increased by 152% since 2010. To mitigate these volume increases Veridian has implemented new business processes to reduce per unit costs. This reduction in unit cost is evidence of Veridian's continuous improvement in cost performance.

Another example of increased volumes can be seen with the numbers of primary cable faults where volumes have increased by 40% from 2010 levels to 2013 and 2014 forecasted levels (E-4,T-2,S-2, page 7).

Veridian has provided several examples of process improvement initiatives which have resulted in improvements in cost performance at E-4, T-1, S4 pages 1 through 10.

Programs Delivered by FTE Employees

Veridian suggests that it is difficult to infer a direct relationship between changes in total FTE employee count and continuous improvement in cost performance.

Changes in the number of FTE employees can be attributable to factors other than cost performance such as requirements for supporting delivery of capital programs and changes in the ratio of internal and external resourcing.

Of the total FTE employee growth since 2010, 60% have been to support enhanced asset management and O&M programs (to complete the additional scope of O&M programs as described above) and for engineering and administration related to execution of capital programs. An additional 25% of the FTE growth are for succession planning requirements related to Veridian's skilled trade labour force. To adequately plan for projected retirements in these skill trades, a temporary rise in FTE is expected as the training period for full certification in these trades is generally a five year period.

4.2-SEC-10

Ref: Ex.4/1/1/p.4 Table 2
Appendix 2-JA
Appendix 2-JB
Appendix 2-JC

Request

Please revise the following tables to include 2013 year-end actuals and explain any material variances. (If 2013 actual data is not yet available, please provide the most recent year-to-date actuals available, along with a forecast for the remaining period in 2013):

- (a) Ex.4/1/1/p.4 Table 2
- (b) Appendix 2-JA
- (c) Appendix 2-JB
- (d) Appendix 2-JC

Response:

- (a) Revised Table 2 with 2013 Actual costs provided below.

Updated Table 2: Detailed OM&A table by category

| | 2010 Board Approved (\$) | 2010 Actuals (\$) | 2011 Actuals (\$) | 2012 Actuals (\$) | 2013 Actuals (\$) | 2014 Test Year (\$) |
|-------------------------------|--------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|------------------------|
| Operations | 4,091 | 4,154 | 4,502 | 5,262 | 6,138 | 6,389 |
| Maintenance | 2,838 | 2,435 | 2,582 | 3,066 | 2,599 | 3,952 |
| O&M Subtotal | 6,929 | 6,589 | 7,085 | 8,327 | 8,737 | 10,341 |
| <i>%age change</i> | | -4.9% | 7.5% | 17.5% | 4.9% | 18.4% |
| Billing and Collecting | 5,556 | 5,531 | 4,891 | 6,504 | 6,431 | 7,131 |
| Community Relations | 390 | 304 | 277 | 192 | 192 | 173 |
| Administrative and General | 8,612 | 8,082 | 8,349 | 9,448 | 10,337 | 10,639 |
| Admin Subtotal | 14,557 | 13,917 | 13,517 | 16,144 | 16,960 | 17,943 |
| <i>%age change</i> | | -4.4% | -2.9% | 19.4% | 5.1% | 5.8% |
| Total OM&A | 21,486 | 20,507 | 20,602 | 24,471 | 25,697 | 28,284 |

(b) Please see response to 4.2-VECC-8.

(c) A revised version of Appendix 2-JB-OM&A Cost Driver Table with 2013 actuals is provided below

| OM&A | Last Rebasings Year (2010 Actuals) | 2011 Actuals | 2012 Actuals | 2013 Actuals | 2014 Test Year |
|--|--|--------------|--------------|--------------|-------------------|
| <i>Reporting Basis</i> | CGAAP | CGAAP | CGAAP | CGAAP | CGAAP |
| Opening Balance | 21,486,322 | 20,506,848 | 20,601,507 | 24,471,462 | 25,697,446 |
| 1. Labour costs related to 2010 Labour Complement | | 545,671 | 596,260 | 428,247 | 405,308 |
| 2. Distribution Asset Management Activities | | | 495,676 | (234,382) | 1,215,543 |
| 3. Metering | (244,287) | 122,376 | 205,946 | 59,208 | 467,763 |
| 4. Increased Cost of Distributor Obligations | | | | | |
| - Cable Locating | | | 107,423 | 265,726 | 35,640 |
| - AMI / TOU Expenses | | | 523,827 | 58,780 | |
| 5. Technology Investments - Hardware/Software Maintenance | | 112,146 | 54,758 | 79,521 | 223,030 |
| 6. Business Integrity Programs | | | | 111,959 | 214,560 |
| 7. Storm Restoration | | 122,910 | | 551,498 | (441,257) |
| 8. Employee Training and Development | | | | 132,859 | (8,330) |
| 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) | (36,176) | 206,439 |
| 15. Office and Professional Services | | | | (191,256) | 267,549 |
| Closing Balance | 20,506,848 | 20,601,507 | 24,471,462 | 25,697,446 | 28,283,691 |

The changes in 2014 for each of the cost drivers noted are the result of the relative increase or decrease from the 2013 actual values for the activity. Where 2013 actual costs are lower than originally forecast, the increase to 2014 is higher.

The most significant difference is for Distribution Asset Management Activities. The table below provides a further breakout of the increases attributed to these activities, resulting from lower than projected costs in 2013.

Distribution Asset Management Activities

| | 2012 Actual | 2013 Bridge | 2013 Actual | 2014 Forecast |
|----------------------------------|---------------------|---------------------|---------------------|--------------------------|
| Vegetation Management | \$ 1,185,391 | \$ 993,207 | \$ 828,421 | \$ 1,305,966 |
| Critical Substation Asset Mgmt / | | | | |
| Distribution Automation | \$ 207,075 | \$ 340,470 | \$ 218,827 | \$ 527,697 |
| Pole Testing | \$ 44,860 | \$ 64,860 | \$ 35,210 | \$ 217,111 |
| U/G Cable Reactive Repair | \$ 148,576 | \$ 199,003 | \$ 250,002 | \$ 253,641 |
| Cable Testing | \$ 3,843 | \$ - | \$ - | \$ 180,000 |
| System Planning | \$ 169,111 | \$ 217,381 | \$ 192,014 | \$ 255,602 |
| Totals | \$ 1,758,856 | \$ 1,814,921 | \$ 1,524,474 | \$ 2,740,017 |
| As Filed Year Cost Driver Total | | \$ 56,065 | | \$ 925,097 |
| Update with 2013 Actuals | | | \$ (234,382) | \$ 1,215,543 |

Explanations for the material variances between the 2013 forecast and 2013 actuals are provided in part (d) below.

(d) A revised version of Appendix 2-JC-OM&A Programs Table with 2013 actuals is provided as Attachment 1.

The 2013 total actual cost for 2013 O&M Programs is approximately \$375K below the original projection for 2013. Costs for Administrative Programs in total are as projected with only a minor variance of \$18K.

The table below summarizes and explains the major variances.

Veridian Connections Inc.
EB-2013-0174
Response to Interrogatories
February 18, 2014

| O&M Programs | Variance | Notes on 2013 Performance | Impacts on 2014 |
|--------------------------------------|--------------------|--|---|
| Emergency Power | \$448,567 | December 2013 ice storm | None |
| Restoration Cable Locating | (\$225,314) | Unit volumes consistent with forecast. Cost per unit for contracted services below forecast. | Likely cost reduction in 2014-Updated costs being developed. |
| Metering | (\$130,409) | In 2013 an unplanned supervisory staff absence due to illness reduced supervisory costs. Cost reduction not expected to persist in 2014 as supervisor has returned to work. There was a delay in some maintenance activities due to work on a capital project to install remote disconnect units. In 2013 there were one time cost efficiencies in interval meter maintenance as work combined with scheduled communication link upgrades. | None |
| Vegetation Management | (\$164,786) | Cycle tree trimming was delayed as the technician administering the programs left mid-year and it took some time to fill the vacancy - Result was lower internal labour and contractor costs. In addition, spot tree trimming work (in reaction to customer requests and staff identified issues) was less than projected. Cycle work delayed will be completed in 2014. | None |
| Distribution Automation/Station Mtce | (\$121,643) | Staff normally assigned to O&M activities were temporarily reassigned to the implementation of a new SCADA system as a result the new maintenance programs related to DA were not completed. | None |
| Switch Maintenance | (\$104,154) | Actual cost on some contracted work was below projected unit costs. Some planned work was deferred due to equipment voltage concerns. | None -Some contract costs may be lower in 2014 but will likely be offset due to completion of deferred work once voltage concerns resolved. |
| General Engineering | (\$80,463) | These operating costs relate to capital reporting, indirect labour costs associated with standards development and non-job specific customer requests or activities. The volume of these activities can fluctuate year to year and the variances are related to lower activity levels than projected. | None |
| Total | (\$378,202) | | |

4.2-SEC-11

Ref: E4/T3/S3/pg.4

Request

The Applicant states that in setting the compensation for its management and non-union positions that a “[c]omparison 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”. Please provide a copy of this information including all industry market surveys.

Response:

Information on market compensation rates obtained during recruitment and exit interviews is not tabulated. Rather, general knowledge obtained in this manner is used to identify position pay scales that may require further assessment due to difficulties in attracting or retaining employees in a particular job category.

Veridian participates in an annual management salary survey coordinated by a third-party. However, pursuant to the terms of the agreement with the third-party, Veridian is not permitted to disclose information about the survey or the survey itself.

4.2-SEC-12

Ref: E4/T3/S1/pg.5

Request

Please provide a copy of the current collective agreement between the Applicant and IBEW Local 636.

Response:

A copy of the current collective agreement between Veridian and IBEW Local 636 is appended as Attachment 1.

COLLECTIVE AGREEMENT

BETWEEN



VERIDIAN CORPORATION
VERIDIAN CONNECTIONS INC.
VERIDIAN ENERGY INC.

(hereinafter called the Employer)

- AND -



LOCAL 636, UNIT 40, OF
THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS

(hereinafter called the Union)

Effective April 1, 2011 – March 31, 2015

Relationship Charter

The Employer and Union agree to the following principles:

- *Employees are the greatest resource available to the Employer;*
- *every Employee will actively participate in the operation of the organization to promote the growth of the Employer's business;*
- *every Employee is valued by the Employer;*
- *everything will be done to foster a good work environment;*
- *every Employee's health and safety will be a top priority;*
- *The Employer, Union and every Employee will be proactive in promoting excellence in labour relations and enhancing the competitive position of the Employer.*

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SECTION 1: RECOGNITION

1.01 The Employer recognizes the Union as the sole collective bargaining agent for all Employees of Veridian Corporation, Veridian Connections Inc., and Veridian Energy Inc., hereinafter collectively referred to as the Employer save and except the following:

- (a) Supervisors, Field Supervisors, Operations Supervisors, and higher ranking positions;
- (b) Executive Assistants, Administrative Assistants, Human Resources Administrator, Human Resources Specialist, Occupational Health & Safety Officer, Executive Assistant & Public Affairs Officer, Business Administrator, Payroll Administrator, Settlements Officer;
- (c) Financial Analyst, Financial Reporting Analyst, Business Applications Analyst, Retail Relations Analyst, Settlements Analyst; Regulatory Affairs Analyst;
- (d) Network Technician, IT Support Specialist, Systems Project Leader;
- (e) Key Account Representative, Sales and Public Relations Representative, Power Procurement Officer;
- (f) Distribution Engineer, Project Engineer, Operations Software Engineer, Grid Operations Engineer, Grid Operations Specialist;
- (g) Persons employed for not more than twenty-four (24) hours per week;
- (h) Persons employed on a government-sponsored program;
- (i) Students employed during a school vacation period, or on a co-operative training program.

Note: Employees participating in government sponsored programs and students shall be required to pay an amount equal to union dues. However, they will be excluded from the bargaining unit's jurisdiction and shall not have recourse to the provisions of this Agreement.

SECTION 2: MANAGEMENT RIGHTS

- 2.01** The Union acknowledges and agrees that the Employer has the exclusive right to manage its business and without limiting the generality of the foregoing, to direct the working force, to control production, to maintain order and efficiency, to hire, classify, promote, transfer, demote, layoff, discharge or otherwise discipline Employees for just cause, to make, amend, and enforce such rules and regulations as shall from time to time be required, and otherwise to take such measures as the Employer may determine to be necessary for the orderly and/or economical operation of the Employer's business.
- 2.02** All functions concerning the managing and operation of the Employer's business shall remain solely with the Employer, except as specifically limited by the express provisions of the Collective Agreement.
- 2.03** The Employer agrees that such rights shall be exercised in a manner consistent with the provision of this Agreement.

SECTION 3: UNION SECURITY AND CHECK OFF

- 3.01** The parties mutually agree that all eligible Employees of the Employer must be members of the Union.
- 3.02** The Employer shall deduct from the first pay of each Employee, and bi-weekly thereafter, a sum equivalent to the current bi-weekly union dues of the Union, and remit same to the Business Manager/Financial Secretary of the Union. The Employer agrees to remit the sums so deducted not later than the fifteenth (15th) day of the following month of such deductions, accompanied by a list of the names of all Employees on whose behalf such deductions were made and the amount deducted on behalf of each Employee, and information upon which such deductions were calculated. The Employer further agrees to deduct any initiation fee as assessed by the Local Union.
- 3.03** The Employer agrees to acquaint all new Employees who are eligible to join the bargaining unit with the fact that a Collective Agreement is in effect and to arrange for a new member session with a Union representative.

3.04 It is understood and agreed that the Union will save the Employer harmless from any and all claims, which may be made against it by an Employee or Employees for amounts deducted from earnings as herein provided.

3.05 Contracting Out/Purchased Services

- (a) The Employer and the Union will meet in conjunction with regularly scheduled Labour Management meetings to have meaningful discussion regarding the performance of peak and/or intermittent work for the Employer. The Employer will provide information related to the work program and specifically all contracted or subcontracted work.
- (b) During the term of this Collective Agreement, no full-time Regular Employee will be laid off as a result of outsourced labour services.
- (c) An Employee displaced into a classification at a lower hourly rate of pay due to the use of outsourced labour services shall maintain their earnings for a period of six (6) months at the pre-displacement level.
- (d) When contracting out work the Employer will consider unionized A.F.L., C.I.O., C.L.C., contractors for all work contracted out by the Employer.

3.06 The amount of union dues paid by each member during the year shall be indicated on the Income Tax forms (T4) issued for that year by the Employer.

SECTION 4: UNION RIGHTS AND ACTIVITIES

4.01 On January 1st and July 1st of each year, the Employer will provide the Union with a list of Employees showing their names and classifications ranked according to Employer Service Credit.

4.02 As changes are made in the organization, the Employer will provide the Union with:

- (a) Organizational charts and names of all bargaining unit and non-bargaining unit Employees;
- (b) Copies of Job Postings for bargaining unit Employees;
- (c) Copies of Job Descriptions for bargaining unit Employees;
- (d) A list of all Employees joining and leaving the bargaining unit;

- (e) Minutes of Labour Management Committee Meetings within a week of the meeting;
 - (f) Minutes of Health & Safety Committee Meetings within a week of the meeting.
- 4.03** Amendments to the Policies and Procedures manual will be provided to the Union Chair as the manual is updated.
- 4.04** Union representatives will be entitled to leave their work during working hours, provided permission from their immediate Supervisor is obtained, in order to carry out their functions under this Agreement. Such leave will be paid for at the Employee's regular base rate and will apply to the following:
- (a) Orientation of new Employees who are eligible to join the bargaining unit;
 - (b) Management-Labour Relations Committee meetings;
 - (c) Investigation and discussion of grievances;
 - (d) Where Employees require Union representation in dealing with the Employer;
 - (e) Up to five (5) Unit Members, a maximum of three (7-8 hours) days, for negotiation meetings with the Employer.
- 4.05** (a) In matters dealing with the interpretation, administration, application, or alleged violation of the Collective Agreement provisions, Management personnel, when requested, will arrange for Union representation.
- In matters of discipline involving the filing of a written disciplinary note to the Employee's file, the Employer will:
- (i) Notify the Union prior to the disciplinary meeting;
 - (ii) Allow the Union to meet with the affected Employee before the disciplinary meeting;
 - (iii) At the Employee's request, allow the Union to attend the disciplinary meeting.
- (b) If after two (2) years from the date of a warning letter or disciplinary note there has been no need for a further warning or disciplinary note, the warning letter or disciplinary note will be removed from the Employee's record.

SECTION 5: LOCKOUTS AND STRIKES

- 5.01** There shall be no “lockout” by the Employer and no interruption, work stoppage or “strike” during the term of this Agreement. The terms “strike” and “lockout” shall be interpreted in accordance with the definitions as set out in the Labour Relations Act.
- 5.02** Employees agree to make every reasonable effort to complete their work in the event of a labour dispute involving another Employer and their Employees.

SECTION 6: EMPLOYEE SERVICE CREDIT

- 6.01** Employee Service Credit only applies to Regular Employees and is defined as the length of continuous service from the most recent date the Employee entered the employ of the Employer.
- 6.02** Employees lose their service credit and cease to be Employees of the Employer if they:
- (a) Quit voluntarily;
 - (b) Are discharged for just cause and not reinstated;
 - (c) Are absent from work for three (3) consecutive working days or more without approved leave;
 - (d) Are laid off and have not been recalled within a given period of time, which time shall be based on the length of service. This time period is a minimum of six (6) calendar months, plus one (1) calendar month for every two (2) years of service, to a maximum of twelve (12) calendar months;
 - (e) Fail to report for work after a layoff within ten (10) working days of recall, notice of which has been sent by registered mail to the last address of which the Employee has notified the Employer;
 - (f) Are disabled for a period of twenty-four (24) calendar months and have been placed on a Long Term Disability Plan;
 - (g) Fail to return to work after The Workplace Safety and Insurance Board has classified the Employee fit to work (including the appeal process);
 - (h) Retire.

- 6.03** It is the responsibility of all Employees to operate in a safe and efficient manner. Employees who through their own carelessness jeopardize themselves, fellow Employees, or the public may be subject to discipline.
- 6.04** Employee Service Credit will continue to accumulate while Regular Employees are:
- (a) In receipt of regular base wages; or
 - (b) On pregnancy/parental leave for the duration as required under the Ontario Employment Standards Act; or
 - (c) In receipt of sick leave payments replacing wages; or
 - (d) In receipt of Workplace Safety and Insurance Board payments replacing wages; or
 - (e) In a Management position for up to one year. This is for service credit within the bargaining unit only.
- 6.05** Service as a Temporary or Part-time Employee shall be added to the accumulated service credits provided that the Employee becomes a Regular Employee, has completed the probationary period and provided there is no break in service in excess of one (1) calendar month between the end of the Temporary or Part-time employment and the beginning of the probationary period. The hours worked as a Temporary or Part-time Employee will be calculated and used to count back from the start date as a Regular Employee to establish the credit service date.
- 6.06** An Employee shall maintain service credit at the level attained before being absent from work for the following reasons:
- (a) Leave of absence without pay in excess of thirty (30) days granted by written permission of the Employer;
 - (b) During layoff for a period consistent with 6.02 (d).

SECTION 7: EMPLOYEE CATEGORIES

7.01 Temporary Employees are:

- (a) Employees hired for a period of up to, but not exceeding six (6) calendar months unless otherwise provided herein;
- (b) Employees hired for a period of up to, but not exceeding one (1) calendar year, to replace Employees on an extended leave of absence, on WS&IB Benefits, Maternity/Paternal leave or on Long Term Disability;
- (c) Employees hired for a specific task of indefinite duration, provided that such conditions shall be mutually agreed upon by the Employer and the Union.

Temporary Employees shall be required to pay an amount equivalent to Union Dues. Temporary Employees shall not accumulate Employee Service Credit except as provided in 6.05 nor shall they be entitled to any of the rights or privileges accruing to Regular Employees, nor shall they have recourse to the grievance procedure.

7.02 Probationary Employees are persons hired on trial to determine their suitability for employment in regular positions. Employees shall be considered probationary for up to six (6) months worked at the discretion of the Employer.

If Employees transfer to another position before their probation is completed, they will serve the remainder of their probationary period in their new position.

During this period of probation, Employees shall not be considered as having regular status and may be discharged at the sole discretion of the Employer. Rights arising out of this Agreement shall apply to Regular Employees only, except with regard to the wage schedule and benefits or as specifically stated herein.

7.03 Regular Employees are persons who have satisfactorily served a probationary period and are currently in the employ of the Employer.

7.04 The hiring practices of the Employer, with regard to part-time Employees, will consider the specific needs of the affected department at the time that the work assignment is determined.

SECTION 8: GRIEVANCE PROCEDURE

- 8.01** An Employee (or Employees) will be given reasonable opportunity to discuss with their immediate Supervisor any dispute, claim or complaint which they may have concerning any aspect of their working conditions. This discussion should take place within three (3) working days from the incident giving rise to the complaint. During this discussion, a Union Steward may accompany the Employee. If the complaint is not settled to the satisfaction of the Employee, they may, within a further one (1) working day proceed to Step 1 of the grievance procedure.
- 8.02** For the purpose of this Agreement, a grievance is defined as a dispute, claim or complaint involving the interpretation, administration, application or alleged violation of the provisions of this Agreement and shall be dealt with as specified below.
- 8.03** A written grievance shall specify the matter complained of, the part(s) of the Agreement alleged to be violated and the redress sought.
- 8.04** For definition purposes, an immediate Supervisor is the person to whom the Employee normally reports, and this may also be a Field Supervisor, a Manager or Executive Vice President. For Employees reporting to a Manager or Executive Vice President, they will eliminate Step 1.
- 8.05** **Step 1**
Employees, accompanied by the Union Steward, may present written grievances to their immediate Supervisor within seven (7) working days of the occurrence, which gave rise to the alleged grievance.

The immediate Supervisor will respond with a written and signed response to the grievance, and discuss the matter with the Employee within three (3) working days of receipt of the written grievance.

FAILING SETTLEMENT:

- 8.06** **Step 2**
Within three (3) working days after the Supervisor's reply, the Employee accompanied by the Union Steward, may present the written grievance to the Manager or Executive Vice President, and discuss the matter with the Manager or Executive Vice President. The Manager or Executive Vice President will respond with a written and signed response and

discuss the matter with the Employee and Union Steward within three (3) working days of receipt of the written grievance.

FAILING SETTLEMENT:

8.07 Step 3

Within three (3) working days of the Manager or Executive Vice President's reply, the Employee accompanied by two (2) members of the Union's Grievance Committee and the Business Representative, may present the written grievance to the President & CEO. The President & CEO shall respond with a written response within five (5) working days following the meeting.

Failing settlement at Step 3, the Union or the Employer may within thirty (30) working days of the disposition at Step 3, notify the other party of its intention to submit the matter to arbitration as outlined in Section 9.

8.08 A policy or group grievance pertaining to the interpretation, administration or alleged violation of this Agreement may be initiated at Step 1 or Step 2, as applicable.

SECTION 9: ARBITRATION PROCEDURE

9.01 A notification by either party that a grievance is being submitted to Arbitration shall contain the name of the submitting party's appointee to an Arbitration Board. The recipient of the notice shall, within ten (10) working days, advise the other party of the name of its appointee to the Arbitration Board.

9.02 The appointee so selected shall appoint a third person who shall be the Chairperson. Should the two appointees fail to agree upon a Chairperson, the selection of the third member shall be left to the Ontario Ministry of Labour as provided for by the Ontario Labour Relations Act.

9.03 No Arbitration Board shall have the power to alter or change any of the provisions of this Agreement or to substitute any new provision for any existing provision, or to provide a decision which is inconsistent with any term or provision of this Agreement.

9.04 This Collective Agreement constitutes the entire Agreement between the parties and no implied liability of any kind is created by anything not herein contained.

- 9.05** The decision of the majority of the Board will be final and binding upon the parties but, should a majority decision not be possible then the decision of the Chairperson will be final and binding. Each of the parties hereto will bear the expense of its nominee and the parties shall share equally the expenses and fee of the Chairperson.
- 9.06** The time limits referred to in the grievance and/or arbitration procedure may only be extended through mutual agreement.
- 9.07** As an alternative, either party may by mutual agreement submit the matter to a single arbitrator as provided by the Labour Relations Act and Section 9.05 shall apply equally to a single arbitrator with respect to jurisdiction and expenses.
- 9.08** As an alternative to arbitration both parties may agree to utilize the services of a Grievance Settlement Officer on a 50/50 cost-sharing basis.

SECTION 10: HOURS OF WORK AND OVERTIME

- 10.01** Nothing in this Agreement shall restrict the Employer's right to establish and assign shift work nor limit the Employer from re-arranging the normal hours of work per week. Notwithstanding current shift assignments, or normal hours of work, any changes will be discussed with the Union.

10.02 REGULAR WORKWEEK:

**(a) Outside Staff with Normal Working Week of 40 Hours
(excluding Operators)**

The workweek will consist of five (5) days of eight (8) hours each Monday to Friday. The core workday will be 7:30 a.m. to 4:00 p.m. In consultation with affected Employees, the Employer may schedule workdays starting at 7:30 a.m., 8:00 a.m., or 8:30 a.m. Affected Employees will be provided advance notice of at least five (5) working days if changes to starting times are required.

**Inside Staff with Normal Working Week of 40 Hours
(excluding Operators)**

The workweek will consist of five (5) days of eight (8) hours each Monday to Friday. The core workday will be 8:00 a.m. to 4:30 p.m. In consultation with affected Employees, the Employer may schedule workdays starting at 7:30 a.m.,

8:00 a.m., or 8:30 a.m. Affected Employees will be provided advance notice of at least five (5) working days if changes to starting times are required.

(b) **Operators**

Working days for Operators will be eight hours or twelve hours such that the number of regular hours scheduled through each complete shift rotation equates to forty (40) hours per Operator per week. The Employer will establish a shift schedule in consultation with all affected staff and the Union.

(c) **Staff with Normal Working Week of 35 Hours**

The workweek will consist of five (5) days, of seven (7) hours each Monday to Friday. The core workday will be 8:30 a.m. to 4:30 p.m. In consultation with affected Employees, the Employer may schedule workdays starting at 8:00 a.m., 8:30 a.m., or 9:00 a.m. Affected Employees will be provided advance notice of at least five (5) working days if changes to starting times are required.

The Employee normal weekly hours of work are identified in the wage schedules.

10.03 The Employer will post at its discretion, a schedule of ten (10) hour shift periods for applicable departments as follows:

A ten (10) hour shift shall mean:

- (a) A workweek consisting of four (4) days of ten (10) hours each, which includes a fifteen (15) minute lunch break and which will normally be Monday to Thursday or Tuesday to Friday, 7:00 a.m. to 5:00 p.m.;
- (b) A workweek, which includes a recognized holiday, will be rearranged as mutually agreed. Notwithstanding Employees will receive a maximum of eight (8) hours pay for that recognized holiday. On weeks where recognized holidays occur, Employees on a ten (10) hour work day will revert to eight (8) hour days for the week;
- (c) All absences such as sick leave or vacation will be calculated on an hourly basis (i.e., a sick day will be counted as ten (10) hours);
- (d) The scheduling of ten (10) hour days shall be by mutual agreement. On an individual basis, Employees may request to be transferred to an eight (8) hour shift crew due to personal circumstance;

- (e) A minimum of thirty (30) days notice shall be given in order to change the shift or unless mutually agreed upon by all parties who are affected by the shift change. *

See Letter of Intent #2

10.04 Overtime * See Letter of Intent #3

Due to the nature of the Employer's operations, Employees can be required to work at other than their regular hours and in addition to their regular hours. Hours worked beyond the limits of hours of work described in the latest revision of the Employment Standards Act shall be by mutual consent.

Notwithstanding, Employees shall not work more than sixteen (16) hours in a 24-hour period. In the event work continues, or the Employee is required to report back to work for on-call duty or a regular scheduled shift, a rest period shall apply as follows:

- (a) Employees who have worked sixteen (16) continuous hours shall have an eight (8) hour rest period to be taken immediately following the sixteen (16) hour time.
- (b) Employees who have accumulated thirteen (13) hours in a shift shall have an eight (8) hour rest period to be taken immediately following the time the thirteen (13) hours are reached, except if they are engaged in, or return to perform emergency work, in which case they continue to work until sixteen (16) hours have been accumulated before having the rest period.
- (c) The eight (8) hour rest period will be unpaid except for that portion of the eight (8) hours that falls within the Employee's next scheduled work shift which shall be paid at the Employee's regular base rate.
- (d) Notwithstanding 10.04 (a) and (c) above the following provision will apply: When Employees are called out and do not have at least one continuous 4-hour rest period between 00:01h and their regularly scheduled start time, on their first regularly scheduled day, following a weekend, recognized holiday, or scheduled non-working day, they shall have a mandatory 8-hour rest period on accumulating 10 hours of work that day. The Employee will receive regular wages for any part of such rest period which falls within the Employee's regular scheduled day. This provision will not apply when the Employer has declared a system emergency and has engaged rotating 16-hour shifts.

10.05 Rate of Compensation for Overtime

Employees shall be paid a premium rate for all hours worked in excess of the regular workweek as defined in Section 10.02 on the following basis:

- (a) Two (2) times the regular base rate for all hours except on recognized holidays;
- (b) Two (2) times the regular base rate plus the regular pay on recognized holidays.

10.06 Shift Premiums – Operators

Shift premiums for Operators will be paid as follows:

- (a) 7:00 a.m. to 7:00 p.m. (12 Hour shift) - 4% (of the Operator's current hourly rate);
- (b) 7:00 p.m. to 7:00 a.m. (12 Hour shift) - 7% (of the Operator's current hourly rate);
- (c) All shifts - 1% (of the Operator's current hourly rate). This shift premium is to compensate Operators for time required to transfer information at shift turnover.

10.07 (a) Scheduled Overtime

In the case of scheduled overtime, if cancelled with less than twenty-four (24) hours notice, such Employee shall be paid two (2) hours at the appropriate overtime rate.

- (b) **Notice of Overtime** - This clause applies to Lines staff only. * See Letter of Intent #2

Employees shall normally be given at least two (2) full working days notice of a requirement to work scheduled overtime.

For the purpose of the Employee's meal allowance(s), if scheduled overtime has been arranged and the Employee is not provided the above notice, then the first overtime shift worked will be treated as unscheduled overtime.

- (c) **Emergency Call Out for non On-Call Employees**

Employees, other than those designated and required to perform On-Call as per section 11.01, can be required to provide emergency work after hours, for which purpose the Employer will maintain a current list of Employees, by department, who will be contacted when required in order of Employee service credit.

Scheduled Overtime * See Letter of Intent #2

Work that is arranged, organized, or scheduled in advance of when the work is to begin; occurring or done with advance preparation or knowledge.

Unscheduled Overtime * See Letter of Intent #2

Work that is not pre-arranged or scheduled; occurring or done without advance preparation or knowledge.

Regular Shift * See Letter of Intent #2

The number of hours that constitutes an Employee's normal period of continuous daily work. There are two recognized regular shifts: an eight (8) hour regular shift, and a ten (10) hour regular shift.

10.08 All time worked beyond ten (10) minutes of their regular shift in order to complete transactions in the Energy group, will be counted as overtime.

10.09 Accumulation of Overtime * See Letter of Intent #4

Employees will be allowed to bank overtime hours up to a maximum of half their normal work week to a maximum of twenty (20) hours total per calendar year. Use of banked overtime will be approved at their Supervisor's discretion and any banked overtime not used by December 31st of each year will be paid out to the affected employee. Banked overtime will be calculated at the overtime rate in effect.

SECTION 11: ON-CALL AND MINIMUM CALL-OUT

11.01 The Employer maintains five (5) Service Response Districts known as the Ajax, Clarington, Belleville, Brock and Gravenhurst Districts. These Districts may be changed as the Employer's business changes and grows. District Service Centres are located within the Service Response District in locations as may be determined by the Employer from time to time. In the event that the Employer determines that one of the current District Service Centres may move/close or relocate any of its workgroups, the Union and the Employer will meet to discuss the affects of this change to ensure a smooth transition, however, the Employer reserves the right to make these changes.

On-call duty is defined as that duty performed by qualified Employees who are required by the Employer to be readily available within twenty-five (25) minutes (by means of normal driving conditions) of the Employer's District Service Centre for emergency service at other than normal working hours.

Qualified Employees will be assigned to one of the above Service Response Districts and the associated District Service Centre shall be the primary location to which they will attend when on-call.

Employees residing in the designated Service Response District will be given call-out preference over Employees residing outside the designated Service Response District.

Emergency overtime will be allocated at the discretion of the Employer based upon the Employee's known proximity to the Service Response District.

- 11.02** Qualified Employees will be required to perform on-call duty on a weekly basis in one assigned Service Response District, in accordance with a list posted by the Employer. Employees on on-call duty are required to hold themselves readily available outside normal hours of work for dispatch on call.

Employees required to be on-call will be advised, where possible, of the on-call duty three (3) months prior to such duty by means of a list posted in a conspicuous place.

- 11.03** Payment for call out work shall be based on the actual time the Employees leave their place of residence to the time the Employees return to the assigned Service Response District after completion of the call out work.

- 11.04** Employees designated for on-call duty will be paid at the rate of

- Effective April 1, 2011 - \$195.00 per week
- Effective April 1, 2012 - \$205.00 per week
- Effective April 1, 2013 - \$215.00 per week
- Effective April 1, 2014 - \$225.00 per week

Where the week of on-call duty includes a recognized holiday an additional sixty (\$60) dollars shall be paid for each recognized holiday that the Employee is on-call.

Employees designated for on-call duty who are unable to perform such duties because of illness shall notify the Employer immediately.

11.05 Minimum Call-Out

When Employees are called in for emergency overtime work outside of the normal working hours, Employees shall receive a minimum payment of four (4) hours at their regular base rate, or the actual time worked at the appropriate overtime rate, whichever is the greater.

Should one call-out follow within one and one-half (1 ½) hours of the completion of a previous call-out, only one minimum payment will apply and time will be considered continuous from the beginning of the first call-out.

There shall be no minimum payment applicable to call-outs or overtime worked as an extension of Employees' normal daily working hours, or within one (1) hour of normal starting time.

11.06 Free Travel Zone

Employees may be requested to report for work at the normal starting time at a job site within the "Free Travel Zone". Employees shall pay their own travel costs between their home and the job site.

The Employer maintains five (5) District Service Centres: Ajax, Clarington, Belleville, Brock and Gravenhurst. A 40km radius Free Travel Zone will be centered about each District Service Centre (see Appendix A).

For the purposes of implementing the Free Travel Zone, the following will apply:

(a) **EXISTING EMPLOYEES**

Employees will be deemed to have their currently assigned District Service Centre at the beginning of this Collective Agreement as their Primary Work Location.

They may be requested to report at any work site or another District Service Centre within the Free Travel radius of that location without travel compensation.

(b) **NEW HIRES**

Employees will be assigned a Primary Work Location that best suits the Employer's needs, except that in doing so the Employer will make reasonable efforts to consider the Employee's place of residence.

(c) **RE-ASSIGNMENT**

It is understood that the Employer may, from time to time, re-assign Employees to another Primary Work Location for longer term periods when, in the Employer's opinion, there is a longer term, significant change in the work force or the work load at any of its District Service Centres.

New Employees may be pre-designated for re-assignment and may be hired into a temporary Primary Work Location for periods of up to two (2) years after which they may be re-assigned to another permanent location.

Re-assignments will be infrequent and except for pre-designated new Employees, will be made with reasonable respect for the Employee's place of residence.

(d) **ON-CALL**

It is understood that the Free Travel Zone and the Primary Work Location assignment does not affect the On-Call provisions of this Collective Agreement, and that the Service Response Location may not be the same as the Employee's Primary Work Location, and that the Free Travel Zone is not the same as the Service Response District.

(e) **WORK OUTSIDE FREE TRAVEL ZONE**

Employees required to report for work outside the Free Travel Zone, will be paid the lower of:

- (i) Daily mileage at the Employer's current rates from their home;
- (ii) Daily mileage at the Employer's current rates from the Service Centre;
- (iii) Weekly mileage rates at the Employer's current rates (presently at \$0.50/km) and daily meal provisions of \$60.00 per day where no meals are provided, and suitable double occupancy accommodation paid by the Employer.

The Employer and the Union will negotiate all terms and conditions of travel for all Employees working outside of the current Veridian Service Districts.

11.07 Travel Time for Training

The Employer will maintain a list of regular Training programs and courses for its Employees that may periodically be conducted either at one of the Employer's sites or at a nearby facility. Such Training will as much as possible be arranged at or near the Employees' Primary Work Location.

Employees whose Primary Work Location is remote from the site of any Training identified in the above list will be provided a travel time allowance in accordance with the table below to recognize a significant additional time required outside of normal working hours, over and above their normal commute time, to attend such Training.

Fixed Travel Time Allowance Provision (One Way)

| For Travel To/From | | Clock Time |
|--------------------|------------------------------|------------|
| Belleville | Ajax/Clarington and Environs | 1 hr |
| Brock | Ajax/Clarington and Environs | 0.75 hr |
| Gravenhurst | Ajax/Clarington and Environs | 1.5 hr |

Time will be paid at the applicable rate for any portion of this Travel Time Allowance which exceeds the time between an Employee's normal start time and the Training start time, or for any portion of this Travel Time Allowance which exceeds the time between the Training stop time and an Employee's normal stop time. For example, a Belleville Employee who normally starts at 08:00 and who must attend Training in Ajax starting at 08:30, will receive an additional 0.5 hr paid time. If the normal stop time is 16:00, and the Training stops at 16:00 (or later), a full 1 hr is allowed. Where appropriate, travel routes and Travel Time Allowances may compound as applicable (such as Belleville to Gravenhurst).

SECTION 12: CHANGE OF WORK LOCATION

- 12.01** Employees may be re-assigned from one Primary Work Location to another, or may transfer to another as a result of the Posting and Selection process. Where such change is for a duration of more than one (1) year and the Employee is required to drive more than 100 additional kilometres to their work location, the Employer will provide relocation assistance of up to \$6,000 for real estate, legal and moving fees for moving to within 60 kilometres of the new Primary Work Location. Notwithstanding the provisions contained in this section, qualified Employees who are required to be readily available for on-call duty will be required to respond as per the provisions of Section 11.

SECTION 13: REST PERIODS

- 13.01** There shall be a ten (10) minute rest period morning and afternoon to be taken at the work site.

SECTION 14: RECOGNIZED HOLIDAYS

14.01 Regular and Probationary Employees of the Employer will be entitled to payment of regular base wages for the following recognized holidays if they occur on their normal scheduled days of work, provided they have worked or been on an approved absence with pay the full scheduled shift which immediately precedes and the full scheduled shift which immediately follows such recognized holidays:

| | |
|----------------|---------------------------------|
| New Year's Day | Labour Day |
| Good Friday | Thanksgiving Day |
| Easter Monday | Christmas Day |
| Victoria Day | Boxing Day |
| Canada Day | ½ day before Christmas Day [*] |
| Civic Holiday | ½ day before New Year's Day [*] |
| Family Day | |

and any recognized holiday proclaimed for the Province of Ontario.

[*] To be observed on last working day prior to the recognized holiday.

Operators will have their recognized holidays on the actual days on which they occur.

14.02 When any of the above recognized holidays fall on a Saturday or Sunday, the Employer shall arrange at its discretion but in consultation with the Union, for each Regular or Probationary Employee to be granted either the preceding Friday or the following Monday as a paid holiday in lieu of the recognized holiday.

14.03 If a recognized holiday is observed on a scheduled working day during an Employee's vacation period, the day will be paid for as a holiday with the vacation day taken at a time consistent with the provisions of Section 14.

14.04 When Christmas Day and New Year's Day fall on Tuesday the days prior to Christmas Day and New Year's Day will be observed as holidays.

- 14.05**
- (a) Regular Employees will be granted two (2) floating holidays per calendar year which must be used by December 31st of the current year and which are not subject to carryover.
 - (b) New Regular Employees will become eligible to receive floaters in the calendar year in which they complete six months of service.

SECTION 15: VACATIONS

- 15.01** (a) Employees, to ensure consideration of a chosen vacation period, must notify the Employer of their preferred vacation period by March 1st in any given year.

Vacations will, as far as it is practical, be granted at the time most desired by Employees, provided this does not impede the efficient operation of the Employer's business.

When requests of two (2) or more Employees in a department conflict with the Employer's requirements, and all other attempts to resolve the difficulty have failed, the Employer will allocate vacations on the basis of greater Employee Service Credit.

- (b) (i) Regular or Probationary Employees with less than one (1) year of service completed during the calendar year ending December 31st, will be entitled to one (1) day of vacation with pay for each month of service, to a maximum of ten (10) days of vacation with pay at the Employees' regular base rate;
- (ii) Regular Employees with one (1) year or more of continuous service credit completed during the calendar year ended December 31st, will be entitled to ten (10) days of vacation with pay at the Employees' regular base rate;
- (iii) Regular Employees with two (2) years or more of continuous service credit completed during the calendar year ending December 31st, will be entitled to fifteen (15) days of vacation with pay at the Employees' regular base rate;
- (iv) Regular Employees with eight (8) years or more of continuous service credit completed during the calendar year ending December 31st, will be entitled to twenty (20) days vacation with pay at the Employees' regular base rate;
- (v) Regular Employees with fifteen (15) years or more of continuous service credit completed during the calendar year ending December 31st, will be entitled to twenty-five (25) days of vacation with pay at the Employees' regular base rate;
- (vi) Regular Employees with twenty-two (22) years of continuous service credit completed during the calendar year ending December 31st, will be entitled to one (1) additional day of vacation with pay, and likewise thereafter one

additional day for each additional year of continuous employment to a maximum vacation entitlement of thirty (30) days.

- 15.02** Employees shall not be granted more than ten (10) days of continuous vacation except with permission of the Employer.
- 15.03** Vacation pay shall be based on the Employees' regular classification. Employees' vacation pay will be reduced on a pro rata basis for any period for which Employees have not been in receipt of regular base wages from the Employer during the vacation accumulation period except as provided herein.
- 15.04** During a pregnancy/parental leave for the minimum duration as required under the Ontario Employment Standards Act, there will be no pro-ration of vacation provided the Employee returns to work upon the completion of the pregnancy/parental leave.
- 15.05** All vacations must normally be used within the calendar year, but under special circumstances up to ten (10) days may be carried forward until March 31st of the following year.
- 15.06** All vacation requests must be submitted by the Employee no later than March 1st and shall be approved by the Employer no later than March 15th of each calendar year. Special circumstances requesting deviations from that approved will be considered by the Employer.

SECTION 16: LEAVES OF ABSENCE

- 16.01** Leaves of absence require the written permission of the Employer. Applications for leaves of absence must be submitted, in writing, at least one (1) week in advance to ensure consideration.
- In case of emergency, the Employee will make reasonable attempts to contact their Supervisor no later than fifteen (15) minutes after their normal scheduled start time, failing which the Employee will leave a detailed message giving reason for the leave and expected return.
- 16.02** During a pregnancy/parental leave for the minimum duration as required under the Ontario Employment Standards Act, the Employer will continue to pay its portion of the cost of the normal indemnities provided the Employee returns to work upon the

completion of the pregnancy/parental leave. Employees may continue to pay their portion of the premium for Life Insurance and OMERS at their option, in which case the Employer will continue to make its contribution for the continuation of these benefits.

- 16.03** An Employee who is elected or appointed as a delegate to a union convention or conference will be granted leave of absence for a period of up to eight (8) weeks. The Employee will not receive pay while absent, and the Corporation will not be expected to pay his relief any more money than the delegate would have earned during the leave of absence period had he been on duty. Such leave of absence will be granted only once during the calendar year.

The credit service of such Employee shall continue and accumulate during such leave of absence. The union shall reimburse the Employer for the Employee's benefit costs during the leave. Any leave of absence granted will be in writing and no such leave will affect any Employee's credit service rights when used for the purpose granted. If an Employee works elsewhere while on leave of absence he will lose all credit service unless he has written permission from the Corporation to do such work.

An appointment to the paid committee of the Union will not be construed as working while on leave of absence. The Employer will grant not more than one such leave for the entire employee group in any calendar year.

SECTION 17: BEREAVEMENT LEAVE

- 17.01** Regular Employees may be allowed up to five (5) consecutive working days leave of absence with pay in the event of the death of the Employees' spouse or parent or child or stepson or stepdaughter.

Regular Employees may be allowed up to four (4) consecutive working days leave of absence with pay in the event of the death of their brother, sister, grandchild, father-in-law, mother-in-law or grandparents.

Regular Employees may be allowed one (1) day leave of absence with pay in the event of the death of a son-in-law, daughter-in-law, brother-in-law or sister-in-law.

Regular employees would be allowed one (1) day leave of absence per calendar year to be used for bereavement of a friend or family member not captured in the categories above. This day can also be added to the existing entitlements.

Such leave shall be for the purpose of making arrangements for and/or attending the funeral. In the event distance prevents Employees from attending a funeral, the aforementioned days shall be allowed so Employees may make arrangements for and/or attend memorial services.

When Employees are on an approved vacation and a death in the Employee's family occurs, the Employee shall be deemed to be on bereavement leave. The Employee's remaining vacation entitlement will be increased by the number of vacation days which were displaced by bereavement days. Such additional vacation days must be scheduled in accordance with the provisions of Section 15: Vacation.

A Bereavement Leave day is eight (8) hours except for employees working seven (7) hour or (10) hour shifts in which case a Bereavement Leave day becomes seven (7) or ten(10) as the case may be.

SECTION 18: JURY DUTY AND CROWN WITNESS

18.01 The Employer will pay Employees who are required to serve on a jury or subpoenaed by law to appear in court as a witness, the difference between the Employees' pay and the amount of compensation received for such service. Employees must present proof of service and amount of compensation received.

SECTION 19: SICK LEAVE

- 19.01** (a) The Employer's sick leave plan for Regular and Probationary Employees was created by the Employer to reduce the financial hardship that bona fide illness can create so far as inability to work and the consequent loss of normal wages are concerned.
- (b) The Employer and the Union believe in the value of a rapid and successful recovery of both ill and injured Employees by assisting in early intervention and return to safe work. It is the Employer's policy to take all reasonable steps to return ill and injured Employees to their pre-illness/injury job as quickly and safely as possible. Where the Employee is unable to return to their pre-illness/injury job, the goal will be to return them to temporary modified or alternative work, which is consistent with their functional abilities. The Employer, the Union, and the Employees are committed to co-operate and participate in the success of a return to work program.

19.02 To qualify for payment for sick leave, Employees must:

- (a) Make reasonable attempts to contact their Supervisor no later than fifteen (15) minutes after their normal scheduled start time, failing which the Employee will leave a detailed message giving reason for the leave and expected return;
- (b) Be suffering from a bona fide illness that prevents useful employment and is not compensable under The Workplace Safety and Insurance Act;
- (c) On request of the immediate Supervisor submit verification of the illness signed by a qualified doctor if absent for three (3) days or more. If such verification is not covered by OHIP, the Employer will pay the full amount;
- (d) Co-operate in the return to work program, and participate with their doctor, the Employer's doctor, and the Employer in the development where possible of modified and/or reduced work opportunities with the intent of supporting their full recovery and a safe return to pre-illness/injury duties;
- (e) Where an Employee's medical note from their treating doctor does not indicate a reasonable return to work prognosis, the Union and the Employer will meet to discuss the information still required by the Employer and develop a plan to provide this information. Failing this process, the Employer may refer such cases to the Employer's doctor. The Employer's doctor will work with the affected Employee as follows:
 - (i) Discuss with the Employee's doctor the Employee's return to work prognosis and possible temporary modified or alternative work,
 - (ii) Where an initial consultation between doctors is inconclusive, the Employer's doctor will arrange a medical visit with the Employee. The result of such visit will be discussed with the Employee's doctor to coordinate an appropriate and safe return to work;
- (f) Return to work as soon as possible following recovery from illness;
- (g) Do everything possible to speed up recovery.

- 19.03** Sick leave credit will accrue to Regular and Probationary Employees at the rate of one and one-half (1½) days per month of accredited Employee Service Credit to a maximum of two hundred and twenty (220) days. A maximum of eighteen (18) days of sick leave credit will be accumulated per calendar year, but this amount will be reduced by the number of days of sick pay credit used during the calendar year.
- 19.04** Employees who become ill and are hospitalized while on vacation shall be deemed to be on sick leave, provided they present the appropriate documentation from the hospital indicating the length of illness.

SECTION 20: WORKERS COMPENSATION

- 20.01** When Regular Employees, through employment by the Employer suffer a disability which is compensable under the Workplace Safety and Insurance Act, the Employer shall continue to pay for a period of up to twenty-four (24) months medical benefits and life insurance coverage and for this same period Employees shall continue to accrue sick leave and vacation credits.

The Employer shall notify the Union in writing when an Employer's Report of Injury or Disease (Form 0007A) and the Functional Abilities Form (Form 2647A) has been filed with the Workers' Safety and Insurance Board.

SECTION 21: HEALTH PLANS

- 21.01** The Employer agrees to pay for Regular Employees in receipt of regular base wages who comply with the eligibility requirements, the premiums for the following:

- (a) Employers Health Tax;
- (b) Prescription Drug Plan for single and family coverage (includes semi-private supplementary hospital plan).

The Prescription Drug Plan will consist of the following:

- no annual deductible
- a drug card
- coverage for generic drugs unless prescription drugs are prescribed
- a dispensing fee maximum of ten (\$10) per prescription
- an annual limit on orthotics claims of five hundred (\$500) per year per person;

- (c) Long Term Disability Plan with seventy-five percent (75%) benefit to a maximum of \$4,500.00 monthly;
- (d) Dental Plan equivalent to Blue Cross Dental Plan #9, current ODA Schedule of Fees as amended from time to time;
- (e) Fifty percent (50%) orthodontic coverage to a lifetime limit of \$3,000 per family member;
- (f) Vision Care Plan to reimburse costs, not to exceed the maximums as defined below, of corrective lenses, contact lenses, and/or laser eye surgery per dependent, per *twenty-four month period, as follows:
 - Effective April 1, 2011 - \$350.00 maximum
 - Effective April 1, 2012 - \$350.00 maximum
 - Effective April 1, 2013 - \$350.00 maximum
 - Effective April 1, 2014 - \$350.00 maximum
 - Fifty percent (50%) laser eye surgery coverage to a lifetime limit of \$500 per family member.

*beginning with the date the Employee first receives reimbursement.

The Employer will work with the Union to find retirement benefit plans favourable to retiring Employees.

21.02 It is recognized that the Employee benefits flowing from this document satisfy the requirements of E.I. regulations covering rebates to Employees. The Employees waive the right to the rebate on account of the Employer providing the aforementioned benefits.

21.03 The Employer agrees to provide a Retiree Health Care Spending Account, with maximum yearly payments as set out below, for retired Employees between the ages of fifty-five (55) to up to age Sixty-five (65) inclusive who have accumulated a minimum of twenty (20) years' of service as a Veridian employee. Suggested options for the use of this Account by each Retiree will be made available by the Employer.

Annual Retiree Health Care Spending Account Limit for Each Retiree:

- 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

SECTION 22: PENSION AND INSURANCE

- 22.01** All eligible Employees with the Employer shall participate in the OMERS (Ontario Municipal Employees Retirement System) Pension Plan in accordance with the regulations of the Plan.
- 22.02** The Employer and the Employees shall participate in the Canada Pension Plan in accordance with the regulations of the Plan.
- 22.03** The Employer and the Regular Employees shall participate in the Group Life Insurance Plan in accordance with the regulations of this Plan.

SECTION 23: JOB POSTING AND SELECTION

- 23.01** When vacancies occur within the bargaining unit, except those of a temporary nature, these positions will be posted for a period of seven (7) working days in order to give Employees an opportunity to make application for the position. Interested Employees may submit a written application available from Human Resources by the closing date. Only applicants meeting posted qualifications will be granted an interview.
- Employees who have been transferred to a new position must serve at least one (1) year in the new position before they are eligible for consideration in any other position. The one (1) year minimum service restriction in a position shall not apply if a transfer to a new classification results in a higher end rate or if the transfer is in the Employer's best interest.
- 23.02** In filling vacancies and making transfers or promotions among Employees, the Employer will consider qualifications and ability as the primary factors. In the event the qualifications and ability of the respective applicants are relatively equal in the Employer's opinion, Employee Service Credit shall govern.
- Promotion shall mean advancement to a job which carries a higher rate of pay.
- 23.03** Employees who are promoted, demoted or transferred to another department and remain a member of the bargaining unit will not suffer loss of Employee Service Credit.

Employees who are promoted to a Management position will continue to accumulate and retain Employee Service Credit within the bargaining unit for up to one (1) year following the promotion.

- 23.04** Employees who have been promoted or transferred to another position within the bargaining unit, may choose to return to the Employee's previous position within fifteen (15) working days.

SECTION 24: LAYOFF AND RECALL

- 24.01** All cases of layoff will be discussed with the Union as far in advance as practicable.
- 24.02** In the event of layoff, Employees shall be laid off in the reverse order of their Employee Service Credit provided the Employer can retain a work force qualified in its opinion to perform the work remaining. Employees shall be recalled in the order of their Employee Service Credit provided they are qualified, capable and have the ability to do the work available.
- 24.03** It shall be the responsibility of Employees to keep The Employer informed, in writing, of changes in their postal address.
- 24.04** It is understood that in exercising the Employees' accrued rights in accordance with the above, advancement to a job which carries a higher rate of pay is only permitted where Employees, in the discretion of The Employer, are deemed to be qualified and capable.
- 24.05** Regular Employees who are subject to layoff may bump Employees with less service credit from equivalent or lower classifications provided those Employees possess the skill and abilities to perform the job of the Employees that they displaced.
- 24.06** It is understood that Employees who exercise bumping rights in lieu of layoff shall be allowed thirty (30) calendar days on the job to demonstrate the skills and abilities to perform the work of the displaced Employees. In the event the Employees are unable to demonstrate the skills and abilities to perform the work of displaced Employees, the Employees shall be laid off without further recourse to the provisions of this Section.
- 24.07** All Employer costs of the Ontario Health Insurance Plan, the Prescription Drug Plan, the Long Term Disability Plan and the Dental Plan will be continued for up to six (6) months after layoff, provided the continuance of these plans is possible with the Underwriter.

SECTION 25: MEALS

25.01 Unpaid meal periods are provided as follows for each regular shift:

- 35 hours work week staff – 1 hour
- 40 hours work week staff – ½ hour unless otherwise provided herein

Outside staff working ten (10) hours or more per day may take a fifteen (15) minute paid meal period on the job site.

25.02 When an Employee is required to work additional hours, the Employer can only reasonably expect the Employee to make their own provisions for one meal in any work day. In general, the Employer will pay a meal allowance for situations where the Employee works longer than a normal day or works unexpected extra hours. Meal allowances will be paid in the following circumstances:

- (a) Upon completion of four (4) hours of continuous unscheduled overtime work, and every four (4) hours thereafter that the work continues;
- (b) When an Employee is called to work in the interval between four (4) hours and one (1) hour of normal starting time;
- (c) Upon completion of two (2) hours of overtime extended beyond the Employees scheduled quitting time for an eight or seven hour shift, or one (1) hour in the case of a scheduled ten (10) or twelve (12) hour shift, or after one (1) hour of extension beyond a scheduled shift of four (4) hours to eight (8) hours.

The meal allowance shall be:

- Effective April 1, 2011 - \$15.00
- Effective April 1, 2012 - \$16.00
- Effective April 1, 2013 - \$17.00
- Effective April 1, 2014 - \$18.00

25.03 Meal periods for eight (8) hour day Employees shall be taken on the job site at the discretion of the Field Supervisor, or immediate Supervisor, or person in charge.

SECTION 26: CLOTHING

26.01 The Employer will provide clothing and/or allowances as outlined in this chart to Regular and Probationary Employees:

| Clothing Items – HTA with Logos | Maximum Number of Items or Payments as Indicated per first three years of the agreement, entitlements will reset on fourth year of the agreement | | | | | | | |
|--|--|----------------------------|---|--|--|---------------------------------------|-------------------|---|
| | I | II | III | IV | V | VI | VII | VIII |
| | Lead Linemen Linemen (FR) | Locator Substation (FR) | Lead Meter Tech. Meter Tech. Meter Field Rep. (FR) | C.C. Field Rep. Field Serv. Rep. Conn. Tech. Supp. (FR) | Eng. Tech. GIS Tech. Eng. Assoc. Dist. Auto.Tech. (Non-FR) | Lead Mechanic Mechanic (Non-FR) | Inspector (FR) | Inventory Planner Lead Stores Facilities Coord. Storeskeeper Stores Assist. Labourer (Non-FR) |
| Long Sleeve Button Shirt | 15* (5) | 15* (5) | 10* (5) | 10* (5) | | 10 (5) | 15* (5) | 10 (5) |
| Long Sleeve T-Shirt / Short Sleeve T-Shirt *** | 15 (5) | | | | | | 15 (5) | |
| Spring Jacket | 2 (1) | 2 (1) | 1 (1) | 1 (1) | 2# (1) | 1 (1) | 2 (1) | 2 (1) |
| Long Parka or Short Winter Jacket | 2 (1) | 2 (1) | 1 (1) | 1 (1) | 2# (1) | 2 (1) | 2 (1) | 2 (1) |
| Hooded Sweatshirt | | | | | | 1 | | |
| Summer Bib Overall or Blue Jeans or Blue Pants | 9 (3) | 4 (3) | 1@ (1) | | 1# (1) | 4 (1) | 6 (3) | |
| Pants - Blue | | | 6 (3) | 6 (3) | | 6 (3) | | 6 (3) |
| Winter Lined Bib Overall | 3 (1) | 3 (1) | | | | 2 (1) | 3 (1) | |
| Coveralls | | | | | | 12 (3) | | |
| Safety Boots Contribution^ Payment(s) | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |

^ - Indicates these items are subject to escalation in each year of the Agreement as noted and paid in the first full pay period beyond April 1st entitlement date:

- Safety Boots Contribution - \$185/\$190/\$195/\$200

- In lieu of one of the jacket allotments, may request a Summer Bib Overall.

* - Two (2) Hooded FR Sweatshirts or two (2) FR Turtlenecks in lieu of long-sleeved button shirts for those required to wear FR rated clothing.

*** - Issued in the first year of the contract only.

@ - Allotment applies to Summer Bib Overalls only.

- Prescription safety glasses will be provided to staff required to wear them for both medical and safety reasons. To qualify, an eye prescription must be on file with Human Resources. The company will pay for the cost of company supplied safety eyewear every second year as per the existing prescription eyewear benefit. Claims to be submitted directly to Claimsecure for reimbursement. Entitlements will be prorated in the first year of employment.
- All those required by safety regulations will be supplied fire retardant clothing. All clothing not FR rated must be “100% cotton” for the outer shell.
- Coveralls will be maintained by a Service Arrangement for routine cleaning/repair.
- The numbers in brackets indicate an initial supply for new Regular or Probationary Employees and are part of the total allotment.

26.02 The Employer will provide clothing of its choice, satisfactory to the requirements of applicable Health and Safety laws and regulation, to the Employee categories as listed in 26.01. At any time, these Employees will be responsible to have a wardrobe consisting of a set of clothing as listed herein. These items will be replaced on surrender of the damaged or worn out item, or if necessary, in the event of a lost item subject to the maximum number of replacements noted over the three-year term of this Agreement. The Employee shall keep clothing cleaned and repaired in good fashion, however, on request of an Employee and subject to a reasonable limited use basis, the Employer will repair a damaged item if the repair service considers it reparable. The replacement of lost or damaged or worn clothing beyond the replacement limits shall be the responsibility of the Employee.

Such clothing will be satisfactory to the provision of the Highway Traffic Act for work on roadways (i.e. appropriate colours and markings) and satisfactory to the Ministry of Labour.

The Employer agrees to collaborate with the Union in purchasing Employee clothing in a cost effective manner.

26.03 Only approved uniforms, jackets, hats, shirts, pants, coveralls, smocks, and footwear shall be worn.

26.04 The Employer will issue where required the following equipment to be used by Employees in the safe performance of assigned duties:

| | |
|-----------------------------|---|
| Safety Hard Hat | Flash Glasses |
| Rubber Boots | Leather Work Gloves |
| F.R. Rain Wear | HV Rubber Gloves & Covers |
| Clear Safety Glasses | Tool Apron |
| Tool Bag | Snowmobile Gloves** |
| Snowmobile Helmet** | Floater Suit – Approved High Visibility** |
| Personal Flotation Device** | Snowmobile Boots** |
| Chainsaw Boots** | |

**Available only where Gravenhurst is the Primary Work Location. Brock Employees will also have access to such equipment, however, such equipment shall remain at the Gravenhurst location so that it is available for other staff. The Employer will ensure that the equipment is in good working order for use by other staff.

- 26.05** Employees are responsible for exercising due care in the use and treatment of the items in 26.04, and these and similar items issued out will be replaced if shown to be worn out, damaged, or lost. All issues will be requested from the Employee's immediate Supervisor and any excessive loss or negligent use of issued material may be considered a personal performance issue as per current practice.

SECTION 27: TOOLS AND EQUIPMENT

- 27.01** In addition to specific items cited in Section 26, the Employer will supply all tools and equipment necessary to carry out the work. Employees are responsible for exercising due care in the use and treatment of all tools and equipment whether issued to them personally, assigned to them, or used by them.

Recognizing that Mechanics purchase their own personal use tools, mechanics will receive a Two Hundred and Fifty (\$250) allowance every year for repair or replacement of tools.

SECTION 28: LICENCES AND PROFESSIONAL FEES

- 28.01** Employees who are required by the Employer to renew the following memberships will have the cost of such renewals reimbursed by the Employer:
- (a) O.A.C.E.T.T.
 - (b) Certified General Accountant
 - (c) Certified Management Accountant
 - (d) Drivers licence to include exam fees, medicals and cost of licence – excluding Class G
 - (e) Trades Certificates

SECTION 29: WAGE RATES AND JOB CLASSIFICATIONS

29.01 Rates of pay and job classifications shall be as shown in the wage schedule. The classifications and rates are listed therein for the purpose of payment of wages only and only to Probationary and Regular Employees.

29.02 Wage increase retroactive annually to April 1st as defined below, paid the first full pay period beyond the April 1st entitlement date, on all hours worked:

- Effective April 1, 2011 - 3.0%
- Effective April 1, 2012 - 3.0%
- Effective April 1, 2013 - 3.0%
- Effective April 1, 2014 - 3.0%

An adjustment of \$.40 cents to Job Levels 9, 10 and 11 in the first year only of the Collective Agreement.

A signing bonus of \$350.00 for Job Levels 1 through 8 in the first year only of the Collective Agreement.

SECTION 30: PROGRESSIONS

30.01 Non – Trade Employees:

New Employees (not hired at the maximum rate) will receive an increase on successful completion of the probationary period.

Following successful completion of the probationary period or a promotion, the next progression will be no less than one (1) year later. Thereafter all progressions will be no less than one (1) year apart.

For current Employees; promotion involves movement to a job with a higher end rate; transfer involves movement to a job with equivalent or lower end rate.

30.02 (a) Trade Employees:

Linepersons, Meter Technicians, Operators, Mechanics and Substation Technicians will receive their progressions following successful completion of the following milestones.

| | |
|--------|---|
| Step 2 | Probationary period six (6) months |
| Step 3 | 2000 hours worked in the trade plus completion of schooling |
| Step 4 | 4000 hours worked in the trade plus completion of schooling |
| Step 5 | 6000 hours worked in the trade plus completion of schooling |
| Step 6 | 8000 hours worked in the trade plus completion of schooling |

(b) Co-op Programs

Line Apprentices from a recognized training school who have also successfully completed one (1) and / or two (2) line apprentice co-op terms at Veridian will have four hundred (400) hours added to their Veridian apprentice hours for each of their co-op terms (for a total of up to eight hundred (800) hours upon the successful completion of their probationary period.

Similar consideration will be given upon the successful completion of their probationary period to Line Apprentices who have completed their Line Apprentice co-op terms at another recognized organization, upon producing the appropriate documentation from the said organization.

The Employer and the Union agree to collaborate on similar provisions for other trades in the event applicable co-op programs become available and of interest to the Employer.

30.03 Progression/step increases for Regular Employees are not automatic but subject to satisfactory performance and completion of required courses. When progression/step increases are delayed, Employees will be informed and given up to six (6) months to improve performance to satisfactory standards.

30.04 If Employees, due to unsatisfactory performance, receive a low performance appraisal, they will be given up to six (6) months to improve to a good or better rating. Should Employees fail to achieve a good or better rating at this time they may be re-assigned. If no other work is available, Employees may be dismissed.

SECTION 31: CONTRACT DURATION

31.01 This Agreement shall become effective on April 1, 2011, and shall remain in effect until March 31, 2015, unless either party gives notice in writing to the other party within the ninety (90) day period prior to the expiry date, of its desire to alter or terminate same.

SECTION 32:AMALGAMATION/MERGER

- 32.01** Should the Employer merge, amalgamate, or combine any of its operations or functions with another Employer, Company or Companies, the Employer agrees to give the Union as much notice as practically possible prior to any intent by the Employer to implement the above.
- 32.02** In the event there is a merger with another Employer, Company or Companies, in which the covered Employees therein are represented by another Union, the representation rights and Collective Agreement and the status quo of Local 636 IBEW members shall be maintained in respect of those members until a final determination is made under the Labour Relations Act of Ontario or any successor organization as to the proper representation of the combined group.

IN WITNESS WHEREOF the parties hereto have herewith set their hands and seals

this _____ day of _____, 2011.

VERIDIAN CORPORATION

Doug Dickerson, Chair
Michael Angemeer, President & CEO

THE INTERNATIONAL BROTHERHOOD
OF ELECTRICAL WORKERS, LOCAL 636
UNIT #40

David Morris, Business Representative
Barry Brown, Business Manager, Financial Secretary
Tim Pitts, Chair
Jeff O'Neil, Vice Chair
Ann Henry, Union Bargaining Unit Member
Lyn Pomfret, Union Bargaining Unit Member
Chris Brown, Union Bargaining Unit Member

(Original Signatures available on file)

(Original Signatures available on file)

Letter of Intent No. 1

August 22, 2011

Mr. Tim Pitts
Local 636, Unit #40
International Brotherhood of Electrical Workers
7170 West Credit Avenue, Unit 2B
Mississauga, ON L5N 6C6

Dear Mr. Pitts:

Re: Christmas and New Year's On-Call

This letter of intent is to be read with the Collective Agreement for the term of April 1, 2011 to March 31, 2015.

The Employer will endeavour to allocate on-call duty to qualified staff for the work weeks including Christmas and New Year's so that this responsibility is spread out as evenly as possible during the term of this agreement.

In the event of an emergency, the Manager has the discretion to allocate the Christmas and New Year's on-call schedule as needed.

Sincerely,

(Original Signature available on file)

Michael Angemeer, P.Eng.
President & CEO

c. David Morris, Business Representative
IBEW Local 636, Unit #40

Letter of Intent No. 2

August 22, 2011

Mr. Tim Pitts
Local 636, Unit #40
International Brotherhood of Electrical Workers
7170 West Credit Avenue, Unit 2B
Mississauga, ON L5N 6C6

Dear Mr. Pitts:

Re: Examples to be Read with Clause 10.07

This letter of intent is to be read in support of Clause 10.07, of the Collective Agreement for the term of April 1, 2011 to March 31, 2015.

In order to assist in the interpretation of this Clause, the following is a non-exclusive list of some possible situations and examples where this Clause applies.

Notice of Overtime

Example: If overtime is scheduled for Saturday, Employees would need to be notified no later than the beginning of their regular shift on Thursday.

Scheduled Overtime

Example: Outages scheduled for customers for transformer replacements or voltage conversion to minimize business disruptions, 44kV customer-owned substation isolation and re-energization; Construction or maintenance work.

Unscheduled Overtime

Example: Storm response, but not necessarily reconstruction of facilities damaged by the storm, trouble calls.

Regular Shift

At times, Employees will move to assignments, or work crews in which the new shift hours are different from their regular shift. Clause 10.03(e) of the Collective Agreement will apply as notice for this change in shift. Employees moving between shifts will adopt the new shift hours as their regular shift.

Example: Employees who normally work an eight (8) hour regular shift, moving to work with ten (10) hour shift Employees, will change to a ten (10) hour regular shift. Conversely, Employees who normally work at a ten (10) hour regular shift, now moving to work with eight (8) hour shift Employees, will change to an eight (8) hour regular shift.

Sincerely,

(Original Signature available on file)

Michael Angemeer, P.Eng.
President & CEO

c. David Morris, Business Representative
IBEW Local 636, Unit #40

Letter of Intent No. 3

August 22, 2011

Mr. Tim Pitts
Local 636, Unit #40
International Brotherhood of Electrical Workers
7170 West Credit Avenue, Unit 2B
Mississauga, ON L5N 6C6

Dear Mr. Pitts:

Re: Clause 10.04 to Collective Agreement dated April 1, 2011 to March 31, 2015

The following are examples of Clause 10.04 and are provided for the purpose of information and clarification only.

Examples for Application of Clause 10.04:

1. *An Employee who starts shift at 7:30 a.m. and works until 4:00 p.m., is subsequently called in at 7:00 p.m. and works until 1:00 a.m., shall return to work at 9:00 a.m. (after an 8 hour rest period)*
2. *An Employee who starts shift at 7:30 a.m. and works until 4:00 p.m., is subsequently called in at 8:00 p.m. and works until 1:00 a.m. (13 hours worked), shall return to work at 9:00 a.m.*
3. *An Employee who starts shift at 7:30 a.m. and works until 4:00 p.m., is subsequently called in at 8:00 p.m. and works until 1:00 a.m., called back again at 2:00 a.m. and works until 4:00 a.m., will begin the eight (8) hour rest period at 4:00 a.m. and return to work at 12:00 p.m. (after an 8 hour rest period)*
4. *An Employee who starts shift at 7:30 a.m. and works until 4:00 p.m., is subsequently called in at 1:00 a.m. and works until 3:00 a.m., will report back at work at 7:30 a.m. for their regular shift. The Employee will be required to have an eight (8) hour rest period before going back on call.*
5. *An Employee who starts shift at 7:30 a.m. and works to 4:00 p.m., is subsequently called in at 11:00 p.m. works until 1:00 a.m. will begin the rest period at 1:00 a.m. and will report back to work at 9:00 a.m.*
6. *An Employee who starts shift at 10:00 p.m. and works to 5:00 a.m., will report back to work at 7:30 a.m., and work until 2:00 p.m., then will begin the rest period (8 hours). The Employee will be required to have an eight (8) hour rest before going back on call at 10:00 p.m.*
7. *An Employee who starts shift at 7:30 a.m. and works until 4:00 p.m., is subsequently called in at 11:00 p.m. and works until 2:00 a.m. will begin the rest period at 2:00 a.m. and will report back to work at 10:00 a.m. unless request by the Employer to report back at 7:30 a.m. and will start the rest period at 10:30 a.m. and will have an eight (8) hour rest period before going back on call at 6:30 p.m.*

.../2

7. *An Employee who starts shift at 7:30 a.m. and works until 4:00 p.m., is subsequently called in at 11:00 p.m. and works until 2:00 a.m. will begin the rest period at 2:00 a.m. and will report back to work at 10:00 a.m. unless request by the Employer to report back at 7:30 a.m. and will start the rest period at 10:30 a.m. and will have an eight (8) hour rest period before going back on call at 6:30 p.m.*

Note: *No Employee will be permitted to work more than sixteen (16) hours in one shift with emergency work involved. (Regular + Emergency = 16 hours)*

No Employee will be permitted to work more than fourteen (14) hours in a shift without emergency work involved. (Regular + Planned (non-emergency) = 14 hours)

Sincerely,

(Original Signature available on file)

Michael Angemeer, P.Eng.
President & CEO

- c. David Morris, Business Representative
IBEW Local 636, Unit #40

Letter of Intent No. 4

August 22, 2011

Mr. Tim Pitts
Local 636, Unit #40
International Brotherhood of Electrical Workers
7170 West Credit Avenue, Unit 2B
Mississauga, ON L5N 6C6

Dear Mr. Pitts:

Re: Clause 10.09 Accumulation of Overtime

This letter of intent is to be read in support of Clause 10.09 of the Collective Agreement for the term of April 1, 2011 to March 31, 2015.

The Employer and the Union agree to review the banked overtime program in the third (3rd) year of the Collective Agreement beginning April 1, 2013, to determine the impact of the program on the organization.

Changes will be made to the program at the Employer's discretion.

Sincerely,

(Original Signature available on file)

Michael Angemeer, P.Eng.
President & CEO

c. David Morris, Business Representative
IBEW Local 636, Unit #40

Letter of Intent No. 5
Collective Agreement IBEW L. 636 U. 40 & Veridian 2011-2015

March 14, 2012

Mr. Tim Pitts
Local 636, Unit #40
International Brotherhood of Electrical Workers
7170 West Credit Avenue, Unit 2B
Mississauga, ON L5N 6C6

Dear Mr. Pitts:

Re: Temporary Re-Assignment to Another Primary Work Location

This Letter of Intent ("Letter") is effective from the date issued below up to the expiry of the current Collective Agreement noted above, and is to be read with the provisions of that Agreement. Refer in particular to Clause 11.06 (c).

This Letter supports Clause 11.06 (c) and specifically replaces the last phrase of Clause 11.06 (c) which states: "will be made with reasonable respect for the Employee's place of residence."

This Letter does not apply to Employees pre-designated for Re-assignment at time of hire.

Use of Re-assignment

The Employer may use Re-assignment when there is a temporary requirement for a period of between 3 and 12 months using the following selection process. Employees selected for Re-assignment will be notified in writing per the timeline below.

Selection Process

Employees for Re-assignment will be selected using the following steps and in the order shown:

- 1) Voluntary
 - a) The Employer will post the nature of the requirement, the number of positions required and the qualifications, the Primary Work location, and the expected duration, for a period of 7 working days. The Employer will indicate whether more than one Employee may be considered for each position required as part of a rotational Re-assignment, and the minimum duration of any such rotation.
 - b) The Employer will discuss the requirement with the qualified Employees responding to the posting, and in order to select one or more candidates, the Employer will consider proximity to the new location as necessary or appropriate.
 - c) The selected Employee will be given at least 7 working days written notice of the Re-assignment.
- 2) Designation

When no Employee responds as per Step 1a) above, the Employer will designate an Employee for this Re-assignment, using the following steps and in the order shown:

 - a) The Employee meeting the posted qualifications will be selected, and;
 - b) When more than one Employee meets the posted qualifications, the Employer will select the Employee with the lowest Employee Service Credit, and;
 - c) When two or more Employees have the same Employee Service Credit the Employer will select the Employee with their place of residence nearest to the new location.

Re-assignment Duration

The Employer will make best efforts to advise Re-assigned Employees as soon as possible if an extension of the Re-assignment becomes necessary, but in any event not less than 7 days before the scheduled end of the Re-assignment. When extensions are necessary, the Employer may once again invite applications as per Step 1 (a) above. Re-assignments may be extended beyond 12 months but not for more than 3 additional months. Re-assignments which must be extended for more than 3 months beyond 12 months will be considered as a new requirement subject to the Selection Process above, expect that Employees currently Re-assigned will not be considered.

Re-assignment Travel

When a Re-assignment requires an Employee to travel more than 60 km one way from their normal place of residence to the new Primary Work Location, they will be compensated on a weekly basis at the Employer's prevailing mileage rate for only the daily kilometers in excess of their normal travel to their regular Primary Work Location.

Sincerely,

(Original Signature available on file)

Michael Angemeer, P. Eng.
President & CEO

c. David Morris, Business Representative
IBEW Local 636, Unit #40

2011 WAGE SCHEDULE

| Job Title | Normal Weekly Hours | Job Level | Step 1 | Step 2 | Step 3 | Step 4 | Step 5 | Step 6 |
|----------------------------------|---------------------|-----------|---------|---------|---------|---------|---------|---------|
| Lead Substation Technician | 40 | 11 | | | | | | \$42.12 |
| Lead Lineperson | 40 | 10 | | | | | | \$39.39 |
| Lead Meter Technician | 40 | | | | | | | |
| Lead System Operator | 40 | | | | | | | |
| Lead Mechanic | 40 | | | | | | | |
| Distribution Automation Tech. | 40 | | \$21.83 | \$23.00 | \$26.50 | \$30.41 | \$34.46 | \$39.39 |
| Substation Technician | 40 | | | | | | | |
| Systems Analyst | 35 | | | | | | | |
| Connections Technical Support | 40 | 9 | \$20.63 | \$21.72 | \$24.94 | \$28.56 | \$32.34 | \$36.84 |
| Eng. Tech. - Maintenance | 40 | | | | | | | |
| Eng. Tech. - Project Design | 40 | | | | | | | |
| Eng. Tech. - Standards | 40 | | | | | | | |
| Facilities Coordinator | 40 | | | | | | | |
| GIS Technician | 40 | | | | | | | |
| Inspector | 40 | | | | | | | |
| Inventory Planner | 40 | | | | | | | |
| Lineperson | 40 | | | | | | | |
| Mechanic | 40 | | | | | | | |
| Meter Technician | 40 | | | | | | | |
| Systems Operator | 40 | | | | | | | |
| Accounting Analyst | 35 | 8 | \$17.95 | \$18.93 | \$21.86 | \$25.12 | \$28.52 | \$32.62 |
| Customer Connections Coordinator | 40 | | | | | | | |
| Lead Storeskeeper | 40 | | | | | | | |
| Locator | 40 | | | | | | | |
| Metering Field Rep. | 40 | | | | | | | |
| Customer Connections Rep. | 40 | 7 | \$16.29 | \$17.18 | \$19.84 | \$22.82 | \$25.91 | \$29.62 |
| Customer Care Field Rep. | 40 | | | | | | | |
| Engineering Associate | 40 | | | | | | | |
| Network Support Associate | 35 | | | | | | | |
| Storeskeeper (Belleville) | 40 | | | | | | | |
| Customer Care Rep. | 35 | 6 | \$15.75 | \$16.59 | \$19.17 | \$22.02 | \$25.03 | \$28.61 |
| Storeskeeper | 40 | | | | | | | |
| Accounting Associate | 35 | 5 | | \$15.99 | \$18.48 | \$21.24 | \$24.12 | \$27.57 |
| Purchasing Associate | 40 | | | | | | | |
| Corporate Admin. Clerk | 35 | 4 | | | \$17.17 | \$19.72 | \$22.41 | \$25.61 |
| Metering Clerk | 40 | | | | | | | |
| Customer Care Associate | 35 | 3 | | | \$16.26 | \$18.68 | \$21.25 | \$24.29 |
| Receptionist | 35 | | | | | | | |
| Stores Assistant | 40 | | | | | | | |
| | | 2 | | | \$14.76 | \$16.95 | \$19.28 | \$22.00 |
| Labourer | 40 | 1 | | | \$13.63 | \$15.66 | \$17.81 | \$20.35 |

Rates are quoted in dollars per hour

2012 WAGE SCHEDULE

| Job Title | Normal Weekly Hours | Job Level | Step 1 | Step 2 | Step 3 | Step 4 | Step 5 | Step 6 |
|-------------------------------|---------------------|-----------|---------|---------|---------|---------|---------|---------|
| Lead Substation Technician | 40 | 11 | | | | | | \$43.38 |
| Lead Lineperson | 40 | 10 | | | | | | \$40.57 |
| Lead Meter Technician | 40 | | | | | | | |
| Lead System Operator | 40 | | | | | | | |
| Lead Mechanic | 40 | | | | | | | |
| Distribution Automation Tech. | 40 | | | | | | | |
| Substation Technician | 40 | 9 | \$22.49 | \$23.69 | \$27.30 | \$31.33 | \$35.50 | \$40.57 |
| Systems Analyst | 35 | | | | | | | |
| Connections Technical Support | 40 | 9 | \$21.25 | \$22.37 | \$25.69 | \$29.42 | \$33.31 | \$37.95 |
| Eng. Tech. - Maintenance | 40 | | | | | | | |
| Eng. Tech. - Project Design | 40 | | | | | | | |
| Eng. Tech. - Standards | 40 | | | | | | | |
| Facilities Coordinator | 40 | | | | | | | |
| GIS Technician | 40 | | | | | | | |
| Inspector | 40 | | | | | | | |
| Inventory Planner | 40 | | | | | | | |
| Lineperson | 40 | | | | | | | |
| Mechanic | 40 | | | | | | | |
| Meter Technician | 40 | | | | | | | |
| Systems Operator | 40 | | | | | | | |
| Accounting Analyst | 35 | 8 | \$18.49 | \$19.50 | \$22.51 | \$25.88 | \$29.38 | \$33.60 |
| Customer Connections Coord. | 40 | | | | | | | |
| Lead Storeskeeper | 40 | | | | | | | |
| Locator | 40 | | | | | | | |
| Metering Field Rep. | 40 | | | | | | | |
| Customer Connections Rep. | 40 | 7 | \$16.78 | \$17.70 | \$20.43 | \$23.51 | \$26.69 | \$30.51 |
| Customer Care Field Rep. | 40 | | | | | | | |
| Engineering Associate | 40 | | | | | | | |
| Network Support Associate | 35 | | | | | | | |
| Storeskeeper (Belleville) | 40 | | | | | | | |
| Customer Care Rep. | 35 | 6 | \$16.22 | \$17.09 | \$19.74 | \$22.68 | \$25.78 | \$29.47 |
| Storeskeeper | 40 | | | | | | | |
| Accounting Associate | 35 | 5 | | \$16.47 | \$19.03 | \$21.88 | \$24.85 | \$28.40 |
| Purchasing Associate | 40 | | | | | | | |
| Corporate Admin. Clerk | 35 | 4 | | | \$17.69 | \$20.32 | \$23.09 | \$26.37 |
| Metering Clerk | 40 | | | | | | | |
| Customer Care Associate | 35 | 3 | | | \$16.75 | \$19.24 | \$21.89 | \$25.02 |
| Receptionist | 35 | | | | | | | |
| Stores Assistant | 40 | | | | | | | |
| | | 2 | | | \$15.20 | \$17.46 | \$19.86 | \$22.66 |
| Labourer | 40 | 1 | | | \$14.04 | \$16.13 | \$18.34 | \$20.96 |

Rates are quoted in dollars per hour

2013 WAGE SCHEDULE

| Job Title | Normal Weekly Hours | Job Level | Step 1 | Step 2 | Step 3 | Step 4 | Step 5 | Step 6 |
|-------------------------------|---------------------|-----------|---------|---------|---------|---------|---------|---------|
| Lead Substation Technician | 40 | 11 | | | | | | \$44.68 |
| Lead Lineperson | 40 | 10 | \$23.16 | \$24.40 | \$28.11 | \$32.27 | \$36.56 | \$41.78 |
| Lead Meter Technician | 40 | | | | | | | |
| Lead System Operator | 40 | | | | | | | |
| Lead Mechanic | 40 | | | | | | | |
| Distribution Automation Tech. | 40 | | | | | | | |
| Substation Technician | 40 | 9 | \$21.89 | \$23.04 | \$26.46 | \$30.30 | \$34.31 | \$39.09 |
| Systems Analyst | 35 | | | | | | | |
| Connections Technical Support | 40 | | | | | | | |
| Eng. Tech. - Maintenance | 40 | | | | | | | |
| Eng. Tech. - Project Design | 40 | | | | | | | |
| Eng. Tech. - Standards | 40 | | | | | | | |
| Facilities Coordinator | 40 | | | | | | | |
| GIS Technician | 40 | | | | | | | |
| Inspector | 40 | | | | | | | |
| Inventory Planner | 40 | | | | | | | |
| Lineperson | 40 | | | | | | | |
| Mechanic | 40 | | | | | | | |
| Meter Technician | 40 | 8 | \$19.05 | \$20.08 | \$23.19 | \$26.65 | \$30.26 | \$34.61 |
| Systems Operator | 40 | | | | | | | |
| Accounting Analyst | 35 | | | | | | | |
| Customer Connections Coord. | 40 | | | | | | | |
| Lead Storeskeeper | 40 | | | | | | | |
| Locator | 40 | 7 | \$17.29 | \$18.23 | \$21.05 | \$24.21 | \$27.49 | \$31.43 |
| Metering Field Rep. | 40 | | | | | | | |
| Customer Connections Rep. | 40 | | | | | | | |
| Customer Care Field Rep. | 40 | | | | | | | |
| Engineering Associate | 40 | | | | | | | |
| Network Support Associate | 35 | 6 | \$16.71 | \$17.60 | \$20.34 | \$23.36 | \$26.55 | \$30.36 |
| Storeskeeper (Belleville) | 40 | | | | | | | |
| Customer Care Rep. | 35 | | | | | | | |
| Storeskeeper | 40 | | | | | | | |
| Accounting Associate | 35 | 5 | | \$16.96 | \$19.60 | \$22.53 | \$25.59 | \$29.25 |
| Purchasing Associate | 40 | | | | | | | |
| Corporate Admin. Clerk | 35 | | | | | | | |
| Metering Clerk | 40 | | | | | | | |
| Customer Care Associate | 35 | 4 | | | \$17.25 | \$19.82 | \$22.54 | \$25.77 |
| Receptionist | 35 | | | | | | | |
| Stores Assistant | 40 | | | | | | | |
| | | | | | | | | |
| | | 2 | | | \$15.66 | \$17.99 | \$20.46 | \$23.34 |
| Labourer | 40 | 1 | | | \$14.46 | \$16.61 | \$18.89 | \$21.59 |

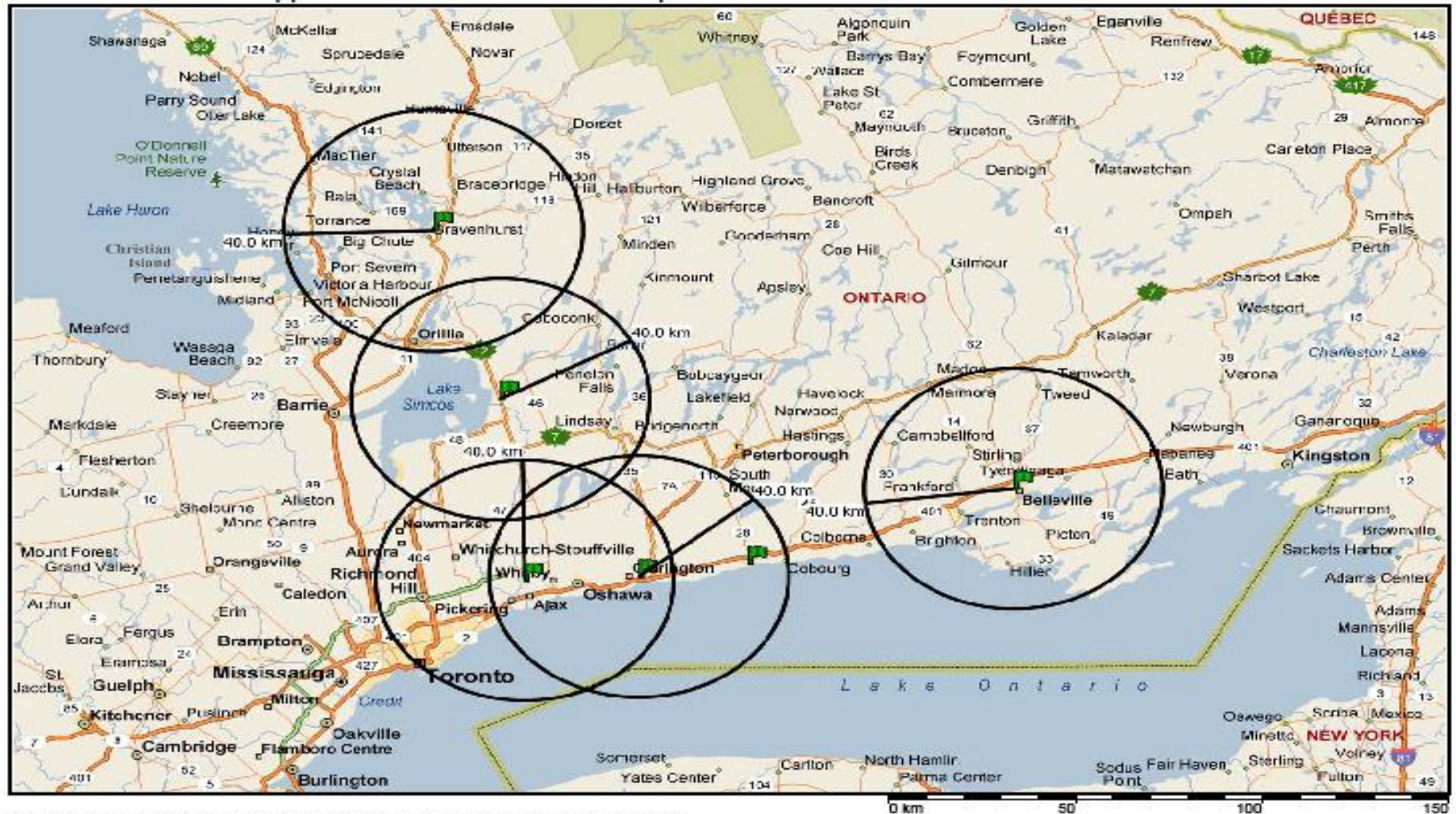
Rates are quoted in dollars per hour

2014 WAGE SCHEDULE

| Job Title | Normal Weekly Hours | Job Level | Step 1 | Step 2 | Step 3 | Step 4 | Step 5 | Step 6 |
|-------------------------------|---------------------|-----------|---------|---------|---------|---------|---------|---------|
| Lead Substation Technician | 40 | 11 | | | | | | \$46.02 |
| Lead Lineperson | 40 | 10 | | | | | | \$43.04 |
| Lead Meter Technician | 40 | | | | | | | |
| Lead System Operator | 40 | | | | | | | |
| Lead Mechanic | 40 | | | | | | | |
| Distribution Automation Tech. | 40 | | \$23.86 | \$25.13 | \$28.96 | \$33.23 | \$37.66 | \$43.04 |
| Substation Technician | 40 | | | | | | | |
| Systems Analyst | 35 | | | | | | | |
| Connections Technical Support | 40 | 9 | \$22.54 | \$23.74 | \$27.26 | \$31.21 | \$35.34 | \$40.26 |
| Eng. Tech. - Maintenance | 40 | | | | | | | |
| Eng. Tech. - Project Design | 40 | | | | | | | |
| Eng. Tech. - Standards | 40 | | | | | | | |
| Facilities Coordinator | 40 | | | | | | | |
| GIS Technician | 40 | | | | | | | |
| Inspector | 40 | | | | | | | |
| Inventory Planner | 40 | | | | | | | |
| Lineperson | 40 | | | | | | | |
| Mechanic | 40 | | | | | | | |
| Meter Technician | 40 | | | | | | | |
| Systems Operator | 40 | | | | | | | |
| Accounting Analyst | 35 | 8 | \$19.62 | \$20.69 | \$23.88 | \$27.45 | \$31.17 | \$35.64 |
| Customer Connections Coord. | 40 | | | | | | | |
| Lead Storeskeeper | 40 | | | | | | | |
| Locator | 40 | | | | | | | |
| Metering Field Rep. | 40 | | | | | | | |
| Customer Connections Rep. | 40 | 7 | \$17.81 | \$18.77 | \$21.68 | \$24.94 | \$28.32 | \$32.37 |
| Customer Care Field Rep. | 40 | | | | | | | |
| Engineering Associate | 40 | | | | | | | |
| Network Support Associate | 35 | | | | | | | |
| Storeskeeper (Belleville) | 40 | | | | | | | |
| Customer Care Rep. | 35 | 6 | \$17.21 | \$18.13 | \$20.95 | \$24.06 | \$27.35 | \$31.27 |
| Storeskeeper | 40 | | | | | | | |
| Accounting Associate | 35 | 5 | | \$17.47 | \$20.19 | \$23.21 | \$26.36 | \$30.13 |
| Purchasing Associate | 40 | | | | | | | |
| Corporate Admin. Clerk | 35 | 4 | | | \$18.76 | \$21.55 | \$24.49 | \$27.98 |
| Metering Clerk | 40 | | | | | | | |
| Customer Care Associate | 35 | 3 | | | \$17.77 | \$20.42 | \$23.22 | \$26.54 |
| Receptionist | 35 | | | | | | | |
| Stores Assistant | 40 | | | | | | | |
| | | 2 | | | \$16.13 | \$18.53 | \$21.07 | \$24.04 |
| Labourer | 40 | 1 | | | \$14.89 | \$17.11 | \$19.46 | \$22.24 |

Rates are quoted in dollars per hour

Appendix 'A' - Clause 11.06 - Representation of Free Travel Zones - 2008.04



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4.2-SEC-13

Ref: E4/T3/S1/pg.7

Request

Does the Applicant benchmark and compare non-base wage elements of its collective agreement (i.e. benefits, performance pay, vacation, sick leave) with other LDCs? If so, please provide.

Response:

To support collective agreement negotiations in 2011, Veridian compared the retirement benefit provisions of other LDC collective agreements. This comparison is provided at E4/T3/S1 Attachment 5 of Veridian's pre-filed evidence.

In addition to this information, Veridian had access to vacation benefits, on-call allowances, boots/clothing allowances and meal allowances of other LDCs. A comprehensive listing of this information is provided as Attachment 1. The information contained in Attachment 1 was used to prepare the 'Benefits Comparison' tables provided in Attachment 2.

All of the above referenced information was considered by the management negotiating team during the 2011 collective bargaining process.

Vacation Entitlements - Selected Utilities

| Utility | Entitlement | | | | | | | Pro-Rate Entitlement (Y/N) |
|------------------------------------|-------------|---------|---------|---------|---------|---------|---------|----------------------------------|
| | 2 Weeks | 3 Weeks | 4 Weeks | 5 Weeks | 6 Weeks | 7 Weeks | 8 Weeks | 9 Weeks |
| Atikokan Hydro Inc. | 1 | 3 | 8 | 14 | -- | -- | -- | -- |
| Barrie Hydro Distr | -- | 1 | 8 | 14 | 24 | 30 | -- | -- |
| Bluewater Power | 1 | 2 | 9 | 14 | 25 | -- | -- | -- |
| Brant County Power Inc. | 1 | -- | 9 | 16 | -- | -- | -- | -- |
| Brantford Power Inc. | -- | 4 | 10 | 16 | 25 | -- | -- | -- |
| Burlington Hydro Inc. | -- | 3 | 8 | 15 | -- | -- | -- | -- |
| COLLUS Power Corp. | -- | 3 | 10 | 16 | 26 | -- | -- | -- |
| Cambridge & N. Dumfries Hydro Inc. | -- | 3 | 9 | 17 | 28 | -- | -- | -- |
| Canadian Niagara Power Co. Ltd. | 1 | 3 | 10 | 17 | 25 | -- | -- | -- |
| Centre Wellington Hydro Ltd. | 1 | 3 | 9 | 16 | 25 | -- | -- | -- |
| Chatham-Kent Energy Inc. | 1 | 4 | 9 | 15 | 23 | -- | -- | -- |
| Cochrane Telecom Services | -- | 3 | 7 | 14 | 21 | -- | -- | -- |
| E.L.K. Energy | 1 | 4 | 9 | 16 | 24 | -- | -- | -- |
| Energysource Hydro Mississauga | 1 | 3 | 8 | 15 | 24 | -- | -- | -- |
| Erie Thames Services Corp. | -- | 4 | 9 | 19 | 24 | -- | -- | -- |
| Espanola Reg. Hydro Distr Corp. | -- | 1 | 7 | 12 | -- | -- | -- | -- |
| Essex Power Lines Corp | 1 | 3 | 8 | 14 | 22 | -- | -- | -- |
| Festival Hydro Inc. | -- | 4 | 8 | 17 | 25 | -- | -- | -- |
| Fort Frances Power Corp. | -- | 4 | 10 | 17 | 24 | -- | -- | -- |
| Great Lakes Power Ltd | 1 | 3 | 10 | 15 | 20 | 30 | -- | -- |
| Greater Sudbury Hydro Inc. | -- | 2 | 9 | 17 | 23 | 30 | -- | -- |
| Grimsbay Power Inc. | 1 | 3 | 9 | 17 | 27 | -- | -- | -- |
| Guelph Hydro Elec. Syst. Ltd. | 1 | 4 | 10 | 18 | 26 | -- | -- | -- |
| Haldimand County Hydro Inc. | 1 | 4 | 8 | 18 | 25 | -- | -- | -- |
| Halton Hills Hydro Inc. | 1 | 3 | 9 | 16 | 25 | -- | -- | -- |
| Hawkesbury Hydro Inc. | 1 | 3 | 9 | 19 | 26 | -- | -- | -- |
| Hearst Power Distr Co. Ltd. | -- | 4 | 9 | 16 | 22 | -- | -- | -- |
| Horizon Utilities Ltd | -- | 3 | 8 | 15 | 21 | 28 | -- | -- |

Vacation Entitlements - Selected Utilities

| Utility | Entitlement | | | | | | | | | Pro-Rate Entitlement (Y/N) |
|--------------------------------------|-------------|---------|---------|---------|---------|---------|---------|---------|-----|----------------------------------|
| | 2 Weeks | 3 Weeks | 4 Weeks | 5 Weeks | 6 Weeks | 7 Weeks | 8 Weeks | 9 Weeks | | |
| Hydro One Networks Inc | 1 | 3 | 8 | 16 | 25 | -- | -- | -- | No | |
| Hydro One Brampton | 1 | 2 | 8 | 15 | 24 | -- | -- | -- | Yes | |
| Hydro Ottawa Ltd | -- | 1 | 9 | 15 | 25 | -- | -- | -- | Yes | |
| Innisfil Hydro Distr Syst Ltd | 1 | 3 | 8 | 17 | 27 | -- | -- | -- | -- | |
| Kenora Hydro Electric Corp. Ltd. | 1 | 3 | 9 | 15 | 21 | 28 | -- | -- | No | |
| Kingston | -- | 1 | 8 | 15 | 25 | -- | -- | -- | Yes | |
| Kitchener-Wilmot Hydro Inc. | -- | 3 | 10 | 17 | 26 | -- | -- | -- | Yes | |
| Lakefront Utilities Inc. | 1 | 4 | 10 | 18 | 30 | -- | -- | -- | Yes | |
| Lakeland Power Distr. Ltd. | -- | 3 | 10 | 19 | 30 | -- | -- | -- | No | |
| London Hydro Inc. | -- | 1 | 10 | 17 | 25 | -- | -- | -- | Yes | |
| Middlesex Power Distr Corp, | 1 | 4 | 8 | 16 | -- | -- | -- | -- | -- | |
| Midland Power Utility Corp. | 1 | 3 | 9 | 18 | -- | -- | -- | -- | No | |
| Milton Hydro Distr Inc. | 1 | 2 | 8 | 16 | 25 | -- | -- | -- | -- | |
| Newmarket-Tay Power Dist. Ltd. | 1 | 3 | 10 | 19 | 28 | -- | -- | -- | Yes | |
| Niagara Peninsula Energy Inc. | 1 | 3 | 9 | 16 | 25 | -- | -- | -- | Yes | |
| Niagara-on-the-Lake Hydro Inc. | 1 | 3 | 10 | 18 | 26 | -- | -- | -- | Yes | |
| Norfolk Power Distr Co. Ltd. | -- | 1 | 7 | 15 | 24 | -- | -- | -- | No | |
| North Bay Hydro Distr Ltd. | 1 | 3 | 10 | 14 | 25 | -- | -- | -- | Yes | |
| Oakville Hydro Elec. Distr. Inc. | 1 | 3 | 9 | 16 | 26 | -- | -- | -- | Yes | |
| Orangeville Hydro Ltd. | -- | 3 | 8 | 18 | 25 | -- | -- | -- | Yes | |
| Orillia Power Distr Corp | -- | 1 | 9 | 17 | 25 | -- | -- | -- | Yes | |
| Orillia Power Generation Corporation | -- | 1 | 9 | 17 | 25 | -- | -- | -- | Yes | |
| Oshawa PUC Networks Inc. | -- | 3 | 9 | 16 | 24 | -- | -- | -- | -- | |
| Ottawa River Power Corp. | -- | 3 | 9 | 16 | -- | -- | -- | -- | No | |
| PUC Distribution Inc. | -- | 5 | 9 | 15 | 20 | 30 | -- | -- | No | |
| Parry Sound Power Corp. | -- | 2 | 8 | 18 | 27 | -- | -- | -- | Yes | |
| Peterborough Distr. Inc. | -- | 3 | 10 | 16 | 26 | -- | -- | -- | Yes | |
| PowerStream Inc | -- | 2 | 8 | 14 | 25 | -- | -- | -- | Yes | |

Vacation Entitlements - Selected Utilities

| Utility | Entitlement | | | | | | | | | Pro-Rate Entitlement (Y/N) |
|------------------------------------|-------------|---------|---------|---------|---------|---------|---------|---------|----|----------------------------------|
| | 2 Weeks | 3 Weeks | 4 Weeks | 5 Weeks | 6 Weeks | 7 Weeks | 8 Weeks | 9 Weeks | | |
| Renfrew Hydro Inc. | -- | 3: | 9 | 17 | -- | -- | -- | -- | -- | -- |
| Rideau St. Lawrence Distr Inc. | -- | 4: | 11 | 19 | 26 | -- | -- | -- | -- | No |
| Sioux Lookout Hydro Inc. | -- | 4: | 9 | 15 | 21 | 30 | -- | -- | -- | No |
| St. Thomas Energy Services Inc. | 1 | 3: | 8 | 16 | 25 | -- | -- | -- | -- | No |
| Thunder Bay Hydro Elec. Distr Inc. | -- | 3: | 9 | 17 | 25 | 32 | -- | -- | -- | Yes |
| Toronto Hydro-Electric System Ltd. | -- | 1 | 6 | 15 | 25 | -- | -- | -- | -- | Yes |
| Veridian Connections Inc. | 1 | 3 | 9 | 15 | 25 | -- | -- | -- | -- | Yes |
| Wasaga Distr. Inc. | -- | 4 | 9 | 16 | 27 | -- | -- | -- | -- | Yes |
| Waterloo North Hydro Inc. | 1 | 4 | 10 | 18 | 28 | -- | -- | -- | -- | Yes |
| Welland Hydro-Elec. Syst. Corp. | 1 | 5 | 10 | 18 | 29 | -- | -- | -- | -- | Yes |
| West Coast Huron Energy(Goderich) | -- | 4 | 8 | 15 | 21 | -- | -- | -- | -- | -- |
| Westario Power Inc. | -- | 4 | 10 | 18 | 25 | -- | -- | -- | -- | -- |
| Whitby Hydro Electric Corp. | -- | 3 | 9 | 15 | 27 | -- | -- | -- | -- | Yes |
| Woodstock Hydro Serv. Inc. | -- | 4 | 9 | 17 | 23 | -- | -- | -- | -- | Yes |

Meal Allowance for Selected Utilities
In Job All
In Full-Time Non-Office Group

| Utility | Actual Cost of Meal | Allowance Only | Meal & Allowance | Meal Only |
|------------------------------------|---------------------|----------------|------------------|-----------|
| Atikokan Hydro Inc. | -- | -- | -- | \$7.00 |
| Barrie Hydro Distr | No | -- | -- | -- |
| Bluewater Power | -- | -- | \$12.50 | -- |
| Brant County Power Inc. | -- | -- | \$14.00 | -- |
| Brantford Power Inc. | -- | -- | \$12.00 | -- |
| Burlington Hydro Inc. | No | \$12.00 | -- | -- |
| COLLUS Power Corp. | -- | \$13.00 | -- | -- |
| Cambridge & N. Dumfries Hydro Inc. | -- | -- | \$11.00 | -- |
| Centre Wellington Hydro Ltd. | -- | -- | -- | \$15.00 |
| Chatham-Kent Energy Inc. | No | \$13.00 | -- | -- |
| Cochrane Telecom Services | No | -- | -- | -- |
| E.L.K. Energy | -- | -- | \$12.00 | -- |
| Energysource Hydro Mississauga | -- | \$12.25 | -- | -- |
| Erie Thames Services Corp. | -- | \$9.00 | -- | -- |
| Espanola Reg. Hydro Distr Corp. | -- | \$15.00 | -- | -- |
| Essex Power Lines Corp | No | -- | -- | \$13.00 |
| Festival Hydro Inc. | -- | -- | \$9.75 | -- |
| Fort Frances Power Corp. | No | \$10.00 | -- | -- |
| Greater Sudbury Hydro Inc. | No | -- | \$15.00 | -- |
| Grimsby Power Inc. | Yes | -- | \$10.00 | -- |
| Guelph Hydro Elec. Syst. Ltd. | -- | \$8.00 | -- | -- |
| Haldimand County Hydro Inc. | -- | -- | \$10.00 | -- |
| Halton Hills Hydro Inc. | -- | \$10.00 | -- | -- |
| Hawkesbury Hydro Inc. | -- | \$6.50 | -- | -- |
| Horizon Utilities Ltd | -- | \$12.00 | -- | -- |
| Hydro One Networks Inc | -- | -- | -- | \$12.00 |
| Hydro One Brampton | -- | \$12.50 | -- | -- |
| Hydro Ottawa Ltd | -- | \$13.90 | -- | -- |
| Kenora Hydro Electric Corp. Ltd. | No | -- | -- | \$13.00 |

Meal Allowance for Selected Utilities
In Job All
In Full-Time Non-Office Group

04/12/2011
Page 2

| Utility | Actual Cost of Meal | Allowance Only | Meal & Allowance | Meal Only |
|--------------------------------------|---------------------|----------------|------------------|-----------|
| Kingston | No | -- | \$15.00 | -- |
| Kitchener-Wilmot Hydro Inc. | -- | -- | \$11.00 | -- |
| Lakefront Utilities Inc. | No | \$12.00 | -- | -- |
| Lakeland Power Distr. Ltd. | -- | \$12.00 | -- | -- |
| London Hydro Inc. | No | -- | \$14.00 | -- |
| Midland Power Utility Corp. | -- | \$10.50 | \$12.00 | -- |
| Milton Hydro Distr. Inc. | -- | \$10.00 | -- | -- |
| Newmarket-Tay Power Dist. Ltd. | -- | \$13.00 | -- | -- |
| Niagara Peninsula Energy Inc. | No | \$14.00 | -- | -- |
| Niagara-on-the-Lake Hydro Inc. | -- | \$15.00 | -- | -- |
| Norfolk Power Distr. Co. Ltd. | -- | \$10.00 | -- | -- |
| North Bay Hydro Distr. Ltd. | -- | \$12.00 | -- | -- |
| Orangeville Hydro Ltd. | No | \$15.00 | -- | -- |
| Orillia Power Distr. Corp. | No | -- | -- | -- |
| Orillia Power Generation Corporation | -- | -- | -- | \$13.50 |
| Oshawa PUC Networks Inc. | No | \$13.00 | -- | -- |
| Ottawa River Power Corp. | No | -- | \$12.50 | -- |
| PUC Distribution Inc. | No | -- | \$13.00 | -- |
| Parry Sound Power Corp. | Yes | -- | -- | -- |
| Peterborough Distr. Inc. | -- | \$12.50 | -- | -- |
| PowerStream Inc. | -- | \$11.50 | -- | -- |
| Renfrew Hydro Inc. | Yes | -- | -- | -- |
| Rideau St. Lawrence Distr. Inc. | Yes | -- | -- | -- |
| Sioux Lookout Hydro Inc. | Yes | -- | -- | -- |
| St. Thomas Energy Services Inc. | Yes | -- | -- | -- |
| Thunder Bay Hydro Elec. Distr. Inc. | -- | \$7.00 | -- | -- |
| Toronto Hydro-Electric System Ltd. | -- | \$15.00 | -- | -- |
| Veridian Connections Inc. | No | \$14.00 | -- | -- |
| Wasaga Distr. Inc. | No | \$12.00 | -- | -- |

Meal Allowance for Selected Utilities
In Job All
In Full-Time Non-Office Group

| Utility | Actual Cost of Meal | Allowance Only | Meal & Allowance | Meal Only |
|-----------------------------------|---------------------|----------------|------------------|-----------|
| Waterloo North Hydro Inc. | No | \$11.00 | -- | -- |
| Welland Hydro-Elec. Syst. Corp. | -- | -- | -- | \$16.00 |
| West Coast Huron Energy(Goderich) | -- | -- | \$12.00 | -- |
| Westario Power Inc. | No | -- | \$10.00 | -- |
| Whitby Hydro Electric Corp. | No | \$10.00 | -- | -- |
| Woodstock Hydro Serv. Inc. | No | \$12.50 | -- | -- |

Cash Allowance (Lineperson) - Selected Utilities

| | Boots and Clothing | Clothing | Hand Tools | Safety Boots | Safety Shoes | Tools and Boots | Tools and Clothing |
|----|-----------------------|----------|---------------|-----------------|-----------------|--------------------|-----------------------|
| 1 | \$290.00 | -- | -- | -- | -- | -- | \$270.00 |
| 2 | -- | -- | -- | \$175.00 | -- | -- | -- |
| 3 | -- | -- | -- | \$175.00 | -- | -- | -- |
| 4 | -- | \$175.00 | -- | -- | -- | -- | -- |
| 5 | \$500.00 | -- | -- | \$145.00 | -- | -- | -- |
| 6 | -- | -- | -- | \$300.00 | -- | -- | \$270.53 |
| 7 | -- | -- | -- | \$245.00 | -- | -- | -- |
| 8 | -- | -- | -- | \$155.00 | -- | -- | -- |
| 9 | -- | -- | -- | \$195.00 | -- | -- | -- |
| 10 | -- | -- | -- | \$175.00 | -- | -- | -- |
| 11 | -- | \$200.00 | -- | \$140.00 | -- | -- | -- |
| 12 | -- | -- | -- | \$175.00 | -- | -- | -- |
| 13 | -- | -- | -- | \$225.00 | -- | -- | -- |
| 14 | -- | -- | \$250.00 | \$170.00 | -- | -- | -- |
| 15 | -- | -- | -- | \$155.00 | -- | -- | -- |
| 16 | \$500.00 | -- | -- | -- | -- | -- | -- |
| 17 | -- | -- | -- | \$200.00 | -- | -- | -- |
| 18 | -- | -- | -- | \$160.00 | -- | -- | -- |
| 19 | -- | -- | -- | \$160.00 | -- | -- | -- |
| 20 | -- | -- | -- | \$180.00 | -- | -- | -- |
| 21 | -- | \$604.00 | -- | \$150.00 | -- | -- | -- |
| 22 | -- | -- | -- | \$175.00 | -- | -- | -- |
| 23 | \$900.00 | \$200.00 | -- | \$120.00 | -- | -- | -- |
| 24 | -- | \$350.00 | -- | \$175.00 | -- | -- | -- |
| 25 | -- | -- | -- | \$180.00 | -- | -- | -- |
| 26 | -- | \$250.00 | \$50.00 | \$325.00 | -- | -- | -- |
| 27 | -- | -- | \$300.00 | \$160.00 | -- | -- | -- |
| 28 | \$260.00 | -- | -- | -- | -- | -- | -- |
| 29 | -- | -- | -- | \$185.00 | -- | -- | -- |

016 Cash Allowance (Lineperson) - Selected Utilities

Cash Allowance (Lineperson) - Selected Utilities

| | Boots and Clothing | Clothing | Hand Tools | Safety Boots | Safety Shoes | Tools and Boots | Tools and Clothing |
|----|-----------------------|----------|---------------|-----------------|-----------------|--------------------|-----------------------|
| 30 | \$800.00 | -- | -- | -- | -- | -- | -- |
| 31 | -- | -- | -- | \$800.00 | -- | -- | -- |
| 32 | -- | -- | -- | \$155.00 | -- | -- | -- |
| 33 | -- | -- | -- | \$200.00 | -- | -- | -- |
| 34 | -- | \$260.00 | -- | \$205.00 | -- | -- | -- |
| 35 | -- | -- | \$110.00 | \$170.00 | -- | -- | -- |
| 36 | -- | -- | -- | \$160.00 | -- | -- | -- |
| 37 | -- | \$700.00 | -- | \$200.00 | -- | -- | -- |
| 38 | -- | -- | -- | \$160.00 | -- | -- | -- |
| 39 | -- | -- | -- | \$200.00 | -- | -- | -- |
| 40 | -- | -- | -- | \$185.00 | -- | -- | -- |
| 41 | -- | -- | -- | \$145.00 | -- | -- | -- |
| 42 | -- | -- | -- | \$260.00 | -- | -- | -- |
| 43 | -- | -- | -- | \$175.00 | -- | -- | -- |
| 44 | -- | -- | -- | \$175.00 | \$100.00 | -- | -- |
| 45 | -- | \$200.00 | -- | \$200.00 | -- | -- | -- |
| 46 | -- | \$300.00 | -- | \$175.00 | -- | -- | -- |
| 47 | -- | \$300.00 | -- | \$175.00 | -- | -- | -- |
| 48 | -- | -- | -- | \$160.00 | -- | -- | -- |
| 49 | -- | -- | -- | \$160.00 | -- | -- | -- |
| 50 | -- | -- | -- | \$155.00 | -- | -- | -- |
| 51 | -- | -- | -- | \$630.00 | -- | -- | -- |
| 52 | -- | -- | -- | \$170.00 | -- | -- | -- |
| 53 | \$350.00 | -- | -- | -- | -- | -- | -- |
| 54 | -- | -- | -- | \$180.00 | -- | -- | -- |
| 55 | -- | -- | -- | \$170.00 | -- | -- | -- |
| 56 | -- | -- | \$200.00 | \$150.00 | -- | -- | -- |
| 57 | -- | -- | \$125.00 | \$190.00 | -- | -- | -- |
| 58 | -- | -- | -- | \$165.00 | -- | -- | -- |

Cash Allowance (Lineperson) - Selected Utilities

| | Boots and Clothing | Clothing | Hand Tools | Safety Boots | Safety Shoes | Tools and Boots | Tools and Clothing |
|----|-----------------------|----------|---------------|-----------------|-----------------|--------------------|-----------------------|
| 59 | -- | -- | -- | \$225.00 | -- | -- | -- |
| 60 | \$165.00 | -- | -- | \$150.00 | -- | -- | -- |
| 61 | \$195.00 | -- | -- | -- | -- | -- | -- |
| 62 | -- | -- | -- | \$250.00 | -- | -- | -- |
| 63 | -- | -- | -- | \$175.00 | -- | -- | -- |
| 64 | -- | -- | -- | \$170.00 | -- | -- | -- |
| 65 | -- | \$200.00 | -- | \$170.00 | -- | -- | -- |

On - Call Allowance - Selected Utilities
In Job All
In Full-Time Non-Office Group

| Utility | Weekday | | Saturday | | Sunday | | Holiday | | Weekend | | Week | |
|---------------------------------|---------|-------|----------|-------|--------|-------|---------|-------|---------|-------|--------|--------|
| | Rate | Hrs | Rate | Hrs | Rate | Hrs | Rate | Hrs | Rate | Hrs | Rate | Hrs |
| Atikokan Hydro Inc. | -- | -- | -- | -- | -- | -- | 75.00 | -- | -- | -- | 275.00 | 128.00 |
| Barrie Hydro Distr | -- | -- | -- | -- | -- | -- | 40.00 | -- | -- | -- | 180.00 | -- |
| Bluewater Power | 30.00 | 15.00 | 40.00 | 24.00 | 40.00 | 24.00 | 40.00 | 24.00 | 80.00 | -- | 230.00 | -- |
| Brant County Power Inc. | -- | -- | -- | -- | -- | -- | 35.00 | -- | -- | -- | 170.00 | -- |
| Brantford Power Inc. | 19.20 | 16.00 | 28.80 | 24.00 | 28.80 | 24.00 | 28.80 | 24.00 | 57.60 | 48.00 | 153.60 | 128.00 |
| COLLUS Power Corp. | -- | -- | -- | -- | -- | -- | 45.00 | -- | -- | -- | 180.00 | 128.00 |
| Cambridge & N. Dumfries Hydro | -- | 8.00 | -- | 24.00 | -- | 24.00 | -- | 24.00 | -- | 48.00 | 150.55 | 128.00 |
| Canadian Niagara Power Co. | -- | -- | -- | -- | -- | -- | 20.00 | -- | -- | -- | 200.00 | -- |
| Centre Wellington Hydro Ltd. | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 230.00 | -- |
| Chatham-Kent Energy Inc. | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 177.24 | -- |
| Cochrane Telecom Services | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 195.00 | -- |
| E.L.K. Energy | 17.50 | -- | 27.50 | -- | 27.50 | -- | 27.50 | -- | 55.00 | -- | 142.50 | -- |
| Energysource Hydro Mississauga | 28.67 | 15.50 | 55.20 | 24.00 | 55.20 | 24.00 | 55.20 | 24.00 | 110.40 | 48.00 | 253.75 | 125.50 |
| Erie Thames Services Corp. | -- | -- | -- | -- | -- | -- | 50.00 | -- | -- | -- | 160.00 | -- |
| Espanola Reg. Hydro Distr Corp. | 15.30 | 16.00 | 41.52 | 24.00 | 41.52 | 24.00 | 41.52 | 24.00 | 83.04 | -- | 159.54 | -- |
| Essex Power Lines Corp | 32.33 | -- | 32.33 | -- | 32.33 | -- | 48.50 | -- | 64.66 | -- | 226.31 | -- |
| Festival Hydro Inc. | -- | -- | -- | -- | -- | -- | 25.00 | -- | -- | -- | 164.29 | -- |
| Great Lakes Power Ltd | 26.35 | 15.50 | 40.80 | 24.00 | 40.80 | 24.00 | 40.80 | 24.00 | 81.60 | 63.50 | 213.35 | 125.50 |
| Greater Sudbury Hydro Inc. | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 235.00 | -- |
| Grimsby Power Inc. | -- | -- | -- | -- | -- | -- | 40.00 | -- | -- | -- | 170.00 | -- |
| Guelp Hydro Elec. Syst. Ltd. | 19.37 | 15.50 | 30.00 | 24.00 | 30.00 | 24.00 | 30.00 | 24.00 | 60.00 | 48.00 | 156.85 | 125.50 |
| Haldimand County Hydro Inc. | 24.00 | -- | 24.00 | -- | 24.00 | -- | 30.00 | -- | -- | -- | 161.00 | -- |
| Halton Hills Hydro Inc. | -- | -- | -- | -- | -- | -- | 40.00 | 24.00 | -- | 48.00 | 175.00 | -- |
| Hawkesbury Hydro Inc. | 21.00 | -- | 21.00 | -- | 21.00 | -- | 21.00 | -- | 42.00 | -- | 147.00 | -- |
| Hearst Power Distr Co. Ltd. | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 225.00 | -- |
| Horizon Utilities Ltd | -- | -- | -- | -- | -- | -- | 15.60 | -- | -- | -- | 250.00 | -- |
| Hydro One Networks Inc | 17.53 | -- | 35.06 | -- | 35.06 | -- | 35.06 | -- | 70.12 | -- | 157.77 | -- |
| Hydro One Brampton | 32.72 | -- | 65.44 | -- | 65.44 | -- | 65.44 | -- | 130.88 | -- | 294.48 | -- |
| Mean | 23.66 | 14.50 | 36.80 | 24.00 | 36.80 | 24.00 | 38.61 | 24.00 | 75.93 | 50.58 | 194.04 | 126.92 |

022 On-Call Allowance for Selected Utilities

On - Call Allowance - Selected Utilities
In Job All
In Full-Time Non-Office Group

| Utility | Weekday | | Saturday | | Sunday | | Holiday | | Weekend | | Week | |
|----------------------------------|---------|-------|----------|-------|--------|-------|---------|-------|---------|-------|--------|--------|
| | Rate | Hrs | Rate | Hrs | Rate | Hrs | Rate | Hrs | Rate | Hrs | Rate | Hrs |
| Hydro Ottawa Ltd | -- | -- | -- | -- | -- | -- | 25.00 | -- | -- | -- | 215.00 | -- |
| Innisfil Hydro Distr Syst Ltd | 25.00 | -- | 30.00 | -- | 30.00 | -- | 40.00 | -- | 60.00 | -- | 185.00 | -- |
| Kingston | -- | 16.00 | -- | 24.00 | -- | 24.00 | -- | 24.00 | -- | 64.00 | 192.00 | 128.00 |
| Lakefront Utilities Inc. | 18.00 | -- | 45.00 | -- | 45.00 | -- | 45.00 | -- | 90.00 | -- | 180.00 | -- |
| Lakeland Power Distr. Ltd. | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 175.00 | -- |
| London Hydro Inc. | -- | -- | -- | -- | -- | -- | 40.00 | -- | -- | -- | 170.00 | 40.00 |
| Middlesex Power Distr Corp, | -- | -- | -- | -- | -- | -- | 40.00 | -- | -- | -- | 170.00 | -- |
| Midland Power Utility Corp. | -- | -- | -- | -- | -- | -- | 35.00 | -- | -- | -- | 175.00 | -- |
| Milton Hydro Distr Inc. | -- | -- | -- | -- | -- | -- | 50.00 | -- | -- | -- | 185.00 | -- |
| Newmarket-Tay Power Dist. Ltd. | 28.59 | 16.00 | 28.59 | 24.00 | 28.59 | 24.00 | 55.52 | 24.00 | 55.52 | 48.00 | 200.13 | 128.00 |
| Niagara-on-the-Lake Hydro Inc. | -- | -- | -- | -- | -- | -- | 60.00 | -- | -- | -- | 210.00 | -- |
| Norfolk Power Distr Co. Ltd. | -- | -- | -- | -- | -- | -- | 40.00 | -- | -- | -- | 195.00 | 125.50 |
| North Bay Hydro Distr Ltd. | 28.02 | 16.00 | 28.02 | 24.00 | 28.02 | 24.00 | 28.02 | 24.00 | 56.04 | 24.00 | 196.14 | -- |
| Oakville Hydro Elec. Distr. Inc. | 30.00 | -- | 48.00 | -- | 48.00 | -- | 48.00 | -- | 96.00 | -- | 246.00 | -- |
| Orangeville Hydro Ltd. | -- | -- | -- | -- | -- | -- | 50.00 | -- | -- | -- | 185.00 | -- |
| Orillia Power Distr Corp | 20.00 | 16.00 | 30.00 | 24.00 | 30.00 | 24.00 | 30.00 | 24.00 | 60.00 | 48.00 | 160.00 | 128.00 |
| Orillia Power Generation | 19.20 | 16.00 | 28.80 | 24.00 | 28.80 | 24.00 | 28.80 | 24.00 | 57.60 | 48.00 | 153.60 | 128.00 |
| Oshawa PUC Networks Inc. | 24.80 | 15.50 | 38.40 | 24.00 | 38.40 | 24.00 | 38.40 | 24.00 | 76.80 | 48.00 | 200.80 | 125.50 |
| Ottawa River Power Corp. | -- | -- | -- | -- | -- | -- | 55.20 | -- | 55.20 | -- | 193.20 | -- |
| PUC Distribution Inc. | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 126.00 | -- |
| Parry Sound Power Corp. | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 243.20 | 128.00 |
| Peterborough Distr. Inc. | 21.00 | 16.00 | 80.00 | 24.00 | 80.00 | 24.00 | 80.00 | 24.00 | 160.00 | 48.00 | 265.00 | 128.00 |
| PowerStream Inc | -- | -- | -- | -- | -- | -- | 35.00 | -- | -- | -- | 190.00 | 128.00 |
| Renfrew Hydro Inc. | 19.50 | -- | 39.00 | -- | 39.00 | -- | 39.00 | -- | 78.00 | -- | 175.50 | -- |
| Rideau St. Lawrence Distr Inc. | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 215.00 | -- |
| Sioux Lookout Hydro Inc. | 29.77 | 16.00 | -- | 24.00 | -- | 24.00 | -- | 24.00 | -- | 48.00 | 208.39 | 128.00 |
| St. Thomas Energy Services | 27.00 | -- | 32.00 | -- | 32.00 | -- | 32.00 | -- | 64.00 | -- | 199.00 | -- |
| Thunder Bay Hydro Elec. Distr | 30.34 | -- | 30.34 | 24.00 | 30.34 | 24.00 | 30.34 | 24.00 | 60.68 | 24.00 | 212.38 | -- |
| Mean | 24.20 | 15.26 | 37.49 | 24.00 | 37.49 | 24.00 | 40.33 | 24.00 | 75.21 | 46.90 | 193.83 | 122.41 |

On-Call Allowance - Selected Utilities
In Job All
In Full-Time Non-Office Group

| Utility | Weekday | | Saturday | | Sunday | | Holiday | | Weekend | | Week | |
|---------------------------------|---------|-------|----------|-------|--------|-------|---------|-------|---------|-------|--------|--------|
| | Rate | Hrs | Rate | Hrs | Rate | Hrs | Rate | Hrs | Rate | Hrs | Rate | Hrs |
| Toronto Hydro-Electric System | 49.98 | -- | 99.96 | -- | 99.96 | -- | 99.96 | -- | 199.92 | -- | 449.82 | -- |
| Veridian Connections Inc. | -- | -- | -- | -- | -- | -- | 45.00 | -- | -- | -- | 185.00 | -- |
| Wasaga Distr. Inc. | -- | -- | -- | -- | -- | -- | 40.00 | -- | -- | -- | 185.00 | -- |
| Waterloo North Hydro Inc. | 17.28 | 16.00 | 25.92 | 24.00 | 25.92 | 24.00 | 25.92 | 24.00 | 51.84 | 48.00 | 138.24 | 128.00 |
| Welland Hydro-Elec. Syst. Corp. | -- | 15.00 | -- | 24.00 | -- | 24.00 | 35.00 | 24.00 | -- | 48.00 | 190.00 | 123.00 |
| West Coast Huron | -- | -- | -- | -- | -- | -- | 30.00 | -- | -- | -- | 165.00 | -- |
| Westario Power Inc. | -- | -- | -- | -- | -- | -- | 30.00 | -- | -- | -- | 190.00 | -- |
| Whitby Hydro Electric Corp. | -- | 15.50 | -- | 24.00 | -- | 24.00 | -- | -- | -- | 48.00 | 234.68 | 125.50 |
| Woodstock Hydro Serv. Inc. | -- | -- | -- | -- | -- | -- | 30.00 | -- | -- | -- | 164.12 | -- |

| Mean | 24.90 | 15.30 | 39.44 | 24.00 | 39.44 | 24.00 | 40.58 | 24.00 | 79.11 | 47.08 | 196.25 | 122.85 |
|------|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|
| 022 | On-Call Allowance for Selected Utilities | | | | | | | | | | | |

BENEFITS COMPARISON, 2011

6 SELECTED COMPARATOR LDC'S

Enersource
Horizon Utilities
Hydro Ottawa

Powerstream
Toronto Hydro
Veridian

VACATION ENTITLEMENTS

| | 2 Weeks | 3 weeks | 4 weeks | 5 weeks | 6 weeks | 7 weeks |
|-----------------------------|---------|---------|---------|---------|---------|---------|
| Average of 6 Selected LDC's | 1 | 2.17 | 8 | 14.84 | 24.34 | 28 |
| Average of other utilities | 1 | 3.26 | 9.71 | 17.74 | 27.57 | 29.75 |

ON CALL ALLOWANCE

| | Weekday Rate | Saturday Rate | Sunday Rate | Holiday Rate | Weekend Rate | Week Rate |
|-----------------------------|--------------|---------------|-------------|--------------|--------------|-----------|
| Average of 6 Selected LDC's | \$39.33 | \$77.58 | \$77.58 | \$45.96 | \$155.16 | \$257.27 |
| Average of other utilities | \$24.90 | \$39.44 | \$39.44 | \$40.58 | \$79.11 | \$196.25 |

BOOTS AND CLOTHING ALLOWANCE

| | Boots & Clothing | Clothing | Hand Tools | Safety Boots | Safety Shoes | Tools & Clothing |
|-----------------------------|------------------|----------|------------|--------------|--------------|------------------|
| Average of 6 Selected LDC's | | | | | | |
| Average of other utilities | \$438.89 | \$311.59 | \$172.50 | \$200.18 | \$100.00 | \$270.27 |

MEAL ALLOWANCES

| | Meal Allowance Only | Meal & Allowance | Meal Only |
|-----------------------------|---------------------|------------------|-----------|
| Average of 6 Selected LDC's | \$13.11 | \$0.00 | \$0.00 |
| Average of other utilities | \$11.80 | \$12.11 | \$12.79 |

BEREAVEMENT LEAVE

| | | |
|---------------------------|---|---|
| London Hydro | 5 | Mother , father, partner, child, step child |
| | 3 | Sister, Brother, Mother In Law, Father-in-law, brother in law, sister in law, grandchildren, grandparents |
| | 1 | To attend funeral outside province |
| | 2 | To attend funeral in another continent |
| | 1 | For combined bereavement /travel leave for aunt, uncle, niece, nephew |
| Oshawa PUC | 5 | Spouse, children, brother, sister, parents or stepchildren |
| | 3 | Stepparents, Mother-in-law, Father-in-law |
| COLLUS | 1 | Grandmother, Grandfather, Grandchild, Sister-in-law, Brother-in-law, niece, nephew, aunt, uncle |
| | 4 | Husband, wife, son, daughter, parents |
| | 3 | Parent-in-law, brother, sister, grandparent, grandparent-in-law, brother-in-law-sister-in-law |
| Cambridge & North Dumphri | 1 | Relative other than a family member |
| | 5 | Mother, father, spouse, child |
| Waterloo | 3 | Sister, brother, step-father, step-mother, father-in-law, mother-in-law, grandchildren, grandparents |
| | 1 | Brother-in law, sister-in-law, son-in-law, daughter-in-law, grandparent-in-law, niece, nephew, uncle, aunt |
| | 5 | Wife, husband, common-law spouse, son daughter, mother, father |
| St Thomas | 3 | Brother, sister, mother-in-law, father-in-law, sister-in-law, brother-in-law, grandmother, grandfather, step mother, step father, step son step daughter, |
| | 5 | Spouse, common law spouse, son, daughter, mother, father |
| | 3 | mother-in-law, father-in-law, step-father, step-mother, brother, sister, grandparent, grandchild |
| | 1 | Brother-in-law, sister-in-law, step-son, step-daughter, son-in-law, daughter-in-law, grandparent-in-law, aunt, uncle, niece, nephew |
| | 1 | Pall Bearing Duties |

4.2-SEC-14

Ref: E4/T3/S1/pg.6-7

Request

What year was each collective agreement set out in Table 3 entered into?

Response:

The LDC collective agreements cited in Table 3 at E4/T3/S1 page 7 commenced on the dates presented in the following table:

| Distributor | Commencement Date of Current Collective Agreement as of April, 2011 |
|--------------------|--|
| Toronto Hydro | February 1, 2009 |
| PowerStream | April 1, 2010 |
| Whitby Hydro | July 1, 2009 |
| Oshawa PUC | March 1, 2010 |
| Enersource | April 1, 2010 |
| Hydro One Brampton | April 1, 2008 |
| Newmarket Hydro | April 1, 2010 |
| Oakville Hydro | July 1, 2010 |
| Burlington Hydro | April 1, 2009 |

4.2-SEC-15

Ref: E4/T1/pg.24

Request

Regarding the Applicant's overtime costs:

- (a) What is the actual year-end 2013 total annual overtime costs?
- (b) Why has the increased number of proposed FTEs for 2014 not led to a decrease in annual total overtime costs?

Response:

Veridian understands that these questions were intended to refer to E4/T3/S1, page 24.

- (a) Veridian's actual overtime costs for 2013 totalled \$1,576,177. These costs include overtime related to the December 2013 ice storm. The 2013 overtime costs excluding that relating to the ice storm totalled \$1,218,673
- (b) Overtime costs are primarily driven by unplanned work that cannot be conducted during normal business hours (i.e. emergency power restoration response and related repair work). The addition of FTE employees will not affect overtime costs related to these activities.

As described in the pre-filed evidence, the planned FTE employee additions in the test year are primarily required to support increased levels of activity related to asset inspections and planned maintenance, and an increased volume of capital projects. Put another way, the incremental employees will be dedicated to incremental business activities and, therefore, will not contribute to a reduction in overtime costs.

4.2-SEC-16

Ref: E4/T3/S1/Appendix 2-K

Request

Please explain the significant difference between 2010 Board-approved FTEs and 2010 actuals.

Response:

See the response to 6.2-VECC-34.

4.2-Staff-16

Ref: E1-T1-S2 p.19

Veridian states that it continues to invest in technology platforms that enhance operational efficiencies e.g engineering design platform and Geographical Information System integration, Mobile Computing Platform.

Request

- (a) What level of savings derived from these investments are reflected in the 2014 OM&A and 2014 Capital?
- (b) Are the full efficiencies of these investments reflected in the 2014 OM&A? If not, please provide an estimate of the savings that will be realized in 2015, 2016, 2017 and 2018 as a result of such initiatives.

Response:

- (a) There are no direct savings reflected in the 2014 OM&A and 2014 Capital requirements as a result of investment in the technology investments described in the projects outlined above. The expected efficiency gains as a result of the investment are in the areas of reduced administrative type work for field staff, resulting in more accurate and timely information and utilizing field resources more efficiently.
- (b) Investments in the technology platforms outlined above are expected to provide some future OM&A savings. It is difficult to predict the actual level of savings during the 2015 to 2018 period as a result of these investments. Veridian will take advantage of any actual savings opportunities for its customers that result from these technology investments.

4.2-Staff-17

Ref: E4-T3-S1 p.5

Veridian states that the current collective agreement with the IBEW was negotiated in 2011 and at that time Veridian's bargaining strategy was informed by an assessment of contract settlements previously negotiated by Ontario LDCs. Veridian notes that one of its compensation strategy goals was 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."

Request

- (a) What facts did Veridian have in 2011 that supported the assumption that a wage increase of less than the GTA average would actually result in a material level of resignations?
- (b) Going forward, does Veridian believe that the approach taken in 2011 is a sound and sustainable compensation policy?

Response:

- a) During the 24 months leading up to its 2011 collective agreement negotiations with the IBEW, eight unionized employees left skilled trades and technical positions for employment elsewhere. During exit interviews, almost all cited compensation levels as the primary reason for their resignations. Of the eight employees, five left for equivalent positions at other electricity distributors in the GTA, and one left for an equivalent position at a lines contracting firm in the GTA.
- b) Yes, Veridian continues to hold the view that its compensation plans must be competitive within the context of the local labour market.

4.2-Staff-18

Ref: E4-T1-S2 p.8 Table 1 row 2

Request

Please confirm that expenditures related to “Distribution Asset Management Activities” accounts for \$1,456,925 [\$495,676+\$48,714+\$912,535] of the increase in OM&A between 2012 actuals and 2014 Test Year.

Veridian notes that Distribution Asset Management Activities have increased in the following areas: Critical Asset Management- Focus on Substations, System Planning, Pole and Cable Testing and Reactive Repair, Distribution Automation and Vegetation management.

Please indicate what approximate portion (\$ amount) of the \$1,456,925 is attributable to each of the aforementioned areas.

Response:

Table 1 below provides a breakdown of the amounts attributable to each of the aforementioned areas.

Table 1
From Cost Driver Summary table-E4-T1-S2 p.8

| | 2012 Actuals | 2013 Bridge | 2014 Forecast | Total |
|--|--------------|-------------|------------------|-----------|
| Distribution Asset Management Activities | 495,676 | 48,714 | 912,535 | 1,456,925 |
| <u>Allocation by Major Activities</u> | | | | |
| Critical Asset Mgmt - Focus on Substations | | | 113,070 | 113,070 |
| System Planning | | | 38,221 | 38,221 |
| Pole Testing | | | 150,000 | 150,000 |
| Cable Testing | | | 160,000 | 160,000 |
| Reactive Repair | 115,794 | 48,714 | | 164,508 |
| Distribution Automation | | | 175,740 | 175,740 |
| Vegetation Management | 379,882 | | 275,504 | 655,386 |
| | 495,676 | 48,714 | 912,535 | 1,456,925 |

4.2-Staff-19

Ref: E4-T1-S2 pp. 9-10 & Table 1

Veridian states that the amount of \$545,671 in 2011 [labour costs related to 2010 FTE employees and shown on line 1 in table 1] also reflects full year impacts of delayed hiring in 2010.

Request

Please reconcile this statement with line 12 in table 1 which also shows an increase of \$372,380 in 2011 due to a “delay or deferral of hiring”.

Response:

The statement of ‘The amount of \$545,671 in 2011 also reflects full-year impacts of delayed hiring in 2010.’ is incorrect. A previous version of Veridian’s evidence had included the impacts of delayed hiring in line 1 of table 1. Subsequently Veridian determined that this key cost driver should be set out in a separate line item in table 1 but failed to update the wording to reflect this.

As noted in Table 1, the full-year impacts of delayed hiring in 2010 is reflected in line 12.

4.2-Staff-20

Ref: E4-T3-S1 p.8 Table 4

Veridian has proposed a material 7.0% increase in headcount and 12.2% increase in employee compensation for the Test year relative to the 2012 actual levels.

Request

- (a) What objectives has Veridian established for its operations?
- (b) Please provide specific information on why the proposed cost increases are necessary for Veridian to achieve the objectives that the applicant has targeted in the capital and operating expenditure sections of its application, and the alternative methods for achieving these objectives that were considered and rejected in favour of the proposed headcount and compensation increases.

Response:

- (a) Most of the test year headcount increases support activities related to distribution asset management. Veridian has been, and will continue to manage its distribution system in an efficient, reliable, safe, and sustainable manner that provides value for customers through cost-effective planning and operations. Veridian believes that in doing so, it is working towards the performance outcomes the Board has established for distributors.
- (b) Almost all net headcount additions are in non-management positions, reflecting an emphasis on recruiting trades and technical staff to support succession planning, capital projects and asset management needs.

Specific hires in 2013 and how they support Veridian's objectives are as follow:

- 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, 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.

Specific hires planned for 2014 and how they support Veridian's objective are as follow:

- 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.

When a requirement for additional resources in a particular business function is identified, consideration is given to the options available for filling the business need (i.e. full time staff, part time staff, contract staff, contracting out, etc.). For the functions listed above, it was determined that that the positions were better suited to staff additions rather than the alternatives.

4.2 -VECC-5

Ref: E1/T1/S2/pg.24
E4/T1/S1/pg.3

Request

Please provide the source of the 2% inflation factor. Please also provide the Statistics Canada annual CPI for the years 2010 through 2013.

Response:

Please see response to 4.2-EP-10 for information on the source of the 2% inflation factor.

Source: Statistics Canada Consumer Price Index (CPI) by province (Ontario), 2011 basket annual (2002=100)

| Year | 2010 | 2011 | 2012 | 2013 |
|-------------|-------------|-------------|-------------|-------------|
| CPI | 116.5 | 120.1 | 121.8 | 123.0 |

4.2 -VECC-6

Ref: E4/T1/S1

Request

For each of the years 2010 through 2014 please provide:

- (a) EDA membership fees
- (b) All other Corporate membership fees
- (c) Please confirm that EDA fees are included in the annual prepaid category of the Lead-Lag Study (E2/T1/S4/Attachment 3/pg.8).

Response:

- (a) EDA membership fees

| | |
|------|----------|
| 2010 | \$80,800 |
| 2011 | \$83,300 |
| 2012 | \$87,800 |
| 2013 | \$92,800 |
| 2014 | \$96,900 |

- (b) All other Corporate membership fees

| | |
|------|----------|
| 2010 | \$38,698 |
| 2011 | \$20,351 |
| 2012 | \$48,544 |
| 2013 | \$34,694 |
| 2014 | \$31,100 |

- (c) EDA fees are included in the annual prepaid category of the Lead-Lag Study (E2/T1/S4/Attachment 3/pg 8).

4.2 -VECC-7

Ref: E4/T1/S1

The purpose of this interrogatory is to understand the elements which have caused billing and collection to increase from 2010 to 2014.

Request

- (a) Please provide a table comparing the cost components of Billing and Collection accounts (5305, 5310, 5315, 5320, 5325, 5335, 5340) for Board approved 2010 as compared to 2010 actuals and 2014 forecast.
- (b) Please provide a table comparing and contrasting (describing) the components of Billing account 5315 for 2010 actuals as compared to 2014 forecast costs.

Response:

(a)

| Account | Description | 2010 Test Year | 2010 Actual | 2014 Forecast |
|--------------------------------|----------------------------------|----------------|--------------|---------------|
| 5310 | Meter Reading Expense | \$ 192,880 | \$ 320,964 | \$ 235,937 |
| 5315 | Customer Billing | \$ 2,357,046 | \$ 2,075,361 | \$ 3,332,696 |
| 5320 | Collecting | \$ 1,174,351 | \$ 1,014,014 | \$ 1,108,866 |
| 5325 | Collecting - Cash Over and Short | \$ - | \$ 394 | |
| 5330 | Collection Charges | | \$ - | |
| 5335 | Bad Debt Expense | \$ 945,000 | \$ 1,072,354 | \$ 800,000 |
| 5340 | Misc Customer Accounts Exp | \$ 1,136,590 | \$ 1,048,388 | \$ 1,653,606 |
| | REDUCTION FROM SETTLEMENT | (250,000) | | |
| Total - Billing and Collecting | | \$ 5,555,867 | \$ 5,531,475 | \$ 7,131,105 |

- (b) Increased costs from 2010 to 2014 include costs for postage, labour 3% annually and billing contractors. Smart meter labour, contract and purchases costs have been included in 2014 forecast but were not recorded in the billing expense accounts in 2010.

Veridian Connections Inc.
EB-2013-0174
Response to Interrogatories
February 18, 2014

| Billing | 2010 | 2014 | |
|---------------|-----------|-----------|-------------|
| Components | Actual | Forecast | Variance |
| Labour | 1,357,176 | 1,935,739 | (578,563) |
| Purchases | 602,960 | 1,091,897 | (488,937) |
| Contract | 82,821 | 274,100 | (191,279) |
| Other | 32,403 | 30,960 | 1,443 |
| Total Billing | 2,075,360 | 3,332,696 | (1,257,336) |

4.2 -VECC-8

Ref: E4/T1/S1/pg.3

Request

Please provide an amended Table 2-JA which shows 2013 actuals (unaudited). Please also add columns for 2012 through 2014 which show for each category (e.g. Operations/ Maintenance/ Billing/ Community A&G) the impact of the change in capitalization policy.

Response:

Please see the attached amended Appendix 2-JA.

**Updated Appendix 2-JA using 2013 Actual
Summary of Recoverable OM&A Expenses**

| | Last Rebasng Year (2010 Board- Approved) | Last Rebasng Year (2010Actuals) | 2011 Actuals | 2012 Actuals | Impact of Change in Capitalization Policy | 2013 Actuals | Impact of Change in Capitalization Policy | 2014 Test Year | Impact of Change in Capitalization Policy |
|--|--|---------------------------------------|----------------------|----------------------|--|----------------------|--|----------------------|--|
| Reporting Basis | | | | | | | | | |
| Operations | \$ 4,090,515 | \$ 4,154,019 | \$ 4,502,406 | \$ 5,261,746 | | \$ 6,137,841 | | \$ 6,388,664 | |
| Maintenance | \$ 2,838,441 | \$ 2,435,342 | \$ 2,582,213 | \$ 3,065,734 | | \$ 2,599,338 | | \$ 3,952,265 | |
| SubTotal | \$ 6,928,956 | \$ 6,589,361 | \$ 7,084,619 | \$ 8,327,480 | | \$ 8,737,179 | | \$ 10,340,929 | |
| %Change (year over year) | | | 7.5% | 17.5% | | 4.9% | | 18.4% | |
| %Change (Test Year vs Last Rebasng Year - Actual) | | | | | | | | 56.9% | |
| Billing and Collecting | \$ 5,555,867 | \$ 5,531,475 | \$ 4,890,685 | \$ 6,503,668 | | \$ 6,331,110 | | \$ 7,131,105 | |
| Community Relations | \$ 389,743 | \$ 303,884 | \$ 276,921 | \$ 192,064 | | \$ 192,025 | | \$ 173,011 | |
| Administrative and General | \$ 8,611,756 | \$ 8,082,128 | \$ 8,349,282 | \$ 9,448,250 | \$ 1,301,396 | \$ 10,337,132 | \$ 1,743,532 | \$ 10,638,647 | \$ 1,553,065 |
| SubTotal | \$ 14,557,366 | \$ 13,917,487 | \$ 13,516,888 | \$ 16,143,982 | | \$ 16,860,267 | | \$ 17,942,763 | |
| %Change (year over year) | | | -2.9% | 19.4% | | 4.4% | | 6.4% | |
| %Change (Test Year vs Last Rebasng Year - Actual) | | | | | | | | 28.9% | |
| Total | \$ 21,486,322 | \$ 20,506,848 | \$ 20,601,507 | \$ 24,471,462 | | \$ 25,597,446 | | \$ 28,283,692 | |
| %Change (year over year) | | | 0.5% | 18.8% | | 4.6% | | 10.5% | |

| | Last Rebasng Year (2010 Board- Approved) | Last Rebasng Year (2010Actuals) | 2011 Actuals | 2012 Actuals | 2013 Actuals | 2014 Test Year |
|----------------------------|--|---------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Operations | \$ 4,090,515 | \$ 4,154,019 | \$ 4,502,406 | \$ 5,261,746 | \$ 6,137,841 | \$ 6,388,664 |
| Maintenance | \$ 2,838,441 | \$ 2,435,342 | \$ 2,582,213 | \$ 3,065,734 | \$ 2,599,338 | \$ 3,952,265 |
| Billing and Collecting | \$ 5,555,867 | \$ 5,531,475 | \$ 4,890,685 | \$ 6,503,668 | \$ 6,331,110 | \$ 7,131,105 |
| Community Relations | \$ 389,743 | \$ 303,884 | \$ 276,921 | \$ 192,064 | \$ 192,025 | \$ 173,011 |
| Administrative and General | \$ 8,611,756 | \$ 8,082,128 | \$ 8,349,282 | \$ 9,448,250 | \$ 10,337,132 | \$ 10,638,647 |
| Total | \$ 21,486,322 | \$ 20,506,848 | \$ 20,601,507 | \$ 24,471,462 | \$ 25,597,446 | \$ 28,283,692 |
| %Change (year over year) | | | 0.5% | 18.8% | 4.6% | 10.5% |

| | Last Rebasng Year (2010 Board- Approved) | Last Rebasng Year (2010Actuals) | Variance 2010 BA – 2010 Actuals | 2011 Actuals | Variance 2011 Actuals vs. 2010 Actuals | 2012 Actuals | Variance 2012 Actuals vs. 2011 Actuals | 2013 Actuals | 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 | \$ 6,137,841 | \$ 876,095 | \$ 6,388,664 | \$ 250,823 |
| Maintenance | \$ 2,838,441 | \$ 2,435,342 | \$ 403,099 | \$ 2,582,213 | \$ 146,871 | \$ 3,065,734 | \$ 483,521 | \$ 2,599,338 | -\$ 466,396 | \$ 3,952,265 | \$ 1,352,927 |
| Billing and Collecting | \$ 5,555,867 | \$ 5,531,475 | \$ 24,392 | \$ 4,890,685 | -\$ 640,790 | \$ 6,503,668 | \$ 1,612,983 | \$ 6,331,110 | -\$ 172,558 | \$ 7,131,105 | \$ 799,995 |
| Community Relations | \$ 389,743 | \$ 303,884 | \$ 85,859 | \$ 276,921 | -\$ 26,963 | \$ 192,064 | -\$ 84,857 | \$ 192,025 | -\$ 39 | \$ 173,011 | -\$ 19,014 |
| Administrative and General | \$ 8,611,756 | \$ 8,082,128 | \$ 529,628 | \$ 8,349,282 | \$ 267,154 | \$ 9,448,250 | \$ 1,098,968 | \$ 10,337,132 | \$ 888,882 | \$ 10,638,647 | \$ 301,515 |
| Total OM&A Expenses | \$ 21,486,322 | \$ 20,506,848 | \$ 979,474 | \$ 20,601,507 | \$ 94,659 | \$ 24,471,462 | \$ 3,869,955 | \$ 25,597,446 | \$ 1,125,984 | \$ 28,283,692 | \$ 2,686,246 |
| 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 | \$ 25,597,446 | \$ 1,125,984 | \$ 28,283,692 | \$ 2,686,246 |
| Variance from previous year | | | | \$ 94,659 | | \$ 3,869,955 | | \$ 1,125,984 | | \$ 2,686,246 | |
| Percent change (year over year) | | | | 0% | | 19% | | 5% | | 10% | |
| 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% | | | | | |

4.2 -VECC-9

Ref: E4/T1/S1/pg.3
T3/S7/pg.6

Request

Please provide the Distribution System Plan's OM&A forecast for 2015 through 2018.

Response:

With respect to the first reference noted in VECC-9, it should be noted that table shown on page 3 is an extract of Appendix 2-AB located at E2/T3/S10/pg.1 and filed as part of the Chapter 5 Filing Requirements 5.4.4, page 17. Those Chapter 5 requirements ask distributors to list System O&M spending only; Administration costs are not required to be included. Detailed information on O&M spending through 2014 can be found in Exhibit 4 of the evidence. Veridian has not completed the development of 2015 through 2018 O&M plans at this time and is not able to assess the potential impact, if any, of capital expenditures on routine system O&M.

4.2 -VECC-10

Ref: E4/T2/S1/pg.6
E4/S2/pg.27

Request

Veridian notes that bad debt was lower than expected in 2011. It also notes that it expects bad debt to decrease in 2014 following a downward trend since 2012. During the same period Veridian moved from quarterly to bi-monthly billing. Please comment on the relationship between the change in billing frequency and the change in bad debts. Specifically, did Veridian carry out any analysis on the relationship between the two? If so please provide these.

Response:

An internal analysis was done prior to the implementation of bi-monthly billing. Many of the variables that drove the recommendation to move from quarterly billing to bi-monthly billing were straight forward and could be quantified. The one variable that required some assumptions, on a more qualitative basis, was the improvement that could be expected in bad debt reduction from moving from quarterly to bimonthly billing. In order to more accurately quantify the anticipated improvement in bad debts a new methodology was developed. The new methodology involved taking a sample of accounts prior to implementing quarterly billing (2003 & 2004) and calculating the average number of days consumption that related to the average write off, net of non consumption charges. This was compared to a sample of quarterly billed accounts that were written off in 2007.

This analysis showed that the improvement in bad debts by moving back to bimonthly billing would be in the 6-12% range.

As stated in the evidence, Veridian believes that bi-monthly billing allows for a quicker follow up on delinquent accounts. Though no formal analysis was done after the implementation of bi-monthly billing and many other factors affect bad debt levels, the reduction in bad debts from 2012 to 2013 was approximately 14%, above the expected 6-12% range predicted in the original analysis.

4.2 -VECC-11

Ref: E4/T2/S2/pg.17

Request

Please provide the Distribution Automation costs (OM&A and capital) for each year 2012 through 2016. Please also provide the FTE's assigned to this office for each of those years. Please also provide the business case that was used in approving this new office.

Response:

OM&A programs related to Distribution Automation (DA) are a subset of a broader group of programs related to Station Maintenance and as such, cost information specific to DA is not readily available but rather is included in the broader cost grouping of Station Maintenance.

The costs for Station Maintenance were included in Table 7: Maintenance Programs at page 15 of E-4, T-2, S-2 and are provided here.

2012 - \$207,075

2013 - \$340,470

2014 - \$527,697

Veridian has not completed a detailed forecast of OM&A programs beyond 2014 so subsequent years OM&A costs are not available.

Capital investments related to DA;

2012 - \$651,000

2013 - \$1,296,000

2014 - \$1,055,000

2015 - \$1,300,000

2016 - \$1,500,000

FTE employees assigned within the DA department:

2012 – 2.5

2013 – 3.0

2014 through 2016 – 4.0

In 2012, FTE employees consisted of one manager, a SCADA and Communication Coordinator and a half-time co-operative work student. The manager and coordinator

were existing positions within another department, reassigned to begin DA activities at Veridian. In 2013 a P&C technician position was filled and no co-operative work student was employed. In 2014, the additional of one further P&C technician is planned. The business case for the P&C technician position is attached.

Veridian Connections – Permanent Employee Business Case/Justification

POSITION TITLE : P&C and Automation Technician

DEPARTMENT : Distribution Automation

Details of position:

☒ Full-time 40 - Hrs. per week **OR** NA - Part-time ____ Hrs. per week

Classification: Union Position

Is this a new position that has been rated by HR for Internal Equity points? ☒ Yes **OR** ☐ No

Proposed Hire Date (QQ/YY) - November 2012

Position tasks are currently being performed by:

☐ contract employee ☒ other employee (Please include details below)

Many Years - # months (or years) tasks have been performed by contract or other employee.

☒ Position tasks are not being performed at all.

Position Tasks are being temporarily performed/ shared by other employees in the department

What are the principal duties of the position and the importance of the position to the operating department:

Provide full commissioning, operation, maintenance and development support to Distribution Automation department's activities

Supports substation automation, automated pole or pad-mounted switching equipment and associated communication systems

Prepare and maintain logic diagrams for all automation devices, including electronic relays used on the distribution system

Protection and coordination devices programming and install settings, testing and trouble shooting for the all automation devices

Work with databases and software to support all the automation devices and programming of relay, reclosers, and other smart devices

Install communication devices and RTU and modify wiring to adapt to the SCADA

Investigate, diagnose and report automation device failures, faults, breakdowns and improper functioning, including electronic relays, transducers, metering, wiring, SCADA and communication devices

Interrogate automation devices and download information as required for the purpose of diagnosing and troubleshooting distribution system abnormal occurrences and provide support in interpreting information from automation devices

Install, operate and maintain all software programs associated with automation devices. Stay connected with the new technology and programs, firmware upgrade to the devices ensuring high degree of standards

Direct and supervise the work of external contractors for any automation device related work

Inspect all automation devices on a periodic and scheduled basis and maintain detailed equipment information records and drawings, in both electronic and hard-copy formats

Costs:

Total annual cost of new permanent employee (Please include direct labour costs plus labour overheads to be applied)

Total Expense: \$139,061

Proposed GL or Job Number Allocation Several

Operating: \$61,920 %age of total annual Operating Budget 9 %

Capital: \$77,140

Other costs such as additional office space, computer equipment, vehicle, specialized equipment, expenses

Strategic Alignment/Impacts:

1. What is the impact of not filling this position? Are there projects or priorities which will be impacted? If so, explain dependencies or interdependencies?

Not filling positions, will impact on the ability to complete distribution automation related projects, substation upgrades, and ultimately impact distribution system reliability.

Automated distribution systems require enhanced communication systems in order to bring the information from the field level devices back to the SCADA system for analysis and action. This position is responsible for the installation, operation and maintenance of the communication systems between the automated devices and the SCADA system and requires specialized skills, knowledge and training and is key for to success in this area for Veridian.

Veridian is continuing the automation of its substations through the replacement of electro-mechanical relays with electronic relays. The programming and application of settings for system protection, commissioning, testing and troubleshooting of these electronic devices is the responsibility of this position. Without this

position, Veridian will be delayed in completing the relay upgrade projects, delaying capital work at substations and impacting distribution system reliability in a negative sense.

Prompt review of system fault data from automated devices provides important information for determining the root cause of distribution system outages and power quality issues. This position is responsible for the prompt collection and analysis of data assisting Veridian in determining a solution, improving reliability and power quality for customers.

2. Explain how this new position would support Veridian's Business Objectives.

Assist Veridian in completing its substation capital projects in a timely manner.

Assist Veridian in expanding its distribution system automation expertise and capability, including communication system capabilities allowing reliable communication between automated devices

Assist Veridian to improve the reliability and power quality supply to its customers and ensuring a safe supply of electricity

Assist Veridian in ensuring it meets its customer's expectations with regards to a smart, interactive distribution system

Submitted by: Falguni Shah

Manager Distribution Automation: Falguni Shah Date: August 30, 2012

Authorization:

Vice-President: Mark Turney **Date:** April, 2013

(Please send a copy of this form to Tracey Strong and also attach a copy of this form to the Employee Requisition form and forward it to Human Resources)

4.2 -VECC-12

Ref: E4/T2/S2/pg.19

Veridian is proposing to spend \$750,000 in pole testing over a three year period.

Request

- (a) Please explain why a random sampling of poles would not provide sufficient information for developing a program for pole replacement.
- (b) Please explain why the results of the sample of 1500 poles could not be extrapolated to provide a reasonable understanding of pole conditions.
- (c) How much is the average cost to replace a pole (fully dressed wood).

Response:

- (a) Veridian does not believe that random sampling of poles is the best approach for developing a program for planned pole replacement.

The “random-sampling” approach is based on the premise that knowing the condition of a few selected poles provides enough baseline information to enable a reasonable decision of replacement in a given area, and assumes the distribution of condition of all poles will be the same as the tested poles. This approach does not take into consideration the many variables that are specific to each individual location including factors such as age, wood species, insect/bird damage, condition factors such as splits, checks and feathering at the pole top – all being potentially different from pole to pole.

Taking random test sampling and applying the results against an entire population could be problematic as detailed pole data does not exist for all of Veridian’s poles. Veridian’s history is one of consolidation of a number of utilities into one entity, and, as such, a wide variety in asset data quality existed in their records. Whenever possible, this data has been incorporated in Veridian Geographic Information System (GIS). The lack of basic pole information such as wood species and age would make prudent replacement decisions difficult, as the ability to correlate all the key condition factors from the test results to our poles would not be possible with our limited data. In order to improve and capture this data, a visit to the pole is necessary, at which time it would make sense and be Veridian’s recommendation to complete an actual pole test as well as gather the other pole data during a single visit. In the future, after complete pole testing information

has been gathered, it may make sense to make use of random sampling data to monitor pole condition.

b) The selection of 1500 poles out of the total population of approximately 28,000 wood poles is a very small subset of the entire population of wood poles. Because of the small portion of test results available for analysis, the ACA report cautioned against trusting those results to be representative for the whole population. As highlighted in the ACA Executive Summary, it was recommended that the sample sizes be increased 'significantly'. This would be accomplished through the testing program that Veridian is planning to continue and expand. Beyond just the quantity of test results available, Veridian believes that the first 1500 poles tested are actually of a better general condition than the distribution pole population as a whole. This comes from the fact that most of the 1500 poles tested were supporting 44kV circuits and tend to be newer and in better condition.

c) In 2013, the average cost to reactively replace a pole was \$7,820.

4.2 -VECC-13

Ref: E4/T2/S2/pg.20

Request

Veridian states that it will be spending approximately \$160,000 annually to test 23 km of underground cable per year. What was the average cost of replacing underground cable in each year 2010 through 2014?

Response:

Due to poor reliability in the South Ajax Area, Veridian started on a planned replacement program for the primary (13.8kV) cables serving customers there. In that area of Ajax, much like many of the installations of similar vintage in other communities, the old cable was direct buried. Replacement cable was installed in ducts, which will make future replacement less costly. No cable replacement projects were completed in 2010 or 2011, while the South Ajax replacement projects were completed in 2012 and 2013. Veridian forecasts that it will install approximately 2400 metres of primary cable in 2014.

Note

Cable lengths quoted are for single phase primary cable.

| | COST | | | | |
|------------------------------------|------|------|-------------|-------------|-----------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| TOTAL cost of cables replaced (\$) | \$0 | \$0 | \$1,538,707 | \$1,488,230 | \$500,000 |
| Total Cable length(m) | 0 | 0 | 9617 | 7550 | 2400 |
| Average Cost per m | 0 | 0 | \$160 | \$197 | \$208 |

4.2 -VECC-14

Ref: E4/T2/S2/pg.32

Request

Please breakdown and compare for 2012, 2013 and 2014 the “Office and Professional Services” category into the costs for the sub-categories of Corporate Memberships; Consulting Studies, Legal, and Office Supplies (include all other).

Response:

| Office and Professional Services | 2012 Actual | 2013 Bridge Forecast | 2014 Test Year |
|---|----------------|----------------------|----------------|
| Corporate Memberships | 139,834 | 138,935 | 133,800 |
| Consulting /Studies | 154,046 | 85,052 | 210,300 |
| Legal | 92,329 | 61,961 | 100,300 |
| Telecommunications | 254,619 | 261,125 | 264,080 |
| Office Supplies (includes supplies, equipment maintenance, stationary, postage and other) | 169,864 | 199,201 | 178,775 |
| | 810,692 | 746,274 | 887,255 |

Consulting and Legal costs vary in program scope year over year. Costs for studies are generally driven by internal requirements such as business process reviews while legal costs are often driven by external events.

In 2014 forecast costs for consulting and legal include average levels of spend for legal costs and additional consulting engagements to target business process reviews/improvement for the meter to cash functions.

Operational Effectiveness

Issue 4.3

Are the applicant's proposed operating and capital expenditures appropriately paced and prioritized to result in reasonable rates for customers, or is any additional rate mitigation required?

4.3-EP-16

Ref: Exhibit 4, Tab 3, Schedule 1

Request

- (a) What would be the cumulative impact on the 2014 revenue requirement if the union, non-union and management staff increases had been 2.5% per year in 2010 through 2014 instead of the 3.0% shown in Table 8.
- (b) What would be the impact on the 2014 revenue requirement if the union, non-union and management staff increase for 2014 was set to 1.7%, the inflation factor set by the Board for 2014 IRM applications?
- (c) Please confirm that the inflation rate used by the Board for 2010 through 2014 IRM applications were/are 1.3% for 2010, 1.3% for 2011, 2.0% for 2012, 1.6% for 2013 and 1.7% for 2014, with an average over this period of about 1.6% per year. If these figures cannot be confirmed, please provide the correct figures.
- (d) What would be the cumulative impact on the 2014 revenue requirement if the union, non-union and management staff increases had been 1.6% per year in 2010 through 2014 instead of the 3.0% shown in Table 8.

Response:

- a) If base wage inflation adjustments had been 2.5% for all management and non-management positions in each of the years 2010, 2011, 2012, 2013 and 2014, total 2014 compensation (salary, wage & benefits, including overtime and incentive pay) would be \$24,757,972 in the 2014 test year. This represents a reduction of \$607,832 from that currently provided for within Veridian's test year projections.

Veridian estimates that under this scenario there would be a reduction in OM&A expenses of approximately \$401,779 and a corresponding increase in PILs of approximately \$91,606, for a net revenue requirement reduction estimated at \$310,174.

- b) If base wage inflation adjustments had been 1.7% for all management and non-management positions in 2014, total 2014 compensation (salary, wage & benefits, including overtime and incentive pay) would be \$25,079,425 in the 2014 test year. This represents a reduction of \$286,379 from that currently provided for within Veridian's test year projections.

Veridian estimates that under this scenario there would be a reduction in OM&A expenses of approximately \$189,298 and a corresponding increase in PILs of

approximately \$46,160, for a net revenue requirement reduction estimated at \$146,138.

c) Confirmed.

Veridian notes that the inflation factors used by the Board for IRM rate adjustments incorporate price inflation pertaining to cost inputs other than labour. For example, the current 2-factor IP methodology is based on the following weightings of cost inputs:

- 30% - A labour sub-index comprised of the average weekly earnings for workers in Ontario (AWE-All Employees-Ontario)
- 70% - A non-labour sub-index comprised of the Canada GDP-IPI (FDD)

d) If base wage inflation adjustments had been 1.6% for all management and non-management positions in each of the years 2010, 2011, 2012, 2013 and 2014, total 2014 compensation (salary, wage & benefits, including overtime and incentive pay) would be \$23,853,346 in the 2014 test year. This represents a reduction of \$1,512,458 from that currently provided for within Veridian's test year projections.

Veridian estimates that under this scenario there would be a reduction in OM&A expenses of approximately \$999,740 and a corresponding increase in PILs of approximately \$227,941, for a net revenue requirement reduction estimated at \$771,800.

4.3-EP-17

Ref: Exhibit 4, Tab 3, Schedule 1

Request

Please add two lines to Table 10. The first addition is a line that shows the total potential annual incentive compensation if all objective, goals, etc. were met. The second addition is a line that shows the percentage of actual annual incentive compensation paid divided by the total potential incentive compensation each year.

Response:

For convenience, table 10 from Exhibit 4, Tab 3, Schedule 1 is presented below, followed by a separate table providing the requested additional information:

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 |

Total Potential vs. Actual Incentive Compensation:

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|------------|------------|-------------|-------------|-------------|
| Total potential incentive compensation (A) | \$792,281 | \$922,130 | \$1,123,656 | \$1,094,595 | \$1,195,987 |
| Total actual/projected incentive compensation (B) | \$662,510 | \$784,957 | \$866,446 | \$884,608 | \$953,389 |
| Actual/projected payout ratio (B/A) | 84% | 85% | 77% | 81% | 80% |

4.3-EP-18

Ref: Exhibit 4, Tab 3, Schedule 1

Request

- (a) Please add a line to Table 14 that shows the total employee contributions to OMERS.
- (b) How many dollars, on average, does Veridian contribute to the employee pension plan for each dollar contributed by employees?

Response:

- a) Table 14 has been modified and presented below to show annual employee contributions to OMERS:

OMERS Pension Contributions (\$):

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

- b) Veridian and its employees make equal contributions to OMERS. Veridian contributes one dollar for every one dollar contributed to the plan by its employees.

4.3-SEC-17

Ref: E2/T3

Request

Please provide a list of all material capital projects forecasted to go in-service in 2013, and the actual in-service date. Please provide an explanation for any projects that did not go in-service in 2013.

Response:

Please see response to 7.1-CCC-27 for explanation of inservice date changes to material 2013 projects.

Please see 4.3-SEC-17 att1 for a listing of actual inservice dates for material 2013 projects.

4-3-SEC-17-Att1
Actual Inservice Dates for Material 2013 Projects

| Projects | 2013 Bridge Year as Filed | 2013 Actuals | Actual Inservice Dates for Material Projects in 2013 |
|--|---------------------------|------------------|--|
| Reporting Basis | CGAAP | | |
| SYSTEM ACCESS | | | |
| New Residential Services | 4,018,000 | 4,156,589 | Dec-13 |
| New GS Services | 1,166,480 | 870,539 | Dec-13 |
| Retail Meters | 479,000 | 703,949 | Dec-13 |
| Highway #11, Interchange, Gravenhurst Pole Line Relocation | | | |
| Kerrison Drive, Ajax Line Extension | | | |
| Line Relocation, Altona Road, Pickering | | | |
| Highway #7 Pole Line Relocation - Brock Road and Lakeridge | | | |
| Southeast Sewer Collector (SEC) Project | 350,000 | 344,794 | Oct-13 |
| GO Transit/City of Pickering - Pedestrian Bridge, Pickering | | | |
| Salem Road (Taunton Road to CPR) | | | |
| Salem Road Line Relocations (Rossland to Gillett) | | | |
| Rossland Road Relocations | | | |
| Brock Road Relocation (Rossland X CPR Tracks) | | | |
| Brock St West Joint Feeder Extension-Uxbridge | 600,000 | 484,626 | Apr-13 |
| Brock Road Relocation (Bayly St to Kingston Rd) - Pickering | | | |
| Bayly Street Relocation (Shoal Point Road to Lakeridge) - Ajax | | | |
| Pickering Parkway Relocation - Pickering | | | |
| Cherrywood Wholesale Meter Upgrade | | | |
| New CN Rail Crossing, Belleville | | | |
| Smart Meters transferred from Variance Account | | | |
| LTLT Eliminations - Various Locations | 650,000 | 0 | |
| College Street Extension- Belleville | 294,000 | 0 | |
| Highway 407 Extension - Various Road Relocations | 5,288,241 | 0 | |
| Highway #2 Road Widening - Bus Rapid Transit-Phases 1 & 2 | 1,023,787 | 112,265 | Oct-13 |
| Westney Road Relocation (Magill X Telford), Ajax | 1,475,000 | 934,202 | Dec-13 |
| Rossland Road Relocation (Clearside X Southcott), Ajax | 385,000 | 0 | |
| Line Relocation, Orono Creek, Clarington | 258,000 | 0 | |
| Relocation of 44 kV Pole Line, Port Hope | | | |
| New REG Connection, Ajax | | | |
| Three 27.6 kV circuits-Taunton Road (Church to Brock) | | | |
| O/H Line Extension - Airport Parkway West, Belleville | | | |
| Rossland Road (Southcott to Church) | | | |
| Feeder Relocation, Front Street (Dundas X Pinnacle), Belleville | | | |
| Dundas Street (Coleman to Baybridge) | | | |
| Sub-Total Material Projects | 15,987,508 | 7,606,964 | |
| Miscellaneous Projects (under materiality threshold) | 1,781,500 | 523,973 | |
| Total System Access | 17,769,008 | 8,130,937 | |
| SYSTEM RENEWAL | | | |
| Reactive Pole Replacements | 752,000 | 479,832 | Dec-13 |
| Reactive Transformer and Component Replacements | 900,000 | 1,891,164 | Dec-13 |
| Reactive Pole Rework (reinsulating and reframing) | | | |
| Old Kingston Road Conversion | | | |
| South Ajax Cable Replacement - Finley Avenue | 1,875,000 | 1,214,064 | Nov-13 |
| Storm Damage Rebuild - Gravenhurst July 2013 | 799,000 | 1,120,180 | Aug-13 |
| New Feeder - Croft Street, Port Hope | | | |
| Substations Transformer Replacement, Greenwood Substation | | | |
| Substation Transformer Replacement and Component Upgrades- Fairport SS | | | |
| Substation Transformer Spare Replenishment | | | |
| Padmounted Switchgear Replacement program, various locations | | | |
| Substation Breakers Replacement, Toronto Substation | | | |
| Wood Pole Replacement Program, various locations | | | |
| Primary Cable Rehabilitation Program, various locations | | | |
| Polemount Transformer Replacement Program, various | | | |
| Overhead Line Switch Replacement Program, various | | | |
| Padmount Transformers Replacement Program, various | | | |
| Sub-Total Material Projects | 4,326,000 | 4,705,240 | |

| | | | |
|--|-------------------|-------------------|--------|
| Miscellaneous Projects (under materiality threshold) | 1,888,800 | 1,306,477 | |
| Total System Renewal | 6,214,800 | 6,011,717 | |
| SYSTEM SERVICE | | | |
| Jane Forrester Park Phase 1 and 2, Belleville | | | |
| 27.6 KV TS Egress Feeders (4) Hydro One Whitby TS#2, Ajax | | | |
| Salem Road-2nd Circuit 44 kV-Kingston Road to Rossland Road | | | |
| LIS Automation, Belleville | | | |
| Duffin Creek WPCP 44 kV Circuit, Ajax | | | |
| Pole Line Relocation - Bell Blvd | | | |
| Substation Oil Containment | | | |
| Whitby TS 27.6 kV Switching Phase 1 and 2 | | | |
| Lakeridge Road | | | |
| 27.6kV Feeders Rossland Rd (Lakeridge to Westney), Ajax | | | |
| Sidney St. Substation, Belleville | | | |
| SCADA Reactive Repairs | | | |
| Pole line rebuild, Cavan Street, Port Hope | | | |
| LIS Installations | | | |
| South Ajax Feeder Automation | | | |
| Whitby TS Feeders (Part 1 and 2) Lakeridge Road, Rossland Rd, Ajax | | | |
| Cannington Substation (Relocation and Replacement) | | | |
| Liberty Street North Substation Upgrade, Bowmanville | | | |
| Feeder rebuild, Dixie Rd, Pickering | | | |
| Feeder rebuild, Edgehill Road, Belleville | | | |
| Feeder rebuild, Moira Street and Palmer Rd, Belleville | | | |
| SCADA System Replacement / Upgrade | 601,000 | 599,156 | Nov-13 |
| Wilmot Substation Upgrade, Newcastle | 1,900,000 | 0 | |
| Pickering Beach Substation Upgrade, Ajax | 2,121,000 | 1,596,227 | Jul-13 |
| Voltage Conversion - 4.16kV First Street (First X James), Gravenhurst | 450,400 | 385,179 | Nov-13 |
| New Feeder-13.8 kV Loop Feed, Port of Newcastle, Newcastle | | | |
| Sub-Total Material Projects | 5,072,400 | 2,580,562 | |
| Miscellaneous Projects (under materiality threshold) | 865,000 | 2,622,217 | |
| Total System Service | 5,937,400 | 5,202,779 | |
| GENERAL PLANT | | | |
| General Plant - Facilities | | | |
| Leasehold Improvements, Pickering | | | |
| Building Expansion, 55 Taunton Road East, Ajax | | | |
| Building Renovations and Control Room Relocation, Ajax | | | |
| General Plant - Fleet | | | |
| Vehicles (2 large bucket trucks) | | | |
| Vehicles (3 medium duty trucks, 2 hybrids) | | | |
| Vehicles (1 large bucket truck) | | | |
| Vehicles (1 large bucket truck) | | | |
| Vehicles (1 large bucket truck) | | | |
| General Plant - Information Technology | | | |
| GIS Computer Software | 140,000 | 151,308 | Dec-13 |
| Server Virtualization | | | |
| Outage Management System | | | |
| Desktop Replacements | | | |
| Mobile Computing | 400,000 | 456,109 | Dec-13 |
| GIS Data Conversion and Collection Gravenhurst - Phase 1 and 2 | | | |
| Electronic Document Management and Records Classification | | | |
| Design and Construction Standards Development | | | |
| GIS Records Management - General | | | |
| Unified Messaging - Phone System Replacement, Phases 1 and 2 | 451,000 | 444,000 | Oct-13 |
| High Availability Data Site | 350,000 | 348,707 | Dec-13 |
| Business Continuity/Disaster Recovery Site | | | |
| Renewable Generation Asset | | | |
| Sub-Total Material Projects | 1,341,000 | 1,400,124 | |
| Miscellaneous Projects (under materiality threshold) | 1,947,500 | 3,211,534 | |
| Total General Plant | 3,288,500 | 4,611,658 | |
| Total all Categories - including Renewable Generation | 33,209,708 | 23,957,091 | |
| Less Renewable Generation Facility Assets and Other Non Rate-Regulated Utility Assets (input as negative) | | | |
| Total | 33,209,708 | 23,957,091 | |

4.3-SEC-18

Ref: E2/T3/S8/A2.1/pg.2

Request

Please provide a breakdown of actual and forecasted capital contributions from 2010 to 2014.

Response:

Based on the evidence reference given, Veridian believes this request is concerning capital contributions from residential developments.

The following table summarizes the contributions received (forecast and actual) in dollars related to residential developments for 2010-2013. For 2014, only the forecast amount of contributions is available.

Forecast values are used in Veridian's annual capital budgeting process and are estimated at a high level to reflect general expectations around contributions to be received. The normal practice estimates contributions based on a fixed percentage of the gross project connection costs. This estimate is used as only a guide, and actual capital contributions are calculated per project leading to differences in Forecasted and Actual contributions. There is variation in project timing, project size and scope that leads to variation in absolute levels of contributions from year to year. Veridian does not control these projects and responds to the requirement to connect new customers.

| \$Million | 2010 | 2011 | 2012 | 2013 | 2014(forecast) |
|------------------|-------------|-------------|-------------|-------------|-----------------------|
| Forecast | \$1.245 | \$1.125 | \$1.74 | \$1.74 | \$1.828 |
| Actual | \$1.131 | \$1.234* | \$2.033* | \$1.429 | -- |

*An error in the header information indicating incorrect Net Capital Expenditure values for the project descriptions for 2011 and 2012 New Residential Services was found in preparation of the response to this request. After the correction of the Net Capital Expenditure values was made, the capital contribution levels indicated in the table above for 2011 and 2012 are now correct.

4.3-SEC-19

Ref: E2/T3/S13/pg.60

Request

Please explain why the Applicant is not forecasting any capital contributions for the Port Hope Relocation project.

Response:

As indicated at E2/T3/S13 pg60/ lines 6-7, the cost of this project will be entirely covered by a capital contribution from the customer requesting this work be completed. Net cost to Veridian is forecast to be zero, as indicated in the summary table on line 1 of the above reference.

4.3-SEC-20

Ref: Appendix 2-AA
Appendix 2-AB
Appendix 2-BA

Request

Please revise the following tables to include 2013 year-end actuals and explain any material variances. (If 2013 actual data is not yet available, please provide the most recent year-to-date actuals available, along with a forecast for the remaining period in 2013):

- (a) Appendix 2-AA
- (b) Appendix 2-AB
- (c) Appendix 2-BA

Response:

- (a) Please see response to 7.2-CCC-27.
- (b) An updated version of Appendix 2-AB is provided as Attachment 1. This update also includes the additional information reflecting the split of each category to reflect discretionary and non-discretionary projects as requested in 7.1-EP-35.
- (c) A revised Appendix 2-BA is provided as Attachment 2, updated with 2013 actuals and with updates to 2014 forecast as outlined in the updated Appendix 2-AA provided in response to 7.2-CCC-27 and with corrections to opening 2010 values as provided in response to 2.1-EP-6.

Revised Appendix 2-AB
Table 2 - Capital Expenditure Summary from Chapter 5 Consolidated
Distribution System Plan Filing Requirements

First year of Forecast Period: 2014

| CATEGORY | Historical Period (previous plan ¹) | | | | Forecast Period (planned) | | | | | | | | | |
|-----------------------------|---|----------|--------|-----------------------------|---------------------------|--------------------------|----------|--------------------------|---------|-----------------------------|---------|-----------------------------|---------|-----------------------------|
| | 2013 | | | | 2014 | Disc (D)/Non Disc(ND) | 2015 | Disc (D)/Non Disc(ND) | 2016 | Disc (D)/Non Disc(ND) | 2017 | Disc (D)/Non Disc(ND) | 2018 | Disc (D)/Non Disc(ND) |
| | Plan | Actual | Var | Disc (D)/Non Disc(ND) | | | | | | | | | | |
| | \$ '000 | | % | | | | | | | | | | | |
| | | | | | \$ '000 | | | | | | | | | |
| System Access | 17,769 | 8,131 | -54.2% | ND | 21,168 | ND | 21,740 | ND | 15,869 | ND | 11,323 | ND | 34,018 | ND |
| System Renewal | 6,215 | 6,012 | -3.3% | ND | 11,478 | ND | 14,728 | ND | 11,441 | ND | 14,732 | ND | 10,117 | ND |
| System Service | 5,937 | 5,203 | -12.4% | D | 4,548 | D | 63 | D | 275 | D | 1,241 | D | - | D |
| General Plant | 3,289 | 4,612 | 40.2% | D | 4,291 | D | 4,515 | D | 3,676 | D | 2,943 | D | 2,650 | D |
| Less: Capital Contributions | - 9,525 | - 5,270 | -44.7% | | - 10,705 | | - 11,674 | | - 5,472 | | - 5,472 | | - 5,472 | |
| TOTAL NET EXPENDITURE | 23,685 | 18,688 | -21.1% | | 30,780 | | 29,372 | | 25,789 | | 24,768 | | 41,314 | |
| System O&M | \$ 8,955 | \$ 8,737 | -2.4% | | \$ 10,341 | | n/a | | n/a | | n/a | | n/a | |

Notes to the Table:

1. Data filed with this application has been included in the Plan column for 2013, with Actual data from 2013 also being included for Capital additions, contributions and System O&M.
2. Data for forecast period has been modified to include any impacts resulting from changes in 2013 or 2014.
3. An additional column has been added for each year to indicate whether investments in those categories are considered Discretionary (D) or Non-Discretionary (ND). Veridian regards investments within a category to have the same characterization.

File Number: 0
Exhibit:
Tab:
Schedule:
Page:
Date:

Appendix 2-BA
Fixed Asset Continuity Schedule - CGAAP/ASPE/USGAAP
REVISED FOR CORRECTION TO 2010 OPENING NBV, 2013 ACTUAL AND UPDATED 2014 FORECAST
Year **2010**

| CCA Class | OEB | Description | Cost | | | | Accumulated Depreciation | | | | |
|-----------|------|--|-----------------|--------------|---------------|-----------------|--------------------------|---------------|-----------|-----------------|----------------|
| | | | Opening Balance | Additions | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance | Net Book Value |
| | 1610 | Miscellaneous Intangible Plant | \$ 667,785 | \$ 213,365 | | \$ 881,150 | -\$ 477,173 | -\$ 120,305 | | -\$ 597,478 | \$ 283,672 |
| 12 | 1611 | Computer Software (Formally known as Account 1925) | \$ 9,138,177 | \$ 1,336,789 | | \$ 10,474,966 | -\$ 5,450,630 | -\$ 1,491,767 | | -\$ 6,942,397 | \$ 3,532,569 |
| CEC | 1612 | Land Rights (Formally known as Account 1906) | \$ 701,935 | \$ 250 | | \$ 702,185 | -\$ 340,735 | -\$ 10,230 | | -\$ 350,965 | \$ 351,220 |
| N/A | 1805 | Land | \$ 685,405 | | | \$ 685,405 | | | | \$ - | \$ 685,405 |
| 47 | 1808 | Buildings | \$ 671,993 | | | \$ 671,993 | -\$ 484,606 | -\$ 9,382 | | -\$ 493,988 | \$ 178,005 |
| 13 | 1810 | Leasehold Improvements | | | | \$ - | | | | \$ - | \$ - |
| 47 | 1815 | Transformer Station Equipment >50 kV | \$ 176,775 | | | \$ 176,775 | -\$ 37,764 | -\$ 7,066 | | -\$ 44,830 | \$ 131,945 |
| 47 | 1820 | Distribution Station Equipment <50 kV | \$ 29,565,894 | \$ 634,751 | | \$ 30,200,645 | -\$ 14,795,649 | -\$ 889,163 | | -\$ 15,684,812 | \$ 14,515,833 |
| 47 | 1825 | Storage Battery Equipment | | | | \$ - | | | | \$ - | \$ - |
| 47 | 1830 | Poles, Towers & Fixtures | \$ 35,241,945 | \$ 2,680,111 | | \$ 37,922,056 | -\$ 16,277,698 | -\$ 1,341,495 | | -\$ 17,619,193 | \$ 20,302,863 |
| 47 | 1835 | Overhead Conductors & Devices | \$ 55,393,131 | \$ 2,383,339 | | \$ 57,776,470 | -\$ 30,307,308 | -\$ 1,796,246 | | -\$ 32,103,554 | \$ 25,672,916 |
| 47 | 1840 | Underground Conduit | \$ 57,804,905 | \$ 765,702 | | \$ 58,570,607 | -\$ 35,038,377 | -\$ 2,202,542 | | -\$ 37,240,919 | \$ 21,329,688 |
| 47 | 1845 | Underground Conductors & Devices | \$ 26,432,862 | \$ 1,294,689 | | \$ 27,727,551 | -\$ 6,724,762 | -\$ 1,034,215 | | -\$ 7,758,977 | \$ 19,968,574 |
| 47 | 1850 | Line Transformers | \$ 66,482,559 | \$ 2,800,246 | | \$ 69,282,805 | -\$ 34,925,982 | -\$ 2,544,523 | | -\$ 37,470,505 | \$ 31,812,300 |
| 47 | 1855 | Services (Overhead & Underground) | \$ 28,507,850 | \$ 1,789,890 | | \$ 30,297,740 | -\$ 11,159,846 | -\$ 1,080,293 | | -\$ 12,240,139 | \$ 18,057,601 |
| 47 | 1860 | Meters | \$ 18,326,227 | \$ 784,220 | -\$ 8,455,330 | \$ 10,655,117 | -\$ 2,456,202 | -\$ 446,175 | | -\$ 2,902,377 | \$ 7,752,740 |
| 47 | 1860 | Meters (Stranded Meters) | | \$ 8,455,330 | | \$ 8,455,330 | -\$ 2,681,744 | -\$ 592,365 | | -\$ 3,274,109 | \$ 5,181,221 |
| 47 | 1860 | Meters (Smart Meters) | | | | \$ - | | | | \$ - | \$ - |
| N/A | 1905 | Land | \$ 1,035,731 | | | \$ 1,035,731 | | | | \$ - | \$ 1,035,731 |
| 47 | 1908 | Buildings & Fixtures | \$ 9,824,213 | \$ 5,586,278 | | \$ 15,410,491 | -\$ 3,135,756 | -\$ 379,464 | | -\$ 3,515,220 | \$ 11,895,271 |
| 13 | 1910 | Leasehold Improvements | \$ 1,142,037 | \$ 10,854 | | \$ 1,152,891 | -\$ 656,602 | | | -\$ 656,602 | \$ 496,289 |
| 8 | 1915 | Office Furniture & Equipment (10 years) | \$ 3,232,928 | \$ 649,558 | | \$ 3,882,486 | -\$ 2,388,935 | -\$ 188,438 | | -\$ 2,577,373 | \$ 1,305,113 |
| 8 | 1915 | Office Furniture & Equipment (5 years) | | | | \$ - | | | | \$ - | \$ - |
| 10 | 1920 | Computer Equipment - Hardware | | | | \$ - | | | | \$ - | \$ - |
| 45 | 1920 | Computer Equip.-Hardware(Post Mar. 22/04) | \$ 6,274,383 | \$ 224,814 | | \$ 6,499,197 | -\$ 5,042,625 | -\$ 396,290 | | -\$ 5,438,915 | \$ 1,060,282 |

Year **2010**

| CCA Class | OEB | Description | Cost | | | | Accumulated Depreciation | | | | Net Book Value |
|-----------|------|--|-----------------------|----------------------|----------------------|-----------------------|--------------------------|-----------------------|-------------------|------------------------|-----------------------|
| | | | Opening Balance | Additions | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance | |
| 45.1 | 1920 | Computer Equip.-Hardware(Post Mar. 19/07) | | | | \$ - | | | | \$ - | \$ - |
| 10 | 1930 | Transportation Equipment | \$ 5,707,487 | \$ 2,246,560 | -\$ 294,385 | \$ 7,659,662 | -\$ 2,706,933 | -\$ 767,018 | \$ 211,616 | -\$ 3,262,335 | \$ 4,397,327 |
| 8 | 1935 | Stores Equipment | \$ 408,496 | | | \$ 408,496 | -\$ 404,990 | -\$ 721 | | -\$ 405,711 | \$ 2,785 |
| 8 | 1940 | Tools, Shop & Garage Equipment | \$ 2,141,502 | \$ 53,198 | | \$ 2,194,700 | -\$ 1,897,325 | -\$ 69,859 | | -\$ 1,967,184 | \$ 227,516 |
| 8 | 1945 | Measurement & Testing Equipment | \$ 80,864 | | | \$ 80,864 | -\$ 63,388 | -\$ 7,515 | | -\$ 70,903 | \$ 9,961 |
| 8 | 1950 | Power Operated Equipment | | | | \$ - | | | | \$ - | \$ - |
| 8 | 1955 | Communications Equipment | \$ 513,165 | \$ 7,103 | | \$ 520,268 | -\$ 407,946 | -\$ 20,748 | | -\$ 428,694 | \$ 91,574 |
| 8 | 1955 | Communication Equipment (Smart Meters) | | | | \$ - | | | | \$ - | \$ - |
| 8 | 1960 | Miscellaneous Equipment | \$ 177,107 | \$ 11,780 | | \$ 188,887 | -\$ 862 | | | -\$ 862 | \$ 188,025 |
| 47 | 1970 | Load Management Controls Customer Premises | | | | \$ - | | | | \$ - | \$ - |
| 47 | 1975 | Load Management Controls Utility Premises | | | | \$ - | | | | \$ - | \$ - |
| 47 | 1980 | System Supervisor Equipment | \$ 5,308,812 | \$ 4,445 | | \$ 5,313,257 | -\$ 2,948,374 | -\$ 293,972 | | -\$ 3,242,346 | \$ 2,070,911 |
| 47 | 1985 | Miscellaneous Fixed Assets | | | | \$ - | | | | \$ - | \$ - |
| 47 | 1990 | Other Tangible Property | | | | \$ - | | | | \$ - | \$ - |
| 47 | 1995 | Contributions & Grants | -\$ 45,880,811 | -\$ 2,594,578 | | -\$ 48,475,389 | \$ 9,018,877 | \$ 1,836,231 | | \$ 10,855,108 | -\$ 37,620,281 |
| | etc. | | | | | \$ - | | | | \$ - | \$ - |
| | | | | | | \$ - | | | | \$ - | \$ - |
| | | Sub-Total | \$ 319,763,357 | \$ 29,338,694 | -\$ 8,749,715 | \$ 340,352,336 | -\$ 171,793,335 | -\$ 13,853,561 | \$ 211,616 | -\$ 185,435,280 | \$ 154,917,056 |
| | | Less Socialized Renewable Energy Generation Investments (input as negative) | | | | \$ - | | | | \$ - | \$ - |
| | | Less Other Non Rate-Regulated Utility Assets (input as negative) | | | | \$ - | | | | \$ - | \$ - |
| | | Total PP&E | \$ 319,763,357 | \$ 29,338,694 | -\$ 8,749,715 | \$ 340,352,336 | -\$ 171,793,335 | -\$ 13,853,561 | \$ 211,616 | -\$ 185,435,280 | \$ 154,917,056 |

| | | |
|----|--|------------------|
| 10 | | Transportation |
| 8 | | Stores Equipment |

Less: Fully Allocated Depreciation

| | |
|-------------------------|-----------------------|
| Transportation | -\$ 767,018 |
| Stores Equipment | |
| Net Depreciation | <u>-\$ 13,086,543</u> |

Notes:

Appendix 2-BA
Fixed Asset Continuity Schedule - CGAAP/ASPE/USGAAP
REVISED FOR CORRECTION TO 2010 OPENING NBV, 2013 ACTUAL AND UPDATED 2014 FORECAST
Year 2011

| CCA Class | OEB | Description | Cost | | | | Accumulated Depreciation | | | | |
|-----------|------|--|-----------------|---------------|-------------|-----------------|--------------------------|---------------|------------|-----------------|----------------|
| | | | Opening Balance | Additions | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance | Net Book Value |
| 0 | 1610 | Miscellaneous Intangible Plant | \$ 881,150 | \$ 4,825 | | \$ 885,975 | -\$ 597,478 | -\$ 117,110 | | -\$ 714,588 | \$ 171,387 |
| 12 | 1611 | Computer Software (Formally known as Account 19) | \$ 10,474,966 | \$ 999,237 | | \$ 11,474,203 | -\$ 6,942,397 | -\$ 1,533,883 | | -\$ 8,476,280 | \$ 2,997,923 |
| CEC | 1612 | Land Rights (Formally known as Account 1906) | \$ 702,185 | \$ 58,745 | | \$ 760,930 | -\$ 350,965 | -\$ 10,825 | | -\$ 361,790 | \$ 399,140 |
| N/A | 1805 | Land | \$ 685,405 | \$ 1,805 | -\$ 35,651 | \$ 651,559 | \$ - | | | \$ - | \$ 651,559 |
| 47 | 1808 | Buildings | \$ 671,993 | | | \$ 671,993 | -\$ 493,988 | -\$ 9,382 | | -\$ 503,370 | \$ 168,623 |
| 13 | 1810 | Leasehold Improvements | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 47 | 1815 | Transformer Station Equipment >50 kV | \$ 176,775 | | | \$ 176,775 | -\$ 44,830 | -\$ 7,066 | | -\$ 51,896 | \$ 124,879 |
| 47 | 1820 | Distribution Station Equipment <50 kV | \$ 30,200,645 | \$ 3,376,774 | | \$ 33,577,419 | -\$ 15,684,812 | -\$ 953,221 | \$ 243 | -\$ 16,637,790 | \$ 16,939,629 |
| 47 | 1825 | Storage Battery Equipment | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 47 | 1830 | Poles, Towers & Fixtures | \$ 37,922,056 | \$ 3,626,994 | | \$ 41,549,050 | -\$ 17,619,193 | -\$ 1,461,236 | | -\$ 19,080,429 | \$ 22,468,621 |
| 47 | 1835 | Overhead Conductors & Devices | \$ 57,776,470 | \$ 3,195,344 | | \$ 60,971,814 | -\$ 32,103,554 | -\$ 1,872,814 | | -\$ 33,976,368 | \$ 26,995,446 |
| 47 | 1840 | Underground Conduit | \$ 58,570,607 | \$ 1,171,919 | | \$ 59,742,526 | -\$ 37,240,919 | -\$ 2,145,648 | | -\$ 39,386,567 | \$ 20,355,959 |
| 47 | 1845 | Underground Conductors & Devices | \$ 27,727,551 | \$ 2,745,251 | | \$ 30,472,802 | -\$ 7,758,977 | -\$ 1,106,775 | | -\$ 8,865,752 | \$ 21,607,050 |
| 47 | 1850 | Line Transformers | \$ 69,282,805 | \$ 2,595,280 | | \$ 71,878,085 | -\$ 37,470,505 | -\$ 2,596,453 | | -\$ 40,066,958 | \$ 31,811,127 |
| 47 | 1855 | Services (Overhead & Underground) | \$ 30,297,740 | \$ 2,035,476 | | \$ 32,333,216 | -\$ 12,240,139 | -\$ 1,144,558 | | -\$ 13,384,697 | \$ 18,948,519 |
| 47 | 1860 | Meters | \$ 10,655,117 | \$ 434,907 | | \$ 11,090,024 | -\$ 2,902,377 | -\$ 800,507 | | -\$ 3,702,884 | \$ 7,387,140 |
| 47 | 1860 | Meters (Stranded Meters) | \$ 8,455,330 | \$ 5,693 | | \$ 8,461,023 | -\$ 3,274,109 | -\$ 257,368 | | -\$ 3,531,477 | \$ 4,929,546 |
| 47 | 1860 | Meters (Smart Meters) | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| N/A | 1905 | Land | \$ 1,035,731 | | | \$ 1,035,731 | \$ - | | | \$ - | \$ 1,035,731 |
| 47 | 1908 | Buildings & Fixtures | \$ 15,410,491 | \$ 4,308,915 | | \$ 19,719,406 | -\$ 3,515,220 | -\$ 506,291 | | -\$ 4,021,511 | \$ 15,697,895 |
| 13 | 1910 | Leasehold Improvements | \$ 1,152,891 | | | \$ 1,152,891 | -\$ 656,602 | -\$ 107,269 | | -\$ 763,871 | \$ 389,020 |
| 8 | 1915 | Office Furniture & Equipment (10 years) | \$ 3,882,486 | \$ 403,252 | | \$ 4,285,738 | -\$ 2,577,373 | -\$ 124,854 | | -\$ 2,702,227 | \$ 1,583,511 |
| 8 | 1915 | Office Furniture & Equipment (5 years) | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 10 | 1920 | Computer Equipment - Hardware | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 45 | 1920 | Computer Equip.-Hardware(Post Mar. 22/04) | \$ 6,499,197 | \$ 256,311 | | \$ 6,755,508 | -\$ 5,438,915 | -\$ 374,237 | | -\$ 5,813,152 | \$ 942,356 |
| 45.1 | 1920 | Computer Equip.-Hardware(Post Mar. 19/07) | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 10 | 1930 | Transportation Equipment | \$ 7,659,662 | \$ 796,777 | -\$ 246,909 | \$ 8,209,530 | -\$ 3,262,335 | -\$ 920,414 | \$ 239,801 | -\$ 3,942,948 | \$ 4,266,582 |
| 8 | 1935 | Stores Equipment | \$ 408,496 | \$ 8,738 | | \$ 417,234 | -\$ 405,711 | -\$ 1,161 | | -\$ 406,872 | \$ 10,362 |
| 8 | 1940 | Tools, Shop & Garage Equipment | \$ 2,194,700 | \$ 68,557 | | \$ 2,263,257 | -\$ 1,967,184 | -\$ 75,251 | | -\$ 2,042,435 | \$ 220,822 |
| 8 | 1945 | Measurement & Testing Equipment | \$ 80,864 | \$ 51,648 | | \$ 132,512 | -\$ 70,903 | -\$ 7,438 | | -\$ 78,341 | \$ 54,171 |
| 8 | 1950 | Power Operated Equipment | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 8 | 1955 | Communications Equipment | \$ 520,268 | \$ 735 | | \$ 521,003 | -\$ 428,694 | -\$ 17,451 | | -\$ 446,145 | \$ 74,858 |
| 8 | 1955 | Communication Equipment (Smart Meters) | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 8 | 1960 | Miscellaneous Equipment | \$ 188,887 | \$ 13,999 | | \$ 202,886 | -\$ 862 | -\$ 13,465 | | -\$ 14,327 | \$ 188,559 |
| 47 | 1970 | Load Management Controls Customer Premises | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 47 | 1975 | Load Management Controls Utility Premises | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 47 | 1980 | System Supervisor Equipment | \$ 5,313,257 | \$ 262,025 | | \$ 5,575,282 | -\$ 3,242,346 | -\$ 282,670 | | -\$ 3,525,016 | \$ 2,050,266 |
| 47 | 1985 | Miscellaneous Fixed Assets | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 47 | 1990 | Other Tangible Property | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 47 | 1995 | Contributions & Grants | -\$ 48,475,389 | -\$ 5,788,348 | | -\$ 54,263,737 | \$ 10,855,108 | \$ 2,052,573 | | \$ 12,907,681 | -\$ 41,356,056 |
| | | | | | | \$ - | | | | \$ - | \$ - |

Year 2011

| CCA Class | OEB | Description | Cost | | | | Accumulated Depreciation | | | | Net Book Value |
|-----------|-----|---|-----------------|---------------|-------------|-----------------|--------------------------|----------------|------------|-----------------|----------------|
| | | | Opening Balance | Additions | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance | |
| | | Sub-Total | \$ 340,352,336 | \$ 20,634,859 | -\$ 282,560 | \$ 360,704,635 | -\$ 185,435,280 | -\$ 14,394,774 | \$ 240,044 | -\$ 199,590,010 | \$ 161,114,625 |
| | | Less Socialized Renewable Energy Generation Investments (input as negative) | | | | \$ - | | | | \$ - | \$ - |
| | | Less Other Non Rate-Regulated Utility Assets (input as negative) | | | | \$ - | | | | \$ - | \$ - |
| | | Total PP&E | \$ 340,352,336 | \$ 20,634,859 | -\$ 282,560 | \$ 360,704,635 | -\$ 185,435,280 | -\$ 14,394,774 | \$ 240,044 | -\$ 199,590,010 | \$ 161,114,625 |

| | | |
|----|--|------------------|
| 10 | | Transportation |
| 8 | | Stores Equipment |

Less: Fully Allocated Depreciation

| | |
|------------------|----------------|
| Transportation | -\$ 920,414 |
| Stores Equipment | |
| Net Depreciation | -\$ 13,474,360 |

Appendix 2-BA
Fixed Asset Continuity Schedule - CGAAP/ASPE/USGAAP
REVISED FOR CORRECTION TO 2010 OPENING NBV, 2013 ACTUAL AND UPDATED 2014 FORECAST
Year **2012**

| CCA Class | OEB | Description | Cost | | | | Accumulated Depreciation | | | | |
|-----------|------|---|-----------------|--------------|-------------|-----------------|--------------------------|---------------|------------|-----------------|----------------|
| | | | Opening Balance | Additions | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance | Net Book Value |
| 0 | 1610 | Miscellaneous Intangible Plant | \$ 885,975 | \$ 483,960 | | \$ 1,369,935 | -\$ 714,588 | -\$ 166,631 | | -\$ 881,219 | \$ 488,716 |
| 12 | 1611 | Computer Software (Formally known as Account 19 | \$ 11,474,203 | \$ 2,995,053 | | \$ 14,469,256 | -\$ 8,476,280 | -\$ 1,670,044 | | -\$ 10,146,324 | \$ 4,322,932 |
| CEC | 1612 | Land Rights (Formally known as Account 1906) | \$ 760,930 | \$ 9,051 | | \$ 769,981 | -\$ 361,790 | -\$ 10,756 | | -\$ 372,546 | \$ 397,435 |
| N/A | 1805 | Land | \$ 651,559 | | | \$ 651,559 | \$ - | | | \$ - | \$ 651,559 |
| 47 | 1808 | Buildings | \$ 671,993 | | | \$ 671,993 | -\$ 503,370 | -\$ 5,566 | | -\$ 508,936 | \$ 163,057 |
| 13 | 1810 | Leasehold Improvements | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 47 | 1815 | Transformer Station Equipment >50 kV | \$ 176,775 | \$ 40,040 | | \$ 216,815 | -\$ 51,896 | -\$ 4,320 | | -\$ 56,216 | \$ 160,599 |
| 47 | 1820 | Distribution Station Equipment <50 kV | \$ 33,577,419 | \$ 2,491,657 | | \$ 36,069,076 | -\$ 16,637,790 | -\$ 686,031 | | -\$ 17,323,821 | \$ 18,745,255 |
| 47 | 1825 | Storage Battery Equipment | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 47 | 1830 | Poles, Towers & Fixtures | \$ 41,549,050 | \$ 3,596,280 | | \$ 45,145,330 | -\$ 19,080,429 | -\$ 698,521 | | -\$ 19,778,950 | \$ 25,366,380 |
| 47 | 1835 | Overhead Conductors & Devices | \$ 60,971,814 | \$ 3,186,880 | | \$ 64,158,694 | -\$ 33,976,368 | -\$ 984,858 | | -\$ 34,961,226 | \$ 29,197,468 |
| 47 | 1840 | Underground Conduit | \$ 59,742,526 | \$ 3,654,027 | | \$ 63,396,553 | -\$ 39,386,567 | -\$ 449,933 | | -\$ 39,836,500 | \$ 23,560,053 |
| 47 | 1845 | Underground Conductors & Devices | \$ 30,472,802 | \$ 5,707,987 | | \$ 36,180,789 | -\$ 8,865,752 | -\$ 786,186 | | -\$ 9,651,938 | \$ 26,528,851 |
| 47 | 1850 | Line Transformers | \$ 71,878,085 | \$ 5,107,747 | | \$ 76,985,832 | -\$ 40,066,958 | -\$ 1,481,845 | | -\$ 41,548,803 | \$ 35,437,029 |
| 47 | 1855 | Services (Overhead & Underground) | \$ 32,333,216 | \$ 2,372,636 | | \$ 34,705,852 | -\$ 13,384,697 | -\$ 513,732 | | -\$ 13,898,429 | \$ 20,807,423 |
| 47 | 1860 | Meters | \$ 11,090,024 | \$ 8,280,926 | | \$ 19,370,950 | -\$ 3,702,884 | -\$ 708,361 | | -\$ 4,411,245 | \$ 14,959,705 |
| 47 | 1860 | Meters (Stranded Meters) | \$ 8,461,023 | | | \$ 8,461,023 | -\$ 3,531,477 | -\$ 254,992 | | -\$ 3,786,469 | \$ 4,674,554 |
| 47 | 1860 | Meters (Smart Meters) | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| N/A | 1905 | Land | \$ 1,035,731 | | | \$ 1,035,731 | \$ - | | | \$ - | \$ 1,035,731 |
| 47 | 1908 | Buildings & Fixtures | \$ 19,719,406 | \$ 797,882 | | \$ 20,517,288 | -\$ 4,021,511 | -\$ 1,078,053 | | -\$ 5,099,564 | \$ 15,417,724 |
| 13 | 1910 | Leasehold Improvements | \$ 1,152,891 | | | \$ 1,152,891 | -\$ 763,871 | -\$ 551,059 | | -\$ 1,314,930 | \$ 162,039 |
| 8 | 1915 | Office Furniture & Equipment (10 years) | \$ 4,285,738 | \$ 45,854 | | \$ 4,331,592 | -\$ 2,702,227 | -\$ 200,700 | | -\$ 2,902,927 | \$ 1,428,665 |
| 8 | 1915 | Office Furniture & Equipment (5 years) | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 10 | 1920 | Computer Equipment - Hardware | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 45 | 1920 | Computer Equip.-Hardware(Post Mar. 22/04) | \$ 6,755,508 | \$ 414,259 | | \$ 7,169,767 | -\$ 5,813,152 | -\$ 374,997 | | -\$ 6,188,149 | \$ 981,618 |
| 45.1 | 1920 | Computer Equip.-Hardware(Post Mar. 19/07) | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 10 | 1930 | Transportation Equipment | \$ 8,209,530 | \$ 528,684 | -\$ 126,021 | \$ 8,612,193 | -\$ 3,942,948 | -\$ 511,200 | \$ 126,021 | -\$ 4,328,127 | \$ 4,284,066 |
| 8 | 1935 | Stores Equipment | \$ 417,234 | | | \$ 417,234 | -\$ 406,872 | -\$ 1,151 | | -\$ 408,023 | \$ 9,211 |
| 8 | 1940 | Tools, Shop & Garage Equipment | \$ 2,263,257 | \$ 42,845 | | \$ 2,306,102 | -\$ 2,042,435 | -\$ 32,541 | | -\$ 2,074,976 | \$ 231,126 |
| 8 | 1945 | Measurement & Testing Equipment | \$ 132,512 | | | \$ 132,512 | -\$ 78,341 | -\$ 6,020 | | -\$ 84,361 | \$ 48,151 |
| 8 | 1950 | Power Operated Equipment | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 8 | 1955 | Communications Equipment | \$ 521,003 | \$ 229,446 | | \$ 750,449 | -\$ 446,145 | -\$ 23,797 | | -\$ 469,942 | \$ 280,507 |
| 8 | 1955 | Communication Equipment (Smart Meters) | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 8 | 1960 | Miscellaneous Equipment | \$ 202,886 | \$ 49,736 | | \$ 252,622 | -\$ 14,327 | -\$ 29,424 | | -\$ 43,751 | \$ 208,871 |
| 47 | 1970 | Load Management Controls Customer Premises | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 47 | 1975 | Load Management Controls Utility Premises | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 47 | 1980 | System Supervisor Equipment | \$ 5,575,282 | \$ 121,294 | | \$ 5,696,576 | -\$ 3,525,016 | -\$ 234,938 | | -\$ 3,759,954 | \$ 1,936,622 |
| 47 | 1985 | Miscellaneous Fixed Assets | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 47 | 1990 | Other Tangible Property | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |

Year 2012

| CCA Class | OEB | Description | Cost | | | | Accumulated Depreciation | | | | Net Book Value |
|-----------|------|---|-----------------|---------------|-------------|-----------------|--------------------------|---------------|------------|-----------------|----------------|
| | | | Opening Balance | Additions | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance | |
| 47 | 1995 | Contributions & Grants | -\$ 54,263,737 | -\$ 6,006,797 | | -\$ 60,270,534 | \$ 12,907,681 | \$ 1,480,287 | | \$ 14,387,968 | -\$ 45,882,566 |
| | | | \$ - | | | \$ - | | | | \$ - | \$ - |
| | | Sub-Total | \$ 360,704,635 | \$ 34,149,447 | -\$ 126,021 | \$ 394,728,061 | -\$ 199,590,010 | -\$ 9,985,369 | \$ 126,021 | -\$ 209,449,358 | \$ 185,278,703 |
| | | Less Socialized Renewable Energy Generation Investments (input as negative) | | | | \$ - | | | | \$ - | \$ - |
| | | Less Other Non Rate-Regulated Utility Assets (input as negative) | | | | \$ - | | | | \$ - | \$ - |
| | | Total PP&E | \$ 360,704,635 | \$ 34,149,447 | -\$ 126,021 | \$ 394,728,061 | -\$ 199,590,010 | -\$ 9,985,369 | \$ 126,021 | -\$ 209,449,358 | \$ 185,278,703 |

| | | |
|----|--|------------------|
| 10 | | Transportation |
| 8 | | Stores Equipment |

Less: Fully Allocated Depreciation

| | |
|------------------|---------------|
| Transportation | -\$ 511,200 |
| Stores Equipment | |
| Net Depreciation | -\$ 9,474,169 |

Appendix 2-BA
Fixed Asset Continuity Schedule - CGAAP/ASPE/USGAAP
REVISED FOR CORRECTION TO 2010 OPENING NBV, 2013 ACTUAL AND UPDATED 2014 FORECAST
Year 2013

| CCA Class | OEB | Description | Cost | | | | Accumulated Depreciation | | | | |
|-----------|------|--|-----------------|--------------|---------------|-----------------|--------------------------|---------------|--------------|-----------------|----------------|
| | | | Opening Balance | Additions | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance | Net Book Value |
| 0 | 1610 | Miscellaneous Intangible Plant | \$ 1,369,935 | \$ 203,593 | | \$ 1,573,528 | -\$ 881,219 | -\$ 281,223 | | -\$ 1,162,442 | \$ 411,086 |
| 12 | 1611 | Computer Software (Formally known as Account 1925) | \$ 14,469,256 | \$ 1,825,306 | | \$ 16,294,562 | -\$ 10,146,324 | -\$ 2,447,727 | | -\$ 12,594,051 | \$ 3,700,511 |
| CEC | 1612 | Land Rights (Formally known as Account 1906) | \$ 769,981 | \$ 8,697 | | \$ 778,678 | -\$ 372,546 | -\$ 10,933 | | -\$ 383,479 | \$ 395,199 |
| N/A | 1805 | Land | \$ 651,559 | | | \$ 651,559 | \$ - | | | \$ - | \$ 651,559 |
| 47 | 1808 | Buildings | \$ 671,993 | | | \$ 671,993 | -\$ 508,936 | -\$ 5,566 | | -\$ 514,502 | \$ 157,491 |
| 13 | 1810 | Leasehold Improvements | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 47 | 1815 | Transformer Station Equipment >50 kV | \$ 216,815 | | | \$ 216,815 | -\$ 56,216 | -\$ 4,821 | | -\$ 61,037 | \$ 155,778 |
| 47 | 1820 | Distribution Station Equipment <50 kV | \$ 36,069,076 | \$ 2,250,430 | | \$ 38,319,506 | -\$ 17,323,821 | -\$ 740,798 | | -\$ 18,064,619 | \$ 20,254,887 |
| 47 | 1825 | Storage Battery Equipment | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 47 | 1830 | Poles, Towers & Fixtures | \$ 45,145,330 | \$ 3,260,633 | | \$ 48,405,963 | -\$ 19,778,950 | -\$ 781,879 | | -\$ 20,560,829 | \$ 27,845,134 |
| 47 | 1835 | Overhead Conductors & Devices | \$ 64,158,694 | \$ 2,495,322 | | \$ 66,654,016 | -\$ 34,961,226 | -\$ 1,042,307 | | -\$ 36,003,533 | \$ 30,650,483 |
| 47 | 1840 | Underground Conduit | \$ 63,396,553 | \$ 2,313,207 | | \$ 65,709,760 | -\$ 39,836,500 | -\$ 499,660 | | -\$ 40,336,160 | \$ 25,373,600 |
| 47 | 1845 | Underground Conductors & Devices | \$ 36,180,789 | \$ 2,779,089 | | \$ 38,959,878 | -\$ 9,651,938 | -\$ 904,395 | | -\$ 10,556,333 | \$ 28,403,545 |
| 47 | 1850 | Line Transformers | \$ 76,985,832 | \$ 3,028,642 | | \$ 80,014,474 | -\$ 41,548,803 | -\$ 1,610,950 | | -\$ 43,159,753 | \$ 36,854,721 |
| 47 | 1855 | Services (Overhead & Underground) | \$ 34,705,852 | \$ 2,166,042 | | \$ 36,871,894 | -\$ 13,898,429 | -\$ 563,732 | | -\$ 14,462,161 | \$ 22,409,733 |
| 47 | 1860 | Meters | \$ 19,370,950 | \$ 830,814 | | \$ 20,201,764 | -\$ 4,411,245 | -\$ 1,259,163 | | -\$ 5,670,408 | \$ 14,531,356 |
| 47 | 1860 | Meters (Stranded Meters) | \$ 8,461,023 | | -\$ 8,461,023 | \$ - | -\$ 3,786,469 | -\$ 254,992 | \$ 4,041,461 | \$ - | \$ - |
| 47 | 1860 | Meters (Smart Meters) | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| N/A | 1905 | Land | \$ 1,035,731 | | | \$ 1,035,731 | \$ - | | | \$ - | \$ 1,035,731 |
| 47 | 1908 | Buildings & Fixtures | \$ 20,517,288 | \$ 761,297 | | \$ 21,278,585 | -\$ 5,099,564 | -\$ 1,113,946 | | -\$ 6,213,510 | \$ 15,065,075 |
| 13 | 1910 | Leasehold Improvements | \$ 1,152,891 | | | \$ 1,152,891 | -\$ 1,314,930 | | | -\$ 1,314,930 | -\$ 162,039 |
| 8 | 1915 | Office Furniture & Equipment (10 years) | \$ 4,331,592 | \$ 28,349 | | \$ 4,359,941 | -\$ 2,902,927 | -\$ 204,411 | | -\$ 3,107,338 | \$ 1,252,603 |
| 8 | 1915 | Office Furniture & Equipment (5 years) | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 10 | 1920 | Computer Equipment - Hardware | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 45 | 1920 | Computer Equip.-Hardware(Post Mar. 22/04) | \$ 7,169,767 | \$ 544,005 | | \$ 7,713,772 | -\$ 6,188,149 | -\$ 477,478 | | -\$ 6,665,627 | \$ 1,048,145 |
| 45.1 | 1920 | Computer Equip.-Hardware(Post Mar. 19/07) | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 10 | 1930 | Transportation Equipment | \$ 8,612,193 | \$ 220,900 | | \$ 8,833,093 | -\$ 4,328,127 | -\$ 551,785 | | -\$ 4,879,912 | \$ 3,953,181 |
| 8 | 1935 | Stores Equipment | \$ 417,234 | | | \$ 417,234 | -\$ 408,023 | -\$ 1,151 | | -\$ 409,174 | \$ 8,060 |
| 8 | 1940 | Tools, Shop & Garage Equipment | \$ 2,306,102 | \$ 126,655 | | \$ 2,432,757 | -\$ 2,074,976 | -\$ 41,016 | | -\$ 2,115,992 | \$ 316,765 |
| 8 | 1945 | Measurement & Testing Equipment | \$ 132,512 | | | \$ 132,512 | -\$ 84,361 | -\$ 6,020 | | -\$ 90,381 | \$ 42,131 |
| 8 | 1950 | Power Operated Equipment | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 8 | 1955 | Communications Equipment | \$ 750,449 | \$ 317,800 | | \$ 1,068,249 | -\$ 469,942 | -\$ 51,160 | | -\$ 521,102 | \$ 547,147 |
| 8 | 1955 | Communication Equipment (Smart Meters) | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 8 | 1960 | Miscellaneous Equipment | \$ 252,622 | \$ 59,850 | | \$ 312,472 | -\$ 43,751 | -\$ 34,903 | | -\$ 78,654 | \$ 233,818 |
| 47 | 1970 | Load Management Controls Customer Premises | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 47 | 1975 | Load Management Controls Utility Premises | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 47 | 1980 | System Supervisor Equipment | \$ 5,696,576 | \$ 736,460 | | \$ 6,433,036 | -\$ 3,759,954 | -\$ 263,530 | | -\$ 4,023,484 | \$ 2,409,552 |
| 47 | 1985 | Miscellaneous Fixed Assets | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |

Year 2013

| CCA Class | OEB | Description | Cost | | | | Accumulated Depreciation | | | | |
|-----------|------|---|-----------------------|----------------------|----------------------|-----------------------|--------------------------|-----------------------|---------------------|------------------------|-----------------------|
| | | | Opening Balance | Additions | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance | Net Book Value |
| 47 | 1990 | Other Tangible Property | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 47 | 1995 | Contributions & Grants | -\$ 60,270,534 | -\$ 5,269,983 | | -\$ 65,540,517 | \$ 14,387,968 | \$ 1,668,233 | | \$ 16,056,201 | -\$ 49,484,316 |
| | | | | | | \$ - | | | | \$ - | \$ - |
| | | Sub-Total | \$ 394,728,061 | \$ 18,687,108 | -\$ 8,461,023 | \$ 404,954,146 | -\$ 209,449,358 | -\$ 11,485,313 | \$ 4,041,461 | -\$ 216,893,210 | \$ 188,060,936 |
| | | Less Socialized Renewable Energy Generation Investments (input as negative) | | | | \$ - | | | | \$ - | \$ - |
| | | Less Other Non Rate-Regulated Utility Assets (input as negative) | | | | \$ - | | | | \$ - | \$ - |
| | | Total PP&E | \$ 394,728,061 | \$ 18,687,108 | -\$ 8,461,023 | \$ 404,954,146 | -\$ 209,449,358 | -\$ 11,485,313 | \$ 4,041,461 | -\$ 216,893,210 | \$ 188,060,936 |

| | |
|----|------------------|
| 10 | Transportation |
| 8 | Stores Equipment |

\$ 185,278,703

Less: Fully Allocated Depreciation

| | |
|-------------------------|-----------------------|
| Transportation | -\$ 551,785 |
| Stores Equipment | |
| Net Depreciation | -\$ 10,933,528 |

Appendix 2-BA
Fixed Asset Continuity Schedule - CGAAP/ASPE/USGAAP
REVISED FOR CORRECTION TO 2010 OPENING NBV, 2013 ACTUAL AND UPDATED 2014 FORECAST
Year **2014**

| | | | Cost | | | | Accumulated Depreciation | | | | |
|-----------|------|--|-----------------|--------------|-----------|-----------------|--------------------------|---------------|-----------|-----------------|----------------|
| CCA Class | OEB | Description | Opening Balance | Additions | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance | Net Book Value |
| 0 | 1610 | Miscellaneous Intangible Plant | \$ 1,573,528 | \$ 475,000 | | \$ 2,048,528 | -\$ 1,162,442 | -\$ 308,351 | | -\$ 1,470,793 | \$ 577,735 |
| 12 | 1611 | Computer Software (Formally known as Account 1925) | \$ 16,294,562 | \$ 1,941,000 | | \$ 18,235,562 | -\$ 12,594,051 | -\$ 2,102,786 | | -\$ 14,696,837 | \$ 3,538,725 |
| CEC | 1612 | Land Rights (Formally known as Account 1906) | \$ 778,678 | \$ 20,000 | | \$ 798,678 | -\$ 383,479 | -\$ 11,020 | | -\$ 394,499 | \$ 404,179 |
| N/A | 1805 | Land | \$ 651,559 | | | \$ 651,559 | \$ - | | | \$ - | \$ 651,559 |
| 47 | 1808 | Buildings | \$ 671,993 | | | \$ 671,993 | -\$ 514,502 | -\$ 5,566 | | -\$ 520,068 | \$ 151,925 |
| 13 | 1810 | Leasehold Improvements | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 47 | 1815 | Transformer Station Equipment >50 kV | \$ 216,815 | | | \$ 216,815 | -\$ 61,037 | -\$ 4,821 | | -\$ 65,858 | \$ 150,957 |
| 47 | 1820 | Distribution Station Equipment <50 kV | \$ 38,319,506 | \$ 4,933,013 | | \$ 43,252,519 | -\$ 18,064,619 | -\$ 826,925 | | -\$ 18,891,544 | \$ 24,360,975 |
| 47 | 1825 | Storage Battery Equipment | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 47 | 1830 | Poles, Towers & Fixtures | \$ 48,405,963 | \$ 6,707,376 | | \$ 55,113,339 | -\$ 20,560,829 | -\$ 904,251 | | -\$ 21,465,080 | \$ 33,648,259 |
| 47 | 1835 | Overhead Conductors & Devices | \$ 66,654,016 | \$ 5,465,992 | | \$ 72,120,008 | -\$ 36,003,533 | -\$ 1,132,807 | | -\$ 37,136,340 | \$ 34,983,668 |
| 47 | 1840 | Underground Conduit | \$ 65,709,760 | \$ 4,752,478 | | \$ 70,462,238 | -\$ 40,336,160 | -\$ 558,541 | | -\$ 40,894,701 | \$ 29,567,537 |
| 47 | 1845 | Underground Conductors & Devices | \$ 38,959,878 | \$ 5,538,419 | | \$ 44,498,297 | -\$ 10,556,333 | -\$ 1,017,866 | | -\$ 11,574,199 | \$ 32,924,098 |
| 47 | 1850 | Line Transformers | \$ 80,014,474 | \$ 5,116,870 | | \$ 85,131,344 | -\$ 43,159,753 | -\$ 1,738,070 | | -\$ 44,897,823 | \$ 40,233,521 |
| 47 | 1855 | Services (Overhead & Underground) | \$ 36,871,894 | \$ 2,592,143 | | \$ 39,464,037 | -\$ 14,462,161 | -\$ 617,572 | | -\$ 15,079,733 | \$ 24,384,304 |
| 47 | 1860 | Meters | \$ 20,201,764 | \$ 485,990 | | \$ 20,687,754 | -\$ 5,670,408 | -\$ 1,045,496 | | -\$ 6,715,904 | \$ 13,971,850 |
| 47 | 1860 | Meters (Stranded Meters) | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 47 | 1860 | Meters (Smart Meters) | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| N/A | 1905 | Land | \$ 1,035,731 | | | \$ 1,035,731 | \$ - | | | \$ - | \$ 1,035,731 |
| 47 | 1908 | Buildings & Fixtures | \$ 21,278,585 | \$ 315,000 | | \$ 21,593,585 | -\$ 6,213,510 | -\$ 1,092,752 | | -\$ 7,306,262 | \$ 14,287,323 |
| 13 | 1910 | Leasehold Improvements | \$ 1,152,891 | | | \$ 1,152,891 | -\$ 1,314,930 | | | -\$ 1,314,930 | -\$ 162,039 |
| 8 | 1915 | Office Furniture & Equipment (10 years) | \$ 4,359,941 | \$ 35,000 | | \$ 4,394,941 | -\$ 3,107,338 | -\$ 207,578 | | -\$ 3,314,916 | \$ 1,080,025 |
| 8 | 1915 | Office Furniture & Equipment (5 years) | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 10 | 1920 | Computer Equipment - Hardware | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 45 | 1920 | Computer Equip.-Hardware(Post Mar. 22/04) | \$ 7,713,772 | \$ 434,000 | | \$ 8,147,772 | -\$ 6,665,627 | -\$ 442,256 | | -\$ 7,107,883 | \$ 1,039,889 |
| 45.1 | 1920 | Computer Equip.-Hardware(Post Mar. 19/07) | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 10 | 1930 | Transportation Equipment | \$ 8,833,093 | \$ 941,000 | | \$ 9,774,093 | -\$ 4,879,912 | -\$ 604,032 | | -\$ 5,483,944 | \$ 4,290,149 |
| 8 | 1935 | Stores Equipment | \$ 417,234 | | | \$ 417,234 | -\$ 409,174 | -\$ 1,151 | | -\$ 410,325 | \$ 6,909 |
| 8 | 1940 | Tools, Shop & Garage Equipment | \$ 2,432,757 | \$ 185,000 | | \$ 2,617,757 | -\$ 2,115,992 | -\$ 56,599 | | -\$ 2,172,591 | \$ 445,166 |
| 8 | 1945 | Measurement & Testing Equipment | \$ 132,512 | | | \$ 132,512 | -\$ 90,381 | -\$ 6,020 | | -\$ 96,401 | \$ 36,111 |
| 8 | 1950 | Power Operated Equipment | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 8 | 1955 | Communications Equipment | \$ 1,068,249 | \$ 239,912 | | \$ 1,308,161 | -\$ 521,102 | -\$ 79,045 | | -\$ 600,147 | \$ 708,014 |
| 8 | 1955 | Communication Equipment (Smart Meters) | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 8 | 1960 | Miscellaneous Equipment | \$ 312,472 | \$ 165,000 | | \$ 477,472 | -\$ 78,654 | -\$ 46,146 | | -\$ 124,800 | \$ 352,672 |
| 47 | 1970 | Load Management Controls Customer Premises | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 47 | 1975 | Load Management Controls Utility Premises | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 47 | 1980 | System Supervisor Equipment | \$ 6,433,036 | \$ 1,142,632 | | \$ 7,575,668 | -\$ 4,023,484 | -\$ 326,167 | | -\$ 4,349,651 | \$ 3,226,017 |
| 47 | 1985 | Miscellaneous Fixed Assets | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |

Year 2014

| CCA Class | OEB | Description | Cost | | | | Accumulated Depreciation | | | | |
|-----------|------|---|-----------------------|----------------------|-------------|-----------------------|--------------------------|-----------------------|-------------|------------------------|-----------------------|
| | | | Opening Balance | Additions | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance | Net Book Value |
| 47 | 1990 | Other Tangible Property | \$ - | | | \$ - | \$ - | | | \$ - | \$ - |
| 47 | 1995 | Contributions & Grants | -\$ 65,540,517 | -\$ 10,705,181 | | -\$ 76,245,698 | \$ 16,056,201 | \$ 1,934,486 | | \$ 17,990,687 | -\$ 58,255,011 |
| 0 | 0 | 0 | | | | \$ - | | | | \$ - | \$ - |
| | | Sub-Total | \$ 404,954,146 | \$ 30,780,644 | \$ - | \$ 435,734,790 | -\$ 216,893,210 | -\$ 11,201,332 | \$ - | -\$ 228,094,542 | \$ 207,640,248 |
| | | Less Socialized Renewable Energy Generation Investments (input as negative) | | | | \$ - | | | | \$ - | \$ - |
| | | Less Other Non Rate-Regulated Utility Assets (input as negative) | | | | \$ - | | | | \$ - | \$ - |
| | | Total PP&E | \$ 404,954,146 | \$ 30,780,644 | \$ - | \$ 435,734,790 | -\$ 216,893,210 | -\$ 11,201,332 | \$ - | -\$ 228,094,542 | \$ 207,640,248 |

-\$ 11,201,332

Less: Fully Allocated Depreciation

Transportation -\$ 604,032

Stores Equipment

Net Depreciation -\$ 10,597,300

| | |
|----|------------------|
| 10 | Transportation |
| 8 | Stores Equipment |

4.3 -VECC-15

Ref: E2/T3/S8/Attachment 2.1

At page 2 of 6 of the Reference Veridian states that changes to the DSC have impacted its forecast of capital contributions.

Request

- (a) Please provide the capital contributions for each year 2010 through 2014.
- (b) Please identify in for each year the adjustment due to DSC changes.
- (c) Please explain the methodology for estimating the 2014 capital contribution amount.

Response:

a) Based on the evidence reference given, Veridian believes this request is concerning capital contributions from residential developments.

The following table summarizes the contributions received (forecast and actual) in dollars related to residential developments for 2010-2013. For 2014, only the forecast amount of contributions is available.

Forecast values are used in Veridian's annual capital budgeting process and are estimated at a high level to reflect general expectations around contributions to be received. The normal practice estimates contributions based on a fixed percentage of the gross project connection costs. This estimate is used as only a guide, and actual capital contributions are calculated per project leading to differences in Forecasted and Actual contributions. There is variation in project timing, project size and scope that leads to variation in absolute levels of contributions from year to year. Veridian does not control these projects and responds to the requirement to connect new customers.

| \$Million | 2010 | 2011 | 2012 | 2013 | 2014(forecast) |
|------------------|-------------|-------------|-------------|-------------|-----------------------|
| Forecast | \$1.245 | \$1.125 | \$1.74 | \$1.74 | \$1.828 |
| Actual | \$1.131 | \$1.234* | \$2.033* | \$1.429 | -- |

*An error in the header information indicating incorrect Net Capital Expenditure values for the project descriptions for 2011 and 2012 New Residential Services was found in preparation of the response to this request. After the correction of the Net Capital Expenditure values was made, the capital contribution levels indicated in the table above for 2011 and 2012 are now correct.

- b) The DSC adjustment will only begin to apply in 2014 and going forward. Referring back to the reference, the adjustment, or the increase to Veridian will be 12%, which is the difference between the 53% that was the average Veridian's contribution amount prior to 2014 to the 65% that is the forecasted average Veridian's contribution amount in 2014. As an example, this would represent approximately an \$365,000 increase in Veridian's contributing amount in 2013.
- c) Please refer to Exhibit 2, Tab 3, Schedule 13, Page 53, Lines 8 – 12.

Veridian forecasts that for 2014, it will install and close to net fixed assets 1,700 subdivision lots, at an average gross cost of \$3,058 per lot, for a total gross expenditure of \$5.198 million. Associated capital contributions for subdivision lots are estimated at \$1.828 million, or an average of \$1,075 per lot. Veridian's forecast of residential connections is based on housing starts and communications with developers in Veridian's service area.

4.3 -VECC-16

Ref: Appendix 2-AA

Request

Please provide the 2013 actual capital spending in the format shown at Appendix 2-AA

Response:

Please see response to 7.1-CCC-27.

4.3 -VECC-17

Ref: E2/T2/S1

Request

Please clarify if the total CIS upgrades approved in the 2010 cost of service application were \$445k or \$645k (inclusive of the Credit Module). Please also clarify the total spending on the CIS system by year end 2011.

Response:

The total CIS upgrades as planned in the 2010 cost of service application were \$445k including the Credit Module.

The total costs on the CIS system by 2011 year end were \$221k.

4.3 -VECC-18

Ref: E2/T2/S1
E2/T3/S13

Request

407 East Extension

- (a) Please provide the 2014 capital budget amounts, if any, for plant relocations, for Phase 2 (Harmony Road to Taunton Road) of the 407 East Expansion. Separately please provide any 2014 capital budget amounts for the amounts related to the East Durham Link.
- (b) Please explain how the 73% capital contribution rate is derived.

Response:

- (a) Veridian is not aware of any impact that Phase 2 of the 407 East Expansion will have to its plant and there are no 2014 budget items in Veridian's capital plan. Similarly, Veridian is not aware of any impact to its plant for work on the East Durham Link and has no 2014 capital budget items related to that work.
- (b) Veridian estimated the capital contribution rate from preliminary engineering estimates of project costs combined with an early estimate of the cost sharing arrangement between the constructor/road authority and Veridian. For locations that required temporary installations to facilitate the construction activities, those costs were fully borne by the constructor/road authority. For all permanent works to be completed, Veridian applied its standard approach to contributions, as cost sharing discussions were not finalized with the MTO and the 407 ECGP consortium at the time of filing this evidence. The explanation of the Veridian contribution policy is found in evidence at Ex 2/T3/S8/Att 2. Since the time of filing, agreements have been made between Veridian and the MTO/407 ECGP and the contribution rate has changed, resulting in a greater amount of capital contributions for this set of projects. Those agreements have confirmed that projects that are driven by the 407 ECGP, which is not a road authority, are not subject to the typical cost sharing arrangements considered in the *Public Services Works on Public Highways Act*. As such, projects under their direction are now expected to be fully contributed. Per the Highway 407 Extension project description found at E2/T3/S13/pg7, the 407 ECGP projects are Scopes 1,4,5,6,7,8,9 and from E2/T3/S13/pg11, Scopes 12 and 13. The revised net costs for the Highway 407 Extension will be included in the update to year end 2013 project completion and also will impact 2014 capital plans as the project schedule has pushed all of the planned 2013 projects into 2014. Similarly, the previously planned projects for 2014 have now been pushed to 2015 due to revisions in the project schedule.

Veridian Connections Inc.
EB-2013-0174
Response to Interrogatories
February 18, 2014

4.3 -VECC-19

Ref: E2/T3/S14

Request

Veridian states that it will replace 250 poles in 2014 at a cost of \$2.042 million. Please provide the business plan for this project. Please explain whether the project is to be completed by internal resources or outsourced. If the latter please provide an update on the outsourced party, when the project is to begin and when it is expected to be completed. Please also provide the number of poles replaced in each year 2009 through 2013.

Response:

Business Plan

Purpose of Project

Veridian began a testing and inspection program on their wood poles starting in 2012, when 1,500 poles were tested, with an additional 1,500 wood poles tested in 2013. Results of these testing programs are available to Veridian currently and form the basis for the replacement program in 2014. Specific poles have been highlighted for replacement and, as well, for further inspection by Veridian staff.

Phases of the Project in 2014

Analysis of Results & Engineering Design- Start November 2013 Finish August 2014

Engineering and analysis was begun in 2013 based on the results from the first group of 1,500 poles that were tested in 2012. Results from the testing completed in late 2013 will be included in the design work also. Engineering plans for the pole replacements will be completed by a combination of Veridian engineering staff and external engineering resources. Additional testing results from the pole testing program being completed in 2014 will be added to the Engineering design efforts as they become available. Veridian will structure the testing program to deliver results in batches and not wait for complete results on all 8,350 poles to be delivered. Design work is expected to be complete in August for the poles to be replaced in 2014. This work will continue on past August for poles to be replaced in 2015.

Testing & Inspection RFP- Start- March 2014 Finish March 2014

An RFP will be issued in early March 2014 for the testing and inspection work to be completed in 2014. Veridian plans to test approximately 8350 poles in 2014, with similar

numbers planned for 2015 and 2016. Some further inspection of poles already tested in 2012 and 2013 will be completed by Veridian staff during this period as well.

Testing and Inspection- Start April 2014 Finish June 2014

The plan is to begin testing and inspection of these poles in April 2014, completing approximately 4,000 poles per month. Testing and inspection of 8,350 poles should be completed in the middle of June 2014 . This work will be completed by Contractors.

Construction- Start March 2014 Finish December 2014

The construction work of replacing the poles is planned to be completed by Veridian staff, however, should there a resource constraint with Veridian staff, Veridian may contract out this work partially or completely. Should contracting be required, an RFP will be issued in late July. Pace of construction will require approximately 85 poles per month to be replaced to complete the goal of replacing 250 poles in 2014.

Pole Replacements 2009 to 2013

The table below shows the number of poles reactive replaced, in all voltage classes, across all Veridian service areas, from 2009 to 2013.

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---------------------------|------|------|------|------|------|
| Total # of Poles Replaced | 157 | 75 | 52 | 81 | 39 |

4.3 -VECC-20

Ref: E2/T3/S13, pgs. 39-70

Request

Please provide the actual or forecast capital contributions for the following projects:

- (a) Dundas Street Coleman to BayBridge
- (b) Front Street
- (c) Airport Parkway West

Response:

Veridian is still in the process of determining the design requirements for all projects listed in the request. As such, all contribution values are forecasted and not actual values.

- a) Per the filed evidence found at E2/T3/S13/pg 38- Dundas Street Coleman to BayBridge- \$1.801M in forecast contributions
- b) Per the filed evidence found at E2/T3/S13/pg 41- Front Street (Dundas Street to Pinnacle Street)- \$1.700M in forecast contributions
- c) Contributions for the Airport Parkway West had not been included in the filed evidence. They are forecast to be \$0.307M in contributions.

4.3 -VECC-21

Ref: E2/T3/S13/pg.60

Request

Please explain why no capital contribution is forecast for the Port Hope-Relocation project.

Response:

This project is fully contributed by the customer. Please see response to 4.3 SEC-19.

4.3 -VECC-22

Ref: E2/T3/S13/pg.53

Request

Please provide a breakdown of the \$3058 average cost of per lot. Please indicate if this amount includes meter installation.

Response:

Veridian, for budgetary purposes, has approximated the average cost per lot at \$3058 as an annual calculation of the gross capital costs divided by the total number of lots in service.

For a typical subdivision, the average cost per lot can be broken down into five main components.

- a) The underground high voltage cable component accounts for 35% (\$1070).
- b) The duct bank component accounts for 20% (\$612).
- c) The distribution pad mount transformer component accounts for 25% (\$764).
- d) The low voltage cable (services) component accounts for 15% (\$459).
- e) The remaining 5% (\$153) of the average is needed for the engineering design, drawing, approvals, project management and administration.

Note that the amounts expressed above are only an approximation for the typical subdivision. Actual cost per lot can vary significantly as there are numerous factors affecting the costs of any subdivision such as its size (number of lots), its location within Veridian's service territory, the installation season (frost charges will apply in winter) and civil contractor's pricing. The installation of the meter is not included in the average cost per lot.

4.3 -VECC-23

Ref: E2/T3/S13, pg. 67-69

Request

Please provide the Seaton Development project business case analysis.

Response:

The business case for this project has not yet been completed. Please refer to Exhibit 2 Tab 3 Schedule 1, Pages 4 - 5. Lines 21 – 8 respectively on each page.

4.3 -VECC-24

Ref: E2/T3/S14, pgs.6-8

Request

Were all the amounts, including tree trimming, of the \$799,117 in costs related to the Gravenhurst storm recovery operations capitalized in 2013?

Response:

Some costs related to the Gravenhurst storm were operational in nature, such as system control centre operations, call centre operations and general supervisions. These costs totalled \$73,227 and were not capitalized and not included in the forecast of \$799,117.

The 2013 actual capital costs related to the Gravenhurst storm were \$1,120,180 and all of the amounts, including any costs for line clearing required for pole and line replacements and rebuilding were capitalized.

4.3 -VECC-25

Ref: E2/T4/S2/pgs.1-4

Request

Please provide a breakdown of the service reliability performance metrics into the different category of reasons for the outage (excluding supply loss Code 2 outages). The table below provides an example format.

| Description | 2010 Totals | 2011 Totals | 2012 Totals | 2013 Totals |
|------------------------------|----------------|----------------|----------------|----------------|
| Scheduled | | | | |
| Supply Loss | | | | |
| Tree Contact | | | | |
| Lightning | | | | |
| Def. Equip.(other than pole) | | | | |
| Pole Failure | | | | |
| Weather | | | | |
| Animals, Vehicle | | | | |
| Unknown | | | | |
| Total | | | | |

Response:

Breakdown of service reliability performance metrics SAIFI and SAIDI into the different category of reasons for the outage (excluding supply loss Code 2 outages).

| SAIFI (An indicator of the average number of sustained interruptions each customer experiences.) | 2010 Totals | 2011 Totals | 2012 Totals | 2013 Totals |
|---|----------------|----------------|----------------|----------------|
| Scheduled | 0.06 | 0.05 | 0.06 | 0.03 |
| Supply Loss | 0.44 | 0.38 | 0.55 | 0.87 |
| Tree Contact | 0.16 | 0.28 | 0.30 | 0.37 |
| Lightning | 0.04 | 0.40 | 0.04 | 0.00 |
| Def. Equip.(other than pole) | 0.41 | 0.48 | 0.56 | 0.64 |
| Pole Failure | 0.0 | 0.0 | 0.01 | 0.03 |
| Weather | 0.09 | 0.20 | 0.49 | 1.04 |
| Animals, Vehicle | 0.14 | 0.17 | 0.21 | 0.20 |
| Unknown | 0.16 | 0.40 | 0.40 | 0.4 |
| Total (Excluding loss of supply) | 1.06 | 1.98 | 2.07 | 2.71 |

Veridian Connections Inc.
EB-2013-0174
Response to Interrogatories
February 18, 2014

| SAIDI (an indicator of system reliability that expresses the length of interruptions that customers experience in a year on average.) | 2010 Totals | 2011 Totals | 2012 Totals | 2013 Totals |
|--|----------------|----------------|----------------|----------------|
| Scheduled | 0.15 | 0.02 | 0.07 | 0.04 |
| Supply Loss | 0.15 | 0.48 | 0.70 | 2.76 |
| Tree Contact | 0.15 | 0.34 | 0.36 | 1.68 |
| Lightning | 0.04 | 0.17 | 0.02 | 0.0 |
| Def. Equip.(other than pole) | 0.27 | 0.29 | 0.31 | 0.48 |
| Pole Failure | 0.0 | 0.0 | 0.02 | 0.04 |
| Weather | 0.04 | 0.77 | 0.19 | 15.79 |
| Animals, Vehicle | 0.10 | 0.08 | 0.07 | 0.11 |
| Unknown | 0.02 | 0.07 | 0.14 | 0.04 |
| Total (Excluding loss of supply) | 0.77 | 1.74 | 1.18 | 18.18 |

Public Policy Responsiveness

Issue 5.1

Do the applicant's proposals meet the obligations mandated by government in areas such as renewable energy and smart meters and any other government mandated obligations?

5.1-CCC-22

Ref: E4/T1/S2/pg.1

Request

The evidence indicates that Veridian has added responsibilities and opportunities to service its customers and to be responsive to public policy initiatives. For each year 2010-2014 please estimate the cost impacts resulting from complying with, or responding to, initiatives from the Province and the OEB. Please list each initiative separately.

Response:

For a list of obligations mandated by the government, please refer to Veridian's response to 5.1-EP.19.

Veridian does not track costs at a level where it would be able to provide estimates for initiatives mandated by the Province or OEB.

5.1-CCC-23

Ref: E4/T1/S2/pg.1

Request

Please indicate to what extent Veridian has involved in projects related to electric vehicles. To the extent Veridian has such projects please provide the costs (capital and OM&A) included in the 2014 revenue requirement. Please provide any business cases undertaken.

Response:

Veridian has been involved in three electric vehicle projects to-date. No business cases were prepared for these investments.

1. Better Place EV Pilot: This project pilot tested Better Place smart EV charging infrastructure in a collaboration with Powerstream. The pilot included the installation of two Level 2 chargers at Veridian offices in Ajax and Bowmanville and the use of a Nissan Leaf to generate an EV load for the chargers. A Veridian owned Chevrolet Volt was also utilized in the pilot. The purpose of the pilot was to generate data to be utilized in understanding the effects of EVs on the Veridian distribution system and to share learning with collaboration partners. The project was completed in 2011 at a total capital cost of \$22,400. There is no on-going O&M costs associated with the project.
2. Durham Strategic Energy Alliance (DSEA) EV Pilot: This project pilot tested Siemens smart EV charging infrastructure in collaboration with DSEA partners, including Whitby Hydro and Oshawa PUC Networks. The pilot included the installation of two Level 2 chargers at Veridian offices in Ajax and Brock. A Veridian owned Chevrolet Volt and a plug-in hybrid bucket truck were used as EV loads for the chargers. The purpose of the pilot was to generate data to be utilized in understanding the effects of EVs on the Veridian distribution system and to share learning with collaboration partners. The project was completed in 2011 at a total capital cost of \$14,000. There is no on-going O&M costs associated with the project.
3. Veridian is a member of the Plug'n Drive organization. Plug'n Drive is a non-profit organization committed to accelerating the adoption of electric cars to maximize their environmental and economic benefits. To help drivers make the switch, Plug'n Drive is focused on three key programs: education, home charging infrastructure and public charging infrastructure. The O&M costs associated with the membership is \$5,000 per year. There is no capital cost associated with this project.

5.1-CCC-24

Ref: E4/T1/S2/pp.8-9

Request

Please explain why there was a reduction in metering costs in 2010 of \$244,287. The evidence states that there are increasing cost pressures resulting from growing volumes of trouble report investigations related to smart metering. Please explain why there is an increase in trouble reports due to smart meters. What is the estimated annual cost in 2014 of addressing these concerns?

Response:

Reduction in metering costs: At Exhibit 4, Tab 1, Schedule 2, page 9, Veridian states; 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' resulting in a reduction in metering costs of \$244,287. Labour had been allocated to complete some of these programs, but continuing efforts in the mandated smart meter program throughout 2010 saw those labour costs reflected in capital.

Further reference to this is found in Exhibit 4, Tab 2, Schedule 1, Page 2; 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.

The increase in trouble calls for Smart Meters is discussed in Exhibit 4, Tab 2, Schedule 2, Page 24. Veridian states;

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.

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.

The estimated annual cost in 2014 to address the increase in trouble calls is \$98.2k.

5.1-EP-19

Ref: Current Application

Request

- (a) Please provide a list of the obligations mandated by government in 2010 through to the current time.
- (b) For each of the obligations noted in (a) above, please explain how the distributor has met those obligations.

Response:

(a) & (b)

Ontario Clean Energy Benefit Act, 2010 (“OCEBA”)

In January 2010, Regulation 365/11 directed LDCs to apply the Ontario Clean Energy Benefit (“OCEB”) on bills for eligible customers. Veridian implemented CIS modifications for the calculation and added it to the bill print. A letter from Minister Brad Duguid, dated December 22, 2010, directed LDCs to provide specific, standardized information as a line item on the bill, to include an insert with the first bill and to provide conservation messaging on invoices to eligible consumers to receive financial assistance under the OCEBA.

OCEB Reporting

A letter from Energy Minister Brad Duguid, dated July 29 2011, required every licensed distributor to report data to support financial assistance provided under the OCEBA, beginning November 2011.

As part of its implementation of the OCEB, the government of Ontario required that all licensed distributors report the information on a monthly basis. Veridian designed the queries to provide the required OCEB statistics and has complied with the reporting requirements.

OCEB Cap (including medical exemptions from cap)

Ontario Regulation 197/12 made under Regulation 495/10 amended the calculation to provide the full OCEB benefit for the first 3000 kWh’s per month on a customer’s bill, unless they are exempt from cap for medical reasons. Veridian implemented CIS modifications for the calculation of the new OCEB cap in September 2012.

TOU Billing

Veridian began charging customers TOU rates in March 2010.

Harmonized Sales Tax (“HST”)

Through the Ontario 2009 Budget and HST Information Notice #3 the Provincial government proposed a new HST which would come into effect on July 1, 2010. Veridian implemented the HST format and made the necessary changes to the bill print.

Class ‘A’ Global Adjustment (“GA”) Methodology

In January 2011, Regulation 429/04 directed LDCs to adopt a new method of determining the Global Adjustment charge for Class ‘A’ (Large Use) customers and to provide those customers with the option to participate. Veridian has adopted the new process to calculate and apply the GA to the identified Class ‘A’ customers.

Bill Print – Register Reads

In Regulation 405/12 Measurement Canada required that the actual meter register reads be provided on a customer’s bill as they appear on the meter. In June 2012 Veridian completed modifications to reflect the register reads on the bill.

To support Regulation 405/12 the MDM/R made changes to allow LDC’s to comply with Measurement Canada requirements. Veridian performed testing with the MDM/R to confirm accurate registered reads were received from the MDM/R and appeared on customers’ bills.

Bill Print – Loss Factor for Low Volume

Ontario Regulation 405/12 directed LDCs to make changes to the presentation of costs associated with losses on invoices for Low-volume Electricity Consumers. In July 2013 Veridian implemented CIS and bill print modifications to separate line losses from the electricity charge for SSS accounts as per Measurement Canada requirements.

Green Energy and Green Economy Act

Veridian is required under the Green Energy and Green Economy Act to connect, where feasible, renewable energy generators to its electric distribution system. Veridian has complied with this Act by using internal resources to perform connection impact assessments, complete necessary connection related agreements and physically connect renewable generators to its electric distribution system.

The Green Energy Act directed LDCs to provide the means to reimburse customers for generation. Veridian created account setups, applied approved rates, and created a method to process refunds to customers.

Bill 8, Ontario Underground Infrastructure Notification System Act, 2012

Veridian joined Ontario One Call in June, 2012 in order to comply with Bill 8, Ontario Underground Infrastructure Notification System Act, 2012. Veridian has complied with this regulation by joining and utilizing the services of Ontario One Call.

Canadian Environmental Protection Act – PCBs

The *PCB Regulations* (SOR/2008-273) made under the *Canadian Environmental Protection Act* and in force as of September 2008, mandated that equipment containing polychlorinated biphenyls (“PCBs”) in concentrations at or above 500ppm must be removed from service by December 31, 2009, and that all transformers containing PCBs in concentrations at or above 50ppm must be removed from service by December 31, 2025.

To date Veridian has removed all equipment with PCB concentrations greater than 500ppm and is working towards removing padmounted transformers identified as having concentrations greater than 50ppm. The final batch of testing polemounted transformers is to occur in 2014, and Veridian is currently on-track to having these removed by the December 31, 2025 deadline.

Municipal Road Relocations

Almost all of Veridian’s distribution plant is located within road allowances. Provincial, Regional, and Municipal road authorities may, at their discretion, initiate projects to construct, re-construct, change, alter, improve or relocate its roads as necessary based on their planning needs. Other related projects that may be typically associated with any road works are, but not limited to, the installation of sidewalks, water supply, sanitary and storm sewer infrastructure type renewals or replacements. Road authorities when necessary may require that Veridian relocate and/or rebuild its distribution system assets to accommodate such projects.

Planning for these projects takes place over several years and plans for particular projects become more firm as time progresses. Veridian annually reviews its five-year road authority projects to determine where work might or will be required, and as plans become confirmed, incorporates that information into its near term capital expenditure plan.

Conservation and Demand Management (“CDM”)

On March 31, 2010 the Minister of Energy and Infrastructure issued a directive to the Ontario Energy Board with regards to electricity conservation and demand management targets to be met by licensed electricity distributors from 2011 to 2014. The OEB assigned Veridian an initial target of 29MW and 117 GWh, which was later revised to 29.05 MW and 115.74 GWh.

At the end of 2012 Veridian has achieved verified CDM savings of 61.7 GWh and 4.1 MW (peak demand savings persisting in 2014) and continues to work towards meeting its 2014 target.

Health & Safety

Obligations mandated by Occupational Health and Safety Act (“OHSA”), the Workplace Safety and Insurance Act (“WSIA”), the Environmental Protection Act (“EPA”), and the Accessibility for Ontarians with Disabilities Act (“AODA”). Veridian has met all obligations under these Acts.

5.1-Staff-21

Ref: E2-T3-S9 p.1

Veridian indicates that it is important to note that there are system constraints, located at Hydro One owned transformer stations, to the connection of REG projects within Veridian's service territory.

Request

- (a) Please identify which Hydro One owned Transformer Stations have constraints that would limit connections of REG projects onto the Veridian owned distribution Feeders.
- (b) For each of the Hydro One owned Stations listed under a), please provide the nature of that constraint e.g., short circuit withstand capability, maximum capacity capability (this may require Veridian to obtain the information from Hydro One Inc.).

Response:

- (a) Hydro One owned Cherrywood TS has capacity constraints. Veridian owned 44kV M1, M2, M3, M4, M5, M6, M7 and M8 feeders are emanating from Cherrywood TS supplying power to the customers in Pickering and Ajax service area.
- (b) Cherrywood TS is under transmission constraints due to short circuit capacity limitation of the feeder circuit breakers.

5.1-Staff-22

Ref: (i) E2-T2-S5 pp. 2-3
(ii) Report of the Board- Framework for Determining the Direct Benefits
Accruing to Consumers of a Distributor under Ontario Regulation 330/09 – June
10, 2010 (EB-2009-0349)/Section 1.1/p. 3/1st bullet

Veridian, per reference (i), is proposing to hire a consultant with communication system expertise during 2014 to perform a study of Veridian's service territories and recommend a communication platform that will meet smart grid requirements and enable renewable generation connections. Veridian indicates that:

- the project would span a 4-year period during 2015 to 2018;
- the overall radio frequency based system is estimated to cost approximately \$911,000
- the on-going O&M costs associated with the fibre-based backhaul is estimated to cost \$135,000 per year.
- Veridian is proposing to split the cost on a 50/50 basis for the purpose of applying for provincial rate protection on this renewable generator connection enabling project.

The Board noted, in reference (ii) that O. Reg. 330/09 and section 79.1 (5) of the Act focuses solely on initial investment, and that ongoing OM&A costs that are incurred by the distributor after the investment has been made will not be eligible for provincial recovery.

Request

- (a) Please reference the Ontario Act, Regulation, Board Report, or Board Code that Veridian is relying on to support its claim that the proposed project qualifies for the provincial benefit.
- (b) Please explain how Veridian estimated the "overall cost of the RF based system" to be \$911,000 with O&M costs of \$135,000 per year, prior to hiring a consultant whose recommendations may lead to specifications requiring a different communication platform and therefore cost.
- (c) Under the assumption that approval of the project is secured, please provide an estimate of the expected annual savings to Veridian covering all items such as labour, rolling stocks.
- (d) What is the estimated cost of hiring the consultant?
- (e) Please provide the rationale for the 50%-50% weighting to establish the amount to which the provincial benefit and direct benefit ratios will be applied.

- (f) Did Veridian consider the following method to establish the amount to which the provincial benefit and direct benefit ratios would be applied? If not, why not? Please describe any other methods considered.
- i. Tally the total number of FIT and Microfit projects and the total corresponding capacities in MW for each of the two categories that are in-service at the present time, as well as the expected in service numbers and capacities in MW for the two noted categories by 2018. Take into account the most recent directives to the OPA from the Government regarding maximum allowable amounts for large Fit projects above 500 kW, and the Request for Proposal approach now being used.
 - ii. Calculate a split based on the total forecast capacity of FIT and MicroFit generators in 2018, as calculated in i) above, divided by the forecast of the total normal capacity of Veridian distribution feeders forecasted for 2018.

Response:

- (a) Veridian believes the proposed project qualifies for the provincial benefit calculation under the DSC, Section 3.3.2, i) “communication systems to facilitate the connection of renewable energy generation facilities.”
- (b) Veridian estimated the capital and O&M costs associated with the communication platform based on making an assumption that the consultant’s report will suggest a RF based communication system in each Veridian community and a leased fibre backhaul system to tie the communities with the Veridian system control centre. Budgetary cost estimates from qualified vendors were sought for the purpose of providing a cost estimate in the evidence.
- (c) Annual savings as a result of the implementation of the communication platform have not been calculated. The purpose of the platform is to provide a reliable, robust, low latency communication platform for communication with smart grid devices deployed on the distribution system and renewable generators connected to the distribution system. Any O&M savings as a result of the implementation of the communication platform would be returned to customers through distribution rates.
- (d) The estimated cost to hire the communications consultant is \$30,000.
- (e) The 50/50 cost sharing rationale was selected as Veridian believes the communication platform can be justified equally on the basis of being able to communicate with smart grid devices deployed on the distribution system and renewable generators connected to the distribution system.
- (f) Veridian did not consider the method outlined in OEB Staff question 22 for determining the amount to which the provincial benefit and direct benefit ratios applied. Veridian believes the 50/50 cost sharing outlined as above to be a fair and equitable determination of proportioning the value of the communication platform.

5.1-Staff-23

Ref: E2-T2-S5 pp. 3-4

Veridian is proposing to conduct a micro-grid project at its head-office location involving interconnection of a renewable generator with traditional distribution grid, an energy storage device, and a load consisting of electric vehicle charging infrastructure.

Basic criteria for a micro-grid pilot project is that it can: (1) operate connected to the Grid; (2) operate isolated off grid and (3) can selectively switch between (1) and (2) without power quality issues. In addition, it needs to have multiple fuel sources including renewable generation when isolated.

Request

- (a) Please provide a description of the proposed project, outlining the basic design of the proposed project including:
 - o the size and types of the loads within the building;
 - the size of the other generation sources within the building;
 - the size and type of the storage system; and
 - the size and type of the electric vehicle charging infrastructure.
- (b) Please describe how the proposed design would meet the noted criteria.
- (c) Please indicate whether or not Veridian had, is, or is planning to assess the vulnerabilities of its present system in areas including, but not limited to voltage regulation, system stability on feeders and substations as a result of penetration of renewable generation and charging battery loads for electric vehicles, and further how any learning from the proposed project would address those identified issues.
- (d) Did Veridian conduct or commission an assessment of the present penetration of battery charging systems presently connected to its system as well as a forecast of same over the next 5 years?

Response:

- (a) The proposed micro-grid project is conceptual in nature at this time. The concept includes a 2-position electric vehicle (EV) charging station containing a small (less than 10 KW) solar PV array on the roof of the charging station. The power supply for the EV charging infrastructure would be provided from a battery-storage system, allowing a direct-current (DC) charging option. The roof-mounted solar PV array would provide the primary supply of energy to the battery storage system and the grid-supply of electricity the secondary supply of energy to the battery storage system. An overall micro-grid energy management system is envisioned for the project to ensure the proper and safe operation of the micro-grid at all times and

provide data to Veridian for analysis. The micro-grid system would be integrated to Veridian's existing SCADA system for monitoring purposes. Seamless switching between off-grid and on-grid supplies, along with the ability to provide excess generation to the grid is envisioned. Excess energy provided to the grid will be produced from the renewable generating system as well as the EV through a vehicle-to-grid interconnection. The final sizing and types of equipment to be utilized in the pilot have not been determined at this time.

- (b) The management system described above would switch the storage battery charging between off-grid and grid supply depending on the availability of the renewable generation system and the charge level in the storage battery. Power quality would be continuously monitored and analyzed through Veridian's system control centre.
- (c) To-date, Veridian has conducted two EV charging infrastructure pilots; one with the former Better Place organization and one with utility and other partners in the Durham Strategic Energy Alliance (DSEA). These pilots were conducted to better understand the effects of EV charging infrastructure on Veridian's distribution system. Veridian installs meters capable of providing power quality information on all renewable energy systems (solar PV to-date) of a capacity of 250 KW or greater. The power quality information is being analyzed by Veridian to determine the effects of inverter based generation on its electric distribution system. The proposed project provides an opportunity to tie together both the load and generation components, along with a tie to grid supplied electricity and vehicle-to-grid supply in a micro-grid environment to better understand and assess the effect on Veridian's distribution system.
- (d) Veridian did not conduct or commission an assessment of the current penetration of battery charging systems on its electric distribution system, now or in the next 5 years. Veridian is not aware of any of these types of systems on its electric distribution system.

5.1-Staff-24

- Ref:
- (i) E-2/T-2/S-5/pp. 3-4
 - (ii) Report of the Board- Framework for Determining the Direct Benefits Accruing to Consumers of a Distributor under Ontario Regulation 330/09 June 10, 2010 (EB-2009-0349)/Section 1.1/p. 3/2nd bullet
 - (iii) The Board's Distribution System Code ("DSC"), June 13, 2013/Section 3.3.2, pp. 52-53
 - (iv) Report of the Board "Supplemental Report on Smart Grid", February 11, 2013"/p. 15
 - (v) Article on PowerStream Micro-Grid

Veridian per reference (i) is proposing to conduct a micro-grid project at its head-office location involving interconnection of a renewable generator with traditional distribution grid, an energy storage device, and a load consisting of electric vehicle charging infrastructure. Veridian forecasts capital expenditures of \$300,000 in 2015 and \$165,000 in 2016 and the ongoing O&M costs of \$50,000 commencing in 2016. Veridian views the \$465,000 in capital expenditures is an eligible investment for Provincial Rate Protection.

Per reference (ii), the Board Report dealing with Regulation 330/09, under Section 1.1, Page 3, second bullet, states:

The Green Energy Act focused on investments related to both the smart grid and the connection of renewable energy generation. However, O. Reg. 330/09 applies to only investments related to the connection of renewable energy generation in relation to being "eligible investments". As a result, unless a certain smart grid related investment has been identified in the DSC as a Renewable Enabling Improvement, such investments are not "eligible investments" for the purpose of the Act and the regulation.

Per reference (iii), the DSC in section 3.3.2 classifies certain initiatives by a distributor as "Renewable Enabling Improvements", and states that:

3.3.2 Renewable enabling improvements to the main distribution system to accommodate the connection of renewable energy generation facilities are limited to the following:

- (a) modifications to, or the addition of, electrical protection equipment;*
- (b) modifications to, or the addition of, voltage regulating transformer controls or station controls;*
- (c) the provision of protection against islanding (transfer trip or equivalent);*
- (d) bidirectional reclosers;*
- (e) tap-changer controls or relays;*
- (f) replacing breaker protection relays;*
- (g) Supervisory Control and Data Acquisition system design, construction and connection;*
- (h) any other modifications or additions to allow for and accommodate 2-way electrical flows or reverse flows; and*

(i) communication systems to facilitate the connection of renewable energy generation facilities.

Per reference (iv) the Board's Report on the Smart Grid at page 15 states:

Following Board approval, some distributors have already undertaken pilot and demonstration projects related to adaptive infrastructure, including electric vehicle charging, home energy management applications, and electricity storage options. The Board expects that distributors will report on the outcomes and learning from these pilots for the benefit all regulated entities. This expectation is consistent with the Board's policies (e.g., Filing Requirements: Distribution System Plans), which emphasize the need to avoid duplication of efforts in testing out and learning about new technologies.

Reference (v) is an article highlighting the Power Stream Micro-Grid project, and is attached to this interrogatory for convenience.

Request

- (a) Given the direction in reference (ii) regarding what is allowable as qualifying investment for provincial benefits, and reference (iii) where the DSC lists the investments that are classed as "Renewable Enabling Improvements", please provide the basis that Veridian is relying on for its view that the proposed micro-grid project can qualify for the provincial benefit.
- (b) Given the direction of the Board in reference (iv), please indicate how Veridian undertook "to avoid duplication of efforts" with other distributors when considering its proposed pilot project investment. If Veridian took steps to avoid duplication of efforts, please provide a summary of its findings, and if not please indicate what is Veridian's proposed plan to cover this aspect. Please also explain the unique contribution the proposed investment will make to advancing industry knowledge in this technology area.
- (c) In connecting the Renewable Generator, please provide a cost estimate, if any, that would be qualified as Renewable Enabling using the list of allowable items listed in the DSC in section 3.3.2, noted in the third reference.
- (d) Please refer to the attached article titled "PowerStream shows future off-grid solution for energy consumers", by IGEN Technologies, dated December 4, 2013. Given that there is a Micro-Grid project in place at PowerStream, please provide a detailed assessment of the similarities and differences between Veridian's Micro-grid proposal and that of PowerStream's Micro-Grid as well as the additional learning that Veridian believes its Micro-grid project would provide.

**Attachment
to
Interrogatory 5.1-Staff-24**

IGEN Technologies

PowerStream Micro-Grid

Details

Created: 04 December 2013

- <http://blog.powerstream.ca/2013/11/powerstream-shows-future-off-grid-solution-energy-consumers/>

PowerStream shows future off-grid solution for energy consumers

Initial phase of Micro Grid demonstration project now operational at utility's head office

VAUGHAN, ON, November 26, 2013 – PowerStream is providing a glimpse of how energy consumers may be able to go off-grid in the future through a [Micro Grid demonstration project](#) the utility officially unveiled today at the company's head office.

The event, attended by key stakeholders, partners, industry associates and the media, also featured a [video](#) which explained the Micro Grid concept and provided insights on PowerStream's demonstration project.

Micro Grids work in the same way as large-scale electricity delivery systems or a provincial grid but instead of delivering electricity to hundreds of thousands or millions of customers at a time they can be scaled down and customized to meet the needs of communities or even just one customer. Micro Grids rely on a mix of clean and renewable sources of generation and can operate independently or feed electricity back to the provincial grid.

As one of the first utilities of its size in North America to initiate a proof-of-concept trial involving this technology, PowerStream is using its demonstration project to evaluate a Micro Grid's performance while it is connected to, and also disconnected from, the provincial grid.

PowerStream's Micro Grid demonstration project marks the next phase in the company's efforts to support Smart Grid development at the provincial level and leverage innovative 'smart' technologies in Ontario's electricity sector.

The company believes that Micro Grids will be an integral part of Ontario's energy future, not only changing the way electricity is distributed, but also in providing an innovative solution to the challenge of asset renewal in large-scale electricity delivery systems and demonstrating how renewable energy can effectively help to address the growing demand for electricity.

QUOTES

- "Micro Grid technology is an innovative way to offer Ontario consumers choices about how they generate and consume energy," said Tom Chapman, Director, Transmission and Distribution Policy for the [Ministry of Energy](#). "Together with Smart Grid technology, Micro Grid development can help keep Ontario's energy flowing, bringing it to the businesses and consumers who need it, while providing new jobs and opportunities to create a sustainable future for energy in Ontario."
-

- "We believe that Micro Grid technology will help provide our customers with additional safe, sustainable and reliable choices for meeting their energy needs in the future." said Frank Scarpitti, PowerStream Board Chair and Mayor of the City of Markham. "This is why PowerStream is on the forefront of testing the use of this technology."

BACKGROUND

- PowerStream is implementing its Micro Grid in two phases, In phase one, which is currently in place, the company is drawing electricity from several sources – a solar array, a wind turbine, natural-gas generator, solar-assisted carport charging station as well as Lead Acid, Lithium Ion and Sodium Nickel Chloride batteries – in order to provide electricity for loads at its head office building such as lighting, air conditioning and refrigeration as well as to provide charging its fleet of electric vehicles.
- Other corporate partners involved in PowerStream's Micro Grid demonstration project include Enbridge, Enviro-Energy Technologies, General Electric, Navigant, Rosewater Energy, renewz sustainable solutions and SMA.

ABOUT POWERSTREAM

PowerStream is a community-owned energy company that provides power and related services to more than 360,000 customers residing or owning a business in communities located immediately north of Toronto and in Central Ontario. It is jointly owned by the Cities of Barrie, Markham and Vaughan.

Response:

- (a) Veridian believes the proposed micro-grid project qualifies for provincial benefit under the DSC, Section 3.3.2, a), c), g), h) and i).
- (b) Veridian was not aware of any other micro-grid demonstration projects being conducted at the time of rate filing. Veridian participates in a number of smart grid groups and panels where smart grid demonstration projects are discussed. Following a review of the Powerstream micro-grid project announcement material dated November 26, 2013, Veridian believes the uniqueness of its micro-grid project is with the vehicle-to-grid (V2G) component and the integration of micro-grid monitoring with its SCADA system in the system control centre.
- (c) Veridian believes its micro-grid project provides learning and information associated with enabling renewable generation connections as per the DSC, Section 3.3.2, a), c), g), h) and i) and therefore believes the entire cost of the project is eligible for the provincial benefit calculation.
- (d) Veridian has reviewed Powerstream's micro-grid project description in as much detail as is publicly available. The Powerstream micro-grid project is similar to the project contemplated by Veridian except with regards to the V2G component and the integration of SCADA monitoring. Veridian believes the additional learning to be in the form of understanding and proving the effects of V2G connections on a micro-grid and regular grid and the learning associated with integrating the monitoring of a micro-grid into a traditional SCADA system.

5.1-Staff-25

Ref: (i) E9-T2-S1 p.1 Table 1& p.3 Table 2
(ii) E9-T1-S1 pp. 10-12
(iii) E2-T3-S8 Attachment 4 “Reliability in South Ajax –Overview of Projects”
(iv) Filing Requirements: Distribution System Plans – Filing Under Deemed Conditions of Licence, March 25, 2010, Revised May 17, 2012 (EB-2009-0397)

At reference (i) Veridian proposes the disposition of the following amounts in Account 1535 – Smart Grid OM&A Deferral:

- Veridian Main \$245,388
- Veridian Gravenhurst \$13,460

At reference (ii) under the section titled “1535 Smart Grid OM&A Deferral Account”, there are two subsections:

- Smart Grid Studies and Planning Exercises - describing six items listed below: - Veridian Distribution System Review;
 - S&C Intelliteam Review;
 - Utilidata AdaptiVolt;
 - Better Place / Durham Strategic Energy Alliance Electric Vehicle Charging;
 - Tollgrade LightHouse Sensor Management System;
 - Siemens Durham Region Smart Grid Project.
- Smart Grid Education and Training – lists a number of smart grid education and training sessions were attended during the period from 2010 to 2012:
 - Schweitzer Electronic Relay Protection and Coordination Training
 - Attended Distributech Conference
 - Attended Schneider Electric LINK SCADA Conference
 - Attended Canada – Brazil Smart Grid Match-Making Mission Conference organized by Ryerson University and the International Science and Technology Partnerships Canada
 - Participate in the E8 Smart Grid Forum led by Toronto Hydro involving the 8 largest Ontario utilities
 - Participate in various smart grid related sessions sponsored by the IESO, OEB and EDA.

At reference (iii), Veridian describes the long standing reliability degradation in South Ajax and approaches to improve it.

At reference (iv) the Board outlined the criteria for Smart Grid development activities, Smart Grid Demonstration Projects, Smart Grid Planning Exercises, and Smart Grid Education Training:

- Page 20, Re Smart Grid development activities: the Board emphasized that Distributors should avoid duplication of similar work others have undertaken

- including those in the United States, and that research and development activities related to smart grid development were not expected;
- Pages 21-22, Re Smart Grid Demonstration Projects, six bullets prescribe the information required as evidence for each such project.
 - At page 22, Re Smart Grid Studies and Planning Exercises, three bullets describe the information requirements for each study or exercise; and
 - At page 22, Re Smart Grid Education and Training, two bullets specify the information requirement to be filed by the applicant.

Request

- (a) Using the information in references (i) and (ii), please create a table showing:
- in the first column, listing of the six “Smart Grid Studies and Planning Exercises”, and the six “Smart Grid Education and Training”; and
 - in the second column against each of the twelve items identified in the above bullet, the allocated amounts of the proposed disposition in the Test Year of \$245,388 and \$13,360 re the Smart Grid OM&A Deferral Account.

Please also show that the summation of the individual allocations would sum up to the total of \$258,848 (\$245,388+\$13,360).

- (b) Using the information in reference (ii) re: the six initiatives (demonstration projects and planning exercises) and the prescriptive requirements outlined in the fourth reference, please provide: -
- for each of the six Smart Grid initiatives, please classify either as a “Smart Grid Demonstration Project” or a “Smart Grid Study and Planning Exercise”;
 - After classifying the six Smart Grid initiatives as outlined in the bullet above, please provide for each, the detailed information according to the classification, as prescribed in the fourth reference (and also summarized in the preamble above).
- (c) Please provide for each of the six items listed in reference (ii) under “Smart Grid Education and Training”, the prescriptive information as shown in the fourth reference (see page 22, two bullets under the section titled “3. Smart Grid Education and Training”).
- (d) Given that reference (ii) deals with a long standing issue with Reliability in South Ajax, please comment on the view that the Smart Grid Project titled “S&C Intelliteam” (see page 11), should be classed as sustainment capital (now Renewal Capital).
- (e) Given the Board’s previous direction, see reference iv p. 20, that research and development activities related to smart grid development were not expected,

please comment on how the approval of the following projects would be consistent with the Board's policy at the time that the costs were incurred:

- Utilidata AdaptiVolt;
- Better Place / Durham Strategic Energy Alliance Electric Vehicle Charging;
- Tollgrade LightHouse Sensor Management System;
- Siemens Durham Region Smart Grid Project.

Response:

- (a) Veridian utilized a single tracking number for the Smart Grid Study and Planning Exercises and for the Smart Grid Education and Training as described below and therefore is unable to provide an exact breakdown for each individual project. An estimate of the percentage split between projects is provided below for reference.

| | Smart Grid Study and Planning Exercises | Percentage Allocation Estimate | \$ Allocation Estimate |
|---|---|---------------------------------------|-------------------------------|
| 1 | Veridian Distribution System Review | 25% | \$64,712 |
| 2 | S & C Intelliteam Review | 15% | \$38,827 |
| 3 | Utilidata Adapti volt | 10% | \$25,885 |
| 4 | Better Place/Durham Strategic Energy Alliance Electric Vehicle Charging | 15% | \$38,827 |
| 5 | Tollgrade Lighthouse Sensor Management system | 10% | \$25,885 |
| 6 | Siemens Durham Region Smart Grid Project | 15% | \$38,827 |
| | Smart grid Education & Training | | |
| 1 | Schweitzer Electronic Relay Protection and Coordination Training | 10% | |
| 2 | Distributech Conference | | |
| 3 | Schneider Electric SCADA conference | | |
| 4 | Brazil Smart Grid Match-Making Conference organized by Ryerson University and the International Science and Technology Partnership Canada | | \$25,885 |
| 5 | E8 Smart Grid Forum led by Toronto Hydro involving 8 large utilities and Hydro One | | |
| 6 | Participated various smart grid related sessions sponsored by the IESO, OEB and EDA. | | |

| | | | |
|--|--------------|-------------|------------------|
| | Total | 100% | \$258,848 |
|--|--------------|-------------|------------------|

(b)

| | Smart Grid Initiative | Description | Smart Grid Demonstration Project / Smart Grid Study and Planning Exercises |
|---|-------------------------------------|---|---|
| 1 | Veridian Distribution System Review | This project involved a detailed review of Veridian's distribution system and determining areas of the system where maximum benefit could be achieved through the deployment of smart grid devices. Distribution system modeling was conducted using both CYME and DESS software packages to understand the performance of the system and the information was utilized to understand where prudent smart grid investments could be made on the system. | Smart Grid Study and Planning Exercises |
| 2 | S & C Intelliteam Review | A S&C Intelliteam project in south Ajax was undertaken by Veridian, prior to the availability of smart grid deferral accounts, in order to improve reliability in this area of its distribution system. Investments in the project were not recorded to deferral accounts, but rather, were included within Veridian's regular capital spending. Similar to the distribution system review, a detailed review of the technology utilized in the devices and programming requirements of the devices for team operation, enabling automatic self-healing for the network was undertaken as a study required for Veridian to enable and further leverage this investment in smart grid technology | Smart Grid Study and Planning Exercises |
| 3 | Utilidata Adapti volt | Veridian implemented this technology within its Belleville and Clarington | Smart Grid Study and Planning |

| | Smart Grid Initiative | Description | Smart Grid Demonstration Project / Smart Grid Study and Planning Exercises |
|---|---|---|---|
| | | service areas in order to optimize the system for Volt/Vars, reducing system losses. No capital investments in the AdaptiVolt system were recorded in the deferral accounts. Similar to the distribution system review, a detailed review of the technology deployed and development of further deployment and optimization of the operation of the system was undertaken. | Exercises |
| 4 | Better Place/Durham Strategic Energy Alliance Electric Vehicle Charging | The purpose of the Better Place and DSEA EV charging pilots pilot was to generate data to be utilized in understanding the effects of EVs on the Veridian distribution system and to share learning with collaboration partners. The capital costs associated with both systems was not charged to the deferral account. | Smart Grid Study and Planning Exercises |
| 5 | Tollgrade Lighthouse Sensor Management system | A review study was completed on various smart faulted circuit indicator technologies and vendors to determine the best technology to adopt for Veridian's distribution system. Resulting from the study was the decision to pilot test the Tollgrade LightHouse Sensor Management System. The capital costs associated with the system was not charged to the deferral account. | Smart Grid Study and Planning Exercises |
| 6 | Siemens Durham Region Smart Grid Project | Veridian participated in a review and evaluation of the Siemens Durham Region Smart Grid Project involving Whitby Hydro and Oshawa PUC Networks along with a number of smart grid vendors. This project was to be partially funded through the MOE Smart Grid Fund but failed to materialize. | Smart Grid Study and Planning Exercises |

(c)

| | Smart Grid Education and Training | Purpose of Training | Understanding Gained |
|---|--|---|---|
| 1 | Schweitzer Electronic Relay Protection and Coordination Training | Learn new tools, techniques and approaches to electronic relaying | Awareness of new technology and research for distribution system automation through the use of electronic relays and communication devices |
| 2 | Distributech Conference | DistribuTECH is the leading annual smart grid conference, encompassing automation and control systems, IT, T&D engineering, power delivery equipment. | Awareness of new technology and research from around the world in the area of distribution system automation. Networking with utility industry professional, knowledge sharing. |
| 3 | Schneider Electric SCADA conference | Learn new tools, techniques and approaches to SCADA system | Benefitted Veridian's SCADA upgrade purchase in 2013. Provided information on interfacing SCADA with other automated devices. |
| 4 | Brazil Smart Grid Match-Making Conference organized by Ryerson University and the International Science and Technology Partnership | Gain an understanding of smart grid developments in Brazil, India and China. | Learned of smart grid developments in developing countries around the world such as Brazil, India and China without the need and expense to travel to those countries. |

| | Smart Grid Education and Training | Purpose of Training | Understanding Gained |
|---|---|--|--|
| | Canada | | |
| 5 | E8 Smart Grid Forum led by Toronto Hydro involving 8 large utilities and Hydro One | The purpose of the E8 is to exchange information and ideas on smart grid and grid modernization activities. The forum meets once every quarter and discusses ongoing projects; lesson learned and establishes a shared record of all smart initiatives underway. | Through the forum, Veridian learns from previously implemented smart grid projects and shares results of different implementation techniques with the forum. |
| 6 | Participated in various smart grid related sessions sponsored by the IESO, OEB and EDA. | To remain up to date on initiatives related to smart grid from the IESO, OEB and EDA. | All sessions assisted for the further development of the smart grid vision, knowledge sharing, learning about the regulator's view and vision for development and investment strategy. |

- (d) The smart grid project titled "S&C intelliteam" in south Ajax was undertaken by Veridian, prior to the availability of smart grid deferral accounts, in order to improve reliability in this area of its distribution system. Investments in the project were not recorded to deferral accounts, but rather, were included within Veridian's regular capital spending. Deferral account spending included a detailed review of the technology utilized in the devices and programming requirements of the devices for team operation, enabling automatic self-healing for the network.
- (e) Veridian considers the four projects noted in this question (Utilidata Adapti-Volt, Better Place and DSEA EV charging, Tollgrade LightHouse Sensor Management System and Siemens Durham Region Smart Grid Project) as actual projects and not research and development (R&D) projects. All equipment utilized in these projects (except the Siemens project as it was not completed) was proven, commercially available equipment designed for use on electric distribution systems. Typically, R&D projects involve a higher degree of risk and Veridian believes the risk in these projects was very low for its customers as the equipment was already proven. The amounts charged to the deferral accounts for these projects were to better understand and leverage the benefits of the products for Veridian's distribution system.

5.1-Staff-26

Ref: (i) E9-T2-S1 p. 1 Table 1& p.3 Table 2
(ii) E9-T1-S1 pp. 9-10
(iii) Report of the Board- Framework for Determining the Direct Benefits
Accruing to Consumers of a Distributor under Ontario Regulation 330/09 – June
10, 2010 (EB-2009-0349) Section 1.1 p. 3

At reference (i) Veridian proposes to dispose the following amounts related to Renewable Generation:

- Table 1 for Main:
 - 1531 – Renewable Generation Connection Capital \$ 4,972
 - 1532 – Renewable Generation Connection OM&A \$39,349
- Table 2 for Gravenhurst:
 - 1531 – Renewable Generation Connection Capital \$ 273
 - 1532 – Renewable Generation Connection OM&A \$2,158

At reference (ii) deferral accounts 1531 and 1532 are described as follows:

1531 Renewable Connection Capital Deferral Account

This account was established by the Board [...] is used to record the capital costs associated with expansions to connect renewable generation facilities and renewable enabling improvements. This account is also used to record the capital cost of changes to Veridian's Customer Information System to enable the automated settlement of Feed-in Tariff (FIT) or microFIT contracts. This account will not continue on a go forward basis.

1532 Renewable connection OM&A Deferral Account

This account was established by the Board [...] is used to record the incremental operating, maintenance, administration and amortization expenses directly related to expansions to connect renewable generation facilities and renewable enabling improvements as defined in the Distribution System Code. This account is also used to record expenses associated with preparing a GEA Plan and changes to Veridian's Customer Information System to enable the automated settlement of FIT and microFIT contracts. This account will not continue on a go forward basis. During 2010, a Grid Operations Engineer was hired by Veridian to provide a resource with expertise in the area of Renewable Connections.

At reference (iii) the first bullet states:

"Eligible investment" costs, as set out in O. Reg. 330/09 and section 79.1 (5) of the Act, are not limited to only the initial capital investment costs but also includes the up-front OM&A costs necessary for the purpose of "enabling the connection of a qualifying generation facility". However, given that section 79.1 focuses solely on the initial investment, ongoing OM&A costs that are incurred

by the distributor after the investment has been made will not be eligible for provincial recovery.

Request

- (a) Please clarify whether or not the salary of the engineer, or a portion thereof is included in the “1532 – Renewable Generation Connection OM&A”.
- (b) If the answer to a) is yes, please indicate how much of the salary is included in the account.
- (c) Please confirm that the amounts in both accounts i.e., the 1531 and 1532, (once adjusted by deducting, if any, ongoing OM&A amount per the third reference), would be eligible investments for the allocation between the provincial ratepayers and the Veridian ratepayers.

Response:

- (a) Yes, a portion of the engineer’s salary is included in the 1532 account. The variance account for 1532 has been adjusted to remove the Engineer salary. The evidence for E9-T2-S1 has been updated to reflect this change.
- (b) \$1,240.74 is the amount of the engineer’s salary included in the account.
- (c) Account 1531 and 1532 amounts, once adjusted by the amount in (b), are eligible amounts for the Deferral of Variance Accounts to Veridian ratepayers.

5.1-Staff-27

Ref: E2-T2-S5 p.5 Table 2 and E2-T3-S10 (Appendix 2-FB)

Different amounts for 2014 to 2018 for Provincial Rate Protection for Renewable Enabling Improvement investments are shown in Table 2 versus Appendix 2-FB.

Request

Please explain why the amounts are not the same.

Response:

An incorrect version of Appendix 2-FB was included in the rate application. Table 2 contains the correct values for Provincial Rate Protection for Renewable Enabling Improvement Investments.

Attached is the correct version of Appendix 2-FB.

Note: The Appendix has been updated to reflect the most current capital parameters as issued by the Board. As a result, Veridian's WCA has been revised from 13.8% to 13.73%.

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Appendix 2-FA Renewable Generation Connection Investment Summary (over the rate setting period)

Enter the details of the Renewable Generation Connection projects as described in Section 2.5.2.5 of the Filing Requirements.
All costs entered on this page will be transferred to the appropriate cells in the appendices that follow.

For Part A, Renewable Enabling Improvements (REI), these amounts will be transferred to Appendix 2 - FB
For Part B, Expansions, these amounts will be transferred to Appendix 2 - FC

If there are more than **five** projects proposed to be in-service in a certain year, please amend the tables below and ensure that the formulae for the Total Amounts in any given rate year are updated.
Based on the current methodology and allocation, amounts allocated represent 6% for REI Connection Investments and 17% for Expansion Investments. (pg 15, EB-2009-0349)

Part A

REI Investments (Direct Benefit at 6%)

Project 1

Name: *Communication Platform*

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|-----------------|------|-----------|-----------|-----------|-----------|
| Capital Costs | \$0 | \$115,000 | \$115,000 | \$115,000 | \$115,000 |
| OM&A (Start-Up) | \$0 | \$0 | \$0 | \$0 | \$0 |
| OM&A (Ongoing) | \$0 | \$66,700 | \$66,700 | \$66,700 | \$66,700 |

Project 2

Name: *Micro-Grid Project*

| | | | | | |
|-----------------|-----|-----------|-----------|----------|----------|
| Capital Costs | \$0 | \$300,000 | \$165,000 | \$0 | \$0 |
| OM&A (Start-Up) | \$0 | \$0 | \$0 | \$0 | \$0 |
| OM&A (Ongoing) | \$0 | \$0 | \$50,000 | \$50,000 | \$50,000 |

Project 3

Name: *REI Connection Project*

| | | | | | |
|-----------------|-----|-----|-----|-----|-----|
| Capital Costs | \$0 | \$0 | \$0 | \$0 | \$0 |
| OM&A (Start-Up) | \$0 | \$0 | \$0 | \$0 | \$0 |
| OM&A (Ongoing) | \$0 | \$0 | \$0 | \$0 | \$0 |

Project 4

Name: *REI Connection Project*

| | | | | | |
|-----------------|-----|-----|-----|-----|-----|
| Capital Costs | \$0 | \$0 | \$0 | \$0 | \$0 |
| OM&A (Start-Up) | \$0 | \$0 | \$0 | \$0 | \$0 |
| OM&A (Ongoing) | \$0 | \$0 | \$0 | \$0 | \$0 |

Project 5

Name: *REI Connection Project*

| | | | | | |
|-----------------|-----|-----|-----|-----|-----|
| Capital Costs | \$0 | \$0 | \$0 | \$0 | \$0 |
| OM&A (Start-Up) | \$0 | \$0 | \$0 | \$0 | \$0 |
| OM&A (Ongoing) | \$0 | \$0 | \$0 | \$0 | \$0 |

| | | | | | | | | | | |
|----------------------------------|-----------|----------|-----------|----------------|-----------|----------------|-----------|----------------|-----------|----------------|
| Total Capital Costs | \$ | - | \$ | 415,000 | \$ | 280,000 | \$ | 115,000 | \$ | 115,000 |
| Total OM&A (Start-Up) | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - |
| Total OM&A (Ongoing) | \$ | - | \$ | 66,700 | \$ | 116,700 | \$ | 116,700 | \$ | 116,700 |

Part B

Expansion Investments (Direct Benefit at 17%)

Project 1

Name: *Index Energy Expansion*

| | | | | | |
|-----------------|-----------|-----|-----|-----|-----|
| Capital Costs | \$500,000 | \$0 | \$0 | \$0 | \$0 |
| OM&A (Start-Up) | \$0 | \$0 | \$0 | \$0 | \$0 |
| OM&A (Ongoing) | \$0 | \$0 | \$0 | \$0 | \$0 |

Project 2

Name: *Expansion Connection Project*

| | | | | | |
|-----------------|-----|-----|-----|-----|-----|
| Capital Costs | \$0 | \$0 | \$0 | \$0 | \$0 |
| OM&A (Start-Up) | \$0 | \$0 | \$0 | \$0 | \$0 |
| OM&A (Ongoing) | \$0 | \$0 | \$0 | \$0 | \$0 |

Project 3

Name: *Expansion Connection Project*

| | | | | | |
|-----------------|-----|-----|-----|-----|-----|
| Capital Costs | \$0 | \$0 | \$0 | \$0 | \$0 |
| OM&A (Start-Up) | \$0 | \$0 | \$0 | \$0 | \$0 |
| OM&A (Ongoing) | \$0 | \$0 | \$0 | \$0 | \$0 |

Project 4

Name: *Expansion Connection Project*

| | | | | | |
|-----------------|-----|-----|-----|-----|-----|
| Capital Costs | \$0 | \$0 | \$0 | \$0 | \$0 |
| OM&A (Start-Up) | \$0 | \$0 | \$0 | \$0 | \$0 |
| OM&A (Ongoing) | \$0 | \$0 | \$0 | \$0 | \$0 |

Project 5

Name: *Expansion Connection Project*

| | | | | | |
|-----------------|-----|-----|-----|-----|-----|
| Capital Costs | \$0 | \$0 | \$0 | \$0 | \$0 |
| OM&A (Start-Up) | \$0 | \$0 | \$0 | \$0 | \$0 |
| OM&A (Ongoing) | \$0 | \$0 | \$0 | \$0 | \$0 |

| | | | | | |
|----------------------------------|-------------------|-------------|-------------|-------------|-------------|
| Total Capital Costs | \$ 500,000 | \$ - | \$ - | \$ - | \$ - |
| Total OM&A (Start-Up) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total OM&A (Ongoing) | \$ - | \$ - | \$ - | \$ - | \$ - |

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Appendix 2-FB

Calculation of Renewable Generation Connection Direct Benefits/Provincial Amount: Renewable Enabling Improvement Investments

This table will calculate the distributor/provincial shares of the investments entered in Part A of Appendix 2-FA.
Enter values in green shaded cells: WCA percentage, debt percentages, interest rates, kWh, tax rates, amortization period, CCA Class and percentage.
Rate Riders are not calculated for Test Year as these assets and costs are already in the distributor's rate base/revenue requirement.

| | 2014 Test Year | | | 2015 | | |
|---|----------------|----------------------|-------------------|------------|----------------------|-------------------|
| | Total | Direct Benefit 6% | Provincial 94% | Total | Direct Benefit 6% | Provincial 94% |
| Net Fixed Assets (average) | \$ - | \$ - | \$ - | \$ 197,125 | \$ 11,828 | \$ 185,298 |
| Incremental OM&A (on-going, N/A for Provincial Recovery) | \$0 | \$ - | \$ - | \$66,700 | \$ 66,700 | |
| Incremental OM&A (start-up, applicable for Provincial Recovery) | \$0 | \$ - | \$ - | \$0 | \$ - | \$ - |
| WCA | 13.80% | \$ - | \$ - | | \$ 9,205 | \$ - |
| Rate Base | | \$ - | \$ - | | \$ 21,032 | \$ 185,298 |
| Deemed ST Debt | 4% | \$ - | \$ - | \$ 841 | \$ 841 | \$ 7,412 |
| Deemed LT Debt | 56% | \$ - | \$ - | \$ 11,778 | \$ 11,778 | \$ 103,767 |
| Deemed Equity | 40% | \$ - | \$ - | \$ 8,413 | \$ 8,413 | \$ 74,119 |
| ST Interest | 2.07% | \$ - | \$ - | \$ 17 | \$ 17 | \$ 153 |
| LT Interest | 5.10% | \$ - | \$ - | \$ 601 | \$ 601 | \$ 5,292 |
| ROE | 8.98% | \$ - | \$ - | \$ 755 | \$ 755 | \$ 6,656 |
| Cost of Capital Total | | \$ - | \$ - | | \$ 1,374 | \$ 12,101 |
| OM&A | | \$ - | \$ - | \$ 66,700 | \$ 66,700 | \$ - |
| Amortization | \$ - | \$ - | \$ - | \$ 20,750 | \$ 1,245 | \$ 19,505 |
| Grossed-up PILs | | \$ - | \$ - | | \$ 721 | \$ 9,432 |
| Revenue Requirement | | \$ - | \$ - | | \$ 70,040 | \$ 41,039 |
| Provincial Rate Protection | | | \$ - | | | \$ 41,039 |
| Monthly Amount Paid by IESO | | | \$ - | | | \$ 3,420 |

Note 1: The difference between the actual costs of approved eligible investments and revenue received from the IESO should be recorded in a variance account. The Board may provide regulatory accounting guidance regarding a variance account either in an individual proceeding or on a generic basis.

Note 2: For the 2014 Test Year, Costs and Revenues of the Direct Benefit are to be included in the test year applicant Rate Base and Revenues.

PILs Calculation**Income Tax**

Net Income - ROE on Rate Base
 Amortization (6% DB and 94% P)
 CCA (6% DB and 94% P)

Taxable income

Tax Rate (to be entered)

Income Taxes Payable

Gross Up

Income Taxes Payable

Grossed Up PILs

| 2014 | |
|----------------|------------|
| Direct Benefit | Provincial |
| \$ - | \$ - |
| \$ - | \$ - |
| \$ - | \$ - |
| \$ - | \$ - |

| | |
|--------|--------|
| 26.50% | 26.50% |
|--------|--------|

| | |
|------|------|
| \$ - | \$ - |
|------|------|

| | |
|------|------|
| \$ - | \$ - |
|------|------|

| | |
|------|------|
| \$ - | \$ - |
|------|------|

| 2015 | |
|----------------|------------|
| Direct Benefit | Provincial |
| \$ 755 | \$ 6,656 |
| \$ 1,245 | \$ 19,505 |
| \$ - | \$ - |
| \$ 2,000 | \$ 26,161 |

| | |
|--------|--------|
| 26.50% | 26.50% |
|--------|--------|

| | |
|-----------|-------------|
| \$ 530.13 | \$ 6,932.63 |
|-----------|-------------|

| | |
|-----------|-------------|
| \$ 721.26 | \$ 9,432.16 |
|-----------|-------------|

| | |
|--------|----------|
| \$ 721 | \$ 9,432 |
|--------|----------|

Net Fixed Assets

Enter applicable amortization in years: 10

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|------|------------|------------|------------|------------|
| Opening Gross Fixed Assets | \$ - | \$ 415,000 | \$ 695,000 | \$ 810,000 | \$ 810,000 |
| Gross Capital Additions | \$ - | \$ 415,000 | \$ 280,000 | \$ 115,000 | \$ 115,000 |
| Closing Gross Fixed Assets | \$ - | \$ 415,000 | \$ 695,000 | \$ 810,000 | \$ 925,000 |
| Opening Accumulated Amortization | \$ - | \$ 20,750 | \$ 76,250 | \$ 151,500 | \$ 151,500 |
| Current Year Amortization (before additions) | \$ - | \$ 41,500 | \$ 69,500 | \$ 81,000 | \$ 81,000 |
| Additions (half year) | \$ - | \$ 20,750 | \$ 14,000 | \$ 5,750 | \$ 5,750 |
| Closing Accumulated Amortization | \$ - | \$ 20,750 | \$ 76,250 | \$ 151,500 | \$ 238,250 |
| Opening Net Fixed Assets | \$ - | \$ - | \$ 394,250 | \$ 618,750 | \$ 658,500 |
| Closing Net Fixed Assets | \$ - | \$ 394,250 | \$ 618,750 | \$ 658,500 | \$ 686,750 |
| Average Net Fixed Assets | \$ - | \$ 197,125 | \$ 506,500 | \$ 638,625 | \$ 672,625 |

UCC for PILs Calculation

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|------|------|------|------|------|
| Opening UCC | \$ - | \$ - | \$ - | \$ - | \$ - |
| Capital Additions (from Appendix 2-FA) | \$ - | \$ - | \$ - | \$ - | \$ - |
| UCC Before Half Year Rule | \$ - | \$ - | \$ - | \$ - | \$ - |
| Half Year Rule (1/2 Additions - Disposals) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Reduced UCC | \$ - | \$ - | \$ - | \$ - | \$ - |
| CCA Rate Class (to be entered) | 47 | 47 | 47 | 47 | 47 |
| CCA Rate (to be entered) | 8% | 8% | 8% | 8% | 8% |
| CCA | \$ - | \$ - | \$ - | \$ - | \$ - |
| Closing UCC | \$ - | \$ - | \$ - | \$ - | \$ - |

| 2016 | | | 2017 | | | 2018 | | |
|------------|----------------------|-------------------|------------|----------------------|-------------------|------------|----------------------|-------------------|
| Total | Direct Benefit 6% | Provincial 94% | Total | Direct Benefit 6% | Provincial 94% | Total | Direct Benefit 6% | Provincial 94% |
| \$ 506,500 | \$ 30,390 | \$ 476,110 | \$ 638,625 | \$ 38,318 | \$ 600,308 | \$ 672,625 | \$ 40,358 | \$ 632,268 |
| \$116,700 | \$ 116,700 | | \$116,700 | \$ 116,700 | | \$116,700 | \$ 116,700 | |
| \$0 | \$ - | \$ - | \$0 | \$ - | \$ - | \$0 | \$ - | \$ - |
| | \$ 16,105 | \$ - | | \$ 16,105 | \$ - | | \$ 16,105 | \$ - |
| | \$ 46,495 | \$ 476,110 | | \$ 54,422 | \$ 600,308 | | \$ 56,462 | \$ 632,268 |
| | \$ 1,860 | \$ 19,044 | | \$ 2,177 | \$ 24,012 | | \$ 2,258 | \$ 25,291 |
| | \$ 26,037 | \$ 266,622 | | \$ 30,476 | \$ 336,172 | | \$ 31,619 | \$ 354,070 |
| | \$ 18,598 | \$ 190,444 | | \$ 21,769 | \$ 240,123 | | \$ 22,585 | \$ 252,907 |
| | \$ 38 | \$ 394 | | \$ 45 | \$ 497 | | \$ 47 | \$ 524 |
| | \$ 1,328 | \$ 13,598 | | \$ 1,554 | \$ 17,145 | | \$ 1,613 | \$ 18,058 |
| | \$ 1,670 | \$ 17,102 | | \$ 1,955 | \$ 21,563 | | \$ 2,028 | \$ 22,711 |
| | \$ 3,036 | \$ 31,094 | | \$ 3,554 | \$ 39,205 | | \$ 3,687 | \$ 41,292 |
| | \$ 116,700 | \$ - | | \$ 116,700 | \$ - | | \$ 116,700 | \$ - |
| \$ 55,500 | \$ 3,330 | \$ 52,170 | \$ 75,250 | \$ 4,515 | \$ 70,735 | \$ 86,750 | \$ 5,205 | \$ 81,545 |
| | \$ 1,803 | \$ 24,976 | | \$ 2,333 | \$ 33,278 | | \$ 2,608 | \$ 37,589 |
| | \$ 124,869 | \$ 108,239 | | \$ 127,102 | \$ 143,217 | | \$ 128,200 | \$ 160,426 |
| | \$ 108,239 | | | \$ 143,217 | | | \$ 160,426 | |
| | \$ 9,020 | | | \$ 11,935 | | | \$ 13,369 | |

| 2016 | | | |
|----------------|----------|------------|-----------|
| Direct Benefit | | Provincial | |
| \$ | 1,670 | \$ | 17,102 |
| \$ | 3,330 | \$ | 52,170 |
| \$ | - | \$ | - |
| \$ | 5,000 | \$ | 69,272 |
| 26.50% | | 26.50% | |
| \$ | 1,325.02 | \$ | 18,357.05 |
| \$ | 1,802.75 | \$ | 24,975.57 |
| \$ | 1,803 | \$ | 24,976 |

Total

| 2017 | | | |
|----------------|----------|------------|-----------|
| Direct Benefit | | Provincial | |
| \$ | 1,955 | \$ | 21,563 |
| \$ | 4,515 | \$ | 70,735 |
| \$ | - | \$ | - |
| \$ | 6,470 | \$ | 92,298 |
| 26.50% | | 26.50% | |
| \$ | 1,714.51 | \$ | 24,458.98 |
| \$ | 2,332.66 | \$ | 33,277.53 |
| \$ | 2,333 | \$ | 33,278 |

Total

| 2018 | | | |
|----------------|----------|------------|-----------|
| Direct Benefit | | Provincial | |
| \$ | 2,028 | \$ | 22,711 |
| \$ | 5,205 | \$ | 81,545 |
| \$ | - | \$ | - |
| \$ | 7,233 | \$ | 104,256 |
| 26.50% | | 26.50% | |
| \$ | 1,916.78 | \$ | 27,627.85 |
| \$ | 2,607.86 | \$ | 37,588.92 |
| \$ | 2,608 | \$ | 37,589 |

File Number: 0
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Appendix 2-FC

Calculation of Renewable Generation Connection Direct Benefits/Provincial Amount: Renewable Expansion Investments

This table will calculate the distributor/provincial shares of the investments entered in Part B of Appendix 2-FA.

Enter values in green shaded cells: WCA percentage, debt percentages, interest rates, kWh, tax rates, amortization period, CCA Class and percentage.

Rate Riders are not calculated for Test Year as these assets and costs are already in the distributors rate base.

| | | 2014 Test Year | | | 2015 | | |
|---|--------|----------------|-----------------------|-------------------|------------|-----------------------|-------------------|
| | | Total | Direct Benefit 17% | Provincial 83% | Total | Direct Benefit 17% | Provincial 83% |
| Net Fixed Assets (average) | | \$ 246,875 | \$ 41,969 | \$ 204,906 | \$ 487,500 | \$ 82,875 | \$ 404,625 |
| Incremental OM&A (on-going, N/A for Provincial Recovery) | | \$0 | \$ - | | \$0 | \$ - | |
| Incremental OM&A (start-up, applicable for Provincial Recovery) | | \$0 | \$ - | \$ - | \$0 | \$ - | \$ - |
| WCA | 13.73% | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Rate Base | | | \$ 41,969 | \$ 204,906 | | \$ 82,875 | \$ 404,625 |
| Deemed ST Debt | 4% | \$ - | \$ 1,679 | \$ 8,196 | \$ - | \$ 3,315 | \$ 16,185 |
| Deemed LT Debt | 56% | \$ - | \$ 23,503 | \$ 114,748 | \$ - | \$ 46,410 | \$ 226,590 |
| Deemed Equity | 40% | \$ - | \$ 16,788 | \$ 81,963 | \$ - | \$ 33,150 | \$ 161,850 |
| ST Interest | 2.11% | \$ - | \$ 35 | \$ 173 | \$ - | \$ 70 | \$ 342 |
| LT Interest | 5.05% | \$ - | \$ 1,187 | \$ 5,795 | \$ - | \$ 2,344 | \$ 11,443 |
| ROE | 9.36% | \$ - | \$ 1,571 | \$ 7,672 | \$ - | \$ 3,103 | \$ 15,149 |
| Cost of Capital Total | | | \$ 2,794 | \$ 13,639 | | \$ 5,516 | \$ 26,933 |
| OM&A | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Amortization | | \$ 6,250 | \$ 1,063 | \$ 5,188 | \$ 12,500 | \$ 2,125 | \$ 10,375 |
| Grossed-up PILs | | \$ - | \$ 276 | \$ 1,349 | \$ - | \$ - | \$ - |
| Revenue Requirement | | | \$ 3,580 | \$ 17,478 | | \$ 7,641 | \$ 37,308 |
| Provincial Rate Protection | | | \$ 17,478 | | | \$ 37,308 | |
| Monthly Amount Paid by IESO | | | \$ 1,457 | | | \$ 3,109 | |

Note 1: The difference between the actual costs of approved eligible investments and revenue received from the IESO should be recorded in a variance account. The Board may provide regulatory accounting guidance regarding a variance account either in an individual proceeding or on a generic basis.

Note 2: For the 2014 Test Year, Costs and Revenues of the Direct Benefit are to be included in the test year applicant Rate Base and Revenues.

PILs Calculation**Income Tax**

Net Income - ROE on Rate Base
 Amortization (17% DB and 83% P)
 CCA (17% DB and 83% P)
Taxable income

Tax Rate (to be entered)

Income Taxes Payable

Gross Up

Income Taxes Payable

Grossed Up PILs

| 2014 | |
|----------------|------------|
| Direct Benefit | Provincial |
| \$ 1,571 | \$ 7,672 |
| \$ 1,063 | \$ 5,188 |
| -\$ 3,400 | -\$ 16,600 |
| -\$ 766 | -\$ 3,741 |

| | |
|--------|--------|
| 26.50% | 26.50% |
|--------|--------|

| | |
|------------|------------|
| -\$ 203.04 | -\$ 991.31 |
|------------|------------|

| | |
|------------|--------------|
| -\$ 276.25 | -\$ 1,348.73 |
|------------|--------------|

| | |
|---------|-----------|
| -\$ 276 | -\$ 1,349 |
|---------|-----------|

| 2015 | |
|----------------|------------|
| Direct Benefit | Provincial |
| \$ 3,103 | \$ 15,149 |
| \$ 2,125 | \$ 10,375 |
| -\$ 6,528 | -\$ 31,872 |
| -\$ 1,300 | -\$ 6,348 |

| | |
|--|--|
| | |
|--|--|

| | |
|------|------|
| \$ - | \$ - |
|------|------|

| | |
|------|------|
| \$ - | \$ - |
|------|------|

| | |
|------|------|
| \$ - | \$ - |
|------|------|

Net Fixed Assets

Enter applicable amortization in years:

40

Opening Gross Fixed Assets
 Gross Capital Additions
 Closing Gross Fixed Assets

Opening Accumulated Amortization
 Current Year Amortization (before additions)
 Additions (half year)
 Closing Accumulated Amortization

Opening Net Fixed Assets
 Closing Net Fixed Assets
Average Net Fixed Assets

| 2014 | 2015 | 2016 | 2017 | 2018 |
|------------|------------|------------|------------|------------|
| \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 |
| \$ 500,000 | \$ - | \$ - | \$ - | \$ - |
| \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 |
| \$ 6,250 | \$ 12,500 | \$ 18,750 | \$ 31,250 | \$ 43,750 |
| \$ 6,250 | \$ 12,500 | \$ 12,500 | \$ 12,500 | \$ 12,500 |
| \$ 6,250 | \$ - | \$ - | \$ - | \$ - |
| \$ 6,250 | \$ 18,750 | \$ 31,250 | \$ 43,750 | \$ 56,250 |
| \$ - | \$ 493,750 | \$ 481,250 | \$ 468,750 | \$ 456,250 |
| \$ 493,750 | \$ 481,250 | \$ 468,750 | \$ 456,250 | \$ 443,750 |
| \$ 246,875 | \$ 487,500 | \$ 475,000 | \$ 462,500 | \$ 450,000 |

UCC for PILs Calculation

Opening UCC
 Capital Additions (from Appendix 2-FA)
 UCC Before Half Year Rule
 Half Year Rule (1/2 Additions - Disposals)
 Reduced UCC
 CCA Rate Class (to be entered)
 CCA Rate (to be entered)
 CCA
Closing UCC

| 2014 | 2015 | 2016 | 2017 | 2018 |
|------------|------------|------------|------------|------------|
| \$ 480,000 | \$ 480,000 | \$ 441,600 | \$ 406,272 | \$ 373,770 |
| \$ 500,000 | \$ - | \$ - | \$ - | \$ - |
| \$ 500,000 | \$ 480,000 | \$ 441,600 | \$ 406,272 | \$ 373,770 |
| \$ 250,000 | \$ - | \$ - | \$ - | \$ - |
| \$ 250,000 | \$ 480,000 | \$ 441,600 | \$ 406,272 | \$ 373,770 |
| 47 | 47 | 47 | 47 | 47 |
| 8% | 8% | 8% | 8% | 8% |
| \$ 20,000 | \$ 38,400 | \$ 35,328 | \$ 32,502 | \$ 29,902 |
| \$ 480,000 | \$ 441,600 | \$ 406,272 | \$ 373,770 | \$ 343,869 |

| 2016 | | | 2017 | | | 2018 | | |
|------------|-----------------------|-------------------|------------|-----------------------|-------------------|------------|-----------------------|-------------------|
| Total | Direct Benefit 17% | Provincial 83% | Total | Direct Benefit 17% | Provincial 83% | Total | Direct Benefit 17% | Provincial 83% |
| \$ 475,000 | \$ 80,750 | \$ 394,250 | \$ 462,500 | \$ 78,625 | \$ 383,875 | \$ 450,000 | \$ 76,500 | \$ 373,500 |
| \$0 | \$ - | | \$0 | \$ - | | \$0 | \$ - | |
| \$0 | \$ - | \$ - | \$0 | \$ - | \$ - | \$0 | \$ - | \$ - |
| | \$ - | \$ - | | \$ - | \$ - | | \$ - | \$ - |
| | \$ 80,750 | \$ 394,250 | | \$ 78,625 | \$ 383,875 | | \$ 76,500 | \$ 373,500 |
| | | | | | | | | |
| | \$ 3,230 | \$ 15,770 | | \$ 3,145 | \$ 15,355 | | \$ 3,060 | \$ 14,940 |
| | \$ 45,220 | \$ 220,780 | | \$ 44,030 | \$ 214,970 | | \$ 42,840 | \$ 209,160 |
| | \$ 32,300 | \$ 157,700 | | \$ 31,450 | \$ 153,550 | | \$ 30,600 | \$ 149,400 |
| | | | | | | | | |
| | \$ 68 | \$ 333 | | \$ 66 | \$ 324 | | \$ 65 | \$ 315 |
| | \$ 2,284 | \$ 11,149 | | \$ 2,224 | \$ 10,856 | | \$ 2,163 | \$ 10,563 |
| | \$ 3,023 | \$ 14,761 | | \$ 2,944 | \$ 14,372 | | \$ 2,864 | \$ 13,984 |
| | \$ 5,375 | \$ 26,243 | | \$ 5,234 | \$ 25,552 | | \$ 5,092 | \$ 24,862 |
| | | | | | | | | |
| | \$ - | \$ - | | \$ - | \$ - | | \$ - | \$ - |
| \$ 12,500 | \$ 2,125 | \$ 10,375 | \$ 12,500 | \$ 2,125 | \$ 10,375 | \$ 12,500 | \$ 2,125 | \$ 10,375 |
| | \$ - | \$ - | | \$ - | \$ - | | \$ - | \$ - |
| | | | | | | | | |
| | \$ 7,500 | \$ 36,618 | | \$ 7,359 | \$ 35,927 | | \$ 7,217 | \$ 35,237 |
| | | | | | | | | |
| | | \$ 36,618 | | | \$ 35,927 | | | \$ 35,237 |
| | | \$ 3,051 | | | \$ 2,994 | | | \$ 2,936 |

| 2016 | | | 2017 | | | 2018 | | |
|----------------|------------|------------|----------------|------------|------------|----------------|------------|------------|
| Direct Benefit | Provincial | | Direct Benefit | Provincial | | Direct Benefit | Provincial | |
| | | Total | | | Total | | | |
| \$ | 3,023 | \$ 14,761 | \$ | 2,944 | \$ 14,372 | \$ | 2,864 | \$ 13,984 |
| \$ | 2,125 | \$ 10,375 | \$ | 2,125 | \$ 10,375 | \$ | 2,125 | \$ 10,375 |
| -\$ | 6,006 | -\$ 29,322 | -\$ | 5,525 | -\$ 26,976 | -\$ | 5,083 | -\$ 24,818 |
| -\$ | 857 | -\$ 4,187 | -\$ | 457 | -\$ 2,229 | -\$ | 94 | -\$ 460 |
| | | | | | | | | |
| \$ - \$ - | | | \$ - \$ - | | | \$ - \$ - | | |
| \$ - \$ - | | | \$ - \$ - | | | \$ - \$ - | | |
| \$ - \$ - | | | \$ - \$ - | | | \$ - \$ - | | |

5.1 -VECC-26

Ref: E2/T2/S5

Request

Please provide the cost-benefit analysis that was done to demonstrate the cost effectiveness of the project described at page 2 of the above reference.

Response:

A cost-benefit analysis has not been completed for the project referenced above. The cost estimate provided for the smart grid communication platform is based on a budgetary estimate and an assumption of the final communication platform components. The consultant's review described in the above reference will provide the necessary information for a more accurate and complete cost estimate for the communication platform. Once this estimate is provided Veridian will perform a cost-benefit analysis.

Financial Performance

Issue 6.1

Do the applicant's proposed rates allow it to meet its obligations to its customers while maintaining its financial viability?

6.1-Staff-28

Ref: E6A-T1-S1 p 1-11 & attachment 1

Veridian notes that it is proposing to undertake capital additions in 2014 at approximately three times the level of amortization and that rates set on the mid-2014 value of rate base will not reflect the level of rate base, in place and approved by the Board at the start of the ensuing four year IRM period commencing January 1, 2015. Veridian also notes that those rates would not permit Veridian an opportunity to earn the Board approved rate of return during the IRM period.

Veridian proposes that the Board adopt a modified approach to establishing Veridian's rates in the 2014 Test Year that will result in: (i) the 2014 rate base being the same as if the half-year rule were applied; and (ii) Veridian's rates being approved in this proceeding at levels that will allow Veridian to earn a fair rate of return on the rate base approved in the 2014 proceeding during the subsequent IRM period.

Request

- (a) Please elaborate on how Veridian's customers will be impacted by this modified approach. Were Veridian's customers consulted and/or informed of this modified approach?
- (b) Please elaborate whether this modified approach negatively or positively impacts the level of Veridian's business and/or financial risk.
- (c) Did Veridian consider an alternative solution within the 2014 COS framework, say the establishment of a rate rider which would be in place during the IRM term which would supply the same relief? If not, why not.
- (d) Please identify, including the evaluation/assessment, of the alternative approaches that Veridian considered to deal with its stated concern?
 - i. If the considered alternatives did not include IRM-ICM and/or Customer IR, please explain why either approach was not investigated and/or pursued?

Response:

- (a) With respect to rates paid by Veridian customers, the modified approach will have no impact on effective rates in the 2014 rate year. Beginning in 2015, rates would be somewhat higher under the modified approach since by definition it recognizes the higher actual ratebase that would be in place at the beginning of 2015, relative to the unmodified approach which would under-recognize actual ratebase in Veridian's case.

With respect to consultation of Veridian's customers, please refer to the response to 1.2-Staff 6.

- (b) Veridian does not believe that the modified approach has any impact, positive or negative, on the levels of business and financial risk faced by Veridian.
- (c) In formulating a proposal to deal with the problem that Veridian would face, it considered a range of options but none were seen to be preferable to the proposal brought by Veridian and none were actively developed.
- (d) With respect to the IRM-ICM framework, Veridian has not abandoned this approach and there is a reasonable likelihood that Veridian will need to bring an ICM application prior to the next rebasing, dependent upon the timing of the expected significant capital investment in the Seaton Transmission Station (\$18M) (as discussed at E-2, T-3, S-7 page 2 and E-2, T-3, S-11 pages 9 and 10).

However, by definition an ICM application would address capital needs arising during the IRM period, and such an application would not relate to the level of approved ratebase, and corresponding rates, at the end of the rebasing year. Therefore the ICM is not relevant to the problem that Veridian faces at the commencement of the year following rebasing.

With respect to the Custom IR approach, Veridian faced three fundamental problems when deciding what regulatory avenue to take for 2014.

First, Veridian was not positioned to undertake the very substantial task of evidence preparation covering a minimum of five years in time to make such an application for rates beginning in 2014.

Secondly, the timing of the potential significant investment in Seaton TS noted above is still uncertain, largely out of Veridian's control and would be difficult to plan for within a 5 year Custom IR application.

Finally, in Veridian's understanding, Custom IR is meant to address elevated and sustained capital needs over a prolonged period of at least five years. In contrast, Veridian's proposal around the 'modified approach' addresses a much narrower problem and seeks only to have rates reflect the actual, approved ratebase investment made by Veridian at the very outset of the IRM period. As such, and together with the considerations set out above, Veridian did not consider the Custom IR approach to be appropriate for its circumstances.

Financial Performance

Issue 6.2

Has the applicant adequately demonstrated that the savings resulting from its operational effectiveness initiatives are sustainable?

6.2-EP-20

Ref: Exhibits 1, 2 & 4

Request

- (a) Please describe, with references to the evidence, the operational effectiveness initiatives that the distributor has or is planning to undertake.
- (b) Please show how these initiatives have, or will result in savings to ratepayers.
- (c) Please explain how the savings identified in part (b) above are sustainable.

Response:

- (a) (b) and (c) Please see response to 4.1-CCC-7.

6.2 -VECC-27

Ref: E4/T3/S1/pg.19

Request

Veridian states that cumulative inflation adjustments since 2010 have been 12.6%. What has been the cumulative CPI during that same period? If the wage adjustment has been higher than CPI please explain what labour efficiencies took place to offset increases above inflation.

Response:

As detailed in the response to 2.1-Staff-9, since the time that its evidence was filed Veridian has finalized its January 1, 2014 base wage inflation adjustments for management and non-union staff. With this updated information, cumulative inflation adjustments since 2010 are as outlined in the following table:

Summary of Base Wage Inflation Adjustments, 2010 to 2014:

| Year | | 2010 | 2011 | 2012 | 2013 | 2014 |
|------------------------------|-------------------|------|------|------|------|-------|
| Bargaining Unit Staff | Annual Change | - | 3.0% | 3.0% | 3.0% | 3.0% |
| | Cumulative Change | - | 3.0% | 6.1% | 9.3% | 12.6% |
| Management & Non-Union Staff | Annual Change | - | 3.0% | 3.0% | 3.0% | 2.75% |
| | Cumulative Change | - | 3.0% | 6.1% | 9.3% | 12.3% |

Statistics Canada Consumer Price Index data is not available for this entire period. The following table provides the cumulative change in Ontario's CPI from 2010 to 2013:

Consumer Price Index (Ontario), 2010 to 2013:

| Year | | 2010 | 2011 | 2012 | 2013 |
|----------------------------|-------------------|-------|-------|-------|------|
| Consumer Price Index (CPI) | Index | 116.5 | 120.1 | 121.8 | 123 |
| | Annual Change | - | 3.1% | 1.4% | 1.0% |
| | Cumulative Change | | 3.1% | 4.5% | 5.6% |

In summary, from 2010 to 2013, base wages were inflation adjusted by a cumulative amount of 9.3% while the Ontario CPI rose by 5.6% during this time.

See response to 4.2-CCC-21 for examples of efforts made to manage overall compensation costs to achieve productivity gains. Veridian is unable to quantify the labour efficiencies achieved during this time.

6.2 -VECC-28

Ref: E2/T2/S2/pg.118-125

Request

Veridian states that the Mobile Computing project will have a gross capital cost of \$1.153 million and incremental OM&A costs of \$104k. Please provide the cost-benefit analysis that Veridian used in support of this project. If none was done, please provide the annual anticipated cost savings for this program.

Response:

Veridian expects efficiency gains as a result of the investment in the areas of reduced administrative type work for field staff, resulting in more accurate and timely information and utilizing field resources more efficiently.

Investments in the mobile computing technology platforms outlined above are expected to provide some future OM&A savings. It is difficult to predict the actual level of savings during the rate application period; however, Veridian will take advantage of any actual savings opportunities for its customers that result from these technology investments.

6.2 -VECC-29

Ref: E4/T2/S2/pg.7
E4/T3/S1

The purpose of this interrogatory is to try to match incremental responsibilities to the incremental increase in FTEs.

Request

- (a) Please separate the 2010 – 2014 incremental staff increase of 29 (211 to 230) into the following categories:
- i. Related to incremental Smart Meter/TOU activities;
 - ii. Related to incremental regulatory and government mandated policy requirements;
 - iii. Primarily related to customer growth (e.g. customer service, line crew);
 - iv. Primarily related to enhanced system maintenance, reliability or safety (e.g. GIS, SCADA, etc.);
 - v. Primarily related to governance (e.g. finance, HR, planning, etc.);
 - vi. Primarily related to special projects (e.g. smart grid etc.);
 - vii. Temporary backfilled position / training for an expected retirement;
 - viii. Please comment on categories and FTE classifications as necessary to clarify the cost driver.
- (b) Please provide a dollar estimate for each category.

Response:

- (a) Please note that the increase in incremental staff from 2010 to 2014 is 19 employees (230-211), not 29 as stated in the interrogatory above.

The following table summarizes net FTE employee additions over the period of 2010 to 2014, using the categories provided:

| | | |
|---------------------------------------|---|-----|
| Actual No. of FTE Employees - 2010 | | 211 |
| FTE Employee Additions Due To: | Smart Meter/TOU Activities | 1 |
| | Regulatory/Government Mandated Requirements | 1 |
| | Customer Growth | 1 |
| | Enhanced System Maintenance, Reliability & Safety | 12 |
| | Administration | 1 |
| | Special Projects | -2 |
| | Succession Planning | 5 |
| Projected No. of FTE Employees - 2014 | | 230 |

Veridian's interpretations of the proposed categories outlined in the question are as follow:

- Smart Meter/TOU Activities – FTE employees added to accommodate incremental business activities related to smart meters and TOU billing.
- Regulatory/Government Mandated Requirements – FTE employees added as a direct result of regulatory and/or government mandated requirements.
- Customer Growth – FTE employees added as a result of Veridian's increasing customer base.
- Enhanced System Maintenance, Reliability & Safety - FTE employees added to support system maintenance, reliability and safety (e.g. GIS, SCADA, etc.) as requested, plus additions to support an expanded capital investment plan. (i.e. Engineering Technician).
- Administration – FTE employees added to support corporate administration functions such as HR, Finance and IT.
- Special Projects – Resources assigned to support OPA CDM Programs.
- Succession Planning – FTE employees added to support skilled trades succession planning

(b) The estimated 2014 total compensation costs related to each of these categories of FTE employee additions are as follow:

| Driver of FTE Employee Additions | Est. Total 2014 Compensation * |
|---|---------------------------------------|
| Smart Meter/TOU Activities | \$ 153,175 |
| Regulatory/Government Mandated Requirements | \$ 99,505 |
| Customer Growth | \$ 99,505 |
| Enhanced System Maintenance, Reliability & Safety | \$ 1,301,400 |
| Administration | \$ 99,505 |
| Special Projects | \$ (149,257) |
| Succession Planning | \$ 497,525 |

*Salary, wages and benefits & incentive

6.2 -VECC-30

Ref: E4/T1/S4
E4/T3/S1

Request

Please provide the completed business case for each of the new positions added to items v), vi), and vii) since 2010.

Response:

Veridian understands that this question relates to the categories of FTE employees as outlined in 6.2-VECC-29. Therefore, the request is for businesses cases for additional hires in the categories of 1) Administration, 2) Special Projects and 3) Succession Planning:

Administration

Between 2010 and 2014 Veridian hired one IT Analyst. The business case follows this interrogatory response as Attachment 1.

Special Projects

Between 2010 and 2014 two FTE employees were redeployed to delivery of OPA CDM programs, resulting in a net decrease of two FTE employees in the category of Special Projects. Business cases were not prepared for these reassignments.

Succession Planning

Between 2010 and 2014 Veridian projects that it will have hired five FTE employees for the purpose of succession planning within unionized skilled trade positions. Unlike other areas of Veridian's business, business cases are not typically prepared for each individual unionized skilled trade hire. Rather, trades apprentices are hired at a rate that accommodates maintenance of required staffing levels, taking into consideration extended apprenticeship training periods of up to five years.

An example of this succession planning process for the Metering workforce is provided in evidence at E4/T2/S2/Pg. 21-23.

Business Case in Support of:

| |
|--|
| 2009 IT Analyst – additional staffing |
|--|

| | |
|---------------------|------------------------|
| Category: | Additional Staffing |
| Period: | Starting 2009 |
| Department: | Information Technology |
| Prepared by: | Larry Lam |

The additional staff will ensure IT is able to maintain acceptable service level with the growth of the company and reasonable response to projects as required by the overall company initiatives in 2009 and beyond.

Operations

The current IT infrastructure needs major upgrade to support the business. This will require more day to day effort. It will increase the complexity and technical knowledge that should be kept in-house. This will mean increase in staff training effort.

With infrastructure improvements IT will expand operational responsibilities currently are part of various business units e.g. the computing environments of “Energy - CIS & Settlements” and “Connections – SCADA & GIS”.

The anticipated increase in companywide staffing will also increase the workload of IT.

Project and Development

There are planned major IT infrastructure upgrade developments in 2009 and 2010.

More importantly, IT needs to support and respond quickly to projects of other business units as layout in the “balanced score card initiatives” – to ensure their commitments without delay.

As the utility industry trend is driven increasingly by the “consumer/end user” and the higher expectation of leveraging information technology, IT workload, managing data volume and developments will most certainly increase. IT will also be expected to meet tighter timelines with higher success rates.

Comparison with Alternatives

Lower the service level and the responsiveness to projects and developments is NOT an acceptable alternative.

Outsourcing can be an alternative, but not without drawbacks:

1. Higher cost.
2. Any project or additional work will require internal IT resource to orientate consultants/outside workers; thus create more workload internally.
3. Risk of degrading service level from the outsourcing company.
4. Rely on outsourcing company for maintenance after a project can be risky.
5. No internal knowledge base for newly developed projects.
6. Most critical drawback; staff morale may become lower as time elapses.

6.2 -VECC-31

Ref: E4/T1/S3

Request

Please explain why 2 additional staff were required to support DSC requirements. Specifically, please explain what requirements are being referred to in the evidence.

Response:

The Ontario Energy Board's amendment to the Distribution System Code (Board filing EB-2007-0722), regarding Management of Customer Non-payment Risk and Low Income Electricity Customers and Management of Customer Accounts, spoke to the opening and closing of electricity accounts, bill payment and arrears management, payment arrangements for residential customers, disconnection and reconnection policies associated with non-payment of account and application of late payment charges. To accommodate these new regulations, additional staff was required when processes were created or updated to address the requirements for arrears management payment arrangements for residential customers, arrears management for low income residential customers, application of deposits to outstanding balances, an additional midseason PAP review and increased administration for rental properties for gaps in contracted services for accounts (Failure to Contract).

6.2 -VECC-32

Ref: E4/T2/S2/pg.13

Request

Have the two Protection and Control Technicians discussed at the above reference been hired?

Response:

The positions have not yet been filled. Recruiting for the positions commenced late in 2013 and suitable candidates have not been found to date. Efforts at filling the positions continue.

6.2 -VECC-33

Ref: E4/T3/S1/pg.14

Request

Please provide a table showing all positions which are been staffed in anticipation of retirement along with the expected date of the retirement. For each position please provide the salary band or range for the position which is being backfilled (not individual salary).

Response:

As explained in its pre-filed evidence at the reference identified in the preamble to this question, Veridian has added a net of approximately 5 FTE employees over the period of 2010 to 2014 to support succession planning related to retirements. These additions have been made in the job categories shown in the table below. Also shown are the numbers of employees in each position that will be eligible for an unreduced pension in the test year

| Position | Net FTE Employee Additions to Support Succession Planning, 2010-2014 | No. of Employees in Position Eligible for an Unreduced Pension in 2014 |
|----------------------------------|---|---|
| Apprentice Meter Technician | 1.5 | 2 |
| Apprentice Lineperson | 1 | 2 |
| Apprentice Substation Technician | 1.5 | 0 |
| Apprentice System Operator | 1 | 1 |

The eligibility date for an unreduced pension is not an accurate predictor of retirement. Rather, it represents the earliest likely date for retirement.

None of the above positions are salaried. The hourly wage rates for each position are provided in pages 48-51 of the Collective Agreement provided in response to 4.2-SEC-12.

6.2 -VECC-34

Ref: E4/T3/S1 Appendix 2-K

Request

We are unable to locate the explanation for the variance from the 2010 Board approved FTE of 236 to the actual 2010 FTE of 211. Please provide the reference or a detailed explanation for the variance in staff (i.e. showing staff positions anticipated in 2010 but not hired and why).

Response:

In its decision and order pertaining to Veridian's 2010 electricity distribution rate application, the Board did not approve a complement of FTE employees. Rather, through approval of a settlement agreement, the Board approved a test year revenue requirement.

The 236 FTE employees referred to in the question were a component of Veridian's original 2010 rate application. During settlement negotiations Veridian agreed to reductions in revenue requirement that required a re-visiting of FTE employee requirements. In some cases, proposed requirements were eliminated or met in alternate ways.

The following table summarizes the forecast employee additions presented in Veridian's 2010 cost of service rate application, and provides commentary on the hiring status for each position as of year-end 2010.

| 2010 EDR Proposed Employee Additions (Q3 2009 to Q4 2010) | | Hiring Status/Explanation as of Year-End 2010 |
|---|-----|--|
| Position | No. | |
| Accounting Analyst | 1 | Filled internally. |
| Accounting Associate | 1 | Filled internally. |
| Administration Clerk | 1 | Deferred to 2014. Veridian settled on a decreased amount of OM&A and capital in its 2010 rate application and, as a result, experienced budgetary constraints which forced the deferral of certain new hires. |
| Apprentice Lineperson | 4 | All four positions filled externally. |
| Corporate Planning Analyst | 1 | This position was originally planned to support expanded programs within Internal Audit. A decision was made late in 2010 not to develop these expanded programs and consequently the position was not filled. |
| Corporate Secretary | 1 | Hiring for this position was deferred and the role was later reviewed as part of an Executive succession and restructuring plan which occurred in 2012 (see E4/T2/S1/pg.4). |
| Customer Care Associate (PT) | 0.6 | Filled externally. |

Veridian Connections Inc.
EB-2013-0174
Response to Interrogatories
February 18, 2014

| 2010 EDR Proposed Employee Additions (Q3 2009 to Q4 2010) | | Hiring Status/Explanation as of Year-End 2010 |
|--|------------|--|
| Position | No. | |
| Customer Care Rep. (FT) | 5 | The Board approved settlement agreement for Veridian's 2010 rate proceeding explicitly eliminated proposed staffing related to the Board's initiative on the Low-Income Energy Assistance Program and its proposed amendments to customer service standards. This reduced the proposed number of full time (FT) Customer Care Rep.'s by 2 and the number of part time (PT) Customer Care Rep.'s by 1 (0.45 FTE). |
| Customer Care Rep. (PT) | 1.8 | All of the remaining proposed positions, 2 PT Customer Care Rep.'s were converted to FT during 2010, and 4 PT positions were filled externally. |
| Engineering Technician | 5 | Three positions filled externally and two were deferred to 2013. Veridian settled on a decreased amount of OM&A and capital in its 2010 rate application and, as a result, experienced budgetary constraints which forced the deferral of certain new hires. |
| Executive Assistant | 1 | This position was proposed to support the Corporate Secretary position (see above). With the deferral of the hiring of a Corporate Secretary, the position was modified to that of Governance Administrator and filled internally in 2010. |
| Field Supervisor | 2 | Both positions filled internally. |
| Financial Analyst | 1 | Filled internally. |
| GIS Technician | 2 | Both positions filled externally. |
| Inspector | 1 | Position temporarily filled with an internal employee. |
| IT Analyst | 1 | Filled externally. |
| Key Accounts Representative | 1 | Filled internally through conversion of a contract employee to full time status. |
| Lineperson | 3 | All three positions filled externally. |
| Meter Technician | 2 | Both positions filled externally. |
| Metering Clerk | 1 | Filled internally. |
| Public Relations Rep. | 2 | One position filled internally and one filled externally. |
| Settlements Analyst | 1 | This position was proposed to support incremental settlements activity related MicroFIT connections. However the anticipated volume of business activity did not materialize. The position was therefore not warranted and was eliminated. |
| Substation Technician | 1 | Filled internally. |
| System Operations Technician | 1 | Filled externally. Hired and terminated in 2010. |
| System Operator Apprentice | 2 | One hired and terminated in 2010 and one was not filled. There was difficulty experienced in filling and retaining staff for this position. Two additional Operators were hired in 2011 but both resigned later that year. |

Revenue Requirement

Issue 7.1

Is the proposed Test year rate base including the working capital allowance reasonable?

7.1-CCC-25

Ref: E2/T3/S10
E2/T3/S7/pp.5-6

Request

Veridian is significantly ramping up its capital spending in the test year relative to historical levels. Please explain to what extent Veridian is confident in its ability to execute the capital plan.

Response:

We are confident we can execute the capital plan with the addition of two (2) Engineering Technicians (as identified in Exhibit 4, Tab 3, Schedule 1, Page 15, Line 16) and the use of outside resources.

7.1-CCC-26

Ref: E2/T3/S7
E2/T3/S10

Request

Please explain how Veridian defines “non-discretionary” in the context of its capital plan. For the projects listed at Schedule 10 for 2014 please identify which projects are “non-discretionary.”

Response:

Please refer to Exhibit 2 Schedule 3 Tab 7 Page 7 of 20 Lines 4 – 13.

Veridian deems project and activity investments that are driven by statutory, regulatory or other obligations on the part of Veridian to provide customers with access to its distribution system as non-discretionary projects. The scheduling of the project in terms of when the project is planned to start as well as when it is expected to be completed is usually controlled by the third party. Veridian makes best efforts to accommodate the third party in meeting its timelines. Blocks of projects within in this category which are included in Veridian’s test year capital expenditure plan are: new residential subdivisions, commercial, institutional, and industrial (general service) customers, municipal, regional and provincial road relocations, long term load transfer eliminations, and metering.

The urgency of non-discretionary projects is based upon the third party’s timeline and is the driver which determines when Veridian is required to complete its work.

Veridian has identified its System Access and System Renewal projects as non-discretionary.

The projects which are non-discretionary that are listed at Schedule 10 for 2014 are found in response 4.3-SEC-20.

7.1-CCC-27

Ref: Ex. 2/T3/S10/p. 1 and Attachment 2 of 5

Request

Please provide the most updated numbers for 2013. To the extent projects were not completed for 2013, how does this impact the 2014 proposed capital expenditures?

Response:

Veridian has updated Appendix 2-AA as Attachment 1. Historic data for the years 2008-2012 not been shown as the data is unchanged. A column has been added to the table, labelled Material Variances, that will assist in understanding the factors affecting both year end 2013 results and the revisions to the 2014 forecast.

The total actual gross capital additions for 2013 are \$23,957,091 compared with the forecast of \$33,209,708.

Veridian's forecast of gross capital additions for 2014 has changed from \$46,024,913 to \$41,485,827.

There are two primary reasons for the variances in 2013 capital additions and the forecast changes to 2014.

Change in schedule of Road Authority Driven Projects:

For both the Hwy 407 related projects and the Region of Durham Bus Rapid Transit (BRT) projects, the road authority timelines have changed, resulting in the delay of in-service dates for all the Hwy 407 projects and one of the BRT projects expected for 2013 being pushed back to 2014. A similar impact to 2014 in-service dates will also be noted in Appendix 2-AA as Hwy 407 and BRT projects totalling \$9,824,853 have been moved out of the Test Year and into 2015 or beyond. The combined total change to the 2014 forecast of in-service additions due to changes in timelines for road authority driven projects, as identified by Material Variance letter C in Appendix 2-AA column J, is a decrease of \$4.071M (gross).

In-Service delays on other material Projects into 2014

The second significant factor affecting year end 2013 was the slippage of two Veridian controlled projects. A Long Term Load Transfer (LTLT) project and the Wilmot Substation Upgrade project, both in Newcastle, moved from a 2013 completion date into 2014.

Both had been scheduled for a late 2013 completion, but due to certain factors they were not able to be finished as expected. Both projects experienced delays due to poor weather in December. As well, for the LTLT project, a month was lost in obtaining approvals of the two rail crossings from the rail authority. It had been expected to only require one week for this approval.

For the Wilmot project additional time required to correct poor soil conditions slowed down progress of the overall installation. This correction of soil conditions had other design implications and delays in the ground grid design and construction. Both projects have been energized in 2014.

Other Changes to 2014

Timing of a Veridian driven sustainment project to replace the Fairport T1 substation transformer and reclosers has been modified such that it will now be in-service in 2015. The timing changed due to a lengthy approval period now being expected from Hydro One for any proposed station rearrangement. This Hydro One approval is required as Veridian's Fairport Substation is located within the grounds of the Hydro One Cherrywood Transformer Station. Veridian will continue with the sourcing of the transformer required for this project in 2014.

Additions to the 2014 capital plan also include \$750,000 for a number of non-material (below materiality) investments identified as a result of Veridian's experience of the December 2013 ice-storm. Internal post-storm debriefing sessions and a review of customer input and feedback, have identified investments required to help address deficiencies in meeting customer expectations during a severe weather event such as the December 2013 ice storm. The investments will be in areas such as improvements to IVR systems, websites, additional redundant SCADA equipment such as enhanced battery and backup generators and System Control Centre equipment for enhancements in providing customers with outage information.

Date: Feb 18, 2014

**Modified Appendix 2-AA
Capital Projects Table**

| Projects | 2013 Bridge Year as Filed | 2013 Actuals | 2014 Test Year as Filed | CHANGES TO 2014 | | | Revised 2014 Test Year | Material Variances (see explanation to the right of this column) |
|--|---------------------------|------------------|-------------------------|---|---------------------------------------|--|------------------------|--|
| | | | | Additions - Project Carryover from 2013 | Removals - Projects Moved out of 2014 | Additions - 2014 Non-material changes or additions | | |
| Reporting Basis | CGAAP | CGAAP | CGAAP | CGAAP | CGAAP | CGAAP | CGAAP | |
| SYSTEM ACCESS | | | | | | | | |
| New Residential Services | 4,018,000 | 4,156,589 | 5,198,000 | | | | 5,198,000 | |
| New GS Services | 1,166,480 | 870,539 | 1,400,000 | | | | 1,400,000 | |
| Retail Meters | 479,000 | 703,949 | 454,500 | | | 24,500 | 479,000 | |
| Highway #11, Interchange, Gravenhurst Pole Line Relocation | | | | | | | | |
| Kerrison Drive, Ajax Line Extension | | | | | | | | |
| Line Relocation, Altona Road, Pickering | | | | | | | | |
| Highway #7 Pole Line Relocation - Brock Road and Lakeridge | | | | | | | | |
| Southeast Sewer Collector (SEC) Project | 350,000 | 344,794 | | | | | | |
| GO Transit/City of Pickering - Pedestrian Bridge, Pickering | | | | | | | | |
| Salem Road (Taunton Road to CPR) | | | | | | | | |
| Salem Road Line Relocations (Rossland to Gillett) | | | | | | | | |
| Rossland Road Relocations | | | | | | | | |
| Brock Road Relocation (Rossland X CPR Tracks) | | | | | | | | |
| Brock St West Joint Feeder Extension-Uxbridge | 600,000 | 484,626 | | | | | | A |
| Brock Road Relocation (Bayly St to Kingston Rd) - Pickering | | | | | | | | |
| Bayly Street Relocation (Shoal Point Road to Lakeridge) - Ajax | | | | | | | | |
| Pickering Parkway Relocation - Pickering | | | | | | | | |
| Cherrywood Wholesale Meter Upgrade | | | | | | | | |
| New CN Rail Crossing, Belleville | | | | | | | | |
| Smart Meters transferred from Variance Account | | | | | | | | |
| LTLT Eliminations - Various Locations | 650,000 | 0 | 600,000 | 650,000 | | | 1,250,000 | B |
| College Street Extension- Belleville | 294,000 | 0 | | 294,000 | | | 294,000 | C |
| Highway 407 Extension - Various Road Relocations | 5,288,241 | 0 | 8,757,553 | 3,916,241 | -8,757,553 | 251,875 | 4,168,116 | C |
| Highway #2 Road Widening - Bus Rapid Transit-Phases 1 & 2 | 1,023,787 | 112,265 | 2,251,700 | 653,787 | -1,067,300 | | 1,838,187 | C |
| Westney Road Relocation (Magill X Telford), Ajax | 1,475,000 | 934,202 | | | | | | D |
| Rossland Road Relocation (Clearside X Southcott), Ajax | 385,000 | 0 | | 385,000 | | | 385,000 | C |
| Line Relocation, Orono Creek, Clarington | 258,000 | 0 | 85,000 | 195,000 | | 58,000 | 338,000 | C |
| Relocation of 44 kV Pole Line, Port Hope | | | 625,000 | | -625,000 | | 0 | E |
| New REG Connection, Ajax | | | 700,000 | | | | 700,000 | |
| Three 27.6 kV circuits-Taunton Road (Church to Brock) | | | 1,331,998 | | | | 1,331,998 | |
| O/H Line Extension - Airport Parkway West, Belleville | | | 306,600 | | | | 306,600 | |
| Rossland Road (Southcott to Church) | | | 736,000 | | | | 736,000 | |
| Feeder Relocation, Front Street (Dundas X Pinnacle), Belleville | | | 1,979,219 | | | | 1,979,219 | |
| Dundas Street (Coleman to Baybridge) | | | 2,200,136 | | -2,200,136 | 50,000 | 50,000 | F |
| Sub-Total Material Projects | 15,987,508 | 7,606,964 | 26,625,706 | 6,094,028 | -12,649,989 | 384,375 | 20,454,120 | |
| Miscellaneous Projects (under materiality threshold) | 1,781,500 | 523,973 | 632,321 | 298,000 | -357,000 | 141,000 | 714,321 | |
| Total System Access | 17,769,008 | 8,130,937 | 27,258,027 | 6,392,028 | -13,006,989 | 525,375 | 21,168,441 | |
| SYSTEM RENEWAL | | | | | | | | |
| Reactive Pole Replacements | 752,000 | 305,000 | 752,000 | | | | 752,000 | G |
| Reactive Transformer and Component Replacements | 900,000 | 609,651 | 900,000 | | | | 900,000 | G |
| Reactive Pole Rework (reinsulating and reframing) | | | | | | | 0 | |
| Old Kingston Road Conversion | | | | | | | 0 | |
| South Ajax Cable Replacement - Finlay Avenue | 1,875,000 | 1,214,064 | | | | | 0 | |
| Storm Damage Rebuild - Gravenhurst July 2013 | 799,000 | 1,120,180 | | | | | 0 | |
| New Feeder - Croft Street, Port Hope | | | 357,000 | | -357,000 | | 0 | H |
| Substations Transformer Replacement, Greenwood Substation | | | 713,000 | | | | 713,000 | |
| Substation Transformer Replacement and Component Upgrades- Fairport SS | | | 2,434,500 | | -2,434,500 | | 0 | I |
| Substation Transformer Spare Replenishment | | | 900,000 | | | | 900,000 | |
| Padmounted Switchgear Replacement program, various locations | | | 900,000 | | | | 900,000 | |
| Substation Breakers Replacement, Toronto Substation | | | 600,000 | | | | 600,000 | |
| Wood Pole Replacement Program, various locations | | | 2,041,986 | | | | 2,041,986 | |
| Primary Cable Rehabilitation Program, various locations | | | 1,000,000 | | | | 1,000,000 | |

Slightly lower than projected construction costs combined with final site restoration not complete prior to year end.

Missed completion in 2013 and energized in February 2014.

Road authority driven schedule change.

Road authority driven schedule change.

Road authority driven schedule change.

Project energized, but work still remaining to be completed. Remaining work dependent on Road authority construction schedule.

Road authority driven schedule change.

Road authority driven schedule change.

Customer driven schedule change.

Scope change from Road authority has resulted in a very limited scope overhead solution vs extensive underground solution.

Lower than budgeted number of reactionary equipment replacements required in 2013.

Lower than budgeted number of reactionary equipment replacements required in 2013.

Access road not built by municipality in 2013 as planned. Road planned for 2014. This work to move to 2015

Greater than expected time for design approvals from Hydro One are now anticipated after discussions with Hydro One. Inservice date of 2014 not likely. Fairport SS located within Cherrywood TS in Pickering.

| | | | | | | | | |
|--|-------------------|-------------------|-------------------|------------------|--------------------|------------------|-------------------|----------|
| Polemount Transformer Replacement Program, various | | | 736,000 | | | | 736,000 | |
| Overhead Line Switch Replacement Program, various | | | 706,000 | | | | 706,000 | |
| Padmount Transformers Replacement Program, various | | | 800,000 | | | | 800,000 | |
| Sub-Total Material Projects | 4,326,000 | 3,248,895 | 12,840,486 | 0 | -2,791,500 | 0 | 10,048,986 | |
| Miscellaneous Projects (under materiality threshold) | 1,888,800 | 2,762,822 | 1,279,100 | 150,000 | | | 1,429,100 | |
| Total System Renewal | 6,214,800 | 6,011,717 | 14,119,586 | 150,000 | -2,791,500 | 0 | 11,478,086 | |
| SYSTEM SERVICE | | | | | | | | |
| Jane Forrester Park Phase 1 and 2, Belleville | | | | | | | | |
| 27.6 kV TS Egress Feeders (4) Hydro One Whitby TS#2, Ajax | | | | | | | | |
| Salem Road-2nd Circuit 44 kV-Kingston Road to Rossland Road | | | | | | | | |
| LIS Automation, Belleville | | | | | | | | |
| Duffin Creek WPCP 44 kV Circuit, Ajax | | | | | | | | |
| Pole Line Relocation - Bell Blvd | | | | | | | | |
| Substation Oil Containment | | | 300,000 | | | | 300,000 | |
| Whitby TS 27.6 kV Switching Phase 1 and 2 | | | | | | | | |
| Lakeridge Road | | | | | | | | |
| 27.6kV Feeders Rossland Rd (Lakeridge to Westney), Ajax | | | | | | | | |
| Sidney St. Substation, Belleville | | | | | | | | |
| SCADA Reactive Repairs | | | | | | | | |
| Pole line rebuild, Cavan Street, Port Hope | | | | | | | | |
| LIS Installations | | | | | | | | |
| South Ajax Feeder Automation | | | | | | | | |
| Whitby TS Feeders (Part 1 and 2) Lakeridge Road, Rossland Rd, Ajax | | | | | | | | |
| Cannington Substation (Relocation and Replacement) | | | | | | | | |
| Liberty Street North Substation Upgrade, Bowmanville | | | | | | | | |
| Feeder rebuild, Dixie Rd, Pickering | | | | | | | | |
| Feeder rebuild, Edgehill Road, Belleville | | | | | | | | |
| Feeder rebuild, Moira Street and Palmer Rd, Belleville | | | | | | | | |
| SCADA System Replacement / Upgrade | 601,000 | 599,156 | | | | | | |
| Wilmut Substation Upgrade, Newcastle | 1,900,000 | 0 | | 2,175,000 | | | 2,175,000 | J |
| Pickering Beach Substation Upgrade, Ajax | 2,121,000 | 1,596,227 | | | | | | |
| Voltage Conversion - 4.16kV First Street (First X James), Gravenhurst | 450,400 | 385,179 | 432,400 | | | | 432,400 | |
| New Feeder-13.8 kV Loop Feed, Port of Newcastle, Newcastle | | | 444,000 | | | | 444,000 | |
| Sub-Total Material Projects | 5,072,400 | 2,580,562 | 1,176,400 | 2,175,000 | 0 | 0 | 3,351,400 | |
| Miscellaneous Projects (under materiality threshold) | 865,000 | 2,622,217 | 446,900 | 0 | 0 | 750,000 | 1,196,900 | |
| Total System Service | 5,937,400 | 5,202,779 | 1,623,300 | 2,175,000 | 0 | 750,000 | 4,548,300 | |
| GENERAL PLANT | | | | | | | | |
| General Plant - Facilities | | | | | | | | |
| Leasehold Improvements, Pickering | | | | | | | | |
| Building Expansion, 55 Taunton Road East, Ajax | | | | | | | | |
| Building Renovations and Control Room Relocation, Ajax | | | | | | | | |
| General Plant - Fleet | | | | | | | | |
| Vehicles (2 large bucket trucks) | | | | | | | | |
| Vehicles (3 medium duty trucks, 2 hybrids) | | | | | | | | |
| Vehicles (1 large bucket truck) | | | | | | | | |
| Vehicles (1 large bucket truck) | | | | | | | | |
| Vehicles (1 large bucket truck) | | | 400,000 | | | | 400,000 | |
| General Plant - Information Technology | | | | | | | | |
| GIS Computer Software | 140,000 | 151,308 | 150,000 | | | | 150,000 | |
| Server Virtualization | | | | | | | | |
| Outage Management System | | | | | | | | |
| Desktop Replacements | | | | | | | | |
| Mobile Computing | 400,000 | 456,109 | 300,000 | | | | 300,000 | |
| GIS Data Conversion and Collection Gravenhurst - Phase 1 and 2 | | | | | | | | |
| Electronic Document Management and Records Classification | | | | | | | | |
| Design and Construction Standards Development | | | | | | | | |
| GIS Records Management - General | | | | | | | | |
| Unified Messaging - Phone System Replacement, Phases 1 and 2 | 451,000 | 444,000 | 60,000 | | | | 60,000 | |
| High Availability Data Site | 350,000 | 348,707 | | | | | | |
| Business Continuity/Disaster Recovery Site | | | 200,000 | | | | 200,000 | |
| Renewable Generation Asset | | | | | | | | |
| Sub-Total Material Projects | 1,341,000 | 1,400,124 | 1,110,000 | 0 | 0 | 0 | 1,110,000 | |
| Miscellaneous Projects (under materiality threshold) | 1,947,500 | 3,211,534 | 1,914,000 | 638,000 | 0 | 629,000 | 3,181,000 | |
| Total General Plant | 3,288,500 | 4,611,658 | 3,024,000 | 638,000 | 0 | 629,000 | 4,291,000 | |
| Total all Categories - including Renewable Generation | 33,209,708 | 23,957,091 | 46,024,913 | 9,355,028 | -15,798,489 | 1,904,375 | 41,485,827 | K |
| Less Renewable Generation Facility Assets and Other Non Rate-Regulated Utility Assets (input as negative) | | | | | | | | |
| Total | 33,209,708 | 23,957,091 | 46,024,913 | 9,355,028 | -15,798,489 | 1,904,375 | 41,485,827 | |
| Less: Capital Contributions | 9,524,524 | 5,269,983 | 15,334,242 | | | | 10,705,181 | |
| Total Net Expenditure | 23,685,184 | 18,687,108 | 30,690,671 | | | | 30,780,646 | |

Note:

Missed completion in 2013 and energized in February 2014. Increase in cost due to wet soil conditions and remediation efforts to ensure proper foundation support.

Miscellaneous projects under materiality threshold due to two primary groups of additions- 1) \$750,000 System Service for investments related to the 2013 Ice Storm and 2) Additional IT investments in General Plant

7.1-EP-21

Ref: Exhibit 2, Tab 1. Schedule 2, Attachment 1

Request

- (a) Please provide an updated fixed asset continuity schedule for 2013 based on actual data for projects put into service and closed to rate base before year end. If final actual data is not yet available, please update based on the most recent year-to-date actual information available and a forecast for the remainder of 2013.
- (b) Please reconcile the difference in the additions shown for 2013 in the response to part (a) above and the original additions shown in the schedule.
- (c) Please identify any projects that were delayed from 2013 to 2014 or future years as compared to the original forecast in the evidence.
- (d) Please provide an updated fixed asset continuity schedule for 2014 that reflects the response to part (a) and any impacts associated with the 2014 forecast of additions to in-service projects in the test year.

Response:

- (a) and (d) Please see response to 4.2-SEC-20.
- (b) and (c) The differences in additions for 2013 actuals and the original additions shown in the schedule are driven by the changes in timing of project in-service dates. The details of projects delayed from 2013 to 2014 or future years is provided in an update to Appendix 2-AA as provided in response to 7.2-CCC-27.

7.1-EP-22

Ref: Exhibit 2, Tab 1. Schedule 2, Attachment 1

Request

Please explain why the smart meters were added to the meters line in the 2012 fixed asset continuity schedule rather than the smart meters line.

Response:

In the 2012 fixed asset continuity schedule, smart meter capital costs were included in the meters line on a basis consistent with the 2010 and 2011 fixed asset continuity schedules where smart meters capital costs were also included in the meters line. This treatment is consistent with trial balance account reporting (section 2.1.7) under the Board's Reporting and Record Keeping Requirements.

7.1-EP-23

Ref: Exhibit 2, Tab 1. Schedule 2, Attachment 1

The fixed asset continuity schedule for the 2014 test year shows a reduction to the depreciation expense of \$613,073 for transportation equipment.

Request

- (a) Please explain how the amount has been calculated.
- (b) Please indicate how much of this amount has been capitalized and how much has been included in the OM&A expenses.

Response:

- (a) The amount is derived as follows:

Full year 2014 Depreciation Expense for transportation equipment assets as at
December 31, 2013 - \$567,956.33

PLUS

Half year 2014 Depreciation Expense for transportation equipment asset additions
in 2014 - \$45,116.67

- (b) The amount of \$153,268 has been included in OM&A expenses and the balance of \$459,805 has been included in capital costs.

7.1-EP-24

Ref: Exhibit 2, Tab 1. Schedule 2, Attachment 2

Request

Please update Table 3 to reflect actual data for 2013 and any changes for the 2014 test year. If actual data is not yet available for 2013, please provide an estimate based on the most recent year-to-date figures available, along with a forecast for the remainder of the year.

Response:

Updated Table 3 provided as Attachment 1. Veridian notes that updated Table 3 also reflects corrections to the 2010 opening values as noted in response to 2.1-EP-6.

REVISED FOR 2010 OPENING BALANCE CORRECTION, 2013 ACTUALS AND UPDATED 2014 FORECAST -Table 3 - Gross Assets Detailed Breakdown by Major Plant Account

| Description | | 2010 Board Approved | 2010 Actual | 2011 Actual | 2012 Actual | 2013 Actual | 2014 Forecast |
|------------------------------|----------------------------------|---------------------|----------------|----------------|----------------|----------------|----------------|
| <u>Land & Buildings</u> | | | | | | | |
| 1805 | Land | \$ 697,282 | \$ 685,405 | \$ 651,559 | \$ 651,559 | \$ 651,559 | \$ 651,559 |
| 1808 | Buildings and Fixtures | \$ 668,108 | \$ 671,993 | \$ 671,993 | \$ 671,993 | \$ 671,993 | \$ 671,993 |
| 1810 | Leasehold Improvements | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 1612 | Land Rights | \$ 693,947 | \$ 702,185 | \$ 760,930 | \$ 769,981 | \$ 778,678 | \$ 798,678 |
| | Subtotal Land & Building | \$ 2,059,337 | \$ 2,059,583 | \$ 2,084,482 | \$ 2,093,533 | \$ 2,102,230 | \$ 2,122,230 |
| <u>Distribution Stations</u> | | | | | | | |
| 1815 | Transformer Station Equipment | \$ 176,775 | \$ 176,775 | \$ 176,775 | \$ 216,815 | \$ 216,815 | \$ 216,815 |
| 1820 | Distribution Station Equipment | \$ 34,935,894 | \$ 30,200,645 | \$ 33,577,419 | \$ 36,069,076 | \$ 38,319,506 | \$ 43,252,519 |
| | Subtotal Distribution Stations | \$ 35,112,669 | \$ 30,377,420 | \$ 33,754,194 | \$ 36,285,891 | \$ 38,536,321 | \$ 43,469,334 |
| <u>Poles and Wires</u> | | | | | | | |
| 1830 | Poles, Towers and Fixtures | \$ 39,739,445 | \$ 37,922,056 | \$ 41,549,050 | \$ 45,145,330 | \$ 48,405,963 | \$ 55,113,339 |
| 1835 | O/H Conductors and Devices | \$ 58,388,131 | \$ 57,776,470 | \$ 60,971,814 | \$ 64,158,694 | \$ 66,654,016 | \$ 72,120,008 |
| 1840 | U/G Conduit | \$ 58,514,905 | \$ 58,570,607 | \$ 59,742,526 | \$ 63,396,553 | \$ 65,709,760 | \$ 70,462,238 |
| 1845 | U/G Conductors and Devices | \$ 28,641,862 | \$ 27,727,551 | \$ 30,472,802 | \$ 36,180,789 | \$ 38,959,878 | \$ 44,498,297 |
| | Subtotal Poles and Wires | \$ 185,284,343 | \$ 181,996,684 | \$ 192,736,192 | \$ 208,881,366 | \$ 219,729,617 | \$ 242,193,882 |
| <u>Line Transformers</u> | | | | | | | |
| 1850 | Line Transformers | \$ 68,610,559 | \$ 69,282,805 | \$ 71,878,085 | \$ 76,985,832 | \$ 80,014,474 | \$ 85,131,344 |
| | Subtotal Line Transformers | \$ 68,610,559 | \$ 69,282,805 | \$ 71,878,085 | \$ 76,985,832 | \$ 80,014,474 | \$ 85,131,344 |
| <u>Services and Meters</u> | | | | | | | |
| 1855 | Services | \$ 29,360,850 | \$ 30,297,740 | \$ 32,333,216 | \$ 34,705,852 | \$ 36,871,894 | \$ 39,464,037 |
| 1860 | Meters (includes Smart Meters) | \$ 17,829,163 | \$ 19,110,447 | \$ 19,551,047 | \$ 27,831,973 | \$ 20,201,764 | \$ 20,687,754 |
| | Subtotal Services and Meters | \$ 47,190,013 | \$ 49,408,187 | \$ 51,884,263 | \$ 62,537,825 | \$ 57,073,658 | \$ 60,151,791 |
| <u>General Plant</u> | | | | | | | |
| 1905 | Land | \$ 1,035,731 | \$ 1,035,731 | \$ 1,035,731 | \$ 1,035,731 | \$ 1,035,731 | \$ 1,035,731 |
| 1908 | Buildings and Fixtures | \$ 15,113,695 | \$ 15,410,491 | \$ 19,719,406 | \$ 20,517,288 | \$ 21,278,585 | \$ 21,593,585 |
| 1910 | Leasehold Improvements | \$ 1,212,037 | \$ 1,152,891 | \$ 1,152,891 | \$ 1,152,891 | \$ 1,152,891 | \$ 1,152,891 |
| | | \$ 17,361,463 | \$ 17,599,113 | \$ 21,908,028 | \$ 22,705,910 | \$ 23,467,207 | \$ 23,782,207 |
| <u>IT Assets</u> | | | | | | | |
| 1610 | Miscellaneous Intangible Plant | \$ 867,784 | \$ 881,150 | \$ 885,975 | \$ 1,369,935 | \$ 1,573,528 | \$ 2,048,528 |
| 1611 | Computer Software | \$ 9,873,328 | \$ 10,474,966 | \$ 11,474,203 | \$ 14,469,256 | \$ 16,294,562 | \$ 18,235,562 |
| 1920 | Computer Equipment | \$ 6,769,067 | \$ 6,499,197 | \$ 6,755,508 | \$ 7,169,767 | \$ 7,713,772 | \$ 8,147,772 |
| | Subtotal IT Assets | \$ 17,510,180 | \$ 17,855,313 | \$ 19,115,686 | \$ 23,008,958 | \$ 25,581,862 | \$ 28,431,862 |
| <u>Equipment</u> | | | | | | | |
| 1915 | Office Furniture and Equipment | \$ 4,023,446 | \$ 3,882,486 | \$ 4,285,738 | \$ 4,331,592 | \$ 4,359,941 | \$ 4,394,941 |
| 1930 | Transportation Equipment | \$ 7,477,487 | \$ 7,659,662 | \$ 8,209,530 | \$ 8,612,193 | \$ 8,833,093 | \$ 9,774,093 |
| 1935 | Stores Equipment | \$ 408,496 | \$ 408,496 | \$ 417,234 | \$ 417,234 | \$ 417,234 | \$ 417,234 |
| 1940 | Tools, Shop and Garage Equipment | \$ 2,277,502 | \$ 2,194,700 | \$ 2,263,257 | \$ 2,306,102 | \$ 2,432,757 | \$ 2,617,757 |

REVISED FOR 2010 OPENING BALANCE CORRECTION, 2013 ACTUALS AND UPDATED 2014 FORECAST -Table 3 - Gross Assets Detailed Breakdown by Major Plant Account

| Description | | 2010 Board Approved | 2010 Actual | 2011 Actual | 2012 Actual | 2013 Actual | 2014 Forecast |
|----------------------------------|------------------------------|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1945 | Measurement & Test Equipment | \$ 80,864 | \$ 80,864 | \$ 132,512 | \$ 132,512 | \$ 132,512 | \$ 132,512 |
| 1955 | Communication Equipment | \$ 513,165 | \$ 520,268 | \$ 521,003 | \$ 750,449 | \$ 1,068,249 | \$ 1,308,161 |
| 1960 | Miscellaneous Equipment | \$ 159,877 | \$ 188,887 | \$ 202,886 | \$ 252,622 | \$ 312,472 | \$ 477,472 |
| | Subtotal Equipment | \$ 14,940,838 | \$ 14,935,363 | \$ 16,032,160 | \$ 16,802,704 | \$ 17,556,258 | \$ 19,122,170 |
| <u>Other Distribtuion Assets</u> | | | | | | | |
| 1970 | Load Management-Customer | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 1975 | Load Management-Utility | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 1980 | System Supervisory Equipment | \$ 5,671,043 | \$ 5,313,257 | \$ 5,575,282 | \$ 5,696,576 | \$ 6,433,036 | \$ 7,575,668 |
| 1995 | Contributions and Grants | \$ (49,408,186) | \$ (48,475,389) | \$ (54,263,737) | \$ (60,270,534) | \$ (65,540,517) | \$ (76,245,698) |
| | Subtotal Other | \$ (43,737,143) | \$ (43,162,132) | \$ (48,688,455) | \$ (54,573,958) | \$ (59,107,481) | \$ (68,670,030) |
| | GROSS FIXED ASSETS | \$ 344,332,258 | \$ 340,352,336 | \$ 360,704,635 | \$ 394,728,061 | \$ 404,954,146 | \$ 435,734,790 |
| 2055 | Work in Process | \$ - | \$ 8,774,531 | \$ 12,486,975 | \$ 2,222,298 | \$ 3,477,000 | |
| | GROSS INCLUDING WIP | \$ 344,332,258 | \$ 349,126,867 | \$ 373,191,610 | \$ 396,950,359 | \$ 408,431,146 | \$ 435,734,790 |

7.1-EP-25

Ref: Exhibit 2, Tab 1, Schedule 4

Request

Please show which figures Veridian has forecasted in Table 3 and for each of those items, please show how Veridian has forecasted those figures, including figures taken from any of the references provided.

Response:

Attachment 1 provides an updated version of Table 3 indicating the source reference for each item and which items Veridian has forecast and the basis of the forecast. The shaded items had been forecast by Veridian.

Also included in Table 3 is Veridian's update for each of HOEP, Global Adjustment and RPP commodity prices based on the most recent forecast of each as published in *Ontario Wholesale Electricity Market Price Forecast, For the Period Nov 1, 2013 through April 30, 2015, Presented to Ontario Energy Board dated Oct 11, 2013 by Navigant Consulting* and the *Ontario Energy Board issued – Regulated Price Plan Report – Nov 1, 2013 to Oct 31, 2014, dated Oct 17, 2013*.

As with other IR requests for updated values such as Cost of Capital parameters issued by the Board, Veridian has updated pricing to reflect the most current available. Veridian has provided as Attachment 2 of this response, an updated version of page 2 of E-2, T-1, S-4, Attachment 1-Cost of Power Forecast which reflects this updated forecast pricing as issued by the Board and also reflects changes to LV Charges (response to 8.5-VECC-59) and Wholesale Transmission Charges (response to 8.5-Staff-39).

Attached 1 - Updated Table 3 – Commodity Pricing

| HOEP Pricing | | | | | |
|---|-------------------------|-----------------------|------------------------|-----------------------|-----------------------|
| AS FILED | Nov '13 to Jan '14 | Feb '14 to Apr '14 | May '14 to July '14 | Aug '14 to Oct '14 | Nov '14 to Dec '14 |
| Hourly Ontario Electricity Price Forecast - HOEP (average) | \$ 0.02311 | \$ 0.01748 | \$ 0.01507 | \$ 0.01538 | \$ 0.01938 |
| HOEP pricing for Nov '13 to Jan '14, Feb '14 to Apr '14, May '14 to Oct '14 sourced from <i>Ontario Wholesale Electricity Market Price Forecast, For the Period May 1, 2013 through October 31, 2014. Presented to Ontario Energy Board</i> dated March 28, 2013 by Navigant Consulting - Executive Summary - Table ES-1, . HOEP pricing for Nov '14 to Dec '14 forecasted by Veridian at 26% increase over Aug '14 to Oct '14 values using the %age increase in Q3 over Q2 2013 actual averages. | | | | | |
| REVISED TO REFLECT UPDATED PRICING | Nov '13 to Jan '14 | Feb '14 to Apr '14 | May '14 to July '14 | Aug '14 to Oct '14 | Nov '14 to Dec '14 |
| Hourly Ontario Electricity Price Forecast - HOEP (average) | \$ 0.02538 | \$ 0.01939 | \$ 0.01699 | \$ 0.01692 | \$ 0.02388 |
| HOEP pricing for all periods ourced from <i>Ontario Wholesale Electricity Market Price Forecast, For the Period Nov 1, 2013 through April 30, 2015. Presented to Ontario Energy Board</i> dated Oct 11, 2013 by Navigant Consulting - Executive Summary - Table ES-1. | | | | | |
| GA Pricing | | | | | |
| AS FILED | May '13 to April '14 | May '14 to Dec '14 | | | |
| Global Adjustment | \$ 0.006612 | \$ 0.07577 | | | |
| GA pricing for May '13 to April '14 sourced from <i>Ontario Energy Board issued - Regulated Price Plan Report</i> - May 1, 2013 to April 30, 2014, Dated April 5, 2013 - Executive Summary - Table ES-1. GA pricing for May '14 to Dec '14 forecasted by Veridian at 14.6% increase based on the 2013 actual increase over 2012 values. | | | | | |
| REVISED TO REFLECT UPDATED PRICING | Nov '13 to Oct '14 | Nov '14 to Dec '14 | | | |
| Global Adjustment | \$ 0.006793 | \$ 0.00778 | | | |
| GA pricing for Nov '13 to Oct '14 sourced from <i>Ontario Energy Board issued - Regulated Price Plan Report</i> -Nov 1, 2013 to Oct 31, 2014, Dated Oct 17, 2013 - Executive Summary - Table ES-1. GA pricing for Nov '14 to Dec '14 forecasted by Veridian at 14.6% increase based on the 2013 actual increase over 2012 values. | | | | | |
| RPP Pricing | | | | | |
| AS FILED | Jan '14 to Dec '14 | | | | |
| Average RPP Pricing | \$ 0.08395 | | | | |
| Average RPP Pricing sourced from <i>Ontario Energy Board issued - Regulated Price Plan Report</i> - May 1, 2013 to April 30, 2014, Dated April 5, 2013 - Executive Summary - Table ES-1. | | | | | |
| REVISED TO REFLECT UPDATED PRICING | Jan '14 to Dec '14 | | | | |
| Average RPP Pricing | \$ 0.08900 | | | | |
| Average RPP Pricing sourced from <i>Ontario Energy Board issued - Regulated Price Plan Report</i> - Nov 1, 2013 to Oct 31st, 2014, Dated Oct 17, 2013 - Executive Summary - Table ES-1. | | | | | |

Response to IR 7.5-EP-25 and 8.5-Staff-39 - Updated
Cost of Power by Month - 2014

| | Jan-14 | Feb-14 | Mar-14 | Apr-14 | May-14 | Jun-14 | Jul-14 | Aug-14 | Sep-14 | Oct-14 | Nov-14 | Dec-14 | Total |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Total Energy Purchased | 247,133,364 | 231,802,167 | 223,729,063 | 208,674,959 | 203,882,284 | 218,581,383 | 242,348,062 | 231,179,674 | 209,311,958 | 215,127,048 | 218,856,728 | 237,576,515 | 2,688,203,204 |
| RPP Customer Base | 50.5% | 46.7% | 49.3% | 45.5% | 46.1% | 41.9% | 47.6% | 48.3% | 48.8% | 49.5% | 43.5% | 44.4% | |
| Spot Customer Base | 49.5% | 53.3% | 50.7% | 54.5% | 53.9% | 58.1% | 52.4% | 51.7% | 51.2% | 50.5% | 56.5% | 55.6% | |
| RPP kWh | 124,871,043 | 108,196,784 | 110,329,691 | 94,972,762 | 93,946,384 | 91,485,410 | 115,267,846 | 111,586,978 | 102,116,779 | 106,385,626 | 95,261,632 | 105,482,713 | 1,259,903,647 |
| Non-RPP kWh | 122,262,321 | 123,605,383 | 113,399,372 | 113,702,197 | 109,935,900 | 127,095,973 | 127,080,216 | 119,592,696 | 107,195,180 | 108,741,422 | 123,595,096 | 132,093,802 | 1,428,299,557 |
| Rates | | | | | | | | | | | | | |
| Commodity (RPP) | 0.089000 | 0.089000 | 0.089000 | 0.089000 | 0.089000 | 0.089000 | 0.089000 | 0.089000 | 0.089000 | 0.089000 | 0.089000 | 0.089000 | |
| Commodity (Spot) | 0.025380 | 0.019390 | 0.019390 | 0.019390 | 0.016990 | 0.016990 | 0.016990 | 0.016920 | 0.016920 | 0.016920 | 0.023880 | 0.023880 | |
| Global Adjustment Rate/kWh | 0.067930 | 0.067930 | 0.067930 | 0.067930 | 0.067930 | 0.067930 | 0.067930 | 0.067930 | 0.067930 | 0.067930 | 0.077800 | 0.077800 | |
| Wholesale Market Charges | 0.005200 | 0.005200 | 0.005200 | 0.005200 | 0.005200 | 0.005200 | 0.005200 | 0.005200 | 0.005200 | 0.005200 | 0.005200 | 0.005200 | |
| Rural Rate Assistance | 0.001100 | 0.001100 | 0.001100 | 0.001100 | 0.001100 | 0.001100 | 0.001100 | 0.001100 | 0.001100 | 0.001100 | 0.001100 | 0.001100 | |
| Commodity Expense | | | | | | | | | | | | | |
| Commodity (RPP) | \$ 11,113,523 | \$ 9,629,514 | \$ 9,819,343 | \$ 8,452,576 | \$ 8,361,228 | \$ 8,142,201 | \$ 10,258,838 | \$ 9,931,241 | \$ 9,088,393 | \$ 9,468,321 | \$ 8,478,285 | \$ 9,387,961 | \$ 112,131,425 |
| Commodity (Spot) | \$ 3,103,018 | \$ 2,396,708 | \$ 2,198,814 | \$ 2,204,686 | \$ 1,867,811 | \$ 2,159,361 | \$ 2,159,093 | \$ 2,023,508 | \$ 1,813,742 | \$ 1,839,905 | \$ 2,951,451 | \$ 3,154,400 | \$ 27,872,496 |
| Global Adjustment / kWh | \$ 8,305,279 | \$ 8,396,514 | \$ 7,703,219 | \$ 7,723,790 | \$ 7,467,946 | \$ 8,633,629 | \$ 8,632,559 | \$ 8,123,932 | \$ 7,281,769 | \$ 7,386,805 | \$ 9,615,698 | \$ 10,276,898 | \$ 99,548,038 |
| WMS | \$ 1,285,093 | \$ 1,205,371 | \$ 1,163,391 | \$ 1,085,110 | \$ 1,060,188 | \$ 1,136,623 | \$ 1,260,210 | \$ 1,202,134 | \$ 1,088,422 | \$ 1,118,661 | \$ 1,138,055 | \$ 1,235,398 | \$ 13,978,657 |
| RRA | \$ 271,847 | \$ 254,982 | \$ 246,102 | \$ 229,542 | \$ 224,271 | \$ 240,440 | \$ 266,583 | \$ 254,298 | \$ 230,243 | \$ 236,640 | \$ 240,742 | \$ 261,334 | \$ 2,957,024 |
| SME Charge | \$ 91,864 | \$ 91,864 | \$ 91,864 | \$ 91,864 | \$ 91,864 | \$ 91,864 | \$ 91,864 | \$ 91,864 | \$ 91,864 | \$ 91,864 | \$ 91,864 | \$ 91,864 | \$ 1,102,371 |
| Whsle Transmission Charges | | | | | | | | | | | | | |
| IESO | \$ 1,424,589 | \$ 1,198,761 | \$ 1,246,760 | \$ 1,030,393 | \$ 1,201,644 | \$ 1,499,585 | \$ 1,770,781 | \$ 1,505,932 | \$ 1,403,287 | \$ 1,133,816 | \$ 1,193,678 | \$ 1,193,637 | \$ 15,802,863 |
| Hydro One | \$ 1,151,826 | \$ 1,127,213 | \$ 1,069,235 | \$ 1,108,003 | \$ 1,421,364 | \$ 1,584,217 | \$ 1,365,876 | \$ 1,204,744 | \$ 1,060,625 | \$ 1,155,548 | \$ 1,164,162 | \$ 1,478,580 | \$ 14,891,393 |
| LV Charges | \$ 193,709 | \$ 193,709 | \$ 193,709 | \$ 193,709 | \$ 193,709 | \$ 193,709 | \$ 193,709 | \$ 193,709 | \$ 193,709 | \$ 193,709 | \$ 193,709 | \$ 193,709 | \$ 2,420,904 |
| | \$ 26,940,749 | \$ 24,494,638 | \$ 23,732,437 | \$ 22,119,674 | \$ 21,890,025 | \$ 23,681,630 | \$ 25,999,513 | \$ 24,531,362 | \$ 22,252,056 | \$ 22,625,269 | \$ 25,067,646 | \$ 27,273,781 | \$ 290,705,170 |

7.1-EP-26

Ref: Exhibit 2, Tab 1, Schedule 4, Attachment 1

Request

Please confirm that the SME charge shown in the cost of power forecast has not been included in OM&A costs.

Response:

Confirmed.

7.1-EP-27

Ref: Exhibit 2, Tab 1, Schedule 4, Attachment 3

Request

- (a) Given that 2014 is not a leap year, please explain why the midpoint of service for monthly billed customers should not be 15.21 days ($365/12$) and the midpoint of service for bi-monthly billed customers should not be 30.42 days.
- (b) Please explain why the number of customers is different for some rate classes in Tables 1 & 2.
- (c) Is the number of 912 shown for the number of customers in Table 1 for the USL class and the 157 shown for the number of customers in the sentinel class the actual number of customers or connections? If connections, please explain why connections were used rather than customers. For example, is one bill issued for each connection?
- (d) If any of the customer figures shown in Table 1 are actually connections, please provide a revised Table 1 that reflects actual customers in place of connections.
- (e) Please provide examples of the pricing information that is available from the Independent Electricity System Operator that is required by the distributor before it can process a bill.
- (f) Please explain why the number of days between meter reading and billing for the USL and sentinel classes is less than it is for the residential, residential seasonal and GS < 50 classes.
- (g) Please explain why the number of days between meter reading and billing for the GS > 50, Intermediate, street lighting and large users classes is more than it is for the residential, residential seasonal and GS < 50 classes.
- (h) Please show the average days used for the weighting of each of the collection lags shown in Table 3. For example, what number of days was used for January for each of the lags shown that results in an average number of days of 22.21?
- (i) Please provide a table showing the calculation of the payment processing lag broken down into the payment forms noted in the evidence. Please include in the table the dollar weightings used for each form of payment and the lag associated with each form of payment.
- (j) Please explain how the revenue lag of 149.47 days shown in Table 5 was calculated by providing a table showing the derivation of this figure based on the

lags associated with each type of revenue included in revenue from other sources. In particular, please show the service, billing, collection and payment processing lags for each type of revenue.

Response:

- a) The lead/lag study was conducted using actual 2012 data, which was the last year for which actual data was available when the study was done. 2012 was a leap year, therefore, the applicable mid-point is $366/12 = 30.5$.

Section 2.5.1.3 of the Filing Requirements for Electricity Distribution Rate Applications dated July 17, 2013, on page 16 states that:

“Lead and lags are measured in days and are generally dollar-weighted. The dollar-weighted net lag(i.e. lag minus lead) days is then divided by 365 (366 in a leap year) and then multiplied by the annual test year cash expenses to determine the amount of working capital required for operations.”

- b) Table 1 used the number of customers at the beginning of 2012, while Table 2 used the average number of customers in 2012.

The Table below shows the results of Table 1 using the average number of customers in 2012, consistent with the number of customers used in table 2.

| Service Lag - All Classes | | | | | |
|---------------------------|----------------|-----------------|-------------------------|------------------------------------|--------------|
| Customer Type | Avg # Cust | Customer Weight | Frequency of Meter Read | Mid point of service period (Days) | Service Lag |
| | a) | | b) | c) | |
| Residential | 103,213.5 | 89.31 | Bi-monthly | 30.50 | 27.24 |
| Residential Seasonal | 1,588.0 | 1.37 | Bi-monthly | 30.50 | 0.42 |
| GS < 50 kW | 8,627.5 | 7.47 | Monthly | 15.25 | 1.14 |
| GS >50 | 1,058.5 | 0.92 | Monthly | 15.25 | 0.14 |
| Intermediate | 3.0 | 0.00 | Monthly | 15.25 | 0.00 |
| Unmetered Scattered Load | 909.5 | 0.79 | Bi-monthly | 30.50 | 0.24 |
| Sentinel Lighting | 157.0 | 0.14 | Monthly | 15.25 | 0.02 |
| Street Lighting | 8.0 | 0.01 | Monthly | 15.25 | 0.00 |
| Large Users | 4.0 | 0.00 | Monthly | 15.25 | 0.00 |
| | | | Monthly | | |
| Total | 115,569 | 100.00 | | | 29.20 |

The weighted average Service Lag is unchanged.

This update has been made to the updated Veridian Lead Lag Report provided as Attachment 1. This update and all others have been documented in Attachment 2 - "7.1-EP-27 Summary of Updates to Veridian's Lead Lag Calculations".

(c) The number 912 is the actual number of customers in Table 1 for the USL class and 157 is the actual number of customers in the sentinel class.

(d) n/a

(e) Interval metered customers 5MW and above;

- a. HOEP(Hourly Ontario Energy Price) – we receive this information from the IESO as part of the daily settlement statement and data files(which are used for Veridian settlement with the IESO). This information is available ten business days after the trade date in question.
- b. Class A Global Adjustment settlement amount. We receive the Veridian total Class A Global Adjustment dollar amount on our monthly IESO invoice. This amount is allocated to each eligible Veridian customer based upon their PDF(Peak Demand Factor). Individual PDF's are calculated using IESO provided coincident dates/time from a Base period, to be used in the next Adjustment period.

Interval metered customers below 5MW;

- c. HOEP(Hourly Ontario Energy Price). We receive this information from the IESO as part of the daily settlement statement and data files(which are used for Veridian settlement with the IESO). This information is available ten business days after the trade date in question.
- d. Class B Global Adjustment rate. The first estimate rate as found on the IESO web site available the last business day of the preceding month is used.

Non-interval, non RPP eligible, WAP(Weighted Average Price) customers;

- e. The WAP is a derivative of the Veridian NSLS(Net System Load Shape – which is determined using IESO and Veridian supplied data).
 - i. Veridian wholesale delivery point hourly load profile data. We receive this information from the IESO as part of the daily settlement statement and data files. This information is available ten business days after the trade date in question.
 - ii. HOEP(Hourly Ontario Energy Price). We receive this information from the IESO as part of the daily settlement statement and data files(which are used for Veridian settlement with the IESO). This information is available ten business days after the trade date in question.
 - iii. Class B Global Adjustment rate. The first estimate rate as found on the IESO web site available the last business day of the preceding month is used.

Smart Meter TOU(Time of Use) customers;

- f. BQR(Billing Quantity Response). This is the TOU framed bill determinant information for a requested specified period sent to our CIS(Customer Information System).

A sample of the information from the IESO is shown below.

H|102120|14-JAN-2014|891643|DT|P|P
P|H|14-JAN-2014|1|0|ONZN|7.69
P|R|14-JAN-2014|1|1|MBSI|32.01
P|R|14-JAN-2014|1|1|MISI|32.01
P|R|14-JAN-2014|1|1|MNSI|32.01
P|R|14-JAN-2014|1|1|NYSI|32.01
P|R|14-JAN-2014|1|1|ONZN|32.01
P|R|14-JAN-2014|1|1|PQAT|32.01
P|R|14-JAN-2014|1|1|PQBE|32.01
P|R|14-JAN-2014|1|1|PQDA|32.01

H|102120|14-JAN-2014|891643|ST|P|P|-243301.21|-6265550.49||
SC|101|NET ENERGY MARKET SETTLEMENT FOR NON-DISPATCHABLE
LOAD|14-JAN-2014|-203677.45|N
SC|150|NET ENERGY MARKET SETTLEMENT UPLIFT|14-JAN-2014|-
4567.14|N
SC|155|CONGESTION MANAGEMENT SETTLEMENT UPLIFT|14-JAN-
2014|-4483.68|N
SC|186|INTERTIE FAILURE CHARGE REBATE|14-JAN-2014|59.01|N
SC|250|10-MINUTE SPINNING MARKET RESERVE HOURLY UPLIFT|14-
JAN-2014|-328.78|N
SC|252|10-MINUTE NON-SPINNING MARKET RESERVE HOURLY
UPLIFT|14-JAN-2014|-292.94|N
SC|254|30-MINUTE OPERATING RESERVE MARKET HOURLY
UPLIFT|14-JAN-2014|-44.1|N
SC|451|HOURLY REACTIVE SUPPORT AND VOLTAGE CONTROL
SETTLEMENT DEBIT|14-JAN-2014|-467|N
SC|900|GST/HST CREDIT|14-JAN-2014|7.67|N
SC|950|GST/HST DEBIT|14-JAN-2014|-27998.13|N
SC|1550|DAY-AHEAD PRODUCTION COST GUARANTEE RECOVERY
DEBIT|14-JAN-2014|-1508.67|N
DP|1550|14-JAN-2014|0|0|-
1508.67|ONZN|P||||433066.806||||97243.61||||0|6718.736|||||.13|-196.13
DP|101|14-JAN-2014|1|0|-
573.59|ONZN|100692|P||||7.69|||||.13|0|0|74.589|0|0|0|0|||||.13|-74.57
DP|101|14-JAN-2014|1|0|-
DP|101|14-JAN-2014|1|0|-
23.86|ONZN|105496|P||||7.69|||||.13|0|0|3.103|0|0|0|0|||||.13|-3.1
DP|101|14-JAN-2014|1|0|-
35.6|ONZN|105497|P||||7.69|||||.13|0|0|4.63|0|0|0|0|||||.13|-4.63

Veridian Connections Inc.
EB-2013-0174
Response to Interrogatories
February 18, 2014

- (f) The billing lag was determined by querying the billing system database for June 2012 for the non-metered classes of USL and Sentinel for Read date and Bill date. The average for the month for each customer class was used.
- (g) The number of days between meter reading and billing for the GS > 50, Intermediate, street lighting and large users classes is more than it is for the residential, residential seasonal and GS < 50 classes because extra effort is required to validate the data.
- (h) The average collection lag was calculated as follows: the total outstanding balance for each month was divided by the total sales for the month and then multiplied by the # of days in the month. The average of all months Days Sales Outstanding is the average collection lag.

| Collection Lag | | | | | | | | | |
|----------------|----------------|--------------|--------------|--------------|---------------|---------------------|-----------------|----------------|------------------------|
| Month | 1-30 Days | 31-60 Days | 61-90 Days | 91-180 Days | Over 180 Days | Total (Outstanding) | # Days in month | Sales(\$) | Days Sales Outstanding |
| Jan | 15,841,040.75 | 389,441.03 | 166,566.07 | 328,841.59 | 1,077,408.56 | 17,803,298.00 | 31 | 24,852,216.45 | 22.21 |
| Feb | 15,032,412.97 | 590,481.39 | 132,372.13 | 241,517.16 | 371,746.35 | 16,368,530.00 | 29 | 25,041,398.65 | 18.96 |
| Mar | 20,285,636.28 | 711,578.80 | 288,436.40 | 255,463.43 | 530,697.09 | 22,071,812.00 | 31 | 24,364,512.29 | 28.08 |
| Apr | 13,770,407.69 | 480,020.04 | 205,893.85 | 198,756.32 | 402,739.11 | 15,057,817.00 | 30 | 23,020,953.60 | 19.62 |
| May | 10,613,807.26 | 594,941.28 | 270,849.64 | 238,887.24 | 496,032.59 | 12,214,518.00 | 31 | 24,685,938.77 | 15.34 |
| Jun | 20,425,351.54 | 690,106.34 | 388,151.45 | 425,927.80 | 716,093.87 | 22,645,631.00 | 30 | 23,798,601.75 | 28.55 |
| Jul | 16,644,528.25 | 875,824.69 | 358,177.51 | 642,161.04 | 959,781.50 | 19,480,473.00 | 31 | 27,520,134.91 | 21.94 |
| Aug | 16,879,112.61 | 563,474.04 | 308,908.01 | 471,827.18 | 918,528.16 | 19,141,850.00 | 31 | 28,550,516.33 | 20.78 |
| Sep | 23,912,109.95 | 716,517.73 | 246,720.06 | 532,163.39 | 1,104,571.87 | 26,512,083.00 | 30 | 26,060,473.70 | 30.52 |
| Oct | 15,950,365.77 | 512,409.67 | 214,987.85 | 281,813.01 | 971,516.70 | 17,931,093.00 | 31 | 26,791,053.47 | 20.75 |
| Nov | 13,280,604.97 | 587,119.31 | 200,249.08 | 275,370.37 | 1,181,953.27 | 15,525,297.00 | 30 | 23,616,510.99 | 19.72 |
| Dec | 19,772,949.39 | 771,962.90 | 298,975.41 | 310,553.22 | 1,344,181.07 | 22,498,622.00 | 31 | 18,957,634.26 | 36.79 |
| TOTAL | 202,408,327.43 | 7,483,877.23 | 3,080,287.45 | 4,203,281.75 | 10,075,250.14 | 227,251,024.00 | 366 | 297,259,945.16 | 23.61 |

- (i) The payment processing lag data has been updated and is shown in the Table below.

| Payment Type | Cash Receipts | Avg No of Days | Weighted Days | Avg Lag |
|---------------------------------|---------------|----------------|---------------|---------|
| Lockbox | 150,529,110 | 0.5 | 0.447 | 0.224 |
| Telebanking | 1,239,074 | 0.5 | 0.004 | 0.002 |
| EFT Payments | 65,880,822 | 1 | 0.196 | 0.196 |
| PAP Debit | 74,999,392 | 1 | 0.223 | 0.223 |
| Daily bank deposits- cheques | 41,641,827 | 3 | 0.124 | 0.371 |
| Paymentech | 394,086 | 1 | 0.001 | 0.001 |
| Credit card | 1,936,314 | 1 | 0.006 | 0.006 |
| | 336,620,625 | | 1.000 | 1.022 |

- (j) The average days for service, billing, collection and processing was determined for each type of revenue. The revenue lag was calculated by using the weighted average for each type of revenue based on the percentage of revenue \$ as a total. This percentage was then multiplied by the average days lag for each type of revenue. For example, OEB account 4325, the service, billing, collection and payment processing lag was calculated based on the average midpoint of the month for service of 15.25 days and a total of 30 days for billing, collection and payment processing lags. The revenue lag of 149.47 days shown in Table 5 was calculated incorrectly. The corrected figure is 36.92 days. The corrected calculation is shown below.

| | Actual | | Days Lag | Revenue |
|-------------------|-------------|---------|---|---------|
| Account | 2012 | | Service, billing, collection and payment processing | Lag |
| 4210 Pole Rentals | 256,470 | 27.73% | (183.00) | (50.74) |
| 4210 | 187,598 | 20.28% | 334.00 | 67.74 |
| 4325 | 1,201,051 | 129.86% | 45.25 | 58.76 |
| 4330 | (1,150,234) | 124.36% | (45.25) | (56.27) |
| 4335 | 41,513 | 4.49% | 45.25 | 2.03 |
| 4335 | 1,280 | 0.14% | 45.25 | 0.06 |
| 4355 | 11,400 | 1.23% | 45.25 | 0.56 |
| 4375 | 52,728 | 5.70% | 45.25 | 2.58 |
| 4390 | 162,420 | 17.56% | 45.25 | 7.95 |
| 4390 | 160,685 | 17.37% | 24.50 | 4.26 |
| | 924,910 | | | 36.92 |



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Working Capital Requirement

A Report Prepared by
Elenchus Research Associates Inc.

On Behalf of
Veridian
Connections



Updated
10/02/2014

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1 INTRODUCTION

In Veridian's last cost of service application for setting 2010 Distribution rates, Veridian reached a Settlement Agreement with Stakeholders that was approved by the Ontario Energy Board in Proceeding EB-2009-0140. In the agreement it is stated on page 11 that: "*Veridian also agrees that it will carry out a lead-lag study to determine its working capital requirements on a go-forward basis, to be completed in time for its next rebasing.*"

Veridian retained Elenchus Research Associates in order to assist with conducting a Working Capital Allowance (WCA) study.

This report documents the data inputs and results of the WCA conducted on behalf of Veridian.

In its last cost of service application Veridian used a WCA of 15% of forecast cost of power and controllable distribution expenses, excluding amortization and PILs.

For the 2014 WCA study actual 2012 data was used as it represents a typical year of operations for Veridian and the last full year of available data. The data has been adjusted as detailed in the report for anticipated changes to determine the appropriate WCA requirements for the 2014 test year.

Working capital is the amount of funds required to finance the day-to-day operations of a regulated utility which is determined by a lead/lag study and are included as part of the rate base for determining distribution rates.

A lead/lag study analyzes two time periods:

1. Lag is the time between one event and another. In this lead/lag study, lag is the number of days between the date that a service is rendered and the date that payment is received and generally refers to revenue.
2. Lead refers to the number of days between the date Veridian receives goods and services and the date that Veridian pays for them and generally refers to an expense. A pre-paid expense would be a negative lead or an expense lag.

Both the overall revenue lag and expense lead, in number of days, are developed by weighting the lag or lead from individual sources based on relative dollar magnitude. A net lag is then calculated using the lag minus the lead. The working capital requirements is then determined by using the net lag divided by 366, (2012 being a leap year), and multiplied by the annual budgeted costs as seen in the formula below.

$$\text{Working Capital Requirement} = 2014 \text{ Budgeted Costs}^* \times \frac{\text{Net (Lead)/Lag}}{366}$$

* Budgeted Costs include: Cost of Power, OM&A, Interest Expense, Income Tax, HST and Debt Retirement Charge

The working capital requirement is expressed as a percent of the total Operations, Maintenance and Administration (OM&A) costs plus the cost of power to determine the WCA for 2014. The

final working capital requirement to be included in rate base for 2014 is derived by multiplying the proposed WCA by the 2014 forecast OM&A and cost of power.

When a service is provided to a company or is provided by the company over a period of time, the service is deemed to have been provided or received evenly over the midpoint of the period, unless specific information regarding the provision or receipt of the service is available. If both the service start ("A") and end date ("B") are known, the midpoint of a service period can be calculated as follows:

$$\text{Mid-Point} = [(B)-(A) + 1]/2$$

If the start and end date are unknown and the service is evenly distributed over the period, the formula uses the number of days (C) in the period:

$$\text{Mid-Point} = (C)/2$$

2 REVENUE LAG

Revenue lag refers to the number of days between the date Veridian provides service to its customers and the date that payment is received and funds are available to the company. Revenue lag consists of the following four components:

1. Service Lag – The time between when the service is provided and meters are read;
2. Billing Lag – The time between when the meters are read and invoices are sent;
3. Collection Lag – The time between when the invoices are sent and payment is received;
and
4. Payment Processing Lag – The time between when the payment is received and processed.

Veridian's revenues are from customers and from other sources:

- Revenues from customers. This includes revenues from residential, residential seasonal, General Service below 50 kW, General Service above 50 kW, intermediate, unmetered scattered load, sentinel lighting, street lighting and large users
- Revenues for other sources. This includes Pole Rentals, scrap metal, shared services and miscellaneous billable services.

2.1 SERVICE LAG

Meters for residential, residential seasonal and unmetered scattered load customers are read bi-monthly while all remaining customer classes' meters are read monthly. Some General Service below 50 kW customers' meters are currently read bi-monthly but Veridian expects that as of 2014 all General Service customers' meters will be read monthly, so the meter reading frequency for these customers has been changed from bi-monthly to monthly for purposes of this study.

Based on the meter reading information and the average number of customers in 2012 in each customer class, the weighted average service lag is 29.20 days. Table 1 shows the details.

Table 1 - 2012 Service Lag

| Service Lag - All Classes | | | | | |
|---------------------------|----------------|-----------------|-------------------------|------------------------------------|--------------|
| Customer Type | Avg # Cust | Customer Weight | Frequency of Meter Read | Mid point of service period (Days) | Service Lag |
| | a) | | b) | c) | |
| Residential | 103,213.5 | 89.31 | Bi-monthly | 30.50 | 27.24 |
| Residential Seasonal | 1,588.0 | 1.37 | Bi-monthly | 30.50 | 0.42 |
| GS < 50 kW | 8,627.5 | 7.47 | Monthly | 15.25 | 1.14 |
| GS >50 | 1,058.5 | 0.92 | Monthly | 15.25 | 0.14 |
| Intermediate | 3.0 | 0.00 | Monthly | 15.25 | 0.00 |
| Unmetered Scattered Load | 909.5 | 0.79 | Bi-monthly | 30.50 | 0.24 |
| Sentinel Lighting | 157.0 | 0.14 | Monthly | 15.25 | 0.02 |
| Street Lighting | 8.0 | 0.01 | Monthly | 15.25 | 0.00 |
| Large Users | 4.0 | 0.00 | Monthly | 15.25 | 0.00 |
| Total | 115,569 | 100.00 | | | 29.20 |

2.2 BILLING LAG

The time between when the meters are read and the bills are delivered is dependent on the availability of the pricing information provided by the Retailers and by the Independent Electricity System Operator (IESO). Typically the pricing information is available by the Independent Electricity System Operator on the 10 business day after the read date. The billing lag was derived by querying the billing system database for June 2012 by customer class for 'Read date and Bill date'. The difference between those dates was determined. The average for the month for each customer class was used. One day was added for the processing time for the billing contractor to process the bill and send it to the customer.

The weighted average billing lag is 17.56 days. Table 2 shows the details.

Table 2 - 2012 Billing Lag

| Billing Lag | | | | | |
|--------------------------|------------------|--------------------|----------------|--|--------------|
| Customer Type | Avg # Cust | Sales (\$) | Weight | Number of Days between meter read and billing (regular read) | Weighted Lag |
| | a) | b) | | c) | |
| Residential | 103,213.5 | 132,101,762 | 44.44% | 17 | 7.44 |
| Residential Seasonal | 1,588.0 | 5,083,145 | 1.71% | 17 | 0.29 |
| GS < 50 kW | 8,627.5 | 35,938,901 | 12.09% | 17 | 2.07 |
| GS >50 | 1,058.5 | 98,418,078 | 33.11% | 18 | 6.02 |
| Intermediate | 3.0 | 5,993,478 | 2.02% | 19 | 0.38 |
| Unmetered Scattered Load | 909.5 | 268,570 | 0.09% | 16 | 0.01 |
| Sentinel Lighting | 157.0 | 55,305 | 0.02% | 16 | 0.00 |
| Street Lighting | 8.0 | 4,106,517 | 1.38% | 19 | 0.27 |
| Large Users | 4.0 | 15,294,189 | 5.15% | 21 | 1.08 |
| Total | 115,569.0 | 297,259,945 | 100.00% | | 17.56 |

2.3 **COLLECTION LAG**

The average collection lag was derived from accounts receivable aging summary for 2012. The average collection lag for 2012 is 23.61 days. Table 3 shows the details.

Table 3 - 2012 Collection Lag

| Collection Lag | | | | | | | | | |
|----------------|-----------------------|---------------------|---------------------|---------------------|----------------------|-----------------------|-----------------|-----------------------|------------------------|
| Month | 1-30 Days | 31-60 Days | 61-90 Days | 91-180 Days | Over 180 Days | Total (Outstanding) | # Days in month | Sales(\$) | Days Sales Outstanding |
| Jan | 15,841,040.75 | 389,441.03 | 166,566.07 | 328,841.59 | 1,077,408.56 | 17,803,298.00 | 31 | 24,852,216.45 | 22.21 |
| Feb | 15,032,412.97 | 590,481.39 | 132,372.13 | 241,517.16 | 371,746.35 | 16,368,530.00 | 29 | 25,041,398.65 | 18.96 |
| Mar | 20,285,636.28 | 711,578.80 | 288,436.40 | 255,463.43 | 530,697.09 | 22,071,812.00 | 31 | 24,364,512.29 | 28.08 |
| Apr | 13,770,407.69 | 480,020.04 | 205,893.85 | 198,756.32 | 402,739.11 | 15,057,817.00 | 30 | 23,020,953.60 | 19.62 |
| May | 10,613,807.26 | 594,941.28 | 270,849.64 | 238,887.24 | 496,032.59 | 12,214,518.00 | 31 | 24,685,938.77 | 15.34 |
| Jun | 20,425,351.54 | 690,106.34 | 388,151.45 | 425,927.80 | 716,093.87 | 22,645,631.00 | 30 | 23,798,601.75 | 28.55 |
| Jul | 16,644,528.25 | 875,824.69 | 358,177.51 | 642,161.04 | 959,781.50 | 19,480,473.00 | 31 | 27,520,134.91 | 21.94 |
| Aug | 16,879,112.61 | 563,474.04 | 308,908.01 | 471,827.18 | 918,528.16 | 19,141,850.00 | 31 | 28,550,516.33 | 20.78 |
| Sep | 23,912,109.95 | 716,517.73 | 246,720.06 | 532,163.39 | 1,104,571.87 | 26,512,083.00 | 30 | 26,060,473.70 | 30.52 |
| Oct | 15,950,365.77 | 512,409.67 | 214,987.85 | 281,813.01 | 971,516.70 | 17,931,093.00 | 31 | 26,791,053.47 | 20.75 |
| Nov | 13,280,604.97 | 587,119.31 | 200,249.08 | 275,370.37 | 1,181,953.27 | 15,525,297.00 | 30 | 23,616,510.99 | 19.72 |
| Dec | 19,772,949.39 | 771,962.90 | 298,975.41 | 310,553.22 | 1,344,181.07 | 22,498,622.00 | 31 | 18,957,634.26 | 36.79 |
| TOTAL | 202,408,327.43 | 7,483,877.23 | 3,080,287.45 | 4,203,281.75 | 10,075,250.14 | 227,251,024.00 | 366 | 297,259,945.16 | 23.61 |

2.4 PAYMENT PROCESSING LAG

Payments from customers are in the following forms: PAP (Preauthorized Payment Plan) and non-PAP sales, EDI (Electronic Data Interchange-Electronic payments (internet banking)), lockbox and regular postdates. The weighted average for all these form of payments is a processing lag of 1.02 days.

2.5 REVENUE LAG FROM CUSTOMERS

The sum of the Service lag, Collection lag, Payment lag and Processing lag related to revenue from customers is 71.39 days. Table 4 shows the details.

Table 4 - 2012 Revenue Lag Customer Classes

| Revenue Lag For All Classes | |
|---------------------------------------|--------------|
| Month | Days |
| Service Lag | 29.20 |
| Billing Lag | 17.56 |
| Collection Lag | 23.61 |
| Payment Processing and Bank Float Lag | 1.02 |
| TOTAL | 71.39 |

2.6 REVENUE LAG OTHER SOURCES

The revenue from other sources is estimated to be 36.92 days. Revenue lag days for Other Sources reflect a longer collection cycle. This revenue from Other Sources is only 0.31% of the total revenue.

2.7 TOTAL REVENUE LAG

The total weighted average revenue lag from customers and other sources is 71.28 days. Table 5 shows the details.

Table 5 - 2012 Total Revenue Lag

| Service Revenue Lag Total | | | | |
|-----------------------------------|---------------|-----------------------|------------------|----------------------|
| Sources of Revenue | Revenue Lag | Amount \$ | Weighting Factor | Weighted Revenue Lag |
| Sources of Rev from All Customers | 71.39 | 297,259,945.16 | 1.00 | 71.17 |
| Revenue from Other Sources | 36.92 | 924,910.11 | 0.00 | 0.11 |
| Total | 108.31 | 298,184,855.27 | 1.00 | 71.28 |

3 EXPENSE LEAD

The major categories of expenses considered in this study are:

- Long term debt
- PILs
- Debt Retirement Charge
- Cost of Power
- Payroll and Benefit
- OM&A
- HST

3.1 INTEREST ON LONG TERM DEBT

Veridian has two promissory notes, interest payment on the first promissory note is made at the end of each quarter. Interest payment on the second promissory note is made at the end of each year. The bank loans are paid at the end of each month. The shareholder note is paid at the end of each year.

Based on actual 2012 payments the weighted average lead is 112.73 days.

3.2 PILs

Veridian makes monthly payments in lieu of taxes to the Ontario Electricity Financial Corporation (OEFC) and a true-up payment/refund is typically made/received in the following year. In mid 2012, Veridian received a refund on PILs for the year 2011. The PILs expense lead for 2012 is -10.51.

3.3 DEBT RETIREMENT CHARGE

Veridian collects a debt retirement charge from its customers and passes this revenue to the OEFC in monthly installments. These payments are consistently made on the 18th day of the month. Based on 2012 data, the weighted expense lead time is 33.25 days.

3.4 COST OF POWER

Veridian receives cost of power invoices from the IESO and Hydro One Networks. Based on actual 2012 invoices and payment dates, the average expense lead time for the cost of power from the IESO and Hydro One Networks is 25.32 days and 56.16 days respectively. Weighting

the amounts paid to both providers, the weighted average expense lead time is 28.83 days. Table 6 shows the details.

Table 6 - 2012 Cost of Power Expense Lead

| Vendor | Amount (\$000) | Expense Lead (days) | Weight Factor (%) | Weighted Lead (Days) |
|------------------|-----------------------|----------------------------|--------------------------|-----------------------------|
| IESO | 206,514.7 | 25.32 | 88.60 | 22.43 |
| Hydro One | 26,571.4 | 56.16 | 11.40 | 6.40 |
| Total | 233,086.1 | | | 28.83 |

3.5 PAYROLL AND BENEFITS

Employees are paid biweekly, 26 pay periods a year. Veridian engages an external payroll service provider which processes payroll amounts, pays employees directly and remits statutory payroll withholdings on behalf of Veridian. The total net payroll amount and amounts for statutory payroll withholdings are transferred to the payroll service provider from Veridian's bank account on Wednesday for the payroll period ending on Friday of the previous week.

Benefits are split by total number of lead days from the service date to the payment date. The service lead is calculated using the mid-point of the service period.

- Pension benefits (OMERS) are paid monthly and generally on the 25th day in the month following the service period.
- Dental, drug and extended health care benefits are paid bi-weekly on average 10 days after the service period.
- Insurance premiums are prepaid at the beginning of the service month.

The weighted average expense lead for 2012 is 15.03 days.

3.6 OM&A

The OM&A total lead days is calculated based on expenses split by Vendor Terms. The nature of the expenses in these groupings is detailed below.

Annual prepaids

Expenses that are prepaid annually include Corporate Memberships, software and hardware maintenance fees, property insurance and general insurance.

Quarterly prepaids

Expenses that are prepaid quarterly include Property tax fees for office, yard and substation properties, and OEB cost assessments.

Miscellaneous OM&A (All Vendor Terms)

The miscellaneous OM&A is split by grouping of vendor terms. The major costs included are Subcontract (tree trimming), consulting, legal, audit, office supplies, telecommunications, advertising, facilities maintenance, postage and training.

Table 7 shows the details for OM&A expenses.

Table 7 - 2012 OM&A Expense Lead

| OM&A Expense Lead | | | | |
|--------------------|---------------------|-------------------|------------------|---------------|
| | Expense Lead (days) | Amount (\$) | Weighting Factor | Weighted Lead |
| Payroll & Benefits | 15.03 | 23,060,067 | 69.21% | 10.40 |
| Annual Prepays | -183.00 | 1,030,738 | 3.09% | -5.66 |
| Quarterly Prepays | -45.75 | 831,561 | 2.50% | -1.14 |
| Misc OM&A 30 days | 45.25 | 5,553,961 | 16.67% | 7.54 |
| Misc OM&A 25 days | 40.25 | 2,573 | 0.01% | 0.00 |
| Misc OM&A 20 days | 35.25 | 647 | 0.00% | 0.00 |
| Misc OM&A 15 days | 30.25 | 208,735 | 0.63% | 0.19 |
| Misc OM&A 10 days | 25.25 | 4,007 | 0.01% | 0.00 |
| Misc OM&A | 18.75 | 2,624,425 | 7.88% | 1.48 |
| TOTAL | -18.72 | 33,316,714 | 100.00% | 12.81 |

Combining the Payroll and Benefits and OM&A expenses, the weighted average expense lead for 2012 is 12.81 days.

3.7 HST

The following categories are subject to HST:

- Customer revenues including cost of power and other revenues
- Cost of power, and
- OM&A expenses

HST for Revenue - HST return is remitted on the last business day of the month following the service month. Therefore remittance is approximately 30 days after the service period end.

HST for Expenses - HST for IESO invoice for the service month is paid before the HST remittance credit is received. Similar approach for Hydro One and OM&A expenses applies.

Tables 8 and 9 show the details of the calculations for HST for the three categories.

Table 8 - 2012 HST for Revenues

| HST Expense Lead - Revenues | | | | | |
|-----------------------------|--------------------|-------------------|--------------------|---------------------|-------------------------|
| Revenue | Amount (\$) | HST (13%) | Lead (Lag) Days | Weighting Factor | Weighted Lead (Days) |
| From All Customers | 297,259,945 | 38,643,793 | -26.39 | 0.996898 | -26.31 |
| From Other Sources | 924,910 | 120,238 | 8.08 | 0.003102 | 0.03 |
| Total | 298,184,855 | 38,764,031 | -18.3074 | 1 | -26.28 |

Table 9 - 2012 HST for Cost of Power and OM&A

| HST Expense Lead | | | | | |
|------------------|--------------------|-------------------|-----------------|---------------------|-------------------------|
| Vendor | Amount (\$) | HST (13%) | Lead (Days) | Weighting Factor | Weighted Lead (Days) |
| IESO | 206,514,711 | 26,846,912 | -19.68 | 0.852102 | -16.77 |
| Hydro One | 26,571,428 | 3,454,286 | 11.16 | 0.109637 | 1.22 |
| OM&A | 9,273,095 | 1,205,502 | -32.19 | 0.038262 | -1.23 |
| Total | 242,359,234 | 31,506,700 | 4.289078 | 1 | -16.78 |

4 WORKING CAPITAL REQUIREMENT

Based on the revenue lag and expense lead information described above using 2012 data, the 2014 working capital allowance for Veridian based on forecast 2014 expenses is \$43.8 million or 13.73% of forecast cost of power and OM&A expenses. Table 10 shows the details.

Table 10 – Working Capital Requirement

| Working Capital Allowance - HST Adjusted | | | | | | | |
|--|------------------|-------------------|---------------------|------------|-------------------------|------------|---------|
| Budget Item Description | Revenue Lag Days | Expense Lead Days | Net Lag (Lead) Days | WCA Factor | Test Year Expenses (\$) | WCA (\$) | WCA (%) |
| Cost of Power | 71.28 | 28.83 | 42.45 | 0.12 | 290,705,170 | 33,716,534 | |
| OM&A Expenses | 71.28 | 12.81 | 58.47 | 0.16 | 28,283,692 | 4,518,129 | |
| Interest on Long Term Debt | 71.28 | 112.73 | -41.45 | -0.11 | 6,956,945 | - 787,872 | |
| PIIs | 71.28 | -10.51 | 81.79 | 0.22 | 1,104,396 | 246,801 | |
| Debt Retirement Charges | 71.28 | 33.25 | 38.03 | 0.10 | 17,934,340 | 1,863,467 | |
| Sub-Total | | | | | 344,984,543 | 39,557,059 | 12.40% |
| HST (Receivables) | | -26.28 | 26.28 | 0.07 | 38,764,031 | 2,783,451 | |
| HST (Expenses) | | -16.78 | 16.78 | 0.05 | 31,506,700 | 1,444,622 | |
| Total (inc. HST) | | | | | 415,255,275 | 43,785,133 | 13.73% |

5 ELENCHUS' OPINION

Elenchus reviewed the methodology and data used by Veridian in calculating the working capital allowance and in Elenchus' views the methodology covers the revenue and expense items usually covered in this type of analysis and is consistent with other studies presented to the Ontario Energy Board by other distributors.

The 13.73% working capital allowance for Veridian is based on Veridian's 2012 data adjusted for monthly meter reads for all General Service below 50 kW customers which is expected to be in place for 2014 and new debt issued December 2012. The test year expenses are consistent with Veridian's 2014 rate submission to the Ontario Energy Board.

7.1-EP-27-Attachment 2: Summary of Updates to Veridian's Lead Lag Calculations

The following updates were done to the lead/lag study and are shown in shaded cells in the tables in Elenchus' updated report:

- Table 1 average number of customers same as in Table 2 (IR 7.1 EP 27b)
- Payment Processing Lag is 1.02 days (IR 7.1 EP 27i)
- Table 4 Revenue Lag from customer classes is 71.39 days (IR 7.1 EP 27i)
- Revenue lag from Other Sources is 36.92 days (IR 7.1 EP 27j)
- Table 5 Total Revenue lag is 71.28 days (IR 7.1 EP 27j)
- Interest on Long Term Debt includes a new December 2012 issue resulting in a weighted average interest on long term debt lead of 112.73 days (IR 7.1 EP 31d)
- Expense lead of refund is 366 days resulting in a PILs lead of -10.51 days (IR 7.1 EP 31e)
- Table 8, Revenue from Other Sources 8.08 days resulting in weighted lead of -26.28 days (IR 7.1 EP 27j)
- Table 9, OM&A Expenses subject to HST \$9,273,095 resulting in weighted lead of -16.78 (IR 7.1 EP 32 b&c)
- Table 10, forecast cost of power 2014 expense is \$290,705,170 and forecast of interest on long term debt 2014 expense is \$6,956,945 (IR 7.1 EP 25 Attachment 2) (IR 7.1 EP 34a)

The following Tables show the summary of days for both lead and lag and the calculation of the WCA. A revised Lead Lag Report from Elenchus has been included with IR 7.1 EP 27.

Table 1

| | Number of Days |
|--|-----------------------|
| Revenue Lag | 71.28 |
| OM&A Expense Lead | 12.81 |
| Cost of Power Lead | 28.83 |
| Interest on Long Term Debt Lead | 112.73 |
| PILS Lead | -10.51 |
| Debt Retirement Lead | 33.25 |

Table 2

| Working Capital Allowance - HST Adjusted | | | | | | | |
|--|------------------|-------------------|---------------------|------------|-------------------------|------------|---------|
| Budget Item Description | Revenue Lag Days | Expense Lead Days | Net Lag (Lead) Days | WCA Factor | Test Year Expenses (\$) | WCA (\$) | WCA (%) |
| Cost of Power | 71.28 | 28.83 | 42.45 | 0.12 | 290,705,170 | 33,716,534 | |
| OM&A Expenses | 71.28 | 12.81 | 58.47 | 0.16 | 28,283,692 | 4,518,129 | |
| Interest on Long Term Debt | 71.28 | 112.73 | -41.45 | -0.11 | 6,956,945 | - 787,872 | |
| PILs | 71.28 | -10.51 | 81.79 | 0.22 | 1,104,396 | 246,801 | |
| Debt Retirement Charges | 71.28 | 33.25 | 38.03 | 0.10 | 17,934,340 | 1,863,467 | |
| Sub-Total | | | | | 344,984,543 | 39,557,059 | 12.40% |
| HST (Receivables) | | -26.28 | 26.28 | 0.07 | 38,764,031 | 2,783,451 | |
| HST (Expenses) | | -16.78 | 16.78 | 0.05 | 31,506,700 | 1,444,622 | |
| Total (inc. HST) | | | | | 415,255,275 | 43,785,133 | 13.73% |

7.1-EP-28

Ref: Exhibit 2, Tab 1, Schedule 4, Attachment 3

Request

- (a) Does Veridian have any plans to move any customers in the rate classes shown in Table 1 as being bi-monthly to monthly? If yes, please provide details.
- (b) Please provide a version of Tables 1, 4, 5 and 10 that reflects a situation where all customer classes are billed on a monthly basis.
- (c) If Veridian billed all customer classes monthly, please confirm that there would be no changes in the OM&A expense leads (Table 7) or the HST for cost of power and OM&A (Table 9). If this cannot be confirmed, please indicate what the changes are and what they would be.
- (d) If Veridian billed all customer classes monthly what changes, if any, would result for HST for revenues (Table 8)? Please provide a version of Table 8 that would reflect any changes.

Response:

- (a) Veridian does not have any plans to move any customers that are currently bi-monthly to monthly.
- (b) Assuming all customers are billed monthly, below are the requested Tables.

Table 1 Assuming all customers are billed monthly

| Service Lag - All Classes | | | | | |
|---------------------------|----------------|-----------------|-------------------------|------------------------------------|--------------|
| Customer Type | Avg # Cust | Customer Weight | Frequency of Meter Read | Mid point of service period (Days) | Service Lag |
| | a) | | b) | c) | |
| Residential | 103,213.5 | 89.31 | Monthly | 15.25 | 13.62 |
| Residential Seasonal | 1,588.0 | 1.37 | Monthly | 15.25 | 0.21 |
| GS < 50 kW | 8,627.5 | 7.47 | Monthly | 15.25 | 1.14 |
| GS >50 | 1,058.5 | 0.92 | Monthly | 15.25 | 0.14 |
| Intermediate | 3.0 | 0.00 | Monthly | 15.25 | 0.00 |
| Unmetered Scattered Load | 909.5 | 0.79 | Monthly | 15.25 | 0.12 |
| Sentinel Lighting | 157.0 | 0.14 | Monthly | 15.25 | 0.02 |
| Street Lighting | 8.0 | 0.01 | Monthly | 15.25 | 0.00 |
| Large Users | 4.0 | 0.00 | Monthly | 15.25 | 0.00 |
| | | | Monthly | | |
| Total | 115,569 | 100.00 | | | 15.25 |

Table 4 Assuming all customers are billed monthly

| Revenue Lag For All Classes | |
|---------------------------------------|--------------|
| Month | Days |
| Service Lag | 15.25 |
| Billing Lag | 17.56 |
| Collection Lag | 23.61 |
| Payment Processing and Bank Float Lag | 1.02 |
| TOTAL | 57.44 |

Table 5 Assuming all customers are billed monthly

| Service Revenue Lag Total | | | | |
|-----------------------------------|--------------|--------------------|------------------|----------------------|
| Sources of Revenue | Revenue Lag | Amount \$ | Weighting Factor | Weighted Revenue Lag |
| Sources of Rev from All Customers | 57.44 | 297,259,945 | 1.00 | 57.26 |
| Revenue from Other Sources | 36.92 | 924,910 | 0.00 | 0.11 |
| Total | 94.36 | 298,184,855 | 1.00 | 57.37 |

Table 10 Assuming all customers are billed monthly

| Working Capital Allowance - HST Adjusted | | | | | | | |
|--|------------------|-------------------|---------------------|------------|-------------------------|-------------------|--------------|
| Budget Item Description | Revenue Lag Days | Expense Lead Days | Net Lag (Lead) Days | WCA Factor | Test Year Expenses (\$) | WCA (\$) | WCA (%) |
| Cost of Power | 57.37 | 28.83 | 28.54 | 0.08 | 290,705,170 | 22,671,396 | |
| OM&A Expenses | 57.37 | 12.81 | 44.56 | 0.12 | 28,283,692 | 3,443,510 | |
| Interest on Long Term Debt | 57.37 | 112.73 | -55.36 | -0.15 | 6,956,945 | 1,052,196 | |
| PILs | 57.37 | -10.51 | 67.88 | 0.19 | 1,104,396 | 204,841 | |
| Debt Retirement Charges | 57.37 | 33.25141 | 24.12 | 0.07 | 17,934,340 | 1,182,065 | |
| Sub-Total | | | | | 344,984,543 | 26,449,615 | 8.29% |
| HST (Receivables) | | -12.37 | 12.37 | 0.03 | 38,764,031 | 1,310,639 | |
| HST (Expenses) | | -16.78 | 16.78 | 0.05 | 31,506,700 | 1,444,622 | |
| Total (inc. HST) | | | | | 415,255,275 | 29,204,876 | 9.16% |

Please note that the forecast OM&A expenses have not been changed to reflect increases in costs due to changes in billing frequency.

(c) Veridian cannot confirm that there would be no changes in the OM&A expense leads for the HST for OM&A if all customer classes are billed monthly. There would not be any changes on HST for cost of power. OM&A costs related to changes in billing frequency would increase.

(d) Yes, HST for revenues would change. See the updated table below.

| HST Expense Lead - Revenues | | | | | |
|------------------------------------|--------------------|-------------------|-----------------|------------------|----------------------|
| Revenue | Amount (\$) | HST (13%) | Lead (Lag) Days | Weighting Factor | Weighted Lead (Days) |
| Sources of Rev from All Customers* | 297,259,945 | 38,643,793 | -12.44 | 0.996898 | -12.40 |
| Revenues from Retailers | - | - | | 0 | 0.00 |
| Revenues from Other Sources | 924,910 | 120,238 | 8.08 | 0.003102 | 0.03 |
| Total | 298,184,855 | 38,764,031 | 4.35823 | 1 | -12.37 |

7.1-EP-29

Ref: Exhibit 2, Tab 1, Schedule 4, Attachment 3

Page 1 of the report states "Both the overall revenue lag and expense lead, in number of days, are developed by weighting the lag or lead from individual sources based on relative dollar magnitude".

Request

- (a) Please explain why the service lag has been weighted by the average number of customers, rather than the sales figures used for the billing and collection lags.
- (b) Is the payment processing lag weighting based on sales or on the number of customers using each payment form?
- (c) Please calculate the service lag in Table 1 if the sales weightings shown in Table 2 were applied.
- (d) Based on the response to part (c) above and any other changes that might result from the change in the service lag, please provide a version of Tables 4, 5, 8 and 10, along with any other tables that may change.

Response:

- a) Customer weighting is more appropriate because it more closely reflects the time between the service being provided and reading of the meter. Prior to meter readings and a price from the IESO, volumes and revenue have not yet been considered.

Average number of customers was used to calculate the service lag consistent with lead lag studies that have been filed and/or accepted by the Board:

- EB-2009-0096 Hydro One Distribution (Exhibit D1, Tab 1, Schedule 4, Attachment 1, page 6)
 - EB-2010-0131 Horizon (Exhibit 2, Tab 4, Schedule 1, Appendix 2-3, page 4)
 - EB-2011-0054 Hydro Ottawa (Exhibit B4, Tab 2, Schedule 1, Table 3)
 - EB-2012-0033 Enersource (Exhibit 2, Tab 1, Schedule 4, Appendix 1, Table 1)
- b) The payment processing lag is weighted based on sales.
 - c) The Table below calculates Service Lag based on sales weighting shown in Table 2.

| Service Lag - All Classes | | | | | |
|---------------------------|--------------------|---------------|-------------------------|------------------------------------|--------------|
| Customer Type | Sales | Sales Weight | Frequency of Meter Read | Mid point of service period (Days) | Service Lag |
| | a) | | b) | c) | |
| Residential | 132,101,762 | 44.44 | Bi-monthly | 30.50 | 13.55 |
| Residential Seasonal | 5,083,145 | 1.71 | Bi-monthly | 30.50 | 0.52 |
| GS < 50 kW | 35,938,901 | 12.09 | Monthly | 15.25 | 1.84 |
| GS >50 | 98,418,078 | 33.11 | Monthly | 15.25 | 5.05 |
| Intermediate | 5,993,478 | 2.02 | Monthly | 15.25 | 0.31 |
| Unmetered Scattered Load | 268,570 | 0.09 | Bi-monthly | 30.50 | 0.03 |
| Sentinel Lighting | 55,305 | 0.02 | Monthly | 15.25 | 0.00 |
| Street Lighting | 4,106,517 | 1.38 | Monthly | 15.25 | 0.21 |
| Large Users | 15,294,189 | 5.15 | Monthly | 15.25 | 0.78 |
| | | | Monthly | | |
| Total | 297,259,945 | 100.00 | | | 22.30 |

d) Table 4 assuming Service Lag based on sales

| Revenue Lag For All Classes | |
|---------------------------------------|--------------|
| Month | Days |
| Service Lag | 22.30 |
| Billing Lag | 17.56 |
| Collection Lag | 23.61 |
| Payment Processing and Bank Float Lag | 1.02 |
| TOTAL | 64.49 |

Table 5 assuming Service Lag based on sales

| Service Revenue Lag Total | | | | |
|-----------------------------------|---------------|-----------------------|------------------|----------------------|
| Sources of Revenue | Revenue Lag | Amount \$ | Weighting Factor | Weighted Revenue Lag |
| Sources of Rev from All Customers | 64.49 | 297,259,945.16 | 1.00 | 64.29 |
| Revenue from Other Sources | 36.92 | 924,910.11 | 0.00 | 0.11 |
| Total | 101.41 | 298,184,855.27 | 1.00 | 64.40 |

Table 8 assuming Service Lag based on sales

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| HST Expense Lead - Revenues | | | | | |
|-----------------------------------|--------------------|-------------------|-----------------|------------------|----------------------|
| Revenue | Amount (\$) | HST (13%) | Lead (Lag) Days | Weighting Factor | Weighted Lead (Days) |
| Sources of Rev from All Customers | 297,259,945 | 38,643,793 | -19.49 | 0.996898 | -19.43 |
| Revenues from Other Sources | 924,910 | 120,238 | 8.08 | 0.003102 | 0.03 |
| Total | 298,184,855 | 38,764,031 | -11.4099 | 1 | -19.40 |

Table 10 assuming Service Lag based on sales

| Working Capital Allowance - HST Adjusted | | | | | | | |
|--|------------------|-------------------|---------------------|------------|-------------------------|-------------------|---------------|
| Budget Item Description | Revenue Lag Days | Expense Lead Days | Net Lag (Lead) Days | WCA Factor | Test Year Expenses (\$) | WCA (\$) | WCA (%) |
| Cost of Power | 64.40 | 28.83 | 35.57 | 0.10 | 290,705,170 | 28,254,962 | |
| OM&A Expenses | 64.40 | 12.81 | 51.59 | 0.14 | 28,283,692 | 3,986,754 | |
| Interest on Long Term Debt | 64.40 | 112.73 | -48.33 | -0.13 | 6,956,945 | - 918,574 | |
| PILs | 64.40 | -10.51 | 74.91 | 0.20 | 1,104,396 | 226,053 | |
| Debt Retirement Charges | 64.40 | 33.25141 | 31.15 | 0.09 | 17,934,340 | 1,526,529 | |
| Sub-Total | | | | | 344,984,543 | 33,075,723 | 10.37% |
| HST (Receivables) | | -19.40 | 19.40 | 0.05 | 38,764,031 | 2,055,179 | |
| HST (Expenses) | | -16.78 | 16.78 | 0.05 | 31,506,700 | 1,444,622 | |
| Total (inc. HST) | | | | | 415,255,275 | 36,575,524 | 11.47% |

7.1-EP-30

Ref: Exhibit 2, Tab 1, Schedule 4, Attachment 3

Please consider the following example. A distributor has only 2 rate classes, one of which is billed monthly and the other is billed bi-monthly. The monthly billed rate class has 99 customers and sales revenues of \$50. The bi-monthly billed rate class has 1 customer and also has sales revenues of \$50.

Request

- (a) Please calculate the service lag based on the customer weighting used in the Elenchus report.
- (b) Please calculate the service lag based on the sales revenue weighting.
- (c) Please explain why the customer weighting in part (a) better reflects actual cash flow for the distributor as compared to the sales revenue weighting in part (b).

Response:

a)

| Service Lag - All Classes | | | | | |
|---------------------------|------------|-----------------|-------------------------|------------------------------------|--------------|
| Customer Type | Avg # Cust | Customer Weight | Frequency of Meter Read | Mid point of service period (Days) | Service Lag |
| | a) | | b) | c) | |
| class 1 | 99 | 99.00 | Monthly | 15.25 | 15.10 |
| class 2 | 1 | 1.00 | Bi-monthly | 30.50 | 0.31 |
| Total | 100 | 100.00 | | | 15.40 |

b)

| Service Lag - All Classes | | | | | |
|---------------------------|------------|---------------|-------------------------|------------------------------------|--------------|
| Customer Type | sales | Sales Weight | Frequency of Meter Read | Mid point of service period (Days) | Service Lag |
| | a) | | b) | c) | |
| class 1 | 50 | 50.00 | Monthly | 15.25 | 7.63 |
| class 2 | 50 | 50.00 | Bi-monthly | 30.50 | 15.25 |
| Total | 100 | 100.00 | | | 22.88 |

c) Please see response to Energy Probe Interrogatory 29 part a).

7.1-EP-31

Ref: Exhibit 2, Tab 1, Schedule 4, Attachment 3

Request

- (a) Please explain why dividend payments are not considered in the study when long term debt payments are considered.
- (b) What was the timing of dividend payments made for the 2012 year (i.e. same year as used in the Elenchus report)?
- (c) Please provide a table showing the calculation of the long term debt lead of 122.86 days.
- (d) Please reconcile the reference to 2 promissory notes and a bank loan with the long term debt detail shown for 2012 in Attachment 2 to Exhibit 5, Tab 1, Schedule 1. In particular, has each debt instrument shown in Attachment 2 in 2012 been accounted for in the calculation of the 122.86 day figure? If not, why not and please provide a revised calculation that takes into account all of the debt instruments shown.
- (e) Please show the calculation of the PILS lead of 3.16 days.
- (f) Please explain why a weighted cost of power expense lead is calculated based on a weighting of payments made to the IESO and Hydro One as shown in Table 6 rather than applying the separate expense leads to the forecast of each payment, which can be derived from the forecasts in Attachment 1 of Exhibit 2, Tab 1, Schedule 4.
- (g) Please provide a version on Table 10 that includes separate calculations for the IESO and Hydro One payments based on the individual lags shown in Table 6.
- (h) Please show all the calculations used to arrive at the payroll and benefits expense lead of 15.03 days.
- (i) Please provide a summary of the miscellaneous OM&A costs that comprise the \$2,624,425 figure shown in Table 7 and appear to have payment due within 3.5 days of the service being rendered.
- (j) Please provide the 2014 forecast for each of the payroll & benefits, annual prepaids and quarterly prepaids and total miscellaneous OM&A as shown in Table 7. If the breakdown for the miscellaneous OM&A expenses is not available for 2014, please use the relative proportions for 2012 to separate the 2014 forecast out into the appropriate lines.

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Response:

- (a) Dividends were not considered in the study because they are not considered an expense item as they are paid out of Shareholder's Equity.
(b) Dividends were declared and paid out quarterly in 2012.

Q1-Mar.30'12
Q2-Jun.25'12
Q3-Oct.01'12
Q4-Dec.17'12

(c)

Long Term Debt

| Date of Debt Issuance (date) | Principal (\$) | Interest Rate(%) | Interest (\$) | Total (\$) | Service Lag (Days) | Payment Lag (Days) | Total Lag (Days) | Weighting Factor (%) | Weighted Lead |
|------------------------------|--------------------|------------------|---------------------|---------------------|--------------------|--------------------|------------------|----------------------|---------------|
| 02/11/2011 | 28,942,838 | 4.24% | 1,272,152.00 | 1,272,152.00 | 15.25 | 0.00 | 15.25 | 22.09% | 3.37 |
| 01/06/2007 | 15,555,831 | 5.56% | 968,564.00 | 968,564.00 | 45.75 | 0.00 | 45.75 | 16.82% | 7.7 |
| 17/12/2009 | 18,900,000 | 5.57% | 1,091,720.00 | 1,091,720.00 | 183.00 | 0.00 | 183.00 | 18.96% | 34.69 |
| 11/09./2009 | 43,588,000 | 5.57% | 2,425,949.00 | 2,425,949.00 | 183.00 | 0.00 | 183.00 | 42.13% | 77.1 |
| Total | 106,986,669 | 0 | 5,758,385.00 | 5,758,385.00 | 427 | 0.00 | 427 | 100.00% | 122.86 |

- (d) A new debt instrument was incurred in December 2012 and will continue in the test year. This new debt instrument has been added to the lead calculation for long term debt. See the response to IR 7.1 EP 27 Attachment "Summary of Updated Lead Lag Calculations".

Long Term Debt

| Date of Debt Issuance (date) | Principal (\$) | Interest Rate(%) | Interest (\$) | Total (\$) | Service Lag (Days) | Payment Lag (Days) | Total Lag (Days) | Weighting Factor (%) | Weighted Lead |
|------------------------------|--------------------|------------------|---------------------|---------------------|--------------------|--------------------|------------------|----------------------|---------------|
| 02/11/2011 | 28,942,838 | 4.24% | 1,272,152.00 | 1,272,152.00 | 15.25 | 0.00 | 15.25 | 20.01% | 3.05 |
| 01/06/2007 | 15,555,831 | 5.56% | 968,564.00 | 968,564.00 | 45.75 | 0.00 | 45.75 | 15.24% | 6.97 |
| 17/12/2009 | 18,900,000 | 5.57% | 1,091,720.00 | 1,091,720.00 | 183.00 | 0.00 | 183.00 | 17.17% | 31.43 |
| 19/12/2012 | 15,000,000 | 3.99% | 598,500.00 | 598,500.00 | 15.25 | 0.00 | 15.25 | 9.41% | 1.44 |
| 11/09./2009 | 43,588,000 | 5.57% | 2,425,949.00 | 2,425,949.00 | 183.00 | 0.00 | 183.00 | 38.16% | 69.84 |
| Total | 121,986,669 | 0 | 6,356,885.00 | 6,356,885.00 | 442.25 | 0.00 | 442.25 | 100.00% | 112.73 |

(e)

| PILs Lead | | | | | |
|--------------|---------------------|--------------|-------------------|----------------------|---------------|
| | Expense Lead (Days) | Payment Date | Amount (\$) | Weighting Factor (%) | Weighted Lead |
| Jan | 15.50 | 31/01/2012 | 210,000 | 8.95% | 1.39 |
| Feb | 14.50 | 29/02/2012 | 210,000 | 8.95% | 1.3 |
| Mar | 15.50 | 31/03/2012 | 210,000 | 8.95% | 1.39 |
| Apr | 15.00 | 30/04/2012 | 210,000 | 8.95% | 1.34 |
| May | 15.50 | 31/05/2012 | 210,000 | 8.95% | 1.39 |
| Jun | 15.00 | 30/06/2012 | 210,000 | 8.95% | 1.34 |
| Jun | 366.00 | 30/06/2012 | - 172,557 | -7.35% | -26.9 |
| Jul | 15.50 | 31/07/2012 | 210,000 | 8.95% | 1.39 |
| Aug | 15.50 | 31/08/2012 | 210,000 | 8.95% | 1.39 |
| Sep | 15.00 | 30/09/2012 | 210,000 | 8.95% | 1.34 |
| Oct | 15.50 | 31/10/2012 | 210,000 | 8.95% | 1.39 |
| Nov | 15.00 | 30/11/2012 | 210,000 | 8.95% | 1.34 |
| Dec | 15.50 | 31/12/2012 | 210,000 | 8.95% | 1.39 |
| Total | 549 | | 2347443.00 | 100.00% | -10.51 |

- (f) The PILs lead days has been updated to reflect 366 days for June true up of 2011 PILs. See the response to IR 7.1 EP 27 Attachment “Summary of Updated Lead Lag Calculations”.
- (g) The lead lag study is consistently using revenues and expenses based on actual 2012 data, and is not a combination of actual and forecast data. The forecast data including forecast cost of power is used in the derivation of the 2014 working capital.

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(h)

| Working Capital Allowance - HST Adjusted | | | | | | | |
|--|------------------|-------------------|---------------------|------------|-------------------------|-------------------|---------------|
| Budget Item Description | Revenue Lag Days | Expense Lead Days | Net Lag (Lead) Days | WCA Factor | Test Year Expenses (\$) | WCA (\$) | WCA (%) |
| Cost of Power IESO | 71.28 | 25.32 | 45.97 | 0.13 | 257,565,269 | 32,347,366 | |
| Cost of Power Hydro One | 71.28 | 56.16 | 15.12 | 0.04 | 33,139,901 | 1,369,167 | |
| OM&A Expenses | 71.28 | 12.81 | 58.47 | 0.16 | 28,283,692 | 4,518,129 | |
| Interest on Long Term Debt | 71.28 | 112.73 | -41.45 | -0.11 | 6,956,945 | - 787,872 | |
| PILs | 71.28 | -10.51 | 81.79 | 0.22 | 1,104,396 | 246,801 | |
| Debt Retirement Charges | 71.28 | 33.25141 | 38.03 | 0.10 | 17,934,340 | 1,863,467 | |
| Sub-Total | | | | | 344,984,543 | 39,557,059 | 12.40% |
| HST (Receivables) | | -26.28 | 26.28 | 0.07 | 38,764,031 | 2,783,451 | |
| HST (Expenses) | | -16.78 | 16.78 | 0.05 | 31,506,700 | 1,444,622 | |
| Total (inc. HST) | | | | | 415,255,275 | 43,785,133 | 13.73% |

(i)

| Payroll and Benefits Expenses | | | | | | |
|-------------------------------|---------------------|---------------------|-------------------|-------------------|----------------------|---------------|
| | Service Lead (days) | Payment Lead (days) | Total Lead (days) | Expenses (\$) | Weighting Factor (%) | Weighted Lead |
| Payroll and Withholdings | 7.04 | 4.00 | 11.04 | 18,261,174 | 79.19% | 8.74 |
| Benefits-OMERS | 15.25 | 25.00 | 40.25 | 3,378,456 | 14.65% | 5.90 |
| Benefits-Other | 15.25 | 30.00 | 45.25 | 2,600 | 0.01% | 0.01 |
| Benefits-Claimsecure | 7.63 | 10.00 | 17.63 | 927,426.11 | 4.02% | 0.71 |
| Benefits-Mearie | -15.25 | 0.00 | -15.25 | 490,410.98 | 2.13% | -0.32 |
| Total | 29.91 | 69.00 | 98.91 | 23,060,067 | 100.00% | 15.03 |

- (j) These are vendors that have terms of 'Immediate' payment but are generally paid in 3.5 days of services rendered. The type of payments include, postage costs, telephone costs and miscellaneous corporate credit card costs.

| 2014 Forecast | |
|--------------------|-------------------|
| | Amount (\$) |
| Payroll & Benefits | 25,365,804 |
| Annual Prepaids | 1,328,597 |
| Quarterly Prepaids | 897,949 |
| Misc OM&A 30 days | 5,950,588 |
| Misc OM&A 25 days | 2,757 |
| Misc OM&A 20 days | 694 |
| Misc OM&A 15 days | 223,642 |
| Misc OM&A 10 days | 4,293 |
| Misc OM&A | 2,811,845 |
| TOTAL | 36,586,168 |

7.1-EP-32

Ref: Exhibit 2, Tab 1, Schedule 4, Attachment 3

Request

- (a) Please confirm that Table 9 includes all the OM&A expenses included in Table 7 with the exception of payroll and benefit costs.
- (b) Please explain why property taxes are included in the figure used in Table 9 when there is no HST applicable to property taxes.
- (c) Are there other OM&A costs (such as insurance premiums, etc.) that do not attract HST or the full 13% HST included in the \$10,256,647 figure shown in Table 9?
- (d) Please provide a revised Table 9 that reflects the removal of property taxes and any other adjustments, if needed, as a result of the response to part (c) above.

Response:

- (a) Yes table 9 includes all the OM&A expenses in table 7 except payroll and benefit costs.
- (b) and (c) Property taxes, OEB assessment costs and partial amount for insurance should be removed for the purpose of calculating the HST lead days. See the response to 7.1 EP 27 Attachment 2: "Summary of Updated Lead Lag Calculations". The total amount removed is \$983,552.

(d)

| HST Expense Lead | | | | | |
|------------------|--------------------|-------------------|-----------------|------------------|----------------------|
| Vendor | Amount (\$) | HST (13%) | Lead (Days) | Weighting Factor | Weighted Lead (Days) |
| IESO | 206,514,711 | 26,846,912 | -19.68 | 0.852102 | -16.77 |
| Hydro One | 26,571,428 | 3,454,286 | 11.16 | 0.109637 | 1.22 |
| OM&A | 9,273,095 | 1,205,502 | -32.19 | 0.038262 | -1.23 |
| Total | 242,359,234 | 31,506,700 | 4.289078 | 1 | -16.78 |

7.1-EP-33

Ref: Exhibit 2, Tab 1, Schedule 4, Attachment 3

Request

- (a) Please confirm that the lead lag days shown in Table 8 are based on the revenue lag days shown in Table 5, less 45 days. If this cannot be confirmed, please provide the detailed calculations of the days in Table 8.
- (b) Please provide the rationale, if appropriate, for the 45 day reduction to the revenue lags to calculate the HST revenue days.
- (c) Please confirm that HST is remitted to the government based on when the bills are issued to customers. For example, if a bill is issued in July, the associated HST is remitted to the government at the end of August. If this is not correct, please provide an example that shows when HST is remitted to the government in relation to when bills are remitted to customers.

Response:

- (a) Yes, table 8 lead lag days are based on the revenue lag days shown in table 5 less 45 days. This table has been updated for a correction to Revenue lag from other sources.
- (b) The revenue days are considered to be mid month so this would account for 15 days and the HST is paid at the end of the following month, on average 30 days. The total is 45 days.
- (c) Yes the HST is remitted to the government based on when the bills are issued to customers.

7.1-EP-34

Ref: Exhibit 2, Tab 1, Schedule 4, Attachment 3

Request

- (a) Please explain why Table 10 appears to include forecast interest on short term debt in the test year expense column in the interest on long term debt line.
- (b) Was a lead lag analysis undertaken for short term debt? If not, why not?
- (c) Please provide details on when short-term debt interest is payable.

Response:

- (a) The 2014 forecast included deemed short term interest in error. The calculations for WCA have been updated. See the updated table 10 below.

| Working Capital Allowance - HST Adjusted | | | | | | | |
|--|------------------|-------------------|---------------------|------------|-------------------------|------------|---------|
| Budget Item Description | Revenue Lag Days | Expense Lead Days | Net Lag (Lead) Days | WCA Factor | Test Year Expenses (\$) | WCA (\$) | WCA (%) |
| Cost of Power IESO | 71.28 | 25.32 | 45.97 | 0.13 | 257,565,269 | 32,347,366 | |
| Cost of Power Hydro One | 71.28 | 56.16 | 15.12 | 0.04 | 33,139,901 | 1,369,167 | |
| OM&A Expenses | 71.28 | 12.81 | 58.47 | 0.16 | 28,283,692 | 4,518,129 | |
| Interest on Long Term Debt | 71.28 | 112.73 | -41.45 | -0.11 | 6,956,945 | - 787,872 | |
| PILs | 71.28 | -10.51 | 81.79 | 0.22 | 1,104,396 | 246,801 | |
| Debt Retirement Charges | 71.28 | 33.25141 | 38.03 | 0.10 | 17,934,340 | 1,863,467 | |
| Sub-Total | | | | | 344,984,543 | 39,557,059 | 12.40% |
| HST (Receivables) | | -26.28 | 26.28 | 0.07 | 38,764,031 | 2,783,451 | |
| HST (Expenses) | | -16.78 | 16.78 | 0.05 | 31,506,700 | 1,444,622 | |
| Total (inc. HST) | | | | | 415,255,275 | 43,785,133 | 13.73% |

See the response to IR 7.1 EP 27 Attachment “Summary of Updated Lead Lag Calculations”.

- (b) No a lead lag analysis was not undertaken for short term debt. The short term debt in 2012 was considered not material.
- (c) The short term debt interest is payable at the end of each month only when there is a balance on the short term credit facility.

7.1-EP-35

Ref: Exhibit 2, Tab 2, Schedule 1
Exhibit 2, Tab 1, Schedule 2, Attachment 1

Request

- (a) Please explain the difference in 2010 actual capital expenditures shown in Table 2 of Exhibit 2, Tab 2, Schedule 1 and in the fixed asset continuity schedule for 2010 found in Attachment 1 of Exhibit 2, Tab 1, Schedule 2. Is the difference solely related to the transfer of stranded meters?
- (b) Please update Tables 1 and 2 to reflect actual data for 2013. If actual data for all of 2013 is not yet available or audited, please provide an estimate for 2013 based on the most recent year-to-date information available, along with a forecast for the remainder of the year. Please also include any updates to 2014 through 2018 based on the revised 2013 figures and provide details as to the changes.
- (c) Please expand Table 2 to reflect a split in each of the categories shown to reflect discretionary and non-discretionary projects over all of the years shown.

Response:

- (a) A reconciliation of the two amounts referenced is provided below.

From 2010 Fixed Asset Continuity Schedule (E-2, T-1, S-2, A-1)

| | |
|--|--------------------|
| 2010 Additions: | \$29,338,694 |
| Remove reclassification of Stranded Meters | (\$8,455,330) |
| Disposal of Transportation Equipment | <u>(\$294,385)</u> |
| | \$20,588,979 |

From E-2, T-2, S-1, Table 2

\$20,589,000

- (b) and (c) Veridian understands the reference of “Table 1” to mean Appendix 2-BA-Fixed Asset Continuity Schedule (E-2, T-1, S-2, A-1) and “Table 2” to mean Appendix 2-AB as shown in Table 2 at E-2, T-2, S-1 page 3.

Please see response to 4.3-SEC-20.

7.1-EP-36

Ref: Exhibit 6A, Tab 1, Schedule 1

Request

- a) Does the deficiency calculated in Table 2 reflect the higher CCA allowance available in 2015 and subsequent years as a result of the capital additions in 2014, along with the use of the half year rule for these 2014 additions? If not, please calculate the reduction in PILS that results from the CCA related to capital additions in 2014 and provide a revised Table 2 that takes this impact into consideration.
- b) Is Veridian proposing that it would not seek an ICM adjustment during the IRM period of 2015 through 2018 if the Board approved Veridian's approach to use the year end net fixed assets to set rates in 2015 and beyond? If not, why not?
- c) Please explain when, for depreciation purposes, a capital project is placed into service. For example, does Veridian use the half year rule, or does it start to calculate depreciation in the month an expenditure is put into service?
- d) Does Veridian produce monthly or quarterly financial statements?
- e) Based on the response in part (d) above, and the forecast of when projects will be placed into service in 2014, please provide the calculation of rate base using the average of monthly averages, or average of quarterly averages (whichever is applicable) in the same way that rate base is calculated for the natural gas distributors regulated by the OEB.

Response:

- (a) The deficiency shown in Table 2 does not and was not intended to reflect the comprehensive 'deficiency' calculation for 2015 and subsequent years. It is expressly an after-tax calculation intended to show the isolated effect of a significant level of unrecognized ratebase, and as such does not take into account PILs and other factors. Furthermore the reduction in PILs due to CCA attributable to 2014 capital additions would occur in the same way and amount regardless of whether the incremental ratebase in question is recognized or not. Veridian does not have the information required to perform the requested calculation.
- (b) Please see the response to 6.1-Board Staff-28 (d).

(c) As provided at E-4, T-6, S-1 page 1, *“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.”*

(d) Veridian produces internal, unaudited quarterly financial statements.

(e) Using the values and timing of proposed as filed test year projects, rate base calculated using the average of the quarterly averages is \$242.108 million.

Calculation of 2014 Test Year Rate Base using Average of Quarterly Averages - Based on As Filed - (4000's)

| | Dec-13 | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 |
|-------------------------------|---------|---------|---------|---------|---------|
| Closing Net PP&E | 190,725 | 193,703 | 198,748 | 202,086 | 210,195 |
| WCA | 45,061 | 43,115 | 43,115 | 43,115 | 43,115 |
| | 235,786 | 236,818 | 241,863 | 245,201 | 253,310 |
| QUARTERLY AVERAGE | | 236,302 | 239,341 | 243,532 | 249,255 |
| AVERAGE OF QUARTERLY AVERAGES | | | | | 242,108 |

In completing this calculation Veridian applied an average depreciation rate for all additions.

Veridian notes that in its proposed methodology of calculating rate base using the average of the opening and closing balances is in accordance with the minimum filing requirements.

7.1-EP-37

Ref: Exhibit 6A, Tab 1, Schedule 2, Attachment 2

Request

Please provide a version of the PILs model that does not use the half year rule for CCA additions in the 2014 test year. In other words, please calculate the CCA deduction for 2014 assuming full year CCA for additions in 2014.

Response:

Veridian is unable to provide a version of the PILs model that does not use the half year rule for CCA additions in the 2014 test year as the Board issued Excel model is locked and does not allow modifications required in the cells that calculate CCA deductions for the test year.

Veridian, has however, calculated the impact of the half year rule for CCA additions in the 2014 Test Year as \$1,994,508. The CCA deduction for 2014 assuming full year CCA for additions would be \$17,903,938.

7.1-EP-38

Ref: Exhibit 6A, Tab 1, Schedule 1, Attachment 1

Request

- (a) What is the source of the 0.18%PCI adjustment?
- (b) What is the source of the OM&A cost per customer of \$239.43? What is the difference between this figure and the figure of \$238.23 shown for 2014 in Appendix 2-L in Exhibit 4, Tab 1, Schedule 2, Attachment 3?
- (c) Has the PILs calculation been adjusted in 2015 to 2018 to reflect the increased CCA reductions available as a result of the 2014 capital additions? If not, why not?
- (d) Has the PILs calculation been adjusted for the higher CCA available for the capital additions in 2015 through 2018? If not, why not?
- (e) Has Veridian made any adjustments for reduced depreciation in 2015 through 2018 for assets that become fully depreciated over this period? If not, please calculate for each of 2015 through 2018 the reduction in depreciation expense as a result of assets becoming fully depreciated.

Response:

- (a) The 0.18% PCI adjustment is a forecast of the price cap index adjustment pertaining to Veridian under the 4th Generation Incentive Regulation Mechanism consisting of a price escalator, less a productivity factor and a stretch factor.
- (b) The OM&A cost per customer of \$239.43 is in error and sourced from a previous version of Appendix 2-L. The cost should be \$238.23.
- (c) and (d) PILs amounts are derived at a high level by assuming a constant effective tax rate and did not include detailed PILs calculations or CCA calculations as such detailed calculations would require detailed forecasts by asset and CCA class for each year of the 2015 – 2018 period. The calculations therefore do not include higher CCA deductions available for the 2014 additions or additions in 2015 through 2018, nor do they include lower CCA deductions due to the declining opening balance of UCC in each year.

- (e) Veridian has made 'adjustments' for the depreciation on assets that become fully depreciated and are therefore withdrawn from ratebase, through the fact that ratebase over that period does not grow on a one-for-one basis with capital additions. Instead, the large majority of capital additions simply offset the reductions in ratebase that would occur because of continued depreciation. As old assets become fully depreciated and are withdrawn from ratebase, they are replaced with new assets against which depreciation is charged. As a result, assuming that the mix of new replacement assets is similar to the mix of retired assets, depreciation expense remains approximately the same.

7.1-EP-39

Ref: Exhibit 6A, Tab 1, Schedule 1, Attachment 1

Request

Please provide live Excel spreadsheets for the two scenarios presented with the following changes:

- (a) change the PCI adjustment from 0.18% to 1.40% for all years;
- (b) the change in (a) above, plus a change in the OM&A cost per customer from \$239.43 to \$238.23;
- (c) the changes in (a) and (b) above, plus the impact of the CCA deductions available in 2015 through 2018 that reflect the CCA additions related to the 2014 through 2018 capital additions.

Response:

- (a) and (b) Veridian has provided live Excel spreadsheets of the for the two scenarios presented (which for clarification Veridian will reference as the Minimal Capital Scenario) with the changes as requested.

In addition, Veridian has provided another scenario of the model updating the assumptions on capital investments to reflect the additional capital investment in each year that would be supported by the higher PCI adjustment.

In the original Minimal Capital Scenario, a very low PCI adjustment of 0.18% would support no growth in rate base. Under a higher PCI adjustment, it would be reasonable to assume that a distributor would increase its investment in rate base by the amount of revenue available from the PCI adjustment after the funding of additional OM&A costs.

This scenario is referenced as the PCI-supported Capital Scenario.

The tables below summarize projected ROE results during the IRM period for the Minimal Capital Scenario under both the Average NFA Revenue Requirement and the YE NFA Revenue Requirement.

Table 1: Minimal Capital Scenario - Summary Projected ROE during IRM period - Average NFA Revenue Requirement

| | Forecast ROE | | | | |
|---|--------------|-------|-------|-------|-------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| PCI Adjustment 0.18% | 8.98% | 7.73% | 7.62% | 7.50% | 7.39% |
| PCI Adjustment 1.4% | 8.98% | 7.99% | 8.13% | 8.29% | 8.44% |
| PCI Adj 1.4% and \$238.23 customer cost | 8.98% | 7.99% | 8.14% | 8.29% | 8.45% |

Table 2: Minimal Capital Scenario - Summary Projected ROE during IRM period - YENFA Revenue Requirement

| | Forecast ROE | | | | |
|---|--------------|-------|-------|-------|-------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| PCI Adjustment 0.18% | 8.98% | 8.94% | 8.83% | 8.72% | 8.61% |
| PCI Adjustment 1.4% | 8.98% | 9.21% | 9.37% | 9.53% | 9.70% |
| PCI Adj 1.4% and \$238.23 customer cost | 8.98% | 9.21% | 9.37% | 9.53% | 9.71% |

As can be seen from the tables above, the change in the PCI adjustment from 0.18% to 1.40% has a significant impact on the projected ROE during the IRM period under the Minimal Capital Scenario. While the PCI adjustment increases both revenues and OM&A expenses by 1.4%, the Minimal Capital Scenario assumes that the distributor does not employ the PCI adjustment in excess of additional OM&A cost to increase rate base.

Veridian notes that under these updated assumptions, the projected ROE during the IRM period based on the Average NFA Revenue Requirement is still consistently below regulated ROE levels.

Under the YE NFA Revenue Requirement scenario where a distributor does not employ the excess PCI adjustment revenues for purposes of capital investment, those revenues would result in earnings at rates above the currently approved ROE.

Veridian provided the Minimal Capital Scenario in an attempt to illustrate the most conservative case under its assumption of 0.18% PCI adjustment.

Veridian's additional scenario of the PCI-Supported Capital Scenario would be the most conservative case under the new assumption of 1.4% PCI adjustment.

The table below provides a summary of the projected ROE during the IRM period under the PCI-Supported Capital Scenario and shows the additional capital investment supported by the PCI Adjustment.

Table 3: PCI- Supported Capital Scenario - Summary Projected ROE during IRM period - PCI Adjustment of 1.4% and \$238.23 customer cost

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|-------|-------|-------|-------|-------|
| Average NFA Revenue Requirement | 8.98% | 7.77% | 7.57% | 7.44% | 7.31% |
| YE NFA Revenue Requirement | 8.98% | 8.99% | 8.76% | 8.60% | 8.44% |
| Additional Capital Investment Supported by PCI Adjustment | | 3,279 | 3,325 | 3,372 | 3,420 |

Additionally, Veridian reiterates that the model provided was illustrative in nature, does not represent Veridian's actual capital plan and was meant solely to isolate the impact of the unrecognized rate base.

Veridian has provided its forecast of capital expenditures for the IRM period in its Distribution System Plan in Appendix 2-AB at E-2, T-3, S10, Attachment 1. Veridian's planned capital investments from 2015 to 2018 substantially exceeds the minimum capital investment level as outlined in the PCI Support Capital scenario.

| Capital Investment by Year (\$000s) | 2015 | 2016 | 2017 | 2018 |
|-------------------------------------|--------|--------|--------|--------|
| PCI Supported Capital Scenario | 11,535 | 11,872 | 12,215 | 12,562 |
| Veridian - DSP | 26,719 | 25,790 | 22,335 | 41,314 |

Should the PCI adjustment during the ICM period be of such magnitude to provide excess PCI adjustment revenues for purposes of capital investment, Veridian will be investing those revenues in capital and those revenues would not result in earnings at rates above the currently approved ROE.

- (c) Please see response to 7.1-EP-38 parts (c) and (d).

7.1-Staff-29

Ref: E2-T1-S4 Attachment 3/ Elenchus Report-Working Capital Requirement

Request

(a) The Report at page 2 states that:

“When a service is provided to a company or is provided by the company over a period of time, the service is deemed to have been provided or received evenly over the midpoint of the period, unless specific information regarding the provision or receipt of the service is available. If both the service start (“A”) and end date (“B”) are known, the midpoint of a service period can be calculated as follows: $\text{Mid-Point} = [(B)-(A) + 1]/2$ ”.

At page 3 the Report states that “The billing lag was derived by querying the billing system database for June 2012 by customer class for ‘Read date and Bill date’. The difference between those dates was determined.”

- i. Was the difference used, or was the difference plus one day used?
- (b) The Report states at page 3 that “One day was added for the processing time for the billing contractor to process the bill and send it to the customer.”
- i. Does this mean that period used to calculate the billing lag is the difference between the dates plus 2?
- (c) At page 8 of the Report, the calculation of the lead (lag) days for HST is presented. The calculations are based on expenses and revenues that may vary by purchase levels and sales levels throughout the year
- i. For the following items, were the lead (lag) days calculated on all actual bills and invoices throughout the year, or a sample of actual bills and invoices from each month of the year?
 - Revenues from all customers
 - Revenues from other sources
 - Expenses from IESO
 - Expenses from Hydro One
 - OM&A expenses.
 - ii. If sampling was used, please elaborate on the methodology
 - iii. If neither actual bills and invoices for the year nor sampling of actuals were used, please describe the methodology that was used.

Response:

- (a) The difference plus one day was used.
- (b) The period used to calculate the billing lag was the difference between the read date and bill date plus one day for process time for the billing contractor to process the bill and send it to the customer.
- (c)
 - i. Revenues from all customers was calculated on actual revenue billed in 2012
Revenues from other sources was calculated on actual revenue billed in 2012
Expenses from the IESO was calculated on the actual invoices for 2012
Expenses from Hydro One was calculated on the actual invoices for 2012
OM&A expenses were calculated on the actual invoices for 2012.
 - ii. N/A
 - iii. N/A

7.1-Staff-30

Ref: E2-T1-S4 Attachment 3/ Elenchus Report-Working Capital Requirement

Working Capital Study prepared by Elenchus Meters notes that residential, residential seasonal and unmetered scattered load customers are read bi-monthly while all remaining customer classes' meters are read monthly. Also some General Service below 50 kW customers' meters are currently read bi-monthly but Veridian expects that as of 2014 all General Service customers' meters will be read monthly, so the meter reading frequency for these customers has been changed from bi-monthly to monthly for purposes of the study. The Report supports a 13.8% Working Capital Allowance.

Request

- (a) Please elaborate on any plans Veridian has to change any or all of the remaining bi-monthly reads to monthly reads over the next 5 years.
- (b) Please provide an estimate of the Working Capital Allowance if Residential and Residential Seasonal customers were billed monthly.

Response:

- (a) Veridian has no plans to change any of the remaining bi-monthly reads to monthly reads over the next 5 years.
- (b) Please see response to 7.1-EP-28 (b).

7.1-VECC-35

Ref: E2/T1/S4

Request

Lead Lag Study – Attachment 3

- (a) Please explain how the Bi-monthly mid-point service period was calculated in Table 1 – Service Lag. In particular please explain why it is not 30.42 (i.e. one-half of an average 2 month period or $365/12$).
- (b) Similarly please explain why the monthly mid-point service period is not 15.21 days

Response:

- (a) and (b) Please see response to 7.1-EP-27 (a).

7.1-VECC-36

Ref: E2/T1/S4

Lead Lag Study – Attachment 3

In respect to Billing Lag the Study indicates that the availability of IESO pricing information is on average 10 days and that one day was added for processing. This leaves 6-10 days delay in billing unexplained (depending on customer class).

Request

- (a) Please provide an explanation for the delay between when the time pricing information is available and when the billing information is given to the billing contractor.
- (b) The evidence states that the billing lag was derived by a query in June 2012. Were any other months queried? If not why not. Specifically why was an average of a query in each of the 12 months not used? Please explain why June represents a typical period.

Response:

- (a) The billing lag was derived by querying the billing system database for June 2012 by customer class for Read date and Bill date. The difference between those dates was determined. The average for the month was used. One day was added for the processing time for the billing contractor to process the bill and send it to the customer. The delay from when the pricing information is available and when the billing information is available includes on average 4 days for weekends. The pricing information is available in 10 *business* days. Also there is an average of 1 to 2 days for the information to be provided to the billing contractor.
- (b) Generally the period from the read date to bill date is consistent/typical throughout the year. This is why June was used to query the data.

7.1-VECC-37

Ref: E2/T1/S4

Request

Lead Lag Study – Attachment 3, Item 3.5

- (a) Please provide a description of the calculation and methodology of the Payroll and Benefits expense lead.
- (b) Please provide a table which shows the elements of the Payroll and Benefits which includes the amounts, lead days and weighting factors (e.g. Pensions, WSIB, Insurance, etc.).

Response:

- (a) The payroll and benefits expense lead was calculated using the total of the service days and payment days weighted by the amounts paid in the year 2012 for payroll and benefits (pension, insurance, and other benefits). The service lead days were determined using the mid-point of the service period. The payment lead days were calculated from the date of the end of the service period to the time the payment was made.
- (b)

| Payroll and Benefits Expenses | | | | | | |
|-------------------------------|------------------------|------------------------|----------------------|-------------------|-------------------------|------------------|
| | Service Lead (days) | Payment Lead (days) | Total Lead (days) | Expenses (\$) | Weighting Factor (%) | Weighted Lead |
| Payroll and Withholdings | 7.04 | 4.00 | 11.04 | 18,261,174 | 79.19% | 8.74 |
| Benefits- OMERS | 15.25 | 25.00 | 40.25 | 3,378,456 | 14.65% | 5.90 |
| Benefits-Other | 15.25 | 30.00 | 45.25 | 2,600 | 0.01% | 0.01 |
| Benefits- Claimsecure | 7.63 | 10.00 | 17.63 | 927,426.11 | 4.02% | 0.71 |
| Benefits- Mearie | -15.25 | 0.00 | -15.25 | 490,410.98 | 2.13% | -0.32 |
| Total | 29.91 | 69.00 | 98.91 | 23,060,067 | 100.00% | 15.03 |

7.1-VECC-38

Ref: E2/T2/S1 Appendix 2-AA

Request

Please provide Board approved capital budget in the format of Appendix 2-AA.

Response:

Please see response to 2.1-EP-3.

7.1-VECC-39

Ref: E2/T2/Sa

Veridian underspent its 2010 Board approved capital budget by 21% or \$6,087,043 million.

Request

- (a) \$2.4 million Applecroft substation. Please explain why Veridian believed it necessary to engage in a conversation about non- standard transformer windings for this station. When does Veridian expect to convert the Applecroft station to 27.6 Kv? Please provide the forecast cost of that conversion.
- (b) \$1.5 million Gravenhurst Substation. Please provide the forecast date and cost of this station's conversion.
- (c) Please provide a breakdown of the \$2.2 million in lower than forecast spending on sustainment capital. Specifically, provide the pole replacement budget in 2010 and the actual amount spent. Please do the same for the budget for transformers.

Response:

- (a) Please refer to Exhibit 2 Tab 2 Schedule 1, Page 11- 12. It was necessary to engage in a conversation about non-standard transformer windings for this station based on the system requirements and the connections required. There are no plans to convert the Applecroft substation to 27.6kV in the forecast period and there is no forecast cost available.
- (b) Please refer to Exhibit 2 Tab 2 Schedule 1, Page 12 - 13. The forecast date for this substation conversion is not in the forecast period and there is no forecast cost available.
- (c) Upon reviewing the evidence reference, Veridian has identified a typographical error. At Exhibit 2, Tab 2, Schedule 1, Page 14, Lines 2 and 3 Veridian states, "Spending on pole, transformer and other component replacement programs were lower than planned ...". In fact, spending on those programs was higher than planned.

The table below provides the material items within Veridian's planned 2010 sustainment investments and the actual spend, along with explanations or evidence references for any projects that were not in-service in 2010.

Veridian Connections Inc.
EB-2013-0174
Response to Interrogatories
February 18, 2014

| 2010 PLANNED SUSTAINMENT PROJECTS | Budget | Actuals | Comments |
|---|---------------------|---------------------|---|
| Substation Oil Containment | \$ 300,000 | \$ 358,382 | E-2, T-2, S2, page 66. |
| Pole Replacement Program | \$ 500,000 | \$ 561,000 | E-2, T-2, S2, page 39. |
| Reactive Transformer and Component Replacements | \$ 888,000 | \$ 1,334,000 | E-2, T-2, S2, page 41. |
| Rear Lot Pole Line Conversion, Pickering (Bay Ridges area) - (R2) | \$ 350,000 | \$ - | Deferred due to difficulty in coordination with other third party, asset ownership and technical issues. |
| 4.16 kV Voltage Conversion, Gravenhurst - (R3) | \$ 750,000 | \$ - | Ph. 1 in-service 2013. Ph. 2 in 2014. Deferred from 2010 due to slowed growth as identified in E-2, T-2, S-1, page 12, lines 25-27. |
| South Ajax Feeder Automation - Phase 2, Ajax- (R4) | \$ 775,000 | \$ - | Started in 2009, In-service 2011, 2012 - E-2, T-2, S-2 pages 56-62 - \$3.057 million in total. |
| Long term load transfers Eliminations - (R4) | \$ 400,000 | \$ - | E-2, T-3, S-13, pages 18 - 25. |
| Retail Metering | \$ 509,000 | \$ 390,000 | E-2, T-2, S2, page 9. |
| PCB Elimination - (R4) | \$ 250,000 | \$ - | In-Service 2011, 2012 - \$128,967 |
| Reclosures, Port Hope - (R4) | \$ 180,000 | \$ - | Eliminated due to resolution of reliability issues. |
| Reclosures, Gravenhurst - (R4) | \$ 180,000 | \$ 100,686 | Completed in 2010. |
| TOTALS | \$ 5,082,000 | \$ 2,744,068 | |

Revenue Requirement

Issue 7.2

Are the proposed levels of depreciation/amortization expense appropriately reflective of the useful lives of the assets and the Board's accounting policies?

7.2-EP-40

Ref: Exhibit 4, Tab 6, Schedule 2, Attachments 2, 3 & 4

Attachments 2 and 3 (for 2012 and 2013) show reductions to the depreciation expense to be used in the following year for assets that fully depreciated during the year. These reductions total \$560,000 in 2012 and \$1,430,000 in 2013.

However, Attachment 4 (for 2014) does not show the amount of depreciation in 2014 that needs to be reduced in the calculation of subsequent years.

Request

Please provide a version of Attachment 4 for 2014 that shows the depreciation expense on assets fully depreciated during 2014 that would be reflected as a reduction in 2015.

Response:

See attached.

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 | Years (new additions only) | Depreciation Rate on New Additions | 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) | Depreciation Expense on Assets Fully Depreciated during the year (o) |
|---------|---|--------------|----------------------------|------------------------------------|---|---|--|--|
| | | (d) | (f) | (g) = 1 / (f) | | | | |
| 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 | \$ 288,618 |
| 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 | \$ - |

| Account | Description | Additions | Years (new additions only) | Depreciation Rate on New Additions | 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) | Depreciation Expense on Assets Fully Depreciated during the year (o) |
|---------|---|------------|----------------------------|------------------------------------|---|---|--|--|
| | | (d) | (f) | (g) = 1 / (f) | | | | |
| 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 | \$ - |

| Account | Description | Additions | Years (new additions only) | Depreciation Rate on New Additions | 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) | Depreciation Expense on Assets Fully Depreciated during the year (o) |
|---------|---|--------------|----------------------------|------------------------------------|---|---|--|--|
| | | (d) | (f) | (g) = 1 / (f) | | | | |
| 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 | \$ - |

| Account | Description | Additions | Years (new additions only) | Depreciation Rate on New Additions | 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) | Depreciation Expense on Assets Fully Depreciated during the year (o) |
|---------|---|--------------|----------------------------|------------------------------------|---|---|--|--|
| | | (d) | (f) | (g) = 1 / (f) | | | | |
| 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% | \$ - | | \$ - | \$ - |
| 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 | \$ - |

| Account | Description | Additions | Years (new additions only) | Depreciation Rate on New Additions | 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) | Depreciation Expense on Assets Fully Depreciated during the year (o) |
|---------|--|----------------|----------------------------|------------------------------------|---|---|--|--|
| | | (d) | (f) | (g) = 1 / (f) | | | | |
| 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 | \$ 193,893 |
| 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 | \$ 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% | \$ 317,149 | \$ 317,149 | \$ 0 | \$ - |
| 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 | \$ - |

| Account | Description | Additions | Years (new additions only) | Depreciation Rate on New Additions | 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) | Depreciation Expense on Assets Fully Depreciated during the year (o) |
|---|--------------|---------------|----------------------------|------------------------------------|---|---|--|--|
| | | (d) | (f) | (g) = 1 / (f) | | | | |
| | | | | 0.00% | \$ - | | \$ - | \$ - |
| | | | | | \$ - | | | \$ - |
| | | | | | | | | \$ - |
| | | | | 0.00% | \$ - | | \$ - | \$ - |
| | Total | \$ 30,690,671 | | | \$ 11,285,363 | \$ 11,285,363 | \$ 0 | \$ 511,866 |
| 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

7.2-SEC-21

Ref: E4/T6/S2/Attach 5

Request

For each asset in which the Applicant has departed from the range of typical useful lives set out in the *Asset Depreciation Study for the Ontario Energy Board* by Kinectrics Inc dated July 8, 2010, please provide an explanation.

Response:

Please see Veridian's response to 7.2-VECC-40.

7.2-VECC-40

Ref: E4/T6/S2/Attachment 5

In a number of places Veridian appears to have departed from the recommended range for useful service life in the Kinectrics Report.

Request

- (a) Please identify all accounts which are not within the Useful Life range of the Kinectrics Report.
- (b) For each of these accounts please explain the rationale for a departure from the Report's recommendation.
- (c) Please provide an estimate of the revenue requirement impact of moving all accounts into the useful life range of the Report (an estimate for the purpose of determining the materiality of this issue is a sufficient response).

Response:

- (a) and (b) In preparing its response to this interrogatory Veridian has identified a typographical error in Attachment 5 – Appendix 2-BB Service Life Comparison. Fully Dressed Concrete Poles were identified as having a useful life of 30 years, when in fact, Veridian's treatment is a 60 year useful life which is in line with the typical useful life from the Kinectrics Report. The 60 year life matches that used to calculate depreciation in Appendix CO to CQ.

When completing its analysis of componentization for its existing asset classes, Veridian determined it appropriate to break out values for the major components of its Administration Buildings. Discussions were held with Veridian's facilities management on lifecycle practices and expected physical and economic lives. Four components were broken out as each have a significant cost in relation to the total cost of the administrative buildings.

Service Ctr - Structure - Useful life of 50 years and considered under the range of 50-75 years as Administrative Buildings in the Kinectrics Report. Includes;

- steel structure
- steel deck
- metal fabrication
- concrete
- water proofing

This useful life is within the range from the Kinectrics report.

Service Ctr - Exterior - Useful life of 25 years and considered similar in content and useful life of assets under the range of Parking, Fence and Roofing for Station Buildings in the Kinectrics Report. Includes;

- steel structure
- steel deck
- metal fabrication
- concrete
- water proofing

On this basis, Veridian proposes that this useful life is within the range from the Kinectrics report.

Service Ctr - Interior – Considered to have a useful life of 15 years in line with economic/commercial life based on when replacement usually occurs. Includes;

- electrical work
- lighting control systems
- security systems
- fire suppression and alarm systems
- public address systems

Service Ctr - HVAC – Considered to have a useful life of 25 years in line with economic/commercial life based on when replacement usually occurs. Includes;

- heating
- ventilation
- air conditioning

(c) Veridian has estimated the impact of moving these two asset components to the useful life of 50 years as a reduction of \$65,142.

Estimate of impact on 2014 Revenue Requirement

| | Rates | 2012 additions | 2013 additions | 2014 additions | |
|----------|--------------|---|---|---|--|
| Interior | 6.67% vs 2% | \$ 442,004 | \$ 73,000 | \$ 130,000 | |
| HVAC | 4% vs 2% | \$ 30,184 | \$ 60,000 | \$ 70,000 | |
| | | Reduction in Depreciation in 2012 | Reduction in Depreciation in 2013 | Reduction in Depreciation in 2014 | Cumulative Increase in Rate Base |
| Interior | | -\$ 10,321 | -\$ 22,346 | -\$ 68,369 | \$ 101,036 |
| HVAC | | -\$ 302 | -\$ 1,204 | -\$ 3,711 | \$ 5,217 |
| | | -\$ 10,623 | -\$ 23,550 | -\$ 72,080 | \$ 106,253 |

2014 Revenue Requirement Impact

| | |
|---|------------|
| Increase in Rate Base at Weighted Average Cost of Capital | \$ 6,938 |
| Reduction in Test Year Amortization | -\$ 72,080 |
| | -\$ 65,142 |

Revenue Requirement

Issue 7.3

Are the proposed levels of taxes appropriate?

7.3-EP-41

Ref: Exhibit 4, Tab 7, Schedule 3, Attachment 1
Exhibit 2, Tab 1, Schedule 2, Attachment 1

Request

- (a) Please explain the difference between the bridge year CCA additions of \$23,118,181 shown in the first reference and the additions to rate base of \$23,685,181 shown in the second reference.
- (b) Please explain the difference between the test year CCA additions of \$30,270,671 shown in the first reference and the additions to rate base of \$30,690,671 shown in the second reference.
- (c) Please indicate what is included in miscellaneous intangible plant (account 1610) and indicate why it does not appear to be eligible for CCA treatment.
- (d) Is the capital expenditures on miscellaneous intangible plant deductible for PILs purposes? If so, please indicate where in the PILs model this deduction has been taken. If not, please explain why not.
- (e) Please explain why the \$20,000 expenditure shown in the 2014 fixed asset continuity schedule (account 1612) in the first reference shows that is eligible for the CEC but in Schedule 10 CEC there is no addition shown in the second reference.

Response:

- (a) \$23,685,181 – 2013 Asset Additions as per Appendix 2-BA
\$23,118,181 – 2013 Additions for CCA as per Schedule 8 of Bridge Year Tax Form
\$567,000- Difference comprised of:

\$400,000 – 2013 Addition to Account 1610 – Intangible Assets: These assets are eligible for deduction at 100% in the year acquired and has been deducted in the 2013 tax calculation as a deduction from taxable income on the Adjusted Taxable Income – Bridge Year tab of the PILs Model.

\$167,000 – 2013 Capitalized Interest. These assets are eligible for deduction at 100% in the year capitalized. In responding to this interrogatory Veridian notes that this amount was erroneously not included as a deduction from the Bridge Year taxable income on the Adjusted Taxable Income – Bridge Year tab of the PILs Model. Veridian further notes, however, that this error has no impact on the

calculation of the Test Year taxable income or PILs amount to be included in Revenue Requirement.

(b), (d) and (e)

\$30,690,671 – 2014 Asset Additions as per Appendix 2-BA

\$30,270,671 – 2014 Additions for CCA as per Schedule 8 of Bridge Year Tax Form

\$420,000- Difference comprised of:

\$400,000 – 2014 Addition to Account 1610 – Intangible Assets: These assets are eligible for deduction at 100% in the year acquired and has been deducted in the 2014 tax calculation as a deduction from taxable income on the Adjusted Taxable Income – Test Year tab of the Tax Model.

\$20,000 – 2014 Addition to Account 1612 – Land. These assets are not eligible for CCA deduction but are to be included in CEC calculations. In responding to this interrogatory Veridian notes that this amount was erroneously not included as an addition to CEC in the 2014 Test Year.

Additionally, Veridian has determined that while the amount of \$167,000 for capitalized interest in the 2014 Test Year was deducted from Taxable Income on the Adjusted Taxable Income – Test Year tab of the Tax Model, the amount was also, erroneously, included in the 2014 Additions for CCA.

Please see Veridian's response to 7.7-Staff-35 for an updated Tax Model.

- (c) Assets recorded under Account 1610 Intangible Plant are mostly capitalized labour related to the development of engineering system standards. Although the are capitalized for accounting purposes and amortized over a three year useful life, standard tax treatment adopted by Veridian and accepted by CRA has been to deduct 100% of the additions in the year acquired as a deduction on Schedule 1, rather than include in Schedule 8 for CCA purposes.

7.3-EP-42

Ref: Exhibit 4, Tab 7, Schedule 3, Attachment 3
Exhibit 2, Tab 1, Schedule 2, Attachment 1

Request

Please explain the significant difference in additions to CCA for the 2012 historical year of \$24,703,064 shown in Schedule 8 in the tax return in the first reference and the additions to rate base of \$34,149,447 shown in the 2012 fixed asset continuity scheduled in the second reference.

Response:

A summary is provided of the differences.

| | |
|---|---------------|
| 2012 Additions from Fixed Asset Continuity Schedule | \$ 34,149,447 |
|---|---------------|

Less:

| | |
|---|---------------|
| Smart Meter Assets Transferred to Rate Base in 2012 but recognized in prior periods for tax (CCA purposes) | \$ 7,730,561 |
| Land Rights (included in CEC, not CCA) | \$ 9,051 |
| Intangible Assets (100% deduction on Schedule 1) | \$ 483,960 |
| Non-Utility Plant (Class 43.2) | \$ 722,713 |
| Adjustments for SRED credit and capitalized overheads | \$ 500,098 |
| | <hr/> |
| | \$ 9,446,383 |
| CCA as per Schedule 8 of 2012 tax returns | \$ 24,703,064 |

7.3-Staff-31

Ref: (i) E4-T7-S3 2012 T2 Corporate Tax Return
(ii) 2014 Test Year Income Tax_ PILs Workform_V2 0-082013_xlms_20131031.xlsm

Per Schedule 1 of the tax return, Veridian deducted \$343,441 for Pension Contributions Capitalized for Accounting, \$84,852 for P&OPEB Capitalized for Accounting and \$483,960 for Assets Capitalized for Accounting. However in the 2014 PILs Workform, S. Taxable Income Test Year, Veridian has only deducted \$400,000 for Assets Capitalized for Accounting. If this is the case, it appears that Veridian's 2014 Taxable Income may be overstated as a result.

Request

- (a) Please explain why Veridian has not deducted amounts for Pension Contributions Capitalized for Accounting and P&OPEB Capitalized for Accounting.
- (b) Please estimate the amounts that should be deducted from the 2014 Taxable Income for Pension Contributions Capitalized for Accounting and P&OPEB Capitalized for Accounting. Please update the 2014 PILs provision, PILs Workform and associated evidence.

Response:

- (a) The deduction for Pension Contributions Capitalized for Accounting and P&OPEB Capitalized for Accounting in 2012 is an alternative tax treatment for these otherwise capitalized amounts which allows for deduction of these amounts for tax purposes immediately in the year incurred, similar to the deduction for intangible assets, rather than including these amounts in the additions to UCC. A matching deduction against current period capital additions to the UCC pool in the current period is also made to ensure that deductions are not overstated.

Veridian's 2014 Taxable Income is not overstated. Veridian did not include these deductions in the 2014 Test Year PILs calculation as it had not made the accompanying reduction to capital additions to UCC in the Test Year.

- (b) As stated above, Veridian proposes that no amounts should be deducted.

Revenue Requirement

Issue 7.4

Is the proposed allocation of shared services and corporate costs appropriate?

7.3-EP-43

Ref: Exhibit 4, Tab 4, Schedule 1

Request

- (a) Attachment 1 seems to imply that the costs recovered from Veridian Corporation are based on the allocation of FTE related costs. Do the FTE related costs include all wages, salaries and benefit costs?
- (b) Does Veridian Connections recover any costs from Veridian Corporation associated with the use of assets such as computer equipment, office equipment and furniture, building space, etc.?
- (c) Please explain how the costs (depreciation, return on capital, PILs, property taxes) associated with the assets noted in part (b) above are calculated and recovered from Veridian Corporation.

Response:

- (a) The FTE related costs include all wages, salaries and benefit costs.
- (b) Veridian Connections also recovers costs from Veridian Corporation for office equipment, general administration costs, computer equipment and facility related costs.
- (c) The return on capital is calculated by multiplying the net book value of related assets at the beginning of the year by the WACC rate. The actual costs for depreciation, return on capital, PILs and property taxes are used and recovery is allocated by total number of workstations.

7.4-SEC-22

Ref: E4/T4/S1/A1

Request

Please explain what the Applicant means by “employee related costs”.

Response:

This interrogatory was withdrawn by SEC via email notice to Veridian on January 29th, 2014.

7.4-VECC-41

Ref: E4/T5/S1/Attachment 1

Request

Purchase from Suppliers:

- (a) Please describe the services provided by MEARIE Management Inc. (2012 \$473,320) and MEARIE Group (2010 \$491,606).
- (b) Please provide the amounts for these two entities for 2011 through 2014.
- (c) Please explain the process which was used for the RFQ for the MEARIE Management Inc. services. Is this contract for 3 years or less as is contemplated by section 6.3 of Veridian's Purchasing Policy?
- (d) Please explain if and how the MEARIE Group Insurance meets section 6.3 of Veridian's purchase policy.

Response:

- (a) For the purposes of its account payables system, Veridian utilizes two vendor names (MEARIE Management Inc. and The MEARIE Group) for a common vendor. The common vendor is The MEARIE Group, which is an industry insurance reciprocal that operates on a non-profit basis. It offers a full range of insurance solutions including comprehensive general liability, property, vehicle insurance and group benefits. The MEARIE Group purchases re-insurance and maintains reserve funds to manage risks to members of the reciprocal.

Veridian accounts payable records for MEARIE Management Inc. relate to the purchase of employee long term disability, life insurance and training/other.

Veridian accounts payable records for The MEARIE Group relate to the purchase of comprehensive liability insurance, property insurance, accidental death & dismemberment insurance and fleet/vehicle insurance.

- (b) Actual and projected amounts paid under these two vendor names for the years 2011 to 2014 are as follow:

| Vendor Name | 2011 Actual | 2012 Actual | 2013 Actual | 2014 Projected |
|------------------------|----------------|----------------|----------------|-------------------|
| MEARIE Management Inc. | \$473,320 | \$490,203 | \$506,506 | \$457,503 |
| MEARIE Group | \$442,254 | \$491,606 | \$507,626 | \$505,078 |

- (c) The RFP referenced in evidence was carried out in the spring of 2010 by Veridian's insurance broker. Eight insurance firms were invited to bid on Veridian's long term disability and life insurance needs. The purpose of the RFP was to determine if the premium levels offered by MEARIE Management Inc. continued to be competitive. All vendors declined to quote. The primary reason given was an inability to compete with MEARIE Management Inc. due to its group purchasing power.

More recently, MEARIE Management Inc. conducted its own RFP for Group Benefits. This was conducted in 2013 and completed late in the year. Through this RFP MEARIE Management Inc. switched insurance partners for Life and LTD and secured premium reductions for its members across all product categories.

The employee benefits contract with MEARIE Management Inc. is renewed annually.

- (d) Section 6.1 of Veridian's purchasing policy provides for the purchase of products from a single source and without a formal competitive process. In 2012 Veridian retained the services of a third party consultant to review the MEARIE Group's insurance policies and premium levels. The consultant found the policy terms and premiums to be very competitive to market. On the basis of this review, the Audit and Risk Management Committee of Veridian's board of directors approved a contract award to the MEARIE Group. Such an award is in compliance with the single source provision of the purchasing policy.

Revenue Requirement

Issue 7.5

Are the proposed capital structure, rate of return on equity and short and long term debt costs appropriate?

7.5-CCC-28

Ref: *none*

Request

Please provide a schedule setting out the allowed ROE and actual ROE (actual and normalized) for the period 2010-2012. Please provide an estimate for 2013.

Response:

In the request, Veridian understands the term ‘allowed’ to be deemed.

As part of its Reporting and Recordkeeping Requirements (RRR-2.1.5), Veridian reports actual ROE to the OEB. Veridian understands the request to be these reported values.

On this basis, the table below sets out Veridian’s deemed and actual ROE for the period 2010 – 2012.

| Year | Deemed ROE | Actual ROE |
|-------------|-------------------|-------------------|
| 2010 | 9.85 % | 9.82 % |
| 2011 | 9.85 % | 8.00 % |
| 2012 | 9.85 % | 8.60 % |

An estimate of ROE for 2013 on the same basis is 7.10%.

7.5-EP-44

Ref: Exhibit 5, Tab 1, Schedule 1

Request

Please update the 2014 table found in Appendix 2-OA (page 6) and in Appendix 2-OB (page 7) to reflect the update cost of capital parameters applicable to 2014 cost of service applications, as issued by the Board on November 25, 2013.

Response:

Please see Attachment 1 for an updated version of Appendix 2-OA to reflect the updated cost of capital parameters as requested. Veridian notes that this schedule has also been updated to reflect a revision to the weighted long term debt rate (response to 7.5-EP-48) and a revision to Veridian's 2014 forecast rate base (responses to 2.1-EP-6, 7.1-CCC-27).

No update is required for Appendix 2-OB as the cost of capital parameters do not impact calculations for Appendix 2-OB. Veridian notes, however, that Appendix 2-OB was updated in response to 7.5-EP-48.

Appendix 2-OA

Capital Structure and Cost of Capital

Updated for Cost of Capital Parameters, revised weighted debt calculation and revised rate base

Year: 2014 Test Year

| Line No. | Particulars | Capitalization Ratio | | Cost Rate | Return |
|----------|---------------------|----------------------|---------------|-----------|--------------|
| | | (%) | (\$) | (%) | (\$) |
| | Debt | | | | |
| 1 | Long-term Debt | 56.00% | \$135,322,747 | 5.05% | \$6,833,799 |
| 2 | Short-term Debt | 4.00% (1) | \$9,665,911 | 2.11% | \$203,951 |
| 3 | Total Debt | 60.0% | \$144,988,658 | 4.85% | \$7,037,749 |
| | Equity | | | | |
| 4 | Common Equity | 40.00% | \$96,659,105 | 9.36% | \$9,047,292 |
| 5 | Preferred Shares | | \$ - | | \$ - |
| 6 | Total Equity | 40.0% | \$96,659,105 | 9.36% | \$9,047,292 |
| 7 | Total | 100.0% | \$241,647,763 | 6.66% | \$16,085,042 |

Year: 2010 Board Approved

| Line No. | Particulars | Capitalization Ratio | | Cost Rate | Return |
|----------|---------------------|----------------------|---------------|-----------|--------------|
| | | (%) | (\$) | (%) | (\$) |
| | Debt | | | | |
| 1 | Long-term Debt | 56.00% | \$104,493,177 | 5.57% | \$5,820,270 |
| 2 | Short-term Debt | 4.00% (1) | \$7,463,798 | 2.07% | \$154,501 |
| 3 | Total Debt | 60.0% | \$111,956,975 | 5.34% | \$5,974,771 |
| | Equity | | | | |
| 4 | Common Equity | 40.00% | \$74,637,984 | 9.85% | \$7,351,841 |
| 5 | Preferred Shares | | \$ - | | \$ - |
| 6 | Total Equity | 40.0% | \$74,637,984 | 9.85% | \$7,351,841 |
| 7 | Total | 100.0% | \$186,594,959 | 7.14% | \$13,326,612 |

7.5-EP-45

Ref: Exhibit 5, Tab 1, Schedule 1

The evidence states that Veridian attempts to maintain debt to equity ratios in line with the deemed capital structure established by the Board.

Request

- (a) Is this why Veridian issued \$5 million in additional equity?
- (b) What is the projected equity ratio for the 2014 test year on an actual basis rather than on a deemed basis?

Response:

- (a) Maintenance of a debt to equity ratio in line with the deemed capital structure established by the Board was a factor considered in Veridian's decision to issue additional equity.
- (b) The projected equity ratio for the 2014 test year on an actual basis rather than on a deemed basis is 59%.

7.5-EP-46

Ref: Exhibit 5, Tab 1, Schedule 1

Appendix 2-OA shows that the deemed long term debt amount of \$136,383,952 is significantly higher than the actual level of long term debt \$113,527,915, as shown in Appendix 2-OB.

Request

- (a) Given the need for additional capital to fund capital expenditures in 2014 through 2018, and the expectation that interest rates will be rising, why has Veridian not taken advantage of low long term interest rates to lock in low rates for 30 years, given that it has about \$23 million less in actual long term debt than in deemed long term debt?
- (b) Has Veridian attempted to obtain any long-term debt from Infrastructure Ontario or any other third party source for 2014? If not, why not?
- (c) What is the current rate available for a 30 year loan from Infrastructure Ontario?

Response:

- (a) Veridian is reviewing its funding requirements for capital expenditures in 2014 through 2018 and is examining financial forecasts for Canadian interest rates. Funding requirements for 2014 and 2018 will not be finalized until a Board Decision has been issued in this proceeding.
- (b) No. As stated in (a) above, Veridian's funding requirements will not be fully identified until a Board Decision has been issued in this proceeding.
- (c) The current rate available for a 30 year loan from Infrastructure Ontario is 4.21% on a serial basis and 4.31% on an amortizer basis.

7.5-EP-47

Ref: Exhibit 5, Tab 1, Schedule 1

The evidence indicates that the long-term debt from the municipal shareholders is callable on demand with 6 months notice, subject to a number of conditions.

Request

Are the long-term debt notes payable to Veridian Corporation also callable on demand? If so, what are the terms and are there any conditions related to the call ability?

Response:

No, the long-term debt notes payable to Veridian Corporation are not callable on demand.

7.5-EP-48

Ref: Exhibit 5, Tab 1, Schedule 1

Request

Please explain why the interest shown in the 2014 section of Appendix 2-OB does not equal the product of the principal and the rate shown for each of the debt instruments shown. If the principle amount is not the average amount outstanding in 2014, please provide a revised table that utilizes the average amount outstanding such that this amount times the rate results in the interest amount shown in the table.

Response:

Some of the principal amounts shown in the 2014 section of the Appendix 2-OB did not accurately reflect average amounts outstanding. As a result, the 2014 weighted long term debt calculation changes from 5.1% to 5.05%.

An updated version of the Appendix is attached.

Revised - Appendix 2-OB - Response to 7.5-EP-48
Debt Instruments

This table must be completed for the required years of all historical years, the bridge year and the test year.

Year

2014

| Row | Description | Lender | Affiliated or Third-Party Debt? | Fixed or Variable-Rate? | Start Date | | Principal (\$) | Rate (%) (Note 2) | Interest (\$) (Note 1) |
|-------|-----------------|----------------------------|---------------------------------|-------------------------|------------|----|----------------|-------------------|------------------------|
| 1 | Note Payable | Veridian Corporation | Affiliated | Fixed Rate | 1-Jun-07 | 10 | \$ 11,198,615 | 0.0556 | \$ 622,643 |
| 2 | Promissory Note | Town of Ajax | Affiliated | Fixed Rate | 1-Nov-09 | 30 | \$ 14,060,000 | 0.0557 | \$ 783,142 |
| 3 | Promissory Note | City of Belleville | Affiliated | Fixed Rate | 1-Nov-09 | 30 | \$ 5,588,000 | 0.0557 | \$ 311,252 |
| 4 | Promissory Note | Municipality of Clarington | Affiliated | Fixed Rate | 1-Nov-09 | 30 | \$ 5,966,000 | 0.0557 | \$ 332,306 |
| 5 | Promissory Note | City of Pickering | Affiliated | Fixed Rate | 1-Nov-09 | 30 | \$ 17,974,000 | 0.0557 | \$ 1,001,152 |
| 6 | Note Payable | Veridian Corporation | Affiliated | Fixed Rate | 19-Dec-09 | 30 | \$ 17,850,000 | 0.0557 | \$ 994,245 |
| 7 | Bank Loan | TD Bank | Third-Party | Fixed Rate | 2-Nov-11 | 20 | \$ 27,439,127 | 0.0424 | \$ 1,163,419 |
| 8 | Bank Loan | TD Bank | Third-Party | Fixed Rate | 19-Dec-12 | 20 | \$ 14,610,075 | 0.0399 | \$ 582,942 |
| 12 | | | | | | | | | \$ - |
| Total | | | | | | | \$114,685,818 | 5.05% | \$ 5,791,101 |

Year

2013

| Row | Description | Lender | Affiliated or Third-Party Debt? | Fixed or Variable-Rate? | Start Date | Term (years) | Principal (\$) | Rate (%) (Note 2) | Interest (\$) (Note 1) |
|-------|-----------------|----------------------------|---------------------------------|-------------------------|------------|--------------|----------------|-------------------|------------------------|
| 1 | Note Payable | Veridian Corporation | Affiliated | Fixed Rate | 1-Jun-07 | 10 | \$ 13,990,436 | 0.0556 | \$ 800,378 |
| 2 | Promissory Note | Town of Ajax | Affiliated | Fixed Rate | 1-Nov-09 | 30 | \$ 14,060,000 | 0.0557 | \$ 783,142 |
| 3 | Promissory Note | City of Belleville | Affiliated | Fixed Rate | 1-Nov-09 | 30 | \$ 5,588,000 | 0.0557 | \$ 311,252 |
| 4 | Promissory Note | Municipality of Clarington | Affiliated | Fixed Rate | 1-Nov-09 | 30 | \$ 5,966,000 | 0.0557 | \$ 332,306 |
| 5 | Promissory Note | City of Pickering | Affiliated | Fixed Rate | 1-Nov-09 | 30 | \$ 17,974,000 | 0.0557 | \$ 1,001,152 |
| 6 | Note Payable | Veridian Corporation | Affiliated | Fixed Rate | 19-Dec-09 | 30 | \$ 18,900,000 | 0.0557 | \$ 1,052,730 |
| 7 | Bank Loan | TD Bank | Third-Party | Fixed Rate | 2-Nov-11 | 20 | \$ 28,432,931 | 0.0424 | \$ 1,207,509 |
| 8 | Bank Loan | TD Bank | Third-Party | Fixed Rate | 19-Dec-12 | 20 | \$ 14,867,693 | 0.0399 | \$ 593,696 |
| 9 | | | | | | | | | \$ - |
| 10 | | | | | | | | | \$ - |
| 11 | | | | | | | | | \$ - |
| 12 | | | | | | | | | \$ - |
| Total | | | | | | | \$119,779,060 | 0.05078 | \$ 6,082,164.60 |

Year

2012

| Row | Description | Lender | Affiliated or Third-Party Debt? | Fixed or Variable-Rate? | Start Date | Term (years) | Principal (\$) | Rate (%) (Note 2) | Interest (\$) (Note 1) |
|-----|-----------------|----------------------------|---------------------------------|-------------------------|------------|--------------|----------------|-------------------|------------------------|
| 1 | Note Payable | Veridian Corporation | Affiliated | Fixed Rate | 1-Jun-07 | 10 | \$ 17,037,133 | 0.0556 | \$ 968,564 |
| 2 | Promissory Note | Town of Ajax | Affiliated | Fixed Rate | 1-Nov-09 | 30 | \$ 14,060,000 | 0.0557 | \$ 783,142 |
| 3 | Promissory Note | City of Belleville | Affiliated | Fixed Rate | 1-Nov-09 | 30 | \$ 5,588,000 | 0.0557 | \$ 311,252 |
| 4 | Promissory Note | Municipality of Clarington | Affiliated | Fixed Rate | 1-Nov-09 | 30 | \$ 5,966,000 | 0.0557 | \$ 332,306 |
| 5 | Promissory Note | City of Pickering | Affiliated | Fixed Rate | 1-Nov-09 | 30 | \$ 17,974,000 | 0.0557 | \$ 1,001,152 |
| 6 | Note Payable | Veridian Corporation | Affiliated | Fixed Rate | 19-Dec-09 | 30 | \$ 19,250,000 | 0.0557 | \$ 1,091,720 |
| 7 | Bank Loan | TD Bank | Third-Party | Fixed Rate | 2-Nov-11 | 20 | \$ 29,431,614 | 0.0424 | \$ 1,249,773 |

| | | | | | | | | | |
|-------|-----------|---------|-------------|------------|-----------|----|---------------|---------|-----------------|
| 8 | Bank Loan | TD Bank | Third-Party | Fixed Rate | 19-Dec-12 | 20 | \$ 15,000,000 | 0.0399 | \$ - |
| 9 | | | | | | | | | \$ - |
| 10 | | | | | | | | | \$ - |
| 11 | | | | | | | | | \$ - |
| 12 | | | | | | | | | \$ - |
| | | | | | | | | | |
| Total | | | | | | | \$124,306,747 | 0.04616 | \$ 5,737,908.60 |

Year 2011

| Row | Description | Lender | Affiliated or Third-Party Debt? | Fixed or Variable-Rate? | Start Date | Term (years) | Principal (\$) | Rate (%) (Note 2) | Interest (\$) (Note 1) |
|-------|-----------------|----------------------------|---------------------------------|-------------------------|------------|--------------|----------------|-------------------|------------------------|
| 1 | Note Payable | Veridian Corporation | Affiliated | Fixed Rate | 1-Jun-07 | 10 | \$ 19,920,161 | 0.0556 | \$ 1,127,717 |
| 2 | Promissory Note | Town of Ajax | Affiliated | Fixed Rate | 1-Nov-09 | 30 | \$ 14,060,000 | 0.0557 | \$ 783,142 |
| 3 | Promissory Note | City of Belleville | Affiliated | Fixed Rate | 1-Nov-09 | 30 | \$ 5,588,000 | 0.0557 | \$ 311,252 |
| 4 | Promissory Note | Municipality of Clarington | Affiliated | Fixed Rate | 1-Nov-09 | 30 | \$ 5,966,000 | 0.0557 | \$ 332,306 |
| 5 | Promissory Note | City of Pickering | Affiliated | Fixed Rate | 1-Nov-09 | 30 | \$ 17,974,000 | 0.0557 | \$ 1,001,152 |
| 6 | Note Payable | Veridian Corporation | Affiliated | Fixed Rate | 19-Dec-09 | 30 | \$ 19,950,000 | 0.0557 | \$ 1,130,710 |
| 7 | Bank Loan | TD Bank | Third-Party | Fixed Rate | 2-Nov-11 | 20 | \$ 29,960,195 | 0.0424 | \$ 106,000 |
| 8 | | | | | | | | | \$ - |
| 9 | | | | | | | | | \$ - |
| 10 | | | | | | | | | \$ - |
| 11 | | | | | | | | | \$ - |
| 12 | | | | | | | | | \$ - |
| | | | | | | | | | |
| Total | | | | | | | \$113,418,356 | 0.04225 | \$ 4,792,278.60 |

Year 2010-Board Actual

| Row | Description | Lender | Affiliated or Third-Party Debt? | Fixed or Variable-Rate? | Start Date | Term (years) | Principal (\$) | Rate (%) (Note 2) | Interest (\$) (Note 1) |
|-----|-----------------|----------------------------|---------------------------------|-------------------------|------------|--------------|----------------|-------------------|------------------------|
| 1 | Note Payable | Veridian Corporation | Affiliated | Fixed Rate | 1-Jun-07 | 10 | \$ 22,468,310 | 0.0556 | \$ 1,259,245 |
| 2 | Promissory Note | Town of Ajax | Affiliated | Fixed Rate | 1-Nov-09 | 30 | \$ 14,060,000 | 0.0557* | \$ 1,057,781 |
| 3 | Promissory Note | City of Belleville | Affiliated | Fixed Rate | 1-Nov-09 | 30 | \$ 5,588,000 | 0.0557* | \$ 420,404 |
| 4 | Promissory Note | Municipality of Clarington | Affiliated | Fixed Rate | 1-Nov-09 | 30 | \$ 5,966,000 | 0.0557* | \$ 448,842 |
| 5 | Promissory Note | City of Pickering | Affiliated | Fixed Rate | 1-Nov-09 | 30 | \$ 17,974,000 | 0.0557* | \$ 1,352,244 |
| 6 | Note Payable | Veridian Corporation | Affiliated | Fixed Rate | 19-Dec-09 | 30 | \$ 20,650,000 | 0.0557* | \$ 1,372,612 |
| 7 | | | | | | | | | \$ - |
| 8 | | | | | | | | | \$ - |
| 9 | | | | | | | | | \$ - |
| 10 | | | | | | | | | \$ - |
| 11 | | | | | | | | | \$ - |
| 12 | | | | | | | | | \$ - |
| | | | | | | | \$ 86,706,310 | 0.06817 | \$ 5,911,128.00 |

*Promissory Note Interest - From January 1st, 2010 to April 30th, 2010 - 7.62%, From May 1st, 2010 - 5.57%

Year 2010-Board Approved

| Row | Description | Lender | Affiliated or Third-Party Debt? | Fixed or Variable-Rate? | Start Date | Term (years) | Principal (\$) | Rate (%) (Note 2) | Interest (\$) (Note 1) |
|-----|-----------------|----------------------------|---------------------------------|-------------------------|------------|--------------|----------------|-------------------|------------------------|
| 1 | Note Payable | Veridian Corporation | Affiliated | Fixed Rate | 1-Jun-07 | 10 | \$ 22,468,300 | 0.0556 | \$ 1,259,245.00 |
| 2 | Promissory Note | Town of Ajax | Affiliated | Fixed Rate | 1-Nov-09 | 30 | \$ 14,060,000 | 0.0557 | \$ 783,142.00 |
| 3 | Promissory Note | City of Belleville | Affiliated | Fixed Rate | 1-Nov-09 | 30 | \$ 5,588,000 | 0.0557 | \$ 311,251.60 |
| 4 | Promissory Note | Municipality of Clarington | Affiliated | Fixed Rate | 1-Nov-09 | 30 | \$ 5,966,000 | 0.0557 | \$ 332,306.20 |
| 5 | Promissory Note | City of Pickering | Affiliated | Fixed Rate | 1-Nov-09 | 30 | \$ 17,974,000 | 0.0557 | \$ 1,001,151.80 |
| 6 | Note Payable | Veridian Corporation | Affiliated | Fixed Rate | 19-Dec-09 | 30 | \$ 19,950,000 | 0.0557 | \$ 1,111,215.00 |
| 7 | | | | | | | | | \$ - |
| 8 | | | | | | | | | \$ - |
| 9 | | | | | | | | | \$ - |
| 10 | | | | | | | | | \$ - |
| 11 | | | | | | | | | \$ - |
| 12 | | | | | | | | | \$ - |
| | | | | | | | \$ 86,006,300 | 0.05579 | \$ 4,798,311.60 |

7.5-SEC-23

Ref: E5/T1/S1/Appendix 2-OB

Request

Please provide copies of all third-party debt instruments.

Response:

Please see Attachment 1.



Commercial Banking

South-East Ontario Commercial Banking Center
2 King Street East
Oshawa, Ontario

Telephone No.: (905) 576-6264
Fax No.: (905) 576-9147

November 30, 2009

Veridian Connections Inc
55 Taunton Rd E
Ajax, ON
L1T 3V3

Attention: Dave Clark,

Dear Mr. Clark,

| |
|--|
| DEMAND OPERATING FACILITY AGREEMENT |
|--|

This Agreement between: **The Toronto-Dominion Bank** (the "Bank"), through its South-East Ontario Commercial Banking Centre branch in Oshawa, Ontario.

and

Borrower's Legal Name: Veridian Connections Inc (herein called the "Borrower")

Borrower's Address:
55 Taunton Rd E
Ajax, ON
L1T 3V3

Whereas:

- (i) the Bank has agreed to establish a revolving demand credit facility (the "Facility");
- (ii) the Facility is uncommitted and made available at the sole discretion of the Bank. The Facility may be cancelled at any time even if the Borrower complies with all of the terms and conditions;

- (iii) the Facility will operate on the basis established in this Demand Operating Facility Agreement including without limitation the Standard Terms and Conditions attached as Schedule "A" (the "Agreement"), the terms of which may be changed by the Bank from time to time at the Bank's sole discretion.

In consideration of the Bank establishing the Facility, the Borrower hereby agrees with the Bank to the following terms and conditions:

CREDIT LIMIT

Amounts outstanding under the Facility will at all times be no greater than :
1) CDN \$20,000,000

PURPOSE

The Borrower will use the Facility to fund working capital.

**BORROWING
OPTIONS**

The Bank will make the Facility available by way of:

- Prime Rate Based Loans in CDN\$ ("Prime Based Loans")
- Bankers Acceptances in CDN\$ or US\$ ("B/As")
- Letters of Credit in CDN\$ or US\$ ("L/Cs")
- Stand-by Letters of Guarantee in CDN\$ ("L/Gs")

**AVAILABILITY
OF THE FACILITY**

The Borrower acknowledges that the Facility is uncommitted and is not automatically available upon satisfaction of the terms and conditions, including without limitation the Representations & Warranties, Positive Covenants, Negative Covenants, or Financial Covenants set out herein.

The Bank can demand repayment and/or cancel the availability of the Facility at any time in its sole discretion.

**INTEREST RATES
AND STAMPING
FEES**

For the Borrowing Options available to the Borrower, interest rates and fees are as follows:

- Prime Based Loans: Prime Rate + 0.00% per annum
- B/As: Stamping Fee at 1.00% per annum
- L/Cs: As advised by the Bank at the time of issuance of the L/C and as set out in the Letter of Credit Indemnity Agreement applicable to the issued L/C.
- L/Gs: 0.50% per annum As set out in the Letter of Credit Indemnity Agreement applicable to the issued L/G.

Information on Interest Rate Definitions, Interest Calculations and Payment is set out in the Schedule "A" attached hereto.

**ARRANGEMENT
FEE**

The Borrower will pay a non-refundable arrangement fee of \$2,000 prior to the first drawdown hereunder.

DRAWDOWN

The Borrower can use the Facility on a revolving basis.
The Borrower will follow the provisions set out in this Agreement with respect to notice periods, minimum amounts of draws, interest periods, and applicable terms.

DISBURSEMENT CONDITIONS

The Borrower will not avail itself of the Facility nor will the Bank make the Facility available to the Borrower until the Borrower has fulfilled the standard Disbursement Conditions contained in Schedule "A" and the following disbursement conditions:

Completion of due diligence, security and documentation satisfactory to the Bank, including but not limited to:

- a) All conditions to be in compliance pre and post drawdown.
- b) All security and documentation to be on-hand and in good order.
- c) There has been no material adverse change in the financial condition and/or operations of the Borrower or its subsidiaries.
- d) Provision of a 3-year business plan forecast.
- e) Provision of a copy of the distribution license for Veridian Connections Inc. from the OEB and indication in good standing.
- f) Executed copy and satisfactory review of the terms of the inter-creditor agreement as it relates to subordination/postponement of any shareholder debt to these facilities.
- g) Provide written confirmation of the dissolution of First Source Energy Corporation
- h) Year-to-date financial statements (minimum 2nd quarter as of June 30, 2009) to be on-hand prior to funding.
- i) Municipalities' notes are to be renewed with terms and conditions deemed satisfactory.

BUSINESS CREDIT SERVICE

The Borrower will have access to Prime Based Loans via Loan Account Number TBO (the "Loan Account") up to the Credit Limit, by withdrawing funds from the Borrower's Current Account Number <1805-5207159> (the "Current Account"). The Borrower agrees that each advance from the Loan Account will be in an amount equal to \$100,000 (the "Transfer Amount") or a multiple thereof. If the Transfer Amount is NIL, the Borrower agrees that an advance from its Loan Account may be in an amount sufficient to cover the debits made to the Current Account. The Borrower agrees that:

- a) all other overdraft privileges which have governed the Current Account are hereby cancelled.
- b) all outstanding overdraft amounts under any such other agreements are now included as indebtedness under the Facility.

The Bank may, but is not required to, automatically advance the Transfer Amount or a multiple thereof or any other amount from the Loan Account to the Current Account in order to cover the debits made to the Current Account if the amount in the Current Account is insufficient to cover the debits. The Bank may, but is not required to, automatically and without notice apply the funds in the Current Account in amounts equal to the Transfer Amount or any multiple thereof or any other amount to repay the outstanding amount in the Loan Account.

REPAYMENT

The Borrower agrees to repay the Bank on demand. If the Bank demands repayment, the Borrower will pay to the Bank all amounts outstanding under the Facility, including without limitation, as applicable, the amount of all unmatured B/As and the amount of all drawn and undrawn L/Gs and L/Cs. All costs to the Bank and all loss suffered by the Bank in re-employing the amounts so repaid will be paid by the Borrower.

SECURITY

The following security shall be provided, shall, unless otherwise indicated, support all present and future indebtedness and liability of the Borrower and the grantor of the security to the Bank including without limitation indebtedness and liability under guarantees, foreign exchange contracts, cash management products, and derivative contracts, shall be registered in first position, and shall be on the Bank's standard form, supported by resolutions and solicitor's opinion, all acceptable to the Bank:

- a) Evidence of Business insurance for a minimum amount of \$70,000,000.

All of the above security and guarantees shall be referred to collectively in this Agreement as "Bank Security".

Documentation :

- a) Inter-Creditor Agreement amongst all four municipal note holders (at Veridian Connections Inc.'s level), is to restrict their rights to acceleration of their debt, is to restrict all principal payment except with the Bank's prior written consent, interest payment is permitted subject to pre and post compliance of all covenants.

PERMITTED LIENS

Permitted Liens as referred to herein and in Schedule "A" are defined as:
Purchase Money Security Interests, not to exceed at any time:

- a) For the Borrower and its Subsidiaries, \$5,000,000 in the aggregate.

REPRESENTATIONS & WARRANTIES

The Borrower makes the Standard Representations and Warranties set out in Schedule "A".

All representations and warranties shall be deemed to be continually repeated so long as the Borrower has any dealings with the Bank.

POSITIVE COVENANTS

The Borrower will observe the Standard Positive Covenants set out in Schedule "A" and in addition will :

- a) Maintain all shareholder debt on an unsecured basis or fully subordinated secured basis per the Inter-Creditor agreement;
- b) Remain in the regulated business of electricity distribution and maintain all requisite licenses;
- c) Maintain adequate insurance on assets, undertakings, and business risks;
- d) Comply with all contractual obligations and laws, including payment of taxes;
- e) Ensure all existing indebtedness is held directly or indirectly on an unsecured basis with no acceleration rights by the municipal shareholder and is bound by the distribution restrictions outlined under the Inter-creditor Agreement;
- f) Comply with all applicable environmental regulations at all times;
- g) Veridian Corporation is to maintain a DBRS rating of not less than "A Low" (one notch below current rating of "A Stable"). Advise the Bank immediately of changes to DBRS debt ranking of A.;
- h) Adhere to Affiliate Relationship Code restrictions as per the Ontario Energy Board as applicable;
- i) File all OEB rate submissions as outlined in the business plan forecast;
- j) Comply with all terms of all licenses and immediately advise the Bank if OEB should notify the Borrower of a default under a license, or if the license is materially amended, cancelled, suspended or revoked (any of such circumstances will be an event of default);

Reporting Conditions:

1. Provide audited financial statements along with a Compliance certificate within 150 days after each fiscal year end for Veridian Corporation (Consolidated) and Veridian Connections (Unconsolidated)
2. Provide Notice to Reader financial statements within 150 days after each fiscal year end for Veridian Corporation (unconsolidated) and Veridian Energy Inc.;
3. Provide Operating and Capital Budgets for the next fiscal year within 150 days after each fiscal year end;
4. Provide unaudited consolidated financial statements for Veridian Corporation along with a Compliance certificate within 60 days after the end of the first, second, and third quarters;
5. Provide the Ontario Energy Board rate submission, and the subsequent approval within 30 days after approval by the Ontario Energy Board; (to be provided when applicable)
6. Provide Service Quality Indicators within 30 days after submission to the Ontario Energy Board; (to be provided when applicable).

NEGATIVE COVENANTS

The Borrower will observe the Standard Negative Covenants set out in Schedule "A" and in addition will not:

1. Exceed Limited Distributions allowance: Distribution are limited to [EBITDA - Interest - Cash Taxes - Unfinanced CAPEX (net of contributed capital) - Principal payments on long term debt (if any) Providing no other default has occurred.
2. Enter into any acquisitions or investments (except in the ordinary course of business) in excess of \$2,500,000, or any mergers, amalgamations, or consolidations, without the prior consent of the Bank, such consent not to be unreasonably withheld;
3. Sell, lease, assign, transfer, convey, or otherwise dispose of any now owned or hereafter acquired assets, except in the ordinary course of business without the prior consent of the Bank, such consent not to be unreasonably withheld.
4. Take on additional debt or contingencies including guarantees without the Bank's prior consent, such consent not to be unreasonably withheld, except for debt secured by Permitted Liens.
5. Permit the pledge of or encumbrance of any of its issued and outstanding equity securities.

FINANCIAL COVENANTS

The Borrower agrees at all times on a consolidated* basis to:

1. Maintain a consolidated* Funded Debt to Capitalization ratio of no greater than 0.60:1. To be tested quarterly and on an annual basis.
 - Funded Debt is defined as all interest-bearing debt (including but not limited to (i) short term debt, (ii) long term debt including the current portion, (iii) capital leases, (iv) non-subordinated debt, and (v) unpostponed shareholder loans and guarantees.
 - Total Capitalization is defined as Funded Debt (as above), plus shareholders equity, plus any debt formally subordinated to the Bank, less advances to or investments in shareholders/related parties, less intangible assets (including but not limited to deferred debt issue costs, goodwill, etc);
2. Maintain a Debt Service coverage ratio of not less than 1.25:1 to be tested quarterly and on an annualized basis.

- Debt Service coverage ratio is defined as EBITDA** less cash taxes, less 40% of Capex divided by total Principal and Interest.

* Consolidated is defined as : Veridian Corporation, Veridian Connections Inc. and Veridian Energy Inc.

** EBITDA is defined as Earnings before Interest, Taxes, Depreciation and Amortization

SCHEDULE "A" **TERMS AND** **CONDITIONS**

Schedule "A" sets out the Standard Terms and Conditions ("Standard Terms and Conditions") which are applicable to the Borrower and which apply to this Facility. The Standard Terms and Conditions, including the defined terms set out therein, form part of this Agreement, unless this letter states specifically that one or more of the Standard Terms and Conditions do not apply or are modified.

**AMENDMENTS TO
SCHEDULE "A"
TERMS AND
CONDITIONS**

The following amendments to the Standard Terms and Conditions apply:

- Throughout the entire Schedule A any reference to Guarantor(s) is deemed to be deleted.
- "text from existing clause" appearing in section #3 Interest Calculation and Payment (Last paragraph) is hereby deleted and replaced with the following : "For loans not secured by real property, all overdue amounts of principal and interest and all amounts outstanding in excess of the Credit limit shall bear interest from the date on which the same became due or from when the excess was incurred, as the case may be, until the date of payment or until the date the excess is repaid at Prime Rate + 5.00% per annum. Nothing in this clause shall be deemed to authorize the Borrower to incur loans in excess of the Credit Limit."
- "text from existing clause" appearing in section 6. Standard Representations and Warranties (#4) is hereby deleted and replaced with the following: "There are no actions, suits or proceedings, including appeals or applications for review, or any knowledge of pending actions, suits, or proceedings against the Borrower and its subsidiaries, before any court or administrative agency which would result in any material adverse change in the property, asset, financial condition, business or operations of the Borrower except for the LDC late payment penalties class action suit as described in note 11(b) of the Consolidated Year End Financial Statements for the Borrower as of December 31, 2008 ("Class Action Litigation")."
- "text from existing clause" appearing in Section 7. Standard Positive Covenants (#vii) is hereby deleted and replaced with the following: "Permit the Bank or its authorized representatives full and reasonable access to its premises, business, financial and computer records and allow duplication or extraction of pertinent information therefrom during regular business hours and"
- "text from existing clause" appearing in Section 8. Standard Negative Covenants (#ii, iii) shall not apply to this transaction.
- "text from existing clause" appearing in Section 9. Additional Information and Security is hereby deleted and replaced with the following: "Section 9. ADDITIONAL INFORMATION The Borrower will provide or cause to be provided, whatever information the Bank may request from time to time. "
- "text from existing clause" appearing in Section 13 Environmental Representation and Undertakings (second paragraph) is hereby deleted and replaced with the following: "The Borrower shall, at the request of the Bank from time to time acting reasonably, and at the Borrower's expense, obtain and provide to the Bank an environmental audit or inspection report of the property from auditors or inspectors acceptable to the Bank"

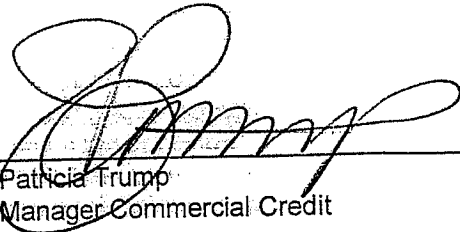
We trust you will find these Facilities helpful in meeting your ongoing financing requirements. We ask that you acknowledge this offer of financing (which includes the Standard Terms and Conditions) by signing and returning the attached duplicate copy of this agreement to the undersigned by **December 22, 2009.**

Yours truly,

THE TORONTO-DOMINION BANK



Steven Ireland
Manager Business Development/Relationship
Manager Commercial Banking



Patricia Trump
Manager Commercial Credit

TO THE TORONTO-DOMINION BANK:

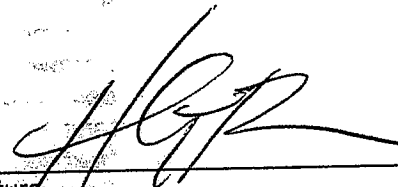
Veridian Connections Inc. hereby accepts the foregoing offer this 17th day of DECEMBER, 2009.
The Borrower confirms that, except as may be set out above, the credit facility(ies) detailed herein shall not be
used by or on behalf of any third party.



Signature
Michael Angemeer
President + CEO

Print Name & Position

Date:



Signature
Glenn Rainbird,
Chair, Veridian Connections Inc.

Print Name & Position

Date:

SCHEDULE "A" - STANDARD TERMS AND CONDITIONS

1. DEFINITIONS

Capitalized Terms used in this Agreement shall have the following meanings:

"All-in Rate" means the highest of the Interest Rate that the Borrower pays for Prime Based Loans (which for greater certainty includes the percent per annum added to the Prime Rate).

"Business Day" means any day (other than a Saturday or Sunday) that the Branch/Centre is open for business.

"Branch / Centre" means the Bank branch or banking centre noted on the first page of the Letter, or such other branch or centre as may from time to time be designated by the Bank.

"Face Amount" means in respect of:

- (i) a B/A, the amount payable to the holder thereof on its maturity;
- (ii) a L/C or L/G, the maximum amount payable to the beneficiary specified therein or any other Person to whom payments may be required to be made pursuant to such L/C or L/G.

"Inventory Value" means, at the time of determination, the total value (based on the lower of cost or market) of the Borrower's inventories that are subject to the Bank Security (other than (i) those inventories supplied by trade creditors who at that time have not been fully paid and would have a right to repossess all or part of such inventories if the Borrower were then either bankrupt or in receivership, (ii) those inventories comprising work in process and (iii) those inventories that the Bank may from time to time designate in its sole discretion) minus the total amount of any claims, liens or encumbrances on those inventories having or purporting to have priority over the Bank.

"Letter" means the letter from the Bank to the Borrower to which this Schedule "A" - Standard Terms and Conditions is attached.

"Letter of Credit" or "L/C" means a documentary letter of credit or similar instrument in form and substance satisfactory to the Bank.

"Letter of Guarantee" or "L/G" means a stand-by letter of guarantee or similar instrument in form and substance satisfactory to the Bank.

"Purchase Money Security Interest" means a security interest on equipment which is granted to a lender or to the seller of such equipment in order to secure the purchase price of such equipment or a loan to acquire such equipment, provided that the amount secured by the security interest does not exceed the cost of the equipment, the Borrower provides written notice to the Bank prior to the creation of the security interest, and the creditor under the security interest has, if requested by the Bank, entered into an inter-creditor agreement with the Bank, in a format acceptable to the Bank.

"Receivable Value" means, at any time of determination, the total value of those of the Borrower's trade accounts receivable that are subject to the Bank Security other than (i) those accounts then outstanding for 90 days, (ii) those accounts owing by Persons, firms or corporations affiliated with the Borrower, (iii) those accounts that the Bank may from time to time designate in its sole discretion, (iv) those accounts subject to any claim, liens, or encumbrance having or purporting to have priority over the Bank, (v) those accounts which are subject to a claim of set-off by the obligor under such account, MINUS the amount of all the Borrower's unremitted source deductions and unpaid taxes.

"Receivables / Inventory Summary" means a summary of the Borrower's trade account receivables and inventories, in form as the Bank may require and certified by the Borrower's senior officer or authorized representative.

"The TD Bank Financial Group" means The Toronto-Dominion Bank and its subsidiaries and affiliates providing deposit, investment, loan, securities, trust, insurance and other products or services.

"US\$ Equivalent" means, on any date, the equivalent amount in United States Dollars after giving effect to a conversion of a specified amount of Canadian Dollars to United States Dollars at the Bank's noon spot rate of exchange.

2. INTEREST RATE DEFINITIONS

Prime Rate means the rate of interest per annum (based on a 365 day year) established and reported by the Bank to the Bank of Canada from time to time as the reference rate of interest for determination of interest rates that the Bank charges to customers of varying degrees of creditworthiness in Canada for Canadian dollar loans made by it in Canada.

The Stamping Fee rate per annum for CDN\$ B/As is based on a 365 day year and the Stamping Fee is calculated on the Face Amount of each B/A presented to the Bank for acceptance. The Stamping Fee rate per annum for US\$ B/As is based on a 360 day year and the Stamping Fee is calculated on the Face Amount of each B/A presented to the Bank for acceptance.

LIBOR means the rate of interest per annum (based on a 360 day year) as determined by the Bank (rounded upwards, if necessary to the nearest whole multiple of 1/16th of 1%) at which the Bank may make available United States dollars which are obtained by the Bank in the Interbank Euro Currency Market, London, England at approximately 11:00 a.m. (Toronto time) on the second Business Day before the first day of, and in an amount similar to, and for the period similar to the interest period of, such advance.

USBR means the rate of interest per annum (based on a 365 day year) established by the Bank from time to time as the reference rate of interest for the determination of interest rates that the Bank charges to customers of varying degrees of creditworthiness for US dollar loans made by it in Canada.

Any interest rate based on a period less than a year expressed as an annual rate for the purposes of the Interest Act (Canada) is equivalent to such determined rate multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days in the period upon which it was based.

3. INTEREST CALCULATION AND PAYMENT

Interest on Prime Based Loans and USBR Loans is calculated daily (including February 29 in a leap year) and payable monthly in arrears based on the number of days for which the subject loan is outstanding. Interest is charged on February 29 in a leap year.

The Stamping Fee is calculated based on the amount and the term of the B/A and payable upon acceptance by the Bank of the B/A. The net proceeds received by the Borrower on a B/A advance will be equal to the Face Amount of the B/A discounted at the Bank's then prevailing B/A discount rate for CDN\$ B/As or US\$ B/As as the case may be, for the specified term of the B/A less the Stamping Fee.

Interest on LIBOR Loans is calculated and payable on the earlier of contract maturity or quarterly in arrears, for the number of days in the LIBOR interest period.

L/C and L/G fees are payable at the time set out in the Letter of Credit Indemnity Agreement applicable to the issued L/C or L/G.

Interest is payable both before and after maturity or demand, default and judgment.

Each payment under this Agreement shall be applied to any indebtedness or amounts owing in any order at the sole discretion of the Bank.

For loans not secured by real property, all overdue amounts of principal and interest and all amounts outstanding in excess of the Credit Limit shall bear interest from the date on which the same became due or from when the excess was incurred, as the case may be, until the date of payment or until the date the excess is repaid at 21% per annum.

4. DRAWDOWN PROVISIONS

Prime Based and USBR Loans

There is no minimum amount of drawdown by way of Prime Based Loans and USBR Loans. The Borrower shall provide the Bank with 3 Business Days' notice of a requested Prime Based Loan over \$1,000,000.

B/As

The Borrower shall advise the Bank of the requested term or maturity date for B/As issued hereunder. The Bank shall have the discretion to restrict the term or maturity dates of B/As. The minimum amount of a drawdown by way of B/As is \$1,000,000 and in multiples of \$100,000 thereafter. The Borrower shall provide the Bank with 3 Business Days' notice of a requested B/A drawdown. The Borrower will pay to the Bank the Face Amount of the B/A at the maturity of the B/A.

The Borrower appoints the Bank as its attorney to and authorizes the Bank to (i) complete, sign, endorse, negotiate and deliver B/As on behalf of the Borrower in handwritten form, or by facsimile or mechanical signature or otherwise, (ii) accept such B/As, and (iii) purchase, discount, and/or negotiate B/As.

LIBOR

The Borrower shall advise the Bank of the requested LIBOR contract maturity or interest period. The Bank shall have the discretion to restrict the LIBOR contract maturity. The minimum amount of a drawdown by way of a LIBOR Loan is \$1,000,000, and shall be in multiples of \$100,000 thereafter. The Borrower will provide the Bank with 3 Business Days' notice of a requested LIBOR Loan.

L/C and/or L/G

The Bank shall have the discretion to restrict the maturity date of L/Gs or L/Cs.

B/A - Prime Conversion

The Borrower will provide the Bank with at least 3 Business Days' notice of the Borrower's intention either to convert a B/A to a Prime Based Loan or vice versa, failing which, the Bank may decline to accept such additional B/As or may charge interest on the amount of Prime Based Loans resulting from maturity of B/As at the rate of 115% of the rate applicable to Prime Based Loans for the 3 day period immediately following such maturity. Thereafter, the rate shall revert to the rate applicable to Prime Based Loans.

Cash Management

The Bank may, and the Borrower hereby authorizes the Bank to, drawdown under the Facility to satisfy any obligations of the Borrower to the Bank in connection with any cash management service provided by the Bank to the Borrower. The Bank may drawdown under the Facility even if the drawdown results in amounts outstanding in excess of the Credit Limit.

5. STANDARD DISBURSEMENT CONDITIONS

The Bank shall have received the following documents which should be in form and substance satisfactory to the Bank:

1. a copy of a duly executed resolution of the Borrower's Board of Directors empowering the Borrower to enter into this Agreement;
2. all of the Bank Security and supporting resolutions and solicitors' letters of opinion required under this Agreement;
3. all operation of account documentation;
4. a completed Environmental Questionnaire; and
5. For drawdowns under the Facility by way of L/C or L/G, the Bank's standard form Letter of Credit Indemnity Agreement.
6. a copy of any necessary or desirable government approvals authorizing the Borrower to enter into this Agreement.

6. STANDARD REPRESENTATIONS AND WARRANTIES

The Borrower hereby represents and warrants, which representations and warranties shall be deemed to be repeated each day hereafter, that:

1. The Borrower is a duly incorporated corporation, a limited partnership, partnership, or sole proprietorship, duly organized, validly existing and in good standing under the laws of the jurisdiction where the Branch/Centre is located and each other jurisdiction where the Borrower has property or assets or carries on business and the Borrower has adequate corporate power and authority to carry on its business, own property, borrow monies and enter into agreements therefore, execute and deliver the Agreement, the Bank Security, and documents required hereunder, and observe and perform the terms and provisions of this Agreement.
2. There are no laws, statutes or regulations applicable to or binding upon the Borrower and no provisions in its charter documents or in any by-laws, resolutions, contracts, agreements, or arrangements which would be contravened, breached, violated as a result of the execution, delivery, performance, observance, of any terms of this Agreement.
3. No event of default has occurred nor has any event occurred which, with the passage of time or the giving of notice, would constitute an event of default under any other agreement for borrowed money.
4. There are no actions, suits or proceedings, including appeals or applications for review, or any knowledge of pending actions, suits, or proceedings against the Borrower and its subsidiaries, before any court or administrative agency which would result in any material adverse change in the property, assets, financial condition, business or operations of the Borrower.
5. All material authorizations, approvals, consents, licenses, exemptions, filings, registrations and other requirements of governmental, judicial and public bodies and authorities required to carry on its business have been or will be obtained or effected and are or will be in full force and effect.
6. The financial statements and forecasts delivered to the Bank fairly present the present financial position of the Borrower, and have been prepared by the Borrower and its auditors in accordance with Canadian Generally Accepted Accounting Principles consistently applied.
7. All of the remittances required to be made by the Borrower to the federal government and all provincial and municipal governments have been made, are currently up to date and there are no outstanding arrears. Without limiting the foregoing, all employee source deductions (including income taxes, Employment Insurance and Canada Pension Plan), sales taxes (both provincial and federal), corporate income taxes, corporate capital taxes, payroll taxes and Workers' Compensation dues are currently paid and up to date.

7. STANDARD POSITIVE COVENANTS

In addition to all of the other obligations in this Agreement the Borrower will:

- (i) pay all amounts outstanding to the Bank when due or demanded,
- (ii) maintain its existence as a sole proprietorship, corporation, partnership or limited partnership, as the case may be, and keep all material agreements, rights, franchises, licenses, operations, contracts or other arrangements in full force and effect,
- (iii) pay all taxes,
- (iv) maintain its property, plant and equipment in good repair and working condition,
- (v) continue to carry on the business now being carried on,
- (vi) maintain adequate insurance on all of its assets, undertakings, and business risks,
- (vii) permit the Bank and its authorized representatives full access to its premises, business, financial and computer records and allow the duplication or extraction of pertinent information therefrom, and
- (viii) comply with all applicable laws.

8. STANDARD NEGATIVE COVENANTS

The Borrower will not:

- (i) create, incur, assume, or suffer to exist, any mortgage, deed of trust, pledge, lien, security interest, assignment, charge, or encumbrance (including without limitation, any conditional sale, or other title retention agreement, or finance lease) of any nature, upon or with respect to any of its property, now owned or hereafter acquired except for those Permitted Liens set out in the Letter.
- (ii) merge or amalgamate with any other entity or permit any change of ownership or change its capital structure, and

- (iii) sell, lease, assign, or otherwise dispose of all or substantially all of its assets.

Compliance by the Borrower with these Positive Covenants and Negative Covenants shall not automatically entitle the Borrower to the continued availability of the Facility and shall not restrict or limit the Bank's ability to demand repayment of all or any part of amounts outstanding under the Facility.

9. ADDITIONAL INFORMATION AND SECURITY

The Borrower will provide, or cause to be provided, whatever information the Bank may request from time to time. The Borrower will provide, or cause to be provided, any security or guarantees required by the Bank from time to time.

10. CURRENCY INDEMNITY

US\$ loans must be repaid with US\$ and CDN\$ loans must be repaid with CDN\$ and the Borrower shall indemnify the Bank for any loss suffered by the Bank if US\$ loans are repaid with CDN\$ or vice versa, whether such payment is made pursuant to an order of a court or otherwise.

11. TAXATION ON PAYMENTS

All payments made by the Borrower to the Bank will be made free and clear of all present and future taxes (excluding the Bank's income taxes), withholdings or deductions of whatever nature. If these taxes, withholdings or deductions are required by applicable law and are made, the Borrower shall, as a separate and independent obligation, pay to the Bank all additional amounts as shall fully indemnify the Bank from any such taxes, withholdings or deductions.

12. FX CLOSE OUT

The Borrower hereby acknowledges and agrees that in the event any of the following occur: (i) Default by the Borrower under any forward foreign exchange contract ("FX Contract"); (ii) Default by the Borrower in payment of monies owing by it to anyone, including the Bank; (iii) Default in the performance of any other obligation of the Borrower under any agreement to which it is subject; or (iv) the Borrower is adjudged to be or voluntarily becomes bankrupt or insolvent or admits in writing to its inability to pay its debts as they come due or has a receiver appointed over its assets, the Bank shall be entitled without advance notice to the Borrower to close out and terminate all of the outstanding FX Contracts entered into hereunder, using normal commercial practices employed by the Bank, to determine the gain or loss for each terminated FX contract. The Bank shall then be entitled to calculate a net termination value for all of the terminated FX Contracts which shall be the net sum of all the losses and gains arising from the termination of the FX Contracts which net sum shall be the "Close Out Value" of the terminated FX Contracts. The Borrower acknowledges that it shall be required to forthwith pay any positive Close Out Value owing to the Bank and the Bank shall be required to pay any negative Close Out Value owing to the Borrower, subject to any rights of set-off to which the Bank is entitled or subject.

13. ENVIRONMENTAL REPRESENTATION AND UNDERTAKINGS

The Borrower represents, warrants and covenants (which representation, warranty and covenant shall continue each day hereafter) that its property and business is being operated in compliance with applicable environmental, health and safety laws and regulations and that there are no judicial or administrative proceedings in respect thereto.

The Borrower shall, when asked by the Bank, at the Borrower's expense, obtain and provide to the Bank an appraisal, environmental audit or inspection report of any of its property from appraisers, auditors or inspectors acceptable to the Bank.

The Borrower will defend, indemnify and hold harmless the Bank, its officers, directors, employees, agents and shareholders, against all loss, costs, claims, damages and expenses (including legal, audit and inspection expenses) which may be suffered or incurred in connection with the breach of this environmental representation, warranty and covenant and against environmental damage occasioned by the Borrower's activities or by contamination of or from any of the Borrower's property.

14. REPRESENTATION

No representation or warranty or other statement made by the Bank concerning any of the credit facilities shall be binding on the Bank unless made by it in writing as a specific amendment to the Agreement.

15. BANK MAY CHANGE AGREEMENT

The Bank may change the provisions of this Agreement from time to time. These changes include, without limitation, changes to the Credit Limit, interest rate, or fees payable by the Borrower. The Bank will notify the Borrower of any change in this Agreement by mail, hand delivery, electronic mail or facsimile transmission or for a change in any interest rates or interest rate definitions by posting a notice in all of the Bank's branches. The Bank is not required to notify a Guarantor of any change in the Agreement, including without limitation, any increase in the Credit Limit, Overdraft Limit or Loan Amount. If more than one Person signs this Agreement, communication with any one Person will serve as notice to all.

16. METHOD OF COMMUNICATION

The Bank may communicate with the Borrower by ordinary, uninsured mail or other means, including hand delivery, electronic mail or facsimile transmission. Mailed information is deemed to be received by the Borrower five days after mailing. Delivered information is deemed to be received when delivered or left at the Borrower's address. Electronically delivered information is deemed to be received when sent. Messages sent by facsimile are deemed to be received when the Bank receives a fax confirmation.

17. EXPENSES

The Borrower shall pay all fees and expenses (including but not limited to all legal fees) incurred by the Bank in connection with the preparation, registration and ongoing administration of this Agreement and the Bank Security and with the enforcement of the Bank's rights and remedies under this Agreement and the Bank Security whether or not any amounts are advanced under the Agreement. These fees and expenses shall include, but not be limited to, all outside counsel expenses and all in-house legal expenses, if in-house counsel are used, and all outside professional advisory expenses. The Borrower shall pay interest on unpaid amounts due pursuant to this paragraph at the All-In Rate plus 2% per annum.

Without limiting the generality of Section 23, the Bank or its agent, is authorized to debit any of the Borrower's accounts with the amount of the fees and expenses owed by the Borrower hereunder, including the registration fee in connection with the Bank Security, even if that debiting creates an overdraft in any such account. If there are insufficient funds in the Borrower's accounts to reimburse the Bank or its agent for payment of the fees and expenses owed by the Borrower hereunder, the amount debited to the Borrower's accounts shall be deemed to be a Prime Based Loan under the Facility.

The Borrower will, if requested by the Bank, sign a Pre-Authorized Payment Authorization in a format acceptable to the Bank to permit the Bank's agent to debit the Borrower's accounts as contemplated in this Section.

18. NON WAIVER

Any failure by the Bank to object to or take action with respect to a breach of this Agreement or any Bank Security shall not constitute a waiver of the Bank's right to take action at a later date on that breach. No course of conduct by the Bank will give rise to any reasonable expectation which is in any way inconsistent with the terms and conditions of this Agreement and the Bank Security or the Bank's rights thereunder.

19. EVIDENCE OF INDEBTEDNESS

The Bank shall record on its records the amount of all advances made hereunder, payments made in respect thereto, and all other amounts becoming due to the Bank under this Agreement. The Bank's records constitute, in the absence of manifest error, conclusive evidence of the Borrower's indebtedness to the Bank pursuant to this Agreement.

The Borrower will sign the Bank's standard form Letter of Credit Indemnity Agreement for all L/Cs and L/Gs issued by the Bank.

With respect to chattel mortgages taken as Bank Security, this Agreement is the Promissory Note referred to in same chattel mortgage, and the indebtedness incurred hereunder is the indebtedness secured by the chattel mortgage.

20. ENTIRE AGREEMENTS

This Agreement replaces any previous letter agreements dealing specifically with the Facility. Agreements relating to other credit facilities made available by the Bank continue to apply for those other credit facilities. This Agreement, and if applicable, the Letter of Credit Indemnity Agreement are the entire agreements relating to the Facility described in this Agreement.

21. ASSIGNMENT

The Bank may assign or grant participation in all or part of this Agreement or in any loan made hereunder without notice to and without the Borrower's consent.

The Borrower may not assign or transfer all or any part of its rights or obligations under this Agreement.

22. RELEASE OF INFORMATION

The Borrower hereby irrevocably authorizes and directs its accountant, (the "Accountant") to deliver all financial statements and other financial information concerning the Borrower to the Bank and agrees that the Bank and the Accountant may communicate directly with each other.

23. SET-OFF

In addition to and not in limitation of any rights now or hereafter granted under applicable law, the Bank may at any time and from time to time without notice to the Borrower or any other Person, any notice being expressly waived by the Borrower, set-off and apply any and all deposits, general or special, time or demand, provisional or final, matured or unmatured, in any currency, and any other indebtedness or amount payable by the Bank (irrespective of the place of payment or booking office of the obligation), to or for the Borrower's credit or for the Borrower's account, including without limitation, any amount owed by the Bank to the Borrower under any FX Contract or other treasury or derivative product, against and on account of the indebtedness and liability under this Agreement notwithstanding that any of them are contingent or unmatured or in a different currency than the indebtedness and liability under this Agreement.

When applying a deposit or other obligation in a different currency than the indebtedness under this Agreement to the indebtedness under this Agreement, the Bank will convert the deposit or other obligation to the currency of indebtedness under this Agreement using the Bank's noon spot rate of exchange for the conversion of such currency.

24. LIMITATION ACT

The Borrower and the Bank hereby agree that the limitation period for commencement of any court action or proceeding against the Borrower with respect to the Facility shall be six (6) years rather than the period of time that is set out in the applicable limitation legislation.

25. MISCELLANEOUS

- i) The Borrower has received a signed copy of this Agreement;
- ii) If more than one Person, firm or corporation signs this Agreement as the Borrower, each party is jointly and severally liable hereunder, and the Bank may require payment of all amounts payable under this Agreement from any one of them, or a portion from each, but the Bank is released from any of its obligations by performing that obligation to any one of them. Each Borrower hereby acknowledges that each Borrower is an agent of each other Borrower and payment by any Borrower hereunder shall be deemed to be payment by the Borrower making the payment and by each other Borrower. Each payment, including interest payments, made will constitute an acknowledgement of the indebtedness and liability hereunder by each Borrower;

- iii) Accounting terms will (to the extent not defined in this Agreement) be interpreted in accordance with accounting principles established from time to time by the Canadian Institute of Chartered Accountants (or any successor) consistently applied, and all financial statements and information provided to the Bank will be prepared in accordance with those principles;
- iv) This Agreement is governed by the law of the Province or Territory where the Branch/Centre is located.
- v) Unless stated otherwise, all amounts referred to herein are in Canadian dollars.



TD Securities
Royal Trust Tower
77 King Street West 16th Floor
Toronto, Ontario M5K 1A2

November 02, 2011

The Toronto-Dominion Bank

Contact: IRD Confirmation Group
Facsimile No: 416-983-1553
Telephone No: 416-307-8516
Email: IRD_Confirmations@tdsecurities.com

VERIDIAN CONNECTIONS INC.

Attention: Mr. David Clark
Email: dclark@veridian.on.ca

Reference: Swap Transaction Confirmation (Reference # : 863014T)

The purpose of this letter agreement (this "Confirmation") is to confirm the terms and conditions of the transaction entered into between The Toronto-Dominion Bank ("**Party A**") and VERIDIAN CONNECTIONS INC. ("**Party B**") on the Trade Date specified below (the "Transaction" or "Swap Transaction"). This letter agreement constitutes a "Confirmation" as referred to in the Agreement specified below. This Confirmation supersedes any previous Confirmation or other communication with respect to the Transaction and evidences a complete and binding agreement between us as to the terms of the Transaction.

The definitions and provisions contained in the 2006 ISDA Definitions (the "Definitions") as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Confirmation. In the event of any inconsistency between the Definitions and this Confirmation, this Confirmation will govern.

This Confirmation supplements, forms part of, and is subject to, the ISDA Master Agreement dated as of October 20, 2011, as amended and supplemented from time to time (the "Agreement"), between you and us. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

Each party represents to the other party that it is entering into this Transaction as principal (and not as agent or in any other capacity) with the full understanding of the terms, conditions and the risks thereof and that it is capable of and willing to assume those risks.

The terms of the particular Transaction to which this Confirmation relates are as follows:

Trade Date: November 01, 2011
Trade Time: Available on request
Effective Date: November 02, 2011

Termination Date:

The earlier of:

(a) any Optional Early Termination Date, or

(b) November 02, 2031 subject to adjustment in accordance with the Modified Following Business Day Convention

FLOATING AMOUNTS

Floating Rate Payer:

Party A

Notional Amount:

CAD 30,000,000.00 amortized as per attached Schedule I

Floating Rate Payer Payment Date(s):

Monthly on the 2nd of each month, commencing on November 02, 2011 up to and including October 02, 2031, subject to adjustment in accordance with the Modified Following Business Day Convention

Floating Amount:

For purposes of this Transaction, the calculation of Floating Amount set out in Section 6.1(a) the Definitions is amended to read as follows:

Calculation Amount – (Calculation Amount x
BA Price) + Spread Payment

where:

"BA Price" means an amount calculated as follows and rounded to the nearest 5 decimal places:

$1 / (1 + \text{Floating Rate} \times \text{Floating Rate Day Count Fraction})$

"Spread Payment" means an amount calculated as follows:

Calculation Amount x Spread x Floating Rate
Day Count Fraction

Floating Rate Option:

CAD-BA-CDOR

Designated Maturity:

1 Month

Spread:

plus 127.0 basis points

Floating Rate Day Count Fraction:

Actual/365 Fixed

Reset Dates:

The first day of each Calculation Period or Compounding Period if Compounding is applicable

Compounding:

Inapplicable

FIXED AMOUNTS

| | |
|--------------------------------------|--|
| Fixed Rate Payer: | Party B |
| Notional Amount: | CAD 30,000,000.00 amortized as per attached Schedule I |
| Fixed Rate Payer Payment Date(s): | Monthly on the 2 nd of each month, commencing on December 02, 2011 up to and including the Termination Date subject to adjustment in accordance with the Modified Following Business Day Convention |
| Fixed Rate Payer Period End Date(s): | Monthly on the 2 nd of each month commencing on December 02, 2011 up to and including the Termination Date with No Adjustment |
| Fixed Rate: | 4.24000% |
| Fixed Rate Day Count Fraction: | 30/360 |
| Calculation Agent: | The Toronto-Dominion Bank |
| Business Days: | Toronto |
| Fee(s): | Not Applicable |

EARLY TERMINATION

| | |
|---|--|
| Optional Early Termination: | Applicable |
| Option Style: | Bermuda |
| Exercise Business Days: | TORONTO |
| <u>Procedure for Exercise</u> | |
| Bermuda Option Exercise Date: | The date that is 5 Business Days preceding the selected Cash Settlement Payment Date |
| Expiration Date: | The date that is 5 Business Days preceding the Cash Settlement Payment Date |
| Expiration Time: | 4:00 p.m. Toronto time |
| Partial Exercise: | Not Applicable |
| Multiple Exercise: | Not Applicable |
| Written Confirmation of Exercise: | Applicable |
| Party A Contact Details for Purpose of Giving Notice: | Trading Desk |

Party B Contact Details for Purpose of
Giving Notice:

Please advise

Settlement Terms

Cash Settlement: Applicable

Cash Settlement Valuation Time: 4:00 p.m. Toronto time

Cash Settlement Valuation Date: Option Exercise Date

Valuation Business Day(s): TORONTO

Cash Settlement Payment Date(s): **November 02, 2021 and November 02, 2026,**
subject to adjustment in accordance with the Following
Business Day Convention

Cash Settlement Method: Cash Price

Cash Settlement Currency: CAD

Quotation Rate: Bid

SETTLEMENT INSTRUCTIONS

Payments to Party A in CAD

To: The Toronto-Dominion Bank, Toronto
Swift: TDOMCATTTOR
Favor of: The Toronto-Dominion Bank, Toronto
Swift: TDOMCATT
Account Number: 0360-01-4235836

Payments to Party B in CAD

Please advise

OFFICES

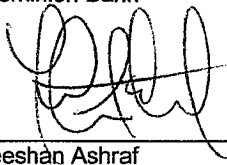
The Office of Party A for this Transaction is its Toronto Office.

This Confirmation may be executed in one or more counterparts, either in original or facsimile form, each of which shall constitute one and the same agreement. When executed by the parties through facsimile transmission, this Confirmation shall constitute the original agreement between the parties and the parties hereby adopt the signatures printed by the receiving facsimile machine as the original signatures of the parties.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing a copy of this Confirmation and returning it to us.

Yours truly,

The Toronto-Dominion Bank



By: _____

Name : Zeeshan Ashraf
Title : Team Leader
TD Securities
FX and Derivative Operations

Accepted and confirmed as of the date first written:

VERIDIAN CONNECTIONS INC.



By: _____

Name : DAVID CLARK
Title : EVA CORPORATE SERVICES & CFO

This Fax is intended only for the addressee and may contain information that is legally privileged, confidential and/or exempt from disclosure under applicable law. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is prohibited. If you have received this communication in error, or are not the named recipient(s), please immediately notify the sender.

SCHEDULE I

| Start | End | Notional Amount In CAD |
|------------|------------|---------------------------|
| 11/02/2011 | 12/02/2011 | 30,000,000 |
| 12/02/2011 | 01/03/2012 | 29,920,390 |
| 01/03/2012 | 02/02/2012 | 29,840,498 |
| 02/02/2012 | 03/02/2012 | 29,760,324 |
| 03/02/2012 | 04/02/2012 | 29,679,867 |
| 04/02/2012 | 05/02/2012 | 29,599,125 |
| 05/02/2012 | 06/04/2012 | 29,518,099 |
| 06/04/2012 | 07/03/2012 | 29,436,785 |
| 07/03/2012 | 08/02/2012 | 29,355,185 |
| 08/02/2012 | 09/04/2012 | 29,273,296 |
| 09/04/2012 | 10/02/2012 | 29,191,118 |
| 10/02/2012 | 11/02/2012 | 29,108,650 |
| 11/02/2012 | 12/03/2012 | 29,025,890 |
| 12/03/2012 | 01/02/2013 | 28,942,838 |
| 01/02/2013 | 02/04/2013 | 28,859,492 |
| 02/04/2013 | 03/04/2013 | 28,775,852 |
| 03/04/2013 | 04/02/2013 | 28,691,916 |
| 04/02/2013 | 05/02/2013 | 28,607,684 |
| 05/02/2013 | 06/03/2013 | 28,523,154 |
| 06/03/2013 | 07/02/2013 | 28,438,326 |
| 07/02/2013 | 08/02/2013 | 28,353,197 |
| 08/02/2013 | 09/03/2013 | 28,267,768 |
| 09/03/2013 | 10/02/2013 | 28,182,037 |
| 10/02/2013 | 11/04/2013 | 28,096,004 |
| 11/04/2013 | 12/02/2013 | 28,009,666 |
| 12/02/2013 | 01/02/2014 | 27,923,023 |
| 01/02/2014 | 02/03/2014 | 27,836,074 |
| 02/03/2014 | 03/03/2014 | 27,748,818 |
| 03/03/2014 | 04/02/2014 | 27,661,253 |
| 04/02/2014 | 05/02/2014 | 27,573,379 |
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| 09/02/2014 | 10/02/2014 | 27,129,330 |
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| 11/03/2014 | 12/02/2014 | 26,949,506 |
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| 03/02/2015 | 04/02/2015 | 26,586,030 |
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| 05/04/2015 | 06/02/2015 | 26,402,360 |
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| 07/02/2015 | 08/04/2015 | 26,217,390 |

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| 08/04/2015 | 09/02/2015 | 26,124,415 |
| 09/02/2015 | 10/02/2015 | 26,031,110 |
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| 11/02/2015 | 12/02/2015 | 25,843,512 |
| 12/02/2015 | 01/04/2016 | 25,749,215 |
| 01/04/2016 | 02/02/2016 | 25,654,586 |
| 02/02/2016 | 03/02/2016 | 25,559,622 |
| 03/02/2016 | 04/04/2016 | 25,464,322 |
| 04/04/2016 | 05/02/2016 | 25,368,685 |
| 05/02/2016 | 06/02/2016 | 25,272,711 |
| 06/02/2016 | 07/04/2016 | 25,176,398 |
| 07/04/2016 | 08/02/2016 | 25,079,744 |
| 08/02/2016 | 09/02/2016 | 24,982,749 |
| 09/02/2016 | 10/03/2016 | 24,885,411 |
| 10/03/2016 | 11/02/2016 | 24,787,729 |
| 11/02/2016 | 12/02/2016 | 24,689,702 |
| 12/02/2016 | 01/03/2017 | 24,591,328 |
| 01/03/2017 | 02/02/2017 | 24,492,607 |
| 02/02/2017 | 03/02/2017 | 24,393,537 |
| 03/02/2017 | 04/03/2017 | 24,294,118 |
| 04/03/2017 | 05/02/2017 | 24,194,346 |
| 05/02/2017 | 06/02/2017 | 24,094,223 |
| 06/02/2017 | 07/04/2017 | 23,993,745 |
| 07/04/2017 | 08/02/2017 | 23,892,913 |
| 08/02/2017 | 09/05/2017 | 23,791,724 |
| 09/05/2017 | 10/02/2017 | 23,690,178 |
| 10/02/2017 | 11/02/2017 | 23,588,273 |
| 11/02/2017 | 12/04/2017 | 23,486,008 |
| 12/04/2017 | 01/02/2018 | 23,383,381 |
| 01/02/2018 | 02/02/2018 | 23,280,392 |
| 02/02/2018 | 03/02/2018 | 23,177,039 |
| 03/02/2018 | 04/02/2018 | 23,073,321 |
| 04/02/2018 | 05/02/2018 | 22,969,236 |
| 05/02/2018 | 06/04/2018 | 22,864,784 |
| 06/04/2018 | 07/03/2018 | 22,759,962 |
| 07/03/2018 | 08/02/2018 | 22,654,771 |
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| 11/02/2018 | 12/03/2018 | 22,230,273 |
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| 08/02/2019 | 09/03/2019 | 21,252,971 |
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| 12/02/2019 | 01/02/2020 | 20,808,557 |
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| 02/03/2020 | 03/02/2020 | 20,583,987 |
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| 01/04/2022 | 02/02/2022 | 17,884,293 |
| 02/02/2022 | 03/02/2022 | 17,761,874 |
| 03/02/2022 | 04/04/2022 | 17,639,022 |
| 04/04/2022 | 05/02/2022 | 17,515,736 |
| 05/02/2022 | 06/02/2022 | 17,392,015 |
| 06/02/2022 | 07/04/2022 | 17,267,856 |
| 07/04/2022 | 08/02/2022 | 17,143,259 |
| 08/02/2022 | 09/02/2022 | 17,018,221 |
| 09/02/2022 | 10/03/2022 | 16,892,742 |
| 10/03/2022 | 11/02/2022 | 16,766,819 |
| 11/02/2022 | 12/02/2022 | 16,640,452 |
| 12/02/2022 | 01/03/2023 | 16,513,638 |
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| 03/02/2023 | 04/03/2023 | 16,130,501 |
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| 08/02/2023 | 09/05/2023 | 15,482,861 |
| 09/05/2023 | 10/02/2023 | 15,351,956 |
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| 02/02/2026 | 03/02/2026 | 11,347,737 |
| 03/02/2026 | 04/02/2026 | 11,202,222 |
| 04/02/2026 | 05/04/2026 | 11,056,193 |
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| 07/02/2026 | 08/04/2026 | 10,615,002 |
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| 09/02/2026 | 10/02/2026 | 10,318,271 |
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| 04/02/2027 | 05/03/2027 | 9,263,071 |
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| 08/03/2027 | 09/02/2027 | 8,648,299 |
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| 10/04/2027 | 11/02/2027 | 8,337,645 |
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| 12/02/2027 | 01/04/2028 | 8,024,792 |
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| 03/02/2028 | 04/03/2028 | 7,551,354 |
| 04/03/2028 | 05/02/2028 | 7,392,425 |
| 05/02/2028 | 06/02/2028 | 7,232,935 |
| 06/02/2028 | 07/04/2028 | 7,072,881 |
| 07/04/2028 | 08/02/2028 | 6,912,262 |
| 08/02/2028 | 09/05/2028 | 6,751,074 |
| 09/05/2028 | 10/02/2028 | 6,589,318 |
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| 11/02/2028 | 12/04/2028 | 6,264,088 |
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| 01/02/2029 | 02/02/2029 | 5,936,556 |
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| 03/02/2029 | 04/02/2029 | 5,606,705 |
| 04/02/2029 | 05/02/2029 | 5,440,905 |
| 05/02/2029 | 06/04/2029 | 5,274,519 |
| 06/04/2029 | 07/03/2029 | 5,107,546 |
| 07/03/2029 | 08/02/2029 | 4,939,982 |
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| 09/04/2029 | 10/02/2029 | 4,603,076 |
| 10/02/2029 | 11/02/2029 | 4,433,730 |
| 11/02/2029 | 12/03/2029 | 4,263,786 |
| 12/03/2029 | 01/02/2030 | 4,093,241 |
| 01/02/2030 | 02/04/2030 | 3,922,093 |
| 02/04/2030 | 03/04/2030 | 3,750,341 |
| 03/04/2030 | 04/02/2030 | 3,577,982 |
| 04/02/2030 | 05/02/2030 | 3,405,013 |
| 05/02/2030 | 06/03/2030 | 3,231,434 |
| 06/03/2030 | 07/02/2030 | 3,057,242 |
| 07/02/2030 | 08/02/2030 | 2,882,433 |
| 08/02/2030 | 09/03/2030 | 2,707,008 |
| 09/03/2030 | 10/02/2030 | 2,530,962 |
| 10/02/2030 | 11/04/2030 | 2,354,294 |
| 11/04/2030 | 12/02/2030 | 2,177,003 |
| 12/02/2030 | 01/02/2031 | 1,999,084 |
| 01/02/2031 | 02/03/2031 | 1,820,537 |
| 02/03/2031 | 03/03/2031 | 1,641,360 |
| 03/03/2031 | 04/02/2031 | 1,461,549 |
| 04/02/2031 | 05/02/2031 | 1,281,102 |
| 05/02/2031 | 06/02/2031 | 1,100,019 |
| 06/02/2031 | 07/02/2031 | 918,295 |
| 07/02/2031 | 08/05/2031 | 735,929 |

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| 08/05/2031 | 09/02/2031 | 552,919 |
| 09/02/2031 | 10/02/2031 | 369,262 |
| 10/02/2031 | 11/03/2031 | 184,957 |



South East Ontario
2 King St E 2Nd Flr
P.O. Box 247
Oshawa, ON
L1H 7L3
Telephone No.: (905) 576 6264
Fax No.: (905) 576 9147

October 03, 2011

VERIDIAN CONNECTIONS INC.
55 TAUNTON RD E
AJAX, ON
L1T 3V3

Attention: Mr. Dave Clark

Dear Mr. Clark,

We are pleased to offer the Borrower the following credit facilities (the "Facilities"), subject to the following terms and conditions.

BORROWER

VERIDIAN CONNECTIONS INC (the "Borrower")

LENDER

The Toronto-Dominion Bank (the "Bank"), through its South East Ontario branch, in Oshawa, ON.

CREDIT LIMIT

- 1) Amounts outstanding under the Facility will at all times be no greater than :
CAD\$20,000,000 (increasing to CAD\$25,000,000 until October 31, 2011) with Letter of Credit ("L/C") carve-out availability of up to \$806,730.00
- 2) CAD\$30,000,000

**TYPE OF CREDIT
AND BORROWING
OPTIONS**

- 1) **Operating Loan** available at the Borrower's option by way of:
 - Prime Rate Based Loans in CAD\$ ("Prime Based Loans")
 - Bankers Acceptances in CAD\$ or USD\$ ("B/As")

- Letters of Credit in CDN\$ or USD\$ ("L/Cs")
- Stand-by Letters of Guarantee in CAD\$ ("L/Gs")

- 2) **Committed Reducing Term Facility (Single Draw)** available at the Borrower's option by way of:
- Fixed Rate Term Loan in CDN\$ by way of:
 - Interest Rate Swap via Banker's Acceptance "B/A"

PURPOSE

- 1) To finance day-to-day requirements.
- 2) To finance capital expenditures.

TENOR

- 1) Uncommitted
- 2) Committed

CONTRACTUAL TERM

- 1) No term
- 2) Up to 10 years from the date of drawdown.

RATE TERM (FIXED RATE TERM LOAN)

- 2) Up to 20 years with an Optional Exit Strategy at 10 years and 15 years.

AMORTIZATION

- 2) Up to 20 years.

INTEREST RATES AND FEES

Advances shall bear interest and fees as follows:

- 1) **Operating Loan:**
 - Prime Based Loans: Prime Rate + 0.000% per annum
 - B/As: Stamping Fee at 0.850% per annum
 - L/Cs: as advised by the Bank at time of issuance of the L/C and as set out in the Letter of Credit Indemnity Agreement applicable to the issued L/C.
 - L/Gs: 0.500% per annum

2) **Committed Reducing Term Facility:**

- Fixed Rate:

- 5 years: Swap Rate + 0.90%
- 7 years: Swap Rate + 0.93%
- 10 years: Swap Rate + 1.05%
- 20 years: Swap Rate + 1.27%

For all Facilities, interest payments will be made in accordance with Schedule "A" attached hereto unless otherwise stated in this Letter or in the Rate and Payment Terms Notice applicable for a particular drawdown. Information on interest rate and fee definitions, interest rate calculations and payment is set out in the Schedule "A" attached hereto.

**ARRANGEMENT
FEE**

The Borrower will pay prior to any drawdown hereunder a non-refundable arrangement fee of CAD\$5,000.

RENEWAL FEE

CAD\$2,000 per annum.

DRAWDOWN

- 1) The Borrower can use the Facility on a revolving basis.
The Borrower will follow the provisions set out in this Agreement with respect to notice periods, minimum amount of draws, interest periods, and applicable terms.
- 2) One time drawdown subject to disbursement conditions. Amounts repaid may not be redrawn.

Notice periods, minimum amounts of draws, interest periods and contract maturity for LIBOR Loans, terms for Banker's Acceptances and other similar details are set out in the Schedule "A" attached hereto.

**BUSINESS CREDIT
SERVICE**

The Borrower will have access to the Operating Loan (Facility 1) via Loan Account Number 1805-9520715 (the "Loan Account") up to the Credit Limit of the Operating Loan by withdrawing funds from the Borrower's Current Account Number 1805-5207159 (the "Current Account"). The Borrower agrees that each advance from the Loan Account will be in an amount equal to \$100,000 (the "Transfer Amount") or a multiple thereof. If the Transfer Amount is NIL, the Borrower agrees that an advance from the Borrower's Loan Account may be in an amount sufficient to cover the debits made to the Current Account.

The Borrower agrees that:

- a) all other overdraft privileges which have governed the Borrower's Current Account are hereby cancelled.
- b) all outstanding overdraft amounts under any such other agreements are now included in indebtedness under this Agreement.

The Bank may, but is not required to, automatically advance the Transfer Amount or a multiple thereof or any other amount from the Loan Account to the Current Account in order to cover the debits made to the Current Account if the amount in the Current Account is insufficient to cover the debits. The Bank may, but is not required to, automatically and without notice apply the funds in the Current Account in amounts equal to the Transfer Amount or any multiple thereof or any other amount to repay the outstanding amount in the Loan Account.

**REPAYMENT AND
REDUCTION OF
AMOUNT OF CREDIT
FACILITY**

- 1) The Borrower agrees to repay the Bank on demand. If the Bank demands repayment, the Borrower will pay to the Bank all amounts outstanding under the Facility, including without limitation, as applicable, the amount of all unmatured B/As and LIBOR Loans and the Face Amount of all drawn and undrawn L/Gs and L/Cs. All costs to the Bank and all loss suffered by the Bank in re-employing the amounts so repaid will be paid by the Borrower.
- 2) Except as may otherwise be set out in a confirmation to the International Swap Dealers Agreement ("ISDA"):

All amounts outstanding will be repaid on or before the Contractual Term Maturity Date. The drawdown will be repaid in equal monthly payments. Any amounts repaid may not be reborrowed.

PREPAYMENT

- 2) Subject to unwinding costs or benefits of interest rate swaps. B/As may not be prepaid.

SECURITY

The following security shall be provided, shall, unless otherwise indicated, support all present and future indebtedness and liability of the Borrower and the grantor of the security to the Bank including without limitation indebtedness and liability under guarantees, foreign exchange contracts, cash management products, and derivative contracts, shall be registered in first position, and shall be on the Bank's standard form, supported by resolutions and solicitor's opinion, all acceptable to the Bank.

- a) Evidence of Business Insurance

All of the above security and guarantees shall be referred to collectively in this Agreement as "Bank Security".

Documentation:

- a) Inter-Creditor Agreement amongst all four municipal note holders (at Veridian Connections Inc.'s level), is to restrict their rights to acceleration of their debt, is to restrict all principal payment except with the Bank's prior written consent, interest payment is permitted subject to pre and post compliance of all covenants.

DISBURSEMENT CONDITIONS

The obligation of the Bank to permit any drawdown hereunder is subject to the Standard Disbursement Conditions contained in Schedule "A" and the following additional drawdown conditions:

Delivery to the Bank of the following, all of which must be satisfactory to the Bank:

- a) Signed Letter Agreement to be on hand.
- b) Executed copy of the International Swap Dealers Agreement ("ISDA") with cross default wording and to include Parri-Passu ranking and cease to be a lender language.
- c) Most recent fiscal quarter's Financial Statements to be on hand and in good order.

REPRESENTATIONS AND WARRANTIES

All representations and warranties shall be deemed to be continually repeated so long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect. The Borrower makes the Standard Representations and Warranties set out in Schedule "A".

POSITIVE COVENANTS

So long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect, the Borrower will and will ensure that its subsidiaries and each of the Guarantors will observe the Standard Positive Covenants set out in Schedule "A" and in addition will:

1. Maintain all shareholder debt on an unsecured or subordinate secured basis per the Inter-Creditor agreement.
2. Remain in the regulated business of electricity distribution and maintain all requisite licenses.
3. Maintain adequate insurance on assets, undertakings, and business risks.
4. Comply with all contractual obligations and laws, including payment of taxes.
5. Ensure all existing indebtedness is held directly or indirectly on an unsecured basis with no acceleration rights by the municipal shareholder and is bound by the distribution restrictions outlined under the Inter-creditor Agreement.
6. Comply with all applicable environmental regulations at all times.
7. Veridian Corporation is to Maintain a DBRS rating of not less than "A Low" (one notch below current rating of "A Stable"). Advise the Bank immediately of changes to DBRS debt ranking of A.
8. Adhere to Affiliate Relationship Code restrictions as per the Ontario Energy Board as applicable.
9. File all OEB rate submissions as outlined in the business plan forecast.
10. Comply with all terms of all licenses and immediately advise the Bank if OEB should notify the Borrower of a default under a license, or if the license is materially amended, cancelled, suspended or revoked (any of such circumstances will be an event of default).

Reporting Conditions

1. Provide Audited financial statements along with a Compliance certificate within 150 days after each fiscal year end for Veridian Connections (Unconsolidated).
2. Provide Audited financial statements along with a Compliance certificate within 150 days after each fiscal year end for Veridian Corporation (Consolidated).
3. Provide Notice to Reader financial statements within 150 days after each fiscal year end for

Veridian Energy Inc.

4. Provide Notice to Reader financial statements within 150 days after each fiscal year end for Veridian Corporation (unconsolidated).
5. Provide Operating and Capital Budgets for the next fiscal year within 150 days after each fiscal year end.
6. Provide Unaudited consolidated financial statements for Veridian Corporation along with a Compliance certificate within 60 days after the end of the first, second, and third quarters
7. Provide the Ontario Energy Board rate submission, and the subsequent approval within 30 days after approval by the Ontario Energy Board (to be provided when applicable)
8. Provide Service Quality Indicators within 30 days after submission to the Ontario Energy Board; (to be provided when applicable).
9. Provide Self Certification Statement (RE: ARC Compliance) on an annual basis.

NEGATIVE COVENANTS

So long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect, the Borrower will and will ensure that its subsidiaries and each of the Guarantors will observe the Standard Negative Covenants set out in Schedule "A". In addition the Borrower will not and will ensure that its subsidiaries and each of the Guarantors will not:

1. Enter into any acquisitions or investments (except in the ordinary course of business) in excess of \$2,500,000, or any mergers, amalgamations, or consolidations, without the prior consent of the Bank, such consent not to be unreasonably withheld.
2. Sell, lease, assign, transfer, convey, or otherwise dispose of any now owned or hereafter acquired assets, except in the ordinary course of business without the prior consent of the Bank, such consent not to be unreasonably withheld.
3. Take on additional debt or contingencies including guarantees without the Bank's prior consent, such consent not to be unreasonably withheld, except for debt secured by Permitted Liens.
4. Permit the pledge of or encumbrance of any of its issued and outstanding equity securities

PERMITTED LIENS

Permitted Liens as referred to in Schedule "A" are:

Purchase Money Security Interests, not to exceed at any time:

- a) For the Borrower and its Subsidiaries \$5,000,000 in the aggregate

FINANCIAL COVENANTS

The Borrower agrees at all times, on a consolidated basis to:

1. Maintain a Consolidated* Debt Service coverage ratio of not less than 1.25:1 to be tested quarterly and on an annualized basis.

Debt Service coverage ratio is defined as EBITDA** less cash taxes, less 40% of Capex divided by total Principal and Interest.

* Consolidated is defined as: Veridian Corporation, Veridian Connections Inc. and Veridian Energy Inc.

** EBITDA is defined as Earnings before Interest, Taxes, Depreciation and Amortization

2. Maintain a Consolidated* Funded Debt to Capitalization ratio of no greater than 0.60:1. To be tested quarterly and on an annual basis.

Funded Debt is defined as all interest-bearing debt (including but not limited to (i) short term debt, (ii) long term debt including the current portion, (iii) capital leases, (iv) non-subordinated debt, and (v) unpostponed shareholder loans and guarantees.

Total Capitalization is defined as Funded Debt (as above), plus shareholders equity, plus any debt formally subordinated to the Bank, less advances to or investments in shareholders/related parties, less intangible assets (including but not limited to deferred debt issue costs, goodwill, etc);

* Consolidated is defined as : Veridian Corporation, Veridian Connections Inc. and Veridian Energy Inc.

EVENTS OF DEFAULT

The Bank may accelerate the payment of principal and interest under any committed credit facility hereunder and cancel any undrawn portion of any committed credit facility hereunder, at any time after the occurrence of any one of the Standard Events of Default contained in Schedule "A" attached hereto and after any one of the following additional Events of Default:

1. Any material adverse change in legislation or regulation of the electrical distribution business in Ontario.
2. Veridian Connections Inc.'s loss of Ontario Energy Board license.
3. Breach of any of the covenants, terms or conditions contained herein.
4. If a final judgement or decree shall have been obtained or entered against the Borrower or its Subsidiaries with respect to the Class Action Litigation (as hereinafter defined) [LDC late payment penalties class action with the litigation against the LDCs - current class action suit as described in note 11 (b) of the Consolidated year-end Financial Statements for Veridian Corporation as of December 31, 2008] in excess of \$7,000,000, which has not been discharged, vacated, abandoned, or stayed within ninety (90) days from the entry thereof or such shorter period within which any property of the Borrower or any Subsidiary may be sold or forfeited; or any other final judgments or decrees shall have been obtained or entered against the Borrower or its Subsidiaries in excess of \$1,000,000 in aggregate in any [Fiscal Year] , which have not been discharged, vacated, abandoned, or stayed within ninety (90) days from the entry thereof or such shorter period within which any property of the Borrower or any Subsidiary may be sold or forfeited

ANCILLARY FACILITIES

As at the date of this Agreement, the following uncommitted ancillary products are made available. These products may be subject to other agreements.

- 1) Certain treasury products, such as forward foreign exchange transactions, and/or interest rate and

currency and/or commodity swaps.

The Borrower agrees that treasury products will be used to hedge its risk and will not be used for speculative purposes.

The paragraph headed "FX CLOSE OUT" as set out in Schedule "A" shall apply to FX Transactions.

**AVAILABILITY OF
OPERATING LOAN**

The Operating Loan is uncommitted, made available at the Bank's discretion, and is not automatically available upon satisfaction of the terms and conditions, conditions precedent, or financial tests set out herein.

The occurrence of an Event of Default is not a precondition to the Bank's right to accelerate repayment and cancel the availability of the Operating Loan.

**SCHEDULE "A" -
STANDARD TERMS
AND CONDITIONS**

Schedule "A" sets out the Standard Terms and Conditions ("Standard Terms and Conditions") which apply to these credit facilities. The Standard Terms and Conditions, including the defined terms set out therein, form part of this Agreement, unless this letter states specifically that one or more of the Standard Terms and Conditions do not apply or are modified.

AMENDMENTS TO
SCHEDULE "A"
TERMS AN
CONDITIONS

The following amendments to the Standard Terms and Conditions apply:

- Throughout the entire Schedule A any reference to Guarantor(s) is deemed to be deleted.
- "text from existing clause" appearing in section #2 Interest Calculation and Payment (Last paragraph) is hereby deleted and replaced with the following: "For loans not secured by real property, all overdue amounts of principal and interest and all amounts outstanding in excess of the Credit limit shall bear interest from the date on which the same became due or from when the excess was incurred, as the case may be, until the date of payment or until the date the excess is repaid at Prime Rate + 5.00% per annum. Nothing in this clause shall be deemed to authorize the Borrower to incur loans in excess of the Credit Limit."
- "text from existing clause" appearing in section 6. Standard Representations and Warranties (#D) is hereby deleted and replaced with the following: "There are no actions, suits or proceedings, including appeals or applications for review, or any knowledge of pending actions, suits, or proceedings against the Borrower and its subsidiaries, before any court or administrative agency which would result in any material adverse change in the property, asset, financial condition, business or operations of the Borrower except for the LDC late payment penalties class action suit as described in note 11(b) of the Consolidated Year End Financial Statements for the Borrower as of December 31, 2008 ("Class Action Litigation")."
- "text from existing clause" appearing in section 6. Standard Representations and Warranties (#F) is hereby deleted and replaced with the following: "The financial statements and forecasts delivered to the Bank fairly present the present financial position of the Borrower, and have been prepared by the Borrower and its auditors in accordance with Canadian Generally Accepted Accounting Principles consistently applied."
- "text from existing clause" appearing in section 7. Standard Positive Covenants (#E) is hereby deleted and replaced with the following: "Do all things and take all necessary actions to ensure that the Bank Security and The Borrower's obligations hereunder shall rank parri-passu to all other indebtedness and all of other security (except for debt secured by Permitted Liens) given by the Borrower in respect thereof."
- "text from existing clause" appearing in Section 7. Standard Positive Covenants (#J) is hereby deleted and replaced with the following: "Provide such additional documentation as may be required from time to time by the Bank or its solicitors"
- "text from existing clause" appearing in Section 7. Standard Positive Covenants (#M) is hereby deleted and replaced with the following: "Permit the Bank or its authorized representatives full and reasonable access to its premises, business, financial and computer records and allow duplication or extraction of pertinent information therefrom during regular business hours".
- "text from existing clause" appearing in Section 8. Standard Negative Covenants (#C, D, F and G) shall not apply to this transaction.

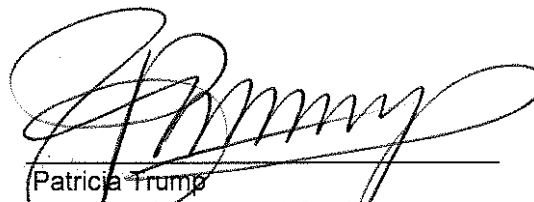
- "text from existing clause" appearing in Section 9. Environmental (in Second Paragraph) is hereby deleted and replaced with the following:
"The Borrower shall, at the request of the Bank from time to time acting reasonably, and at the Borrower's expense, obtain and provide to the Bank an environmental audit or inspection report of the property from auditors or inspectors acceptable to the Bank."
- "text from existing clause" appearing in Section 10 Standard Events of Default (#G) is hereby deleted and replaced with the following: "If a material action is taken by an encumbrancer against the Borrower, or any of its subsidiaries to take possession of property or enforce proceedings against any assets."
- "text from existing clause" appearing in Section 10 Standard of Events of Default (#L) is hereby deleted and replaced with the following: "If in the Bank's determination, acting reasonably, a material adverse change occurs in the financial condition, business operations or prospects of the Borrower, or any of the Borrower's subsidiaries."

We trust you will find these facilities helpful in meeting your ongoing financing requirements. We ask that if you wish to accept this offer of financing (which includes the Standard Terms and Conditions), please do so by signing and returning the attached duplicate copy of this letter to the undersigned. This offer will expire if not accepted in writing and received by the Bank on or before **October 31, 2011**

Yours truly,

THE TORONTO-DOMINION BANK

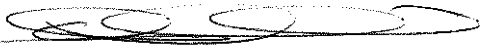


Maryse Comeau
Relationship Manager

Patricia Trump
Manager Commercial Credit

TO THE TORONTO-DOMINION BANK:

VERIDIAN CONNECTIONS INC. hereby accepts the foregoing offer this 14th day of October, 2011. The Borrower confirms that, except as may be set out above, the credit facilities detailed herein shall not be used by or on behalf of any third party.



Signature

Doug Pickerson
Chair, Veridian Connections Inc.

Print Name & Position



Signature

DAVID CLARK
EVP CORPORATE SERVICES

Print Name & Position

SCHEDULE A
STANDARD TERMS AND CONDITIONS

1. INTEREST RATE DEFINITIONS

Prime Rate means the rate of interest per annum (based on a 365 day year) established and reported by the Bank to the Bank of Canada from time to time as the reference rate of interest for determination of interest rates that the Bank charges to customers of varying degrees of creditworthiness in Canada for Canadian dollar loans made by it in Canada.

The Stamping Fee rate per annum for CAD\$ B/As is based on a 365 day year and the Stamping Fee is calculated on the Face Amount of each B/A presented to the Bank for acceptance. The Stamping Fee rate per annum for USD\$ B/As is based on a 360 day year and the Stamping Fee is calculated on the Face Amount of each B/A presented to the Bank for acceptance.

LIBOR means the rate of interest per annum (based on a 360 day year) as determined by the Bank (rounded upwards, if necessary to the nearest whole multiple of 1/16th of 1%) at which the Bank may make available United States dollars which are obtained by the Bank in the Interbank Euro Currency Market, London, England at approximately 11:00 a.m. (Toronto time) on the second Business Day before the first day of, and in an amount similar to, and for the period similar to the interest period of, such advance.

USBR means the rate of interest per annum (based on a 365 day year) established by the Bank from time to time as the reference rate of interest for the determination of interest rates that the Bank charges to customers of varying degrees of creditworthiness for US dollar loans made by it in Canada.

Any interest rate based on a period less than a year expressed as an annual rate for the purposes of the Interest Act (Canada) is equivalent to such determined rate multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days in the period upon which it was based.

2. INTEREST CALCULATION AND PAYMENT

Interest on Prime Based Loans and USBR Loans is calculated daily (including February 29 in a leap year) and payable monthly in arrears based on the number of days the subject loan is outstanding unless otherwise provided in the Rate and Payment Terms Notice. Interest is charged on February 29 in a leap year.

The Stamping Fee is calculated based on the amount and the term of the B/A and payable upon acceptance by the Bank of the B/A. The net proceeds received by the Borrower on a B/A advance will be equal to the Face Amount of the B/A discounted at the Bank's then prevailing B/A discount rate for CAD\$ B/As or USD\$ B/As as the case may be, for the specified term of the B/A less the B/A Stamping Fee.

Interest on LIBOR Loans is calculated and payable on the earlier of contract maturity or quarterly in arrears, for the number of days in the LIBOR interest period.

L/C and L/G fees are payable at the time set out in the Letter of Credit Indemnity Agreement applicable to the issued L/C or L/G.

Interest on Fixed Rate Term Loans is compounded monthly and payable monthly in arrears unless otherwise provided in the Rate and Payment Terms Notice.

Interest is payable both before and after maturity or demand, default and judgment.

Each payment under this Agreement shall be applied first in payment of costs and expenses, then interest and fees and the balance, if any, shall be applied in reduction of principal.

For loans not secured by real property, all overdue amounts of principal and interest and all amounts outstanding in excess of the Credit Limit shall bear interest from the date on which the same became due or from when the excess was incurred, as the case may be, until the date of payment or until the date the excess

is repaid at 21% per annum, or such lower interest rate if the Bank agrees to a lower interest rate in writing. Nothing in this clause shall be deemed to authorize the Borrower to incur loans in excess of the Credit Limit.

3. DRAWDOWN PROVISIONS

Prime Based and USBR Loans

There is no minimum amount of drawdown by way of Prime Based Loans and USBR Loans, except as stated in the section of the Agreement titled "Business Credit Services Agreement", if that section of the Agreement has not been deleted. The Borrower shall provide the Bank with 3 Business Days' notice of a requested Prime Based Loan or USBR Loan over \$1,000,000.

B/As

The Borrower shall advise the Bank of the requested term or maturity date for B/As issued hereunder. The Bank shall have the discretion to restrict the term or maturity dates of B/As. In no event shall the term of the B/A exceed the Contractual Term Maturity Date. The minimum amount of a drawdown by way of B/As is \$1,000,000 and in multiples of \$100,000 thereafter. The Borrower shall provide the Bank with 3 Business Days' notice of a requested B/A drawdown.

The Borrower shall pay to the Bank the full amount of the B/A at the maturity date of the B/A.

The Borrower appoints the Bank as its attorney to and authorizes the Bank to (i) complete, sign, endorse, negotiate and deliver B/As on behalf of the Borrower in handwritten form, or by facsimile or mechanical signature or otherwise, (ii) accept such B/As, and (iii) purchase, discount, and/or negotiate B/As.

LIBOR

The Borrower shall advise the Bank of the requested LIBOR contract maturity period. The Bank shall have the discretion to restrict the LIBOR contract maturity. In no event shall the term of the LIBOR contract exceed the Contractual Term Maturity Date. The minimum amount of a drawdown by way of a LIBOR Loan is \$1,000,000, and shall be in multiples of \$100,000 thereafter. The Borrower will provide the Bank with 3 Business Days' notice of a requested LIBOR Loan.

L/C and/or L/G

The Bank shall have the discretion to restrict the maturity date of L/Gs or L/Cs.

B/A - Prime Conversion

The Borrower will provide the Bank with at least 3 Business Days' notice of its intention either to convert a B/A to a Prime Based Loan or vice versa, failing which, the Bank may decline to accept such additional B/As or may charge interest on the amount of Prime Based Loans resulting from maturity of B/As at the rate of 115% of the rate applicable to Prime Based Loans for the 3 Business Day period immediately following such maturity. Thereafter, the rate shall revert to the rate applicable to Prime Based Loans.

Cash Management

The Bank may, and the Borrower hereby authorizes the Bank to, drawdown under the Operating Loan to satisfy any obligations of the Borrower to the Bank in connection with any cash management service provided by the Bank to the Borrower. The Bank may drawdown under the Operating Loan even if the drawdown results in amounts outstanding in excess of the Credit Limit.

Notice

Prior to each drawdown and at least 10 days prior to each Rate Term Maturity, the Borrower will advise the Bank of its selection of drawdown options from those made available by the Bank. The Bank will, after each drawdown, other than drawdowns by way of BA, LIBOR Loan or under the operating loan, send a Rate and Payment Terms Notice to the Borrower.

4. PREPAYMENT

Fixed Rate Term Loans

10% Prepayment Option Chosen.

- (a) Once, each calendar year, ("Year"), the Borrower may, provided that an Event of Default has not occurred, prepay in one lump sum, an amount of principal outstanding under a Fixed Rate Term Loan not exceeding 10% of the original amount of the Fixed Rate Term Loan, upon payment of all interest accrued to the date of prepayment without paying any prepayment charge. If the prepayment privilege is not used in one Year, it cannot be carried forward and used in a later Year.
- (b) Provided that an Event of Default has not occurred, the Borrower may prepay more than 10% of the original amount of a Fixed Rate Term Loan in any Year, upon payment of all interest accrued to the date of prepayment and an amount equal to the greater of:
 - i) three months' interest on the amount of the prepayment (the amount of prepayment is the amount of prepayment exceeding the 10% limit described in Section 4(a)) using the interest rate applicable to the Fixed Rate Term Loan being prepaid; and
 - ii) the Interest Rate Differential, being the amount by which:
 - a. the total amount of interest on the amount of the prepayment (the amount of prepayment is the amount of prepayment exceeding the 10% limit described in Section 4(a)) using the interest rate applicable to the Fixed Rate Term Loan being prepaid calculated for the period of time from the prepayment date until the Rate Term Maturity Date for the Fixed Rate Term Loan being prepaid (the "Remaining Term"), exceeds
 - b. the total amount of interest on the amount of the prepayment (the amount of prepayment is the amount of prepayment exceeding the 10% limit described in Section 4(a)) using the interest rate applicable to a fixed rate term loan that the Bank would make to a borrower for a comparable facility on the prepayment date, calculated for the Remaining Term.

10% Prepayment Option Not Chosen.

- (c) The Borrower may, provided that an Event of Default has not occurred, prepay all or any part of the principal then outstanding under a Fixed Rate Term Loan upon payment of all interest accrued to the date of prepayment and an amount equal to the greater of:
 - i) three months' interest on the amount of the prepayment using the interest rate applicable to the Fixed Rate Term Loan being prepaid; and
 - ii) the Interest Rate Differential, being the amount by which:
 - a. the total amount of interest on the amount of the prepayment using the interest rate applicable to the Fixed Rate Term Loan being prepaid calculated for the period of time from the prepayment date until the Rate Term Maturity Date for the Fixed Rate Term Loan being prepaid (the "Remaining Term"), exceeds
 - b. the total amount of interest on the amount of the prepayment using the interest rate applicable to a fixed rate term loan that the Bank would make to a borrower for a comparable facility on the prepayment date, calculated for the Remaining Term.

Floating Rate Term Loans

The Borrower may prepay the whole or any part of the principal outstanding under a Floating Rate Term Loan, at any time without the payment of prepayment charges.

5. STANDARD DISBURSEMENT CONDITIONS

The obligation of the Bank to permit any drawdowns hereunder at any time is subject to the following conditions precedent:

- a) The Bank shall have received the following documents which shall be in form and substance satisfactory to the Bank:
 - i) A copy of a duly executed resolution of the Board of Directors of the Borrower empowering the Borrower to enter into this Agreement;
 - ii) A copy of any necessary government approvals authorizing the Borrower to enter into this Agreement;
 - iii) All of the Bank Security and supporting resolutions and solicitors' letter of opinion required hereunder;
 - iv) The Borrower's compliance certificate certifying compliance with all terms and conditions hereunder;
 - v) all operation of account documentation; and
 - vi) For drawdowns under the Facility by way of L/C or L/G, the Bank's standard form Letter of Credit Indemnity Agreement
- b) The representations and warranties contained in this Agreement are correct.
- c) No event has occurred and is continuing which constitutes an Event of Default or would constitute an Event of Default, but for the requirement that notice be given or time elapse or both.
- d) The Bank has received the arrangement fee payable hereunder (if any) and the Borrower has paid all legal and other expenses incurred by the Bank in connection with the Agreement or the Bank Security.

6. STANDARD REPRESENTATIONS AND WARRANTIES

The Borrower hereby represents and warrants, which representations and warranties shall be deemed to be continually repeated so long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect, that:

- a) The Borrower is a duly incorporated corporation, a limited partnership, partnership, or sole proprietorship, duly organized, validly existing and in good standing under the laws of the jurisdiction where the Branch/Centre is located and each other jurisdiction where the Borrower has property or assets or carries on business and the Borrower has adequate corporate power and authority to carry on its business, own property, borrow monies and enter into agreements therefore, execute and deliver the Agreement, the Bank Security, and documents required hereunder, and observe and perform the terms and provisions of this Agreement.
- b) There are no laws, statutes or regulations applicable to or binding upon the Borrower and no provisions in its charter documents or in any by-laws, resolutions, contracts, agreements, or arrangements which would be contravened, breached, violated as a result of the execution, delivery, performance, observance, of any terms of this Agreement.
- c) No Event of Default has occurred nor has any event occurred which, with the passage of time or the giving of notice, would constitute an Event of Default under this Agreement or which would constitute a default under any other agreement.
- d) There are no actions, suits or proceedings, including appeals or applications for review, or any knowledge of pending actions, suits, or proceedings against the Borrower and its subsidiaries, before any court or administrative agency which would result in any material adverse change in the property, assets, financial condition, business or operations of the Borrower.
- e) All material authorizations, approvals, consents, licenses, exemptions, filings, registrations and other requirements of governmental, judicial and public bodies and authorities required to carry on its business have been or will be obtained or effected and are or will be in full force and effect.
- f) The financial statements and forecasts delivered to the Bank fairly present the present financial position of the Borrower, and have been prepared by the Borrower and its auditors in accordance with the International Financial Reporting Standards or GAAP for Private Enterprises.

- g) All of the remittances required to be made by the Borrower to the federal government and all provincial and municipal governments have been made, are currently up to date and there are no outstanding arrears. Without limiting the foregoing, all employee source deductions (including income taxes, Employment Insurance and Canada Pension Plan), sales taxes (both provincial and federal), corporate income taxes, corporate capital taxes, payroll taxes and Workers' Compensation dues are currently paid and up to date.

7. STANDARD POSITIVE COVENANTS

So long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect, the Borrower will, and will ensure that its subsidiaries and each of the Guarantors will:

- a) Pay all amounts of principal, interest and fees on the dates, times and place specified herein, under the Rate and Payment Terms Notice, and under any other agreement between the Bank and the Borrower.
- b) Advise the Bank of any change in the amount and the terms of any credit arrangement made with other lenders or any action taken by another lender to recover amounts outstanding with such other lender.
- c) Advise promptly after the happening of any event which will result in a material adverse change in the financial condition, business, operations, or prospects of the Borrower or the occurrence of any Event of Default or default under this Agreement or under any other agreement for borrowed money.
- d) Do all things necessary to maintain in good standing its corporate existence and preserve and keep all material agreements, rights, franchises, licenses, operations, contracts or other arrangements in full force and effect.
- e) Take all necessary actions to ensure that the Bank Security and its obligations hereunder will rank ahead of all other indebtedness of and all other security granted by the Borrower.
- f) Pay all taxes, assessments and government charges unless such taxes, assessments, or charges are being contested in good faith and appropriate reserves shall be made with funds set aside in a separate trust fund.
- g) Provide the Bank with information and financial data as it may request from time to time.
- h) Maintain property, plant and equipment in good repair and working condition.
- i) Inform the Bank of any actual or probable litigation and furnish the Bank with copies of details of any litigation or other proceedings, which might affect the financial condition, business, operations, or prospects of the Borrower.
- j) Provide such additional security and documentation as may be required from time to time by the Bank or its solicitors.
- k) Continue to carry on the business currently being carried on by the Borrower its subsidiaries and each of the Guarantors at the date hereof.
- l) Maintain adequate insurance on all of its assets, undertakings, and business risks.
- m) Permit the Bank or its authorized representatives full and reasonable access to its premises, business, financial and computer records and allow the duplication or extraction of pertinent information therefrom and
- n) Comply with all applicable laws.

8. STANDARD NEGATIVE COVENANTS

So long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect, the Borrower will not and will ensure that its subsidiaries and each of the Guarantors will not:

- a) Create, incur, assume, or suffer to exist, any mortgage, deed of trust, pledge, lien, security interest, assignment, charge, or encumbrance (including without limitation, any conditional sale, or other title retention agreement, or finance lease) of any nature, upon or with respect to any of its assets or undertakings, now owned or hereafter acquired, except for those Permitted Liens, if any, set out in the Letter.
- b) Create, incur, assume or suffer to exist any other indebtedness for borrowed money (except for indebtedness resulting from Permitted Liens, if any) or guarantee or act as surety or agree to indemnify the debts of any other Person.

- c) Merge or consolidate with any other Person, or acquire all or substantially all of the shares, assets or business of any other Person.
- d) Sell, lease, assign, transfer, convey or otherwise dispose of any of its now owned or hereafter acquired assets (including, without limitation, shares of stock and indebtedness of subsidiaries, receivables and leasehold interests), except for inventory disposed of in the ordinary course of business.
- e) Terminate or enter into a surrender of any lease of any property mortgaged under the Bank Security.
- f) Cease to carry on the business currently being carried on by each of the Borrower, its subsidiaries, and the Guarantors at the date hereof.
- g) Permit any change of ownership or change in the capital structure of the Borrower.

9. ENVIRONMENTAL

The Borrower represents and warrants (which representation and warranty shall continue throughout the term of this Agreement) that the business of the Borrower, its subsidiaries and each of the Guarantors is being operated in compliance with applicable laws and regulations respecting the discharge, omission, spill or disposal of any hazardous materials and that any and all enforcement actions in respect thereto have been clearly conveyed to the Bank.

The Borrower shall, at the request of the Bank from time to time, and at the Borrower's expense, obtain and provide to the Bank an environmental audit or inspection report of the property from auditors or inspectors acceptable to the Bank.

The Borrower hereby indemnifies the Bank, its officers, directors, employees, agents and shareholders, and agrees to hold each of them harmless from all loss, claims, damages and expenses (including legal and audit expenses) which may be suffered or incurred in connection with the indebtedness under this Agreement or in connection with the Bank Security.

10. STANDARD EVENTS OF DEFAULT

The Bank may accelerate the payment of principal and interest under any committed credit facility hereunder and cancel any undrawn portion of any committed credit facility hereunder, at any time after the occurrence of any one of the following Events of Default:

- a) Non-payment of principal outstanding under this Agreement when due or non-payment of interest or fees outstanding under this Agreement within 3 Business Days of when due.
- b) If any representation, warranty or statement made hereunder or made in connection with the execution and delivery of this Agreement or the Bank Security is false or misleading at any time.
- c) If any representation or warranty made or information provided by the Guarantor to the Bank from time to time, including without limitation, under or in connection with the Personal Financial Statement and Privacy Agreement provided by the Guarantor, is false or misleading at any time.
- d) If there is a breach or non-performance or non-observance of any term or condition of this Agreement or the Bank Security and, if such default is capable to being remedied, the default continues unremedied for 5 Business Days after the occurrence.
- e) If the Borrower, any one of its subsidiaries, or, if any of the Guarantors makes a general assignment for the benefit of creditors, files or presents a petition, makes a proposal or commits any act of bankruptcy, or if any action is taken for the winding up, liquidation or the appointment of a liquidator, trustee in bankruptcy, custodian, curator, sequestrator, receiver or any other officer with similar powers or if a judgment or order shall be entered by any court approving a petition for reorganization, arrangement or composition of or in respect of the Borrower, any of its subsidiaries, or any of the Guarantors or if the Borrower, any of its subsidiaries, or any of the Guarantors is insolvent or declared bankrupt.
- f) If there exists a voluntary or involuntary suspension of business of the Borrower, any of its subsidiaries, or any of the Guarantors.
- g) If action is taken by an encumbrancer against the Borrower, any of its subsidiaries, or any of the Guarantors to take possession of property or enforce proceedings against any assets.

- h) If any final judgment for the payment of monies is made against the Borrower, any of its subsidiaries, or any of the Guarantors and it is not discharged within 30 days from the imposition of such judgment.
- i) If there exists an event, the effect of which with lapse of time or the giving of notice, will constitute an event of default or a default under any other agreement for borrowed money in excess of the Cross Default Threshold entered into by the Borrower, any of its subsidiaries, or any of the Guarantors.
- j) If the Borrower, any one of its subsidiaries, or any of the Guarantors default under any other present or future agreement with the Bank or any of the Bank's subsidiaries, including without limitation, any other loan agreement, forward foreign exchange transactions, interest rate and currency and/or commodity swaps.
- k) If the Bank Security is not enforceable or if any party to the Bank Security shall dispute or deny any liability or any of its obligations under the Bank Security, or if any Guarantor terminates a guarantee in respect of future advances.
- l) If, in the Bank's determination, a material adverse change occurs in the financial condition, business operations or prospects of the Borrower, any of the Borrower's subsidiaries, or any of the Guarantors.

11. ACCELERATION

If the Bank accelerates the payment of principal and interest hereunder, the Borrower shall immediately pay to the Bank all amounts outstanding hereunder, including without limitation, the amount of unmatured B/As and LIBOR Loans and the amount of all drawn and undrawn L/Gs and L/Cs. All cost to the Bank of unwinding LIBOR Loans and all loss suffered by the Bank in re-employing amounts repaid will be paid by the Borrower.

The Bank may demand the payment of principal and interest under the Operating Loan (and any other uncommitted facility) hereunder and cancel any undrawn portion of the Operating Loan (and any other uncommitted facility) hereunder, at any time whether or not an Event of Default has occurred.

12. CURRENCY INDEMNITY

USD\$ loans must be repaid with USD\$ and CAD\$ loans must be repaid with CAD\$ and the Borrower shall indemnify the Bank for any loss suffered by the Bank if USD\$ loans are repaid with CAD\$ or vice versa, whether such payment is made pursuant to an order of a court or otherwise.

13. TAXATION ON PAYMENTS

All payments made by the Borrower to the Bank will be made free and clear of all present and future taxes (excluding the Bank's income taxes), withholdings or deductions of whatever nature. If these taxes, withholdings or deductions are required by applicable law and are made, the Borrower, shall, as a separate and independent obligation, pay to the Bank all additional amounts as shall fully indemnify the Bank from any such taxes, withholdings or deductions.

14. REPRESENTATION

No representation or warranty or other statement made by the Bank concerning any of the credit facilities shall be binding on the Bank unless made by it in writing as a specific amendment to this Agreement.

15. CHANGING THE AGREEMENT

- a) The Bank may, from time to time, unilaterally change the provisions of this Agreement where (i) the provisions of the Agreement relate to the Operating Loan (and any other uncommitted facility) or (ii) such change is for the benefit of the Borrower, or made at the Borrower's request, including without limitation, decreases to fees or interest payable hereunder or (iii) where such change makes compliance with this Agreement less onerous to the Borrower, including without limitation, release of security. These changes can be made by the Bank providing written notice to the Borrower of such changes in the form of a specific waiver or a document constituting an amending agreement. The Borrower is not required to execute such waiver or amending agreement, unless the Bank requests the Borrower to sign such waiver or amending agreement. A change in the Prime Rate and USBR is not an amendment to the terms of this Agreement that requires notification to be provided to the Borrower.

- b) Changes to the Agreement, other than as described in a) above, including changes to covenants and fees payable by the Borrower, are required to be agreed to by the Bank and the Borrower in writing, by the Bank and the Borrower each signing an amending agreement.
- c) The Bank is not required to notify a Guarantor of any change in the Agreement, including any increase in the Credit Limit.

16. ADDED COST

If the introduction of or any change in any present or future law, regulation, treaty, official or unofficial directive, or regulatory requirement, (whether or not having the force of law) or in the interpretation or application thereof, relates to:

- i) the imposition or exemption of taxation of payments due to the Bank or on reserves or deemed reserves in respect of the undrawn portion of any Facility or loan made available hereunder; or,
- ii) any reserve, special deposit, regulatory or similar requirement against assets, deposits, or loans or other acquisition of funds for loans by the Bank; or,
- iii) the amount of capital required or expected to be maintained by the Bank as a result of the existence of the advances or the commitment made hereunder;

and the result of such occurrence is, in the sole determination of the Bank, to increase the cost of the Bank or to reduce the income received or receivable by the Bank hereunder, the Borrower shall, on demand by the Bank, pay to the Bank that amount which the Bank estimates will compensate it for such additional cost or reduction in income and the Bank's estimate shall be conclusive, absent manifest error.

17. EXPENSES

The Borrower shall pay, within 5 Business Days following notification, all fees and expenses (including but not limited to all legal fees) incurred by the Bank in connection with the preparation, registration and ongoing administration of this Agreement and the Bank Security and with the enforcement of the Bank's rights and remedies under this Agreement and the Bank Security whether or not any amounts are advanced under the Agreement. These fees and expenses shall include, but not be limited, to all outside counsel fees and expenses and all in-house legal fees and expenses, if in-house counsel are used, and all outside professional advisory fees and expenses. The Borrower shall pay interest on unpaid amounts due pursuant to this paragraph at the All-In Rate plus 2% per annum.

Without limiting the generality of Section 24, the Bank or its agent, is authorized to debit any of the Borrower's accounts with the amount of the fees and expenses owed by the Borrower hereunder, including the registration fee in connection with the Bank Security, even if that debiting creates an overdraft in any such account. If there are insufficient funds in the Borrower's accounts to reimburse the Bank or its agent for payment of the fees and expenses owed by the Borrower hereunder, the amount debited to the Borrower's accounts shall be deemed to be a Prime Based Loan under the Operating Loan.

The Borrower will, if requested by the Bank, sign a Pre-Authorized Payment Authorization in a format acceptable to the Bank to permit the Bank's agent to debit the Borrower's accounts as contemplated in this Section.

18. NON WAIVER

Any failure by the Bank to object to or take action with respect to a breach of this Agreement or any Bank Security or upon the occurrence of an Event of Default shall not constitute a waiver of the Bank's right to take action at a later date on that breach. No course of conduct by the Bank will give rise to any reasonable expectation which is in any way inconsistent with the terms and conditions of this Agreement and the Bank Security or the Bank's rights thereunder.

19. EVIDENCE OF INDEBTEDNESS

The Bank shall record on its records the amount of all loans made hereunder, payments made in respect thereto, and all other amounts becoming due to the Bank under this Agreement. The Bank's records constitute, in the absence of manifest error, conclusive evidence of the indebtedness of the Borrower to the Bank pursuant to this Agreement.

The Borrower will sign the Bank's standard form Letter of Credit Indemnity Agreement for all L/Cs and L/Gs issued by the Bank.

With respect to chattel mortgages taken as Bank Security, this Agreement is the Promissory Note referred to in same chattel mortgage, and the indebtedness incurred hereunder is the true indebtedness secured by the chattel mortgage.

20. ENTIRE AGREEMENTS

This Agreement replaces any previous letter agreements dealing specifically with terms and conditions of the credit facilities described in the Letter. Agreements relating to other credit facilities made available by the Bank continue to apply for those other credit facilities. This Agreement, and if applicable, the Letter of Credit Indemnity Agreement, are the entire agreements relating to the Facilities described in this Agreement.

21. ASSIGNMENT

The Bank may assign or grant participation in all or part of this Agreement or in any loan made hereunder without notice to and without the Borrower's consent.

The Borrower may not assign or transfer all or any part of its rights or obligations under this Agreement.

22. RELEASE OF INFORMATION

The Borrower hereby irrevocably authorizes and directs the Borrower's accountant, (the "Accountant") to deliver all financial statements and other financial information concerning the Borrower to the Bank and agrees that the Bank and the Accountant may communicate directly with each other.

23. FX CLOSE OUT

The Borrower hereby acknowledges and agrees that in the event any of the following occur: (i) Default by the Borrower under any forward foreign exchange contract ("FX Contract"); (ii) Default by the Borrower in payment of monies owing by it to anyone, including the Bank; (iii) Default in the performance of any other obligation of the Borrower under any agreement to which it is subject; or (iv) the Borrower is adjudged to be or voluntarily becomes bankrupt or insolvent or admits in writing to its inability to pay its debts as they come due or has a receiver appointed over its assets, the Bank shall be entitled without advance notice to the Borrower to close out and terminate all of the outstanding FX Contracts entered into hereunder, using normal commercial practices employed by the Bank, to determine the gain or loss for each terminated FX contract. The Bank shall then be entitled to calculate a net termination value for all of the terminated FX Contracts which shall be the net sum of all the losses and gains arising from the termination of the FX Contracts which net sum shall be the "Close Out Value" of the terminated FX Contracts. The Borrower acknowledges that it shall be required to forthwith pay any positive Close Out Value owing to the Bank and the Bank shall be required to pay any negative Close Out Value owing to the Borrower, subject to any rights of set-off to which the Bank is entitled or subject.

24. SET-OFF

In addition to and not in limitation of any rights now or hereafter granted under applicable law, the Bank may at any time and from time to time without notice to the Borrower or any other Person, any notice being expressly waived by the Borrower, set-off and compensate and apply any and all deposits, general or special, time or demand, provisional or final, matured or unmatured, in any currency, and any other indebtedness or amount payable by the Bank (irrespective of the place of payment or booking office of the obligation), to or for the credit of or for the Borrower's account, including without limitation, any amount owed by the Bank to the Borrower under any FX Contract or other treasury or derivative product, against and on account of the indebtedness and liability under this Agreement notwithstanding that any of them are contingent or unmatured or in a different currency than the indebtedness and liability under this Agreement.

When applying a deposit or other obligation in a different currency than the indebtedness and liability under this Agreement to the indebtedness and liability under this Agreement, the Bank will convert the deposit or other obligation to the currency of the indebtedness and liability under this Agreement using the Bank's noon spot rate of exchange for the conversion of such currency.

25. LIMITATION ACT

The Borrower and the Bank hereby agree that the limitation period for commencement of any court action or proceeding against the Borrower with respect to demand loans shall be six (6) years rather than the period of time that is set out in the applicable limitation legislation.

26. MISCELLANEOUS

- i) The Borrower has received a signed copy of this Agreement;
- ii) If more than one Person, firm or corporation signs this Agreement as the Borrower, each party is jointly and severally liable hereunder, and the Bank may require payment of all amounts payable under this Agreement from any one of them, or a portion from each, but the Bank is released from any of its obligations by performing that obligation to any one of them. Each Borrower hereby acknowledges that each Borrower is an agent of each other Borrower and payment by any Borrower hereunder shall be deemed to be payment by the Borrower making the payment and by each other Borrower. Each payment, including interest payments, made will constitute an acknowledgement of the indebtedness and liability hereunder by each Borrower;
- iii) Accounting terms will (to the extent not defined in this Agreement) be interpreted in accordance with accounting principles established from time to time by the Canadian Institute of Chartered Accountants (or any successor) consistently applied, and all financial statements and information provided to the Bank will be prepared in accordance with those principles;
- iv) This Agreement is governed by the law of the Province or Territory where the Branch/Centre is located.
- v) Unless stated otherwise, all amounts referred to herein are in Canadian dollars

27. DEFINITIONS

Capitalized Terms used in this Agreement shall have the following meanings:

"All-In Rate" means the greater of the Interest Rate that the Borrower pays for Prime Based Loans (which for greater certainty includes the percent per annum added to the Prime Rate) or the highest fixed rate paid for Fixed Rate Term Loans.

"Agreement" means the agreement between the Bank and the Borrower set out in the Letter and this Schedule "A" - Standard Terms and Conditions.

"Business Day" means any day (other than a Saturday or Sunday) that the Branch/Centre is open for business.

"Branch/Centre" means The Toronto-Dominion Bank branch or banking centre noted on the first page of the Letter, or such other branch or centre as may from time to time be designated by the Bank.

"Contractual Term Maturity Date" means the last day of the Contractual Term period. If the Letter does not set out a specific Contractual Term period but rather refers to a period of time up to which the Contractual Term Maturity Date can occur, the Bank and the Borrower must agree on a Contractual Term Maturity Date before first drawdown, which Contractual Term Maturity Date will be set out in the Rate and Payments Terms Notice.

"Cross Default Threshold" means the cross default threshold set out in the Letter. If no such cross default threshold is set out in the Letter it will be deemed to be zero.

"Face Amount" means, in respect of:

- (i) a B/A, the amount payable to the holder thereof on its maturity;
- (ii) A L/C or L/G, the maximum amount payable to the beneficiary specified therein or any other Person to whom payments may be required to be made pursuant to such L/C or L/G.

"Fixed Rate Term Loan" means any drawdown in Canadian dollars under a Credit Facility at an interest rate which is fixed for a Rate Term at such rate as is determined by the Bank as its sole discretion.

"Inventory Value" means, at any time of determination, the total value (based on the lower of cost or market) of the Borrower's inventories that are subject to the Bank Security (other than (i) those inventories supplied by trade creditors who at that time have not been fully paid and would have a right to repossess all or part of such inventories if the Borrower were then either bankrupt or in receivership, (ii) those inventories comprising work in process and (iii) those inventories that the Bank may from time to time designate in its sole discretion) minus the total amount of any claims, liens or encumbrances on those inventories having or purporting to have priority over the Bank.

"Letter" means the letter from the Bank to the Borrower to which this Schedule "A" - Standard Terms and Conditions is attached.

"Letter of Credit" or *"L/C"* means a documentary letter of credit or similar instrument in form and substance satisfactory to the Bank.

"Letter of Guarantee" or *"L/G"* means a stand-by letter of guarantee or similar instrument in form and substance satisfactory to the Bank.

"Person" includes any individual, sole proprietorship, corporation, partnership, joint venture, trust, unincorporated association, association, institution, entity, party, or government (whether national, federal, provincial, state, municipal, city, county, or otherwise and including any instrumentality, division, agency, body, or department thereof).

"Purchase Money Security Interest" means a security interest on equipment which is granted to a lender or to the seller of such equipment in order to secure the purchase price of such equipment or a loan to acquire such equipment, provided that the amount secured by the security interest does not exceed the cost of the equipment, the Borrower provides written notice to the Bank prior to the creation of the security interest, and the creditor under the security interest has, if requested by the Bank, entered into an inter-creditor agreement with the Bank, in a format acceptable to the Bank.

"Rate Term" means that period of time as selected by the Borrower from the options offered to it by the Bank, during which a Fixed Rate Term Loan will bear a particular interest rate. If no Rate Term is selected, the Borrower will be deemed to have selected a Rate Term of 1 year.

"Rate Term Maturity" means the last day of a Rate Term which day may never exceed the Contractual Term Maturity Date.

"Rate and Payment Terms Notice" means the notice sent by the Bank setting out the interest rate and payment terms for a particular drawdown.

"Receivable Value" means, at any time of determination, the total value of those of the Borrower's trade accounts receivable that are subject to the Bank Security other than (i) those accounts then outstanding for 90 days, (ii) those accounts owing by Persons, firms or corporations affiliated with the Borrower, (iii) those accounts that the Bank may from time to time designate in its sole discretion, (iv) those accounts subject to any claim, liens, or encumbrance having or purporting to have priority over the Bank, (v) those accounts which are subject to a claim of set-off by the obligor under such account, MINUS the total amount of all claims, liens, or encumbrances on those receivables having or purporting to have priority over the Bank.

"Receivables/Inventory Summary" means a summary of the Borrower's trade account receivables and inventories, in form as the Bank may require and certified by a senior officer/representative of the Borrower.

"USD\$ Equivalent" means, on any date, the equivalent amount in United States Dollars after giving effect to a conversion of a specified amount of Canadian Dollars to United States Dollars at the Bank's noon spot rate of exchange for Canadian Dollars to United States Dollars established by the Bank for the day in question.

7.5-Staff-32

Ref: E5-T1-S1 pp.4-5

Veridian indicates that the 2010 Settlement Agreement establishes the long term debt rate (for a \$43,588,000 promissory note issued on November 9, 2009) held by Veridian's shareholders.

1. Term. The term of each promissory note shall be 30 years, subject to the limited early redemption or repayment rights set forth below.

2. Interest. The interest rate shall be as follows:

a. For the period from May 1, 2010 to and including December 31, 2014, 5.57%, being the Board's deemed long-term debt rate, less 30 basis points

b. For each five year period after that date, the Board's deemed long-term debt rate set closest in time to the start of the period, less the same fixed 30 basis points. By way of example, if on February 15, 2015 the Board establishes a deemed long term-debt rate of 7.00%, for regulatory purposes, the rate on the notes commencing January 1, 2015 will be 6.7%, and will be fixed at that rate until December 31, 2019.

Notwithstanding the implementation date of the updated interest rate as stated in clause 2(a) of this proposed settlement agreement, the effective interest rate used to calculate Veridian's Cost of Debt in the 2010 test year for the purpose of setting distribution rates shall be 5.57%.

Veridian notes that there is also another 2009 promissory note, held by Veridian Corporation in the amount of \$17,850,000, which was also subject to the 2010 Settlement Agreement provisions.

Request

- (a) Is Veridian aware that the deemed Long Term Debt rate for 2014 COS purposes issued by the Board on November 25, 2013 is 4.88%?
- (b) The Settlement Agreement requires that re-setting of the deemed rate occur based on 5 year periods with the first 5 year period ending on December 31, 2014. Was it anticipated at the time of the settlement that the next COS application would be for for 2015 rather than 2014?
- (c) Please provide an explanation of why it would be reasonable that the long term debt rates for 2014 and carried through the subsequent IRM term would be based on a Board deemed rate established in 2010?

Response:

- (a) Yes

(b) and (c)

The issue of long-term-debt was one of many issues negotiated as part of a comprehensive settlement negotiation. As Board staff is aware, the settlement of an individual issue may be tied to the settlement of another issue(s). As well, any information beyond the information included in the Settlement Agreement is strictly confidential. We do note that Board staff was present during the settlement negotiation, it raised no concerns about the settlement agreement in regard to long-term-debt, and the Board accepted the settlement agreement. As such, we believe that it is inappropriate for Veridian to be required to retroactively justify the long-term-debt issue settled by the parties and approved by the Board.

7.5-VECC-42

Ref: E5/T1/S1/pg.6

Request

Does the interest swap agreement for the two TD Loans have the effect of reducing the effective interest rate of the two loans to below their fixed rates (4.24% and 3.99%)? If so please provide the effective interest rate on the loans in 2013.

Response:

No, the interest swap agreement for the two TD loans does not have the effect of reducing the effective interest rate of the two loans below their fixed rates of 4.24% and 3.99%.

Revenue Requirement

Issue 7.6

Is the proposed forecast of other revenues including those from specific service charges appropriate?

7.6-CCC-29

Ref: E3/T8/S2

Request

Please explain, specifically, how Veridian prepares its forecast of other revenues.
Please explain the variance between 2013 and 2014 Specific Service Charges.

Response:

Other Revenue is generally forecasted using the average revenue from 2010 to 2013.
Revenue for SSS Admin Charge is forecasted using the customer count forecast.

Please see response to 7.6-Staff-33 for an explanation of variance between 2013 and 2014 Specific Service Charge.

7.6-CCC-30

Ref: E3/T8/S1

Request

Please explain how Veridian generates revenue from pole rentals. What factors might impact the revenue associated with pole rentals?

Response:

Pole rental revenue is generated when other companies such as communication providers use Veridian poles to attach their lines. Veridian charges these other companies a rental fee that is regulated by The Ontario Energy Board.

Factors that might impact the revenue associated with pole rentals would be changes to the number lines attached to Veridian poles or changes in the regulated rate. Periodically Veridian reconciles the number of pole attachments with its pole rental customers and true up revenue adjustments may be required.

7.6-EP-49

Ref: Exhibit 3, Tab 8, Schedule 1, Attachment 1

Request

- (a) Please update Appendix 2-H to reflect actual data for 2013. If complete audited actual data is not yet available for 2013, please provide the most recent year-to-date actuals available, along with a forecast for the remaining period in 2013.
- (b) If actual data for 2013 is not yet available, please provide the most recent year-to-date figures in the same level of detail as shown in the first table in Appendix 2-H, along with the figures for the corresponding period in 2012.

Response:

- (a) Appendix 2-H has been updated to reflect unaudited actual data for 2013. See the Appendix 2-H below.

Appendix 2-H
Other Operating Revenue

| USoA # | USoA Description | 2010 Actual | 2011 Actual | 2012 Actual ² | Bridge Year ³ | Test Year |
|--------|------------------------------------|---------------|---------------|--------------------------|--------------------------|---------------|
| | | | | | 2013 | 2014 |
| | Reporting Basis | | | | | |
| 4082 | Retail Services Revenues | \$ 175,729 | \$ 151,973 | \$ 126,706 | \$ 106,172 | \$ 141,250 |
| 4084 | Service Trans Req.(STR) Revenue | \$ 8,531 | \$ 4,108 | \$ 3,742 | \$ 2,942 | \$ 4,800 |
| 4086 | SSS Admin Charge | \$ 347,906 | \$ 351,395 | \$ 374,525 | \$ 387,067 | \$ 357,204 |
| 4210 | Pole Rentals | \$ 471,930 | \$ 461,710 | \$ 443,612 | \$ 474,973 | \$ 466,174 |
| 4225 | Late Payment Charges | \$ 530,440 | \$ 480,368 | \$ 460,466 | \$ 488,729 | \$ 494,459 |
| 4235 | Specific Service Charges | \$ 1,801,327 | \$ 1,528,227 | \$ 1,832,907 | \$ 1,950,179 | \$ 1,789,404 |
| 4325 | Revenues From Third Parties | \$ 1,185,300 | \$ 1,525,546 | \$ 1,209,728 | \$ 1,102,040 | \$ 1,306,385 |
| 4330 | Costs and Expense of Third Parties | -\$ 1,020,903 | -\$ 1,439,693 | -\$ 1,150,234 | -\$ 1,268,805 | -\$ 1,203,610 |
| 4335 | Miscellaneous Income | \$ 225,857 | \$ 210,752 | \$ 41,513 | \$ 60,736 | \$ 50,372 |
| 4355 | Gain on Sale of Property | \$ 27,434 | \$ 38,177 | \$ 11,400 | \$ 2,000 | \$ 20,000 |
| 4360 | Loss on Sale of Property | -\$ 14,788 | \$ - | \$ - | \$ - | \$ - |
| 4390 | Miscellaneous Non-Operating Income | \$ 298,374 | \$ 349,009 | \$ 323,105 | \$ 312,794 | \$ 306,026 |
| 4405 | Interest and Dividened Income | \$ 39,017 | \$ 31,487 | \$ 15,920 | \$ 47,373 | \$ 35,000 |
| | | \$ 4,076,154 | \$ 3,693,059 | \$ 3,693,390 | \$ 3,666,200 | \$ 3,767,464 |

Veridian Connections Inc.
EB-2013-0174
Response to Interrogatories
February 18, 2014

| | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Specific Service Charges | \$ 1,801,327 | \$ 1,528,227 | \$ 1,832,907 | \$ 1,950,179 | \$ 1,789,404 |
| Late Payment Charges | \$ 530,440 | \$ 480,368 | \$ 460,466 | \$ 488,729 | \$ 494,459 |
| Other Operating Revenues | \$ 1,004,096 | \$ 969,186 | \$ 948,585 | \$ 971,154 | \$ 969,428 |
| Other Income or Deductions | \$ 740,291 | \$ 715,278 | \$ 451,432 | \$ 256,138 | \$ 514,173 |
| Total | \$ 4,076,154 | \$ 3,693,059 | \$ 3,693,390 | \$ 3,666,200 | \$ 3,767,464 |

(b) na

7.6-EP-50

Ref: Exhibit 3, Tab 8, Schedule 1, Attachment 1

Request

- (a) Please show how the \$357,204 forecast in account 4086 ties into the customer forecast shown in Exhibit 3, Tab 5, Schedule 1 for 2014.
- (b) The forecast for account 4086 shows a decrease from the levels recorded/forecast in 2012 and 2013. However, as the evidence notes, the number of retail enrolled customers has decreased, while the number of total customers continues to grow. Please reconcile.
- (c) What is driving the decrease in account 4405 from \$51,176 in 2013 to \$35,000 in 2014? In particular, please provide the average bank deposit balance for each of 2012 through 2014.
- (d) What is driving the pole rental decrease in 2014 relative to 2013 as shown in account 4210?
- (e) Where are the costs recorded for the activity related to the shared service revenue obtained from Veridian Corporation in account 4390? In particular, what are the costs associated with the revenue of \$181,026 and are they recorded in the OM&A costs?
- (f) Please explain why revenue from the sales of scrap metal are forecast for 2014 at levels below 2011, 2012 and 2013.

Response:

- (a) The forecast of \$357,204 was calculated based on number of customers not number of connections in Exhibit 3, Tab 5, Schedule 1. The forecasted number of customers used in the calculation was 119,068.
- (b) The forecast number of customers used to calculate the 4086 SSS Admin Revenue. This figure was based on an estimate at the time.
- (c) The 2014 forecast is based on an average of 2010 to 2013 revenue. The average bank balance for 2012 was \$1.2M. The average balance for 2013 was \$3.6M.
- (d) The pole rental revenue forecasted for 2014 is based on an average of revenue from 2010 to 2013.
- (e) The costs associated with the shared service revenue are recorded in OM&A and Amortization. The costs include wages, salaries and benefits, depreciation and return on capital for office equipment and computer equipment, general administration costs, and facility related costs.

- (f) 2014 forecast revenue from the sale of scrap metal is calculated using average revenue from 2010 to 2013.

7.6-Staff-33

Ref: E3-T8-S2

Request

Please explain why forecasted revenues from Specific Service Charges decreases from \$1,928,360 in 2013 to \$1,789,404 in 2014. Please include in your explanation a completed table 2 reflecting the 2013 forecast.

Response:

Forecast revenues from Specific Service Charges decreases from 2013 due to decreases in 2014 for Collection Charges and Reconnection Charges. The 2014 forecast for these charges were based on an average of 2010 to 2013 revenues.

Table 2: Specific Service Charges

| Specific Service Charges | Account | Forecast 2014 | Bridge 2013 |
|--|---------|------------------|------------------|
| Change of Occupancy Charge | 4235 | 444,345 | 392,451 |
| Collection Charges | 4235 | 1,044,551 | 1,166,830 |
| Reconnection Charges | 4235 | 255,000 | 320,942 |
| Dispute Meter Test Charges | 4235 | 400 | 360 |
| Lawyer's Letters Revenue | 4235 | 195 | 0 |
| Disc/Reconn Charges-Reg Hrs- Cust Admin | 4235 | 33,150 | 39,835 |
| Disc/Reconn Charges-After Hrs- Cust Admin | 4235 | 165 | 111 |
| MicroFIT Mthly Service Charge | 4235 | 11,599 | 7,830 |
| Total | | 1,789,405 | 1,928,360 |

7.6-VECC-43

Ref: E3/T8/S2, Att 1

Request

- (a) Where are the revenues from MicroFIT class customers reflected in Other Operating Revenue?
- (b) What were the actual revenues for 2012 and 2013 and the forecast revenue for 2014?

Response:

- (a) The revenues from MicroFIT class customers are reflected in 4235 Specific Service Charges.
- (b) The actual revenue for 2012 was \$6,555.
The actual revenue for 2013 was \$8,757
The forecast revenue for 2014 is \$11,599

Revenue Requirement

Issue 7.7

Has the proposed revenue requirement been accurately determined from the operating, depreciation and tax (PILs) expenses and return on capital, less other revenues?

7.7-EP-51

Ref: Exhibit 6

Request

- (a) Please update the RRWF found in Appendix 6A to reflect any changes or corrections resulting from the interrogatory responses, as well as the updated cost of capital parameters applicable to 2014 cost of service applications as issued by the Board on November 25, 2013.
- (b) Please provide a tracking sheet showing the changes and/or corrections made to the revenue deficiency/sufficiency calculation as noted in part (a) above. For each change, please provide a reference to the associated interrogatory response that results in the change.

Response:

- (a) and (b) Please see response to 7.5-Staff-35.

7.7-Staff-34

Ref: E1-T4-S17

Veridian states that it has not deviated from the Ontario Energy Board's Minimum Filing Requirements and has not identified any changes in methodologies used in previous applications.

Request

Please explain why Veridian does not consider the modified approach described in Exhibit 6A as a "change in methodologies used in previous applications."

Response:

Veridian did not consider its RRARR proposal as a "change in methodologies used in previous applications" because the RRARR was designed to result in the same outcome in the Test Year as if the half-year rule were applied (i.e. the status quo). After further consideration, we now see how the RRARR could be interpreted as a "change in methodologies used in previous applications".

7.7-Staff-35

Ref: E6-T1-S1

Request

Upon completing all interrogatories from Board staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the previous version of the RRWF included in the middle column. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note.

Response:

In its pre-filed evidence, Veridian completed and provided in Microsoft Excel format two versions of the RRWF. One filed as E-6, T-1, S-1 Attachment 1 – 2014 Revenue Requirement Work Form (RRWF) and a second included in its November 18th, 2013 filing of supplemental material for inclusion at E-6A, T-1, S-2, Attachment 3 – 2014 Year End NFA Revenue Requirement Work Form (YE-RRWF) as requested by Board Staff.

Veridian has updated both versions of the RRWFs for corrections or adjustments in response to interrogatories and provides both in Microsoft Excel format.

Two attachments are provided with this response.

2014 RRWF – Attachment 1 – includes:

- a) Updated RRWF
- b) Documentation of all Corrections/Adjustments
- c) Updated 2014 Tax Model
- d) Updated Appendix2-CP-2013 Depreciation Expense and Appendix 2-CQ-2014 Depreciation Expense

2014 YE-RRWF – Attachment 2 – includes:

- a) Updated YE-RRWF
- b) Documentation of all Corrections/Adjustments
- c) Updated 2014 YE Tax Model
- d) Updated Full Year Depreciation Expense



Revenue Requirement Workform



Version 4.00

| | |
|--------------------|--------------------------------------|
| Utility Name | Veridian Connections Inc. |
| Service Territory | Harmonized |
| Assigned EB Number | EB-2013-0174 |
| Name and Title | Laurie McLorg, VP Financial Services |
| Phone Number | 905-427-9870 X2230 |
| Email Address | lmclorg@veridian.on.ca |

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While this model has been provided in Excel format and is required to be filed with the applications, the onus remains on the applicant to ensure the accuracy of the data and the



Revenue Requirement Workform

[1. Info](#)

[2. Table of Contents](#)

[3. Data Input Sheet](#)

[4. Rate Base](#)

[5. Utility Income](#)

[6. Taxes PILs](#)

[7. Cost of Capital](#)

[8. Rev Def Suff](#)

[9. Rev Req](#)

Notes:

- (1) Pale green cells represent inputs
- (2) Pale green boxes at the bottom of each page are for additional notes
- (3) Pale yellow cells represent drop-down lists
- (4) ***Please note that this model uses MACROS. Before starting, please ensure that macros have been enabled.***
- (5) ***Completed versions of the Revenue Requirement Work Form are required to be filed in working Microsoft Excel***



Revenue Requirement Workform

Data Input ⁽¹⁾

| | Initial Application | (2) | | (6) | Per Board Decision |
|--|---------------------|-----|-------------|-----------------|--------------------|
| 1 Rate Base | | | | | |
| Gross Fixed Assets (average) | \$425,051,718 | | | \$ 420,344,468 | \$420,344,468 |
| Accumulated Depreciation (average) | (\$224,623,747) | (5) | \$2,129,871 | (\$222,493,876) | (\$222,493,876) |
| Allowance for Working Capital: | | | | | |
| Controllable Expenses | \$28,283,692 | | \$ - | \$ 28,283,692 | \$28,283,692 |
| Cost of Power | \$284,142,396 | | \$6,562,774 | \$ 290,705,170 | \$290,705,170 |
| Working Capital Rate (%) | 13.80% | (9) | | 13.73% | 13.73% (9) |
| 2 Utility Income | | | | | |
| Operating Revenues: | | | | | |
| Distribution Revenue at Current Rates | \$49,080,522 | | \$0 | \$49,080,522 | |
| Distribution Revenue at Proposed Rates | \$52,199,570 | | \$110,394 | \$52,309,964 | |
| Other Revenue: | | | | | |
| Specific Service Charges | \$1,789,404 | | \$0 | \$1,789,404 | |
| Late Payment Charges | \$494,459 | | \$0 | \$494,459 | |
| Other Distribution Revenue | \$969,428 | | \$0 | \$969,428 | |
| Other Income and Deductions | \$514,173 | | \$0 | \$514,173 | |
| Total Revenue Offsets | \$3,767,464 | (7) | \$0 | \$3,767,464 | |
| Operating Expenses: | | | | | |
| OM+A Expenses | \$28,283,692 | | | \$ 28,283,692 | \$28,283,692 |
| Depreciation/Amortization | \$10,672,290 | | (\$74,990) | \$ 10,597,300 | \$10,597,300 |
| Property taxes | | | | | |
| Other expenses | | | | | |
| 3 Taxes/PILs | | | | | |
| Taxable Income: | | | | | |
| Adjustments required to arrive at taxable income | (\$5,142,079) | (3) | | (\$5,421,867) | |
| Utility Income Taxes and Rates: | | | | | |
| Income taxes (not grossed up) | \$822,451 | | | \$827,605 | |
| Income taxes (grossed up) | \$1,104,395 | | | \$1,111,395 | |
| Federal tax (%) | 15.00% | | | 15.00% | |
| Provincial tax (%) | 10.53% | | | 10.53% | |
| Income Tax Credits | (\$98,133) | | | (\$98,133) | |
| 4 Capitalization/Cost of Capital | | | | | |
| Capital Structure: | | | | | |
| Long-term debt Capitalization Ratio (%) | 56.0% | | 56.0% | | |
| Short-term debt Capitalization Ratio (%) | 4.0% | (8) | 4.0% | (8) | (8) |
| Common Equity Capitalization Ratio (%) | 40.0% | | 40.0% | | |
| Preferred Shares Capitalization Ratio (%) | | | | | |
| | 100.0% | | 100.0% | | |
| Cost of Capital | | | | | |
| Long-term debt Cost Rate (%) | 5.10% | | 5.05% | | |
| Short-term debt Cost Rate (%) | 2.07% | | 2.11% | | |
| Common Equity Cost Rate (%) | 8.98% | | 9.36% | | |
| Preferred Shares Cost Rate (%) | | | | | |

Notes:

- General** Data inputs are required on Sheets 3. Data from Sheet 3 will automatically complete calculations on sheets 4 through 9 (Rate Base through Revenue Requirement). Sheets 4 through 9 do not require any inputs except for notes that the Applicant may wish to enter to support the results. Pale green cells are available on sheets 4 through 9 to enter both footnotes beside key cells and the related text for the notes at the bottom of each sheet.
- (1) All inputs are in dollars (\$) except where inputs are individually identified as percentages (%)
 - (2) Data in column E is for Application as originally filed. For updated revenue requirement as a result of interrogatory responses, technical or settlement conferences, etc., use column M and Adjustments in column I
 - (3) Net of addbacks and deductions to arrive at taxable income.
 - (4) Average of Gross Fixed Assets at beginning and end of the Test Year
 - (5) Average of Accumulated Depreciation at the beginning and end of the Test Year. Enter as a negative amount.
 - (6) Select option from drop-down list by clicking on cell M10. This column allows for the application update reflecting the end of discovery or Argument-in-Chief. Also, the outcome of any Settlement Process can be reflected.
 - (7) Input total revenue offsets for deriving the base revenue requirement from the service revenue requirement
 - (8) 4.0% unless an Applicant has proposed or been approved for another amount.
 - (9) Starting with 2013, default Working Capital Allowance factor is 13% (of Cost of Power plus controllable expenses). Alternatively, WCA factor based on lead-lag study or approved WCA factor for another distributor, with supporting rationale.



Revenue Requirement Workform

Rate Base and Working Capital

| Rate Base | | | | | | | | | | |
|-----------|------------------------------------|-----|---------------------|--|---------------|--|-----------------|--|--------------------|-----------------|
| Line No. | Particulars | | Initial Application | | | | | | Per Board Decision | |
| 1 | Gross Fixed Assets (average) | (3) | \$425,051,718 | | (\$4,707,250) | | \$420,344,468 | | \$ - | \$420,344,468 |
| 2 | Accumulated Depreciation (average) | (3) | (\$224,623,747) | | \$2,129,871 | | (\$222,493,876) | | \$ - | (\$222,493,876) |
| 3 | Net Fixed Assets (average) | (3) | \$200,427,971 | | (\$2,577,379) | | \$197,850,592 | | \$ - | \$197,850,592 |
| 4 | Allowance for Working Capital | (1) | \$43,114,800 | | \$682,371 | | \$43,797,171 | | \$ - | \$43,797,171 |
| 5 | Total Rate Base | | \$243,542,771 | | (\$1,895,008) | | \$241,647,763 | | \$ - | \$241,647,763 |

(1) Allowance for Working Capital - Derivation

| | | | | | | |
|----|----------------------------|---------------|-------------|---------------|-------|---------------|
| 6 | Controllable Expenses | \$28,283,692 | \$ - | \$28,283,692 | \$ - | \$28,283,692 |
| 7 | Cost of Power | \$284,142,396 | \$6,562,774 | \$290,705,170 | \$ - | \$290,705,170 |
| 8 | Working Capital Base | \$312,426,088 | \$6,562,774 | \$318,988,862 | \$ - | \$318,988,862 |
| 9 | Working Capital Rate % (2) | 13.80% | -0.07% | 13.73% | 0.00% | 13.73% |
| 10 | Working Capital Allowance | \$43,114,800 | \$682,371 | \$43,797,171 | \$ - | \$43,797,171 |

Notes

- (2) Some Applicants may have a unique rate as a result of a lead-lag study. The default rate for 2014 cost of service applications is 13%.
 (3) Average of opening and closing balances for the year.



Revenue Requirement Workform

Utility Income

| Line No. | Particulars | Initial Application | | | | | Per Board Decision |
|----------|--|---------------------|--|-------------|--------------|------------|--------------------|
| | Operating Revenues: | | | | | | |
| 1 | Distribution Revenue (at Proposed Rates) | \$52,199,570 | | \$110,394 | \$52,309,964 | \$ - | \$52,309,964 |
| 2 | Other Revenue (1) | \$3,767,464 | | \$ - | \$3,767,464 | \$ - | \$3,767,464 |
| 3 | Total Operating Revenues | \$55,967,034 | | \$110,394 | \$56,077,428 | \$ - | \$56,077,428 |
| | Operating Expenses: | | | | | | |
| 4 | OM+A Expenses | \$28,283,692 | | \$ - | \$28,283,692 | \$ - | \$28,283,692 |
| 5 | Depreciation/Amortization | \$10,672,290 | | (\$74,990) | \$10,597,300 | \$ - | \$10,597,300 |
| 6 | Property taxes | \$ - | | \$ - | \$ - | \$ - | \$ - |
| 7 | Capital taxes | \$ - | | \$ - | \$ - | \$ - | \$ - |
| 8 | Other expense | \$ - | | \$ - | \$ - | \$ - | \$ - |
| 9 | Subtotal (lines 4 to 8) | \$38,955,982 | | (\$74,990) | \$38,880,992 | \$ - | \$38,880,992 |
| 10 | Deemed Interest Expense | \$7,158,599 | | (\$120,849) | \$7,037,749 | \$65,148 | \$7,102,898 |
| 11 | Total Expenses (lines 9 to 10) | \$46,114,581 | | (\$195,839) | \$45,918,741 | \$65,148 | \$45,983,890 |
| 12 | Utility income before income taxes | \$9,852,453 | | \$306,233 | \$10,158,687 | (\$65,148) | \$10,093,538 |
| 13 | Income taxes (grossed-up) | \$1,104,395 | | \$6,999 | \$1,111,395 | \$ - | \$1,111,395 |
| 14 | Utility net income | \$8,748,058 | | \$299,234 | \$9,047,292 | (\$65,148) | \$8,982,144 |

Notes

Other Revenues / Revenue Offsets

| | | | | | | | |
|-----|-----------------------------|-------------|--|------|-------------|------|-------------|
| (1) | Specific Service Charges | \$1,789,404 | | \$ - | \$1,789,404 | | \$1,789,404 |
| | Late Payment Charges | \$494,459 | | \$ - | \$494,459 | | \$494,459 |
| | Other Distribution Revenue | \$969,428 | | \$ - | \$969,428 | | \$969,428 |
| | Other Income and Deductions | \$514,173 | | \$ - | \$514,173 | | \$514,173 |
| | Total Revenue Offsets | \$3,767,464 | | \$ - | \$3,767,464 | \$ - | \$3,767,464 |



Revenue Requirement Workform

Taxes/PILs

| Line No. | Particulars | Application | | | | Per Board Decision | |
|--|--|--------------------|--|--------------------|--|--------------------|--|
| <u>Determination of Taxable Income</u> | | | | | | | |
| 1 | Utility net income before taxes | \$8,748,056 | | \$9,047,292 | | \$8,679,988 | |
| 2 | Adjustments required to arrive at taxable utility income | (\$5,142,079) | | (\$5,421,867) | | (\$5,142,079) | |
| 3 | Taxable income | <u>\$3,605,977</u> | | <u>\$3,625,425</u> | | <u>\$3,537,909</u> | |
| <u>Calculation of Utility income Taxes</u> | | | | | | | |
| 4 | Income taxes | <u>\$822,451</u> | | <u>\$827,605</u> | | <u>\$827,605</u> | |
| 6 | Total taxes | <u>\$822,451</u> | | <u>\$827,605</u> | | <u>\$827,605</u> | |
| 7 | Gross-up of Income Taxes | <u>\$281,944</u> | | <u>\$283,790</u> | | <u>\$283,790</u> | |
| 8 | Grossed-up Income Taxes | <u>\$1,104,395</u> | | <u>\$1,111,395</u> | | <u>\$1,111,395</u> | |
| 9 | PILs / tax Allowance (Grossed-up Income taxes + Capital taxes) | <u>\$1,104,395</u> | | <u>\$1,111,395</u> | | <u>\$1,111,395</u> | |
| 10 | Other tax Credits | (\$98,133) | | (\$98,133) | | (\$98,133) | |
| <u>Tax Rates</u> | | | | | | | |
| 11 | Federal tax (%) | 15.00% | | 15.00% | | 15.00% | |
| 12 | Provincial tax (%) | <u>10.53%</u> | | <u>10.53%</u> | | <u>10.53%</u> | |
| 13 | Total tax rate (%) | <u>25.53%</u> | | <u>25.53%</u> | | <u>25.53%</u> | |

Notes



Revenue Requirement Workform

Capitalization/Cost of Capital

| Line No. | Particulars | Capitalization Ratio | | Cost Rate | | Return |
|----------|------------------|----------------------|---------------|-----------|--|--------------|
| | | Initial Application | | | | |
| | | (%) | (\$) | (%) | | (\$) |
| | Debt | | | | | |
| 1 | Long-term Debt | 56.00% | \$136,383,952 | 5.10% | | \$6,956,945 |
| 2 | Short-term Debt | 4.00% | \$9,741,711 | 2.07% | | \$201,653 |
| 3 | Total Debt | 60.00% | \$146,125,663 | 4.90% | | \$7,158,599 |
| | Equity | | | | | |
| 4 | Common Equity | 40.00% | \$97,417,108 | 8.98% | | \$8,748,056 |
| 5 | Preferred Shares | 0.00% | \$ - | 0.00% | | \$ - |
| 6 | Total Equity | 40.00% | \$97,417,108 | 8.98% | | \$8,748,056 |
| 7 | Total | 100.00% | \$243,542,771 | 6.53% | | \$15,906,655 |
| | | Per Board Decision | | | | |
| | | (%) | (\$) | (%) | | (\$) |
| | Debt | | | | | |
| 1 | Long-term Debt | 56.00% | \$135,322,747 | 5.05% | | \$6,833,799 |
| 2 | Short-term Debt | 4.00% | \$9,665,911 | 2.11% | | \$203,951 |
| 3 | Total Debt | 60.00% | \$144,988,658 | 4.85% | | \$7,037,749 |
| | Equity | | | | | |
| 4 | Common Equity | 40.00% | \$96,659,105 | 9.36% | | \$9,047,292 |
| 5 | Preferred Shares | 0.00% | \$ - | 0.00% | | \$ - |
| 6 | Total Equity | 40.00% | \$96,659,105 | 9.36% | | \$9,047,292 |
| 7 | Total | 100.00% | \$241,647,763 | 6.66% | | \$16,085,042 |
| | | Per Board Decision | | | | |
| | | (%) | (\$) | (%) | | (\$) |
| | Debt | | | | | |
| 8 | Long-term Debt | 56.00% | \$135,322,747 | 5.10% | | \$6,902,813 |
| 9 | Short-term Debt | 4.00% | \$9,665,911 | 2.07% | | \$200,084 |
| 10 | Total Debt | 60.00% | \$144,988,658 | 4.90% | | \$7,102,898 |
| | Equity | | | | | |
| 11 | Common Equity | 40.00% | \$96,659,105 | 8.98% | | \$8,679,988 |
| 12 | Preferred Shares | 0.00% | \$ - | 0.00% | | \$ - |
| 13 | Total Equity | 40.00% | \$96,659,105 | 8.98% | | \$8,679,988 |
| 14 | Total | 100.00% | \$241,647,763 | 6.53% | | \$15,782,885 |

Notes

(1)

Data in column E is for Application as originally filed. For updated revenue requirement as a result of interrogatory responses, technical or settlement conferences, etc., use column M and Adjustments in column I



Revenue Requirement Workform

Revenue Deficiency/Sufficiency

| Line No. | Particulars | Initial Application | | Per Board Decision | |
|----------|--|---------------------------|----------------------|---------------------------|----------------------|
| | | At Current Approved Rates | At Proposed Rates | At Current Approved Rates | At Proposed Rates |
| 1 | Revenue Deficiency from Below | | \$3,119,042 | | \$3,229,440 |
| 2 | Distribution Revenue | \$49,080,522 | \$49,080,528 | \$49,080,522 | \$49,080,524 |
| 3 | Other Operating Revenue | \$3,767,464 | \$3,767,464 | \$3,767,464 | \$3,767,464 |
| | Offsets - net | | | | |
| 4 | Total Revenue | \$52,847,986 | \$55,967,034 | \$52,847,986 | \$56,077,428 |
| 5 | Operating Expenses | \$38,955,982 | \$38,955,982 | \$38,880,992 | \$38,880,992 |
| 6 | Deemed Interest Expense | \$7,158,599 | \$7,158,599 | \$7,037,749 | \$7,102,898 |
| 8 | Total Cost and Expenses | \$46,114,581 | \$46,114,581 | \$45,918,741 | \$45,983,890 |
| 9 | Utility Income Before Income Taxes | \$6,733,405 | \$9,852,453 | \$6,929,245 | \$10,158,687 |
| 10 | Tax Adjustments to Accounting Income per 2013 PILs model | (\$5,142,079) | (\$5,142,079) | (\$5,421,867) | (\$5,421,867) |
| 11 | Taxable Income | \$1,591,326 | \$4,710,374 | \$1,507,378 | \$4,736,820 |
| 12 | Income Tax Rate | 25.53% | 25.53% | 25.53% | 25.53% |
| 13 | Income Tax on Taxable Income | \$406,254 | \$1,202,526 | \$384,902 | \$1,209,526 |
| 14 | Income Tax Credits | (\$98,133) | (\$98,133) | (\$98,133) | (\$98,133) |
| 15 | Utility Net Income | \$6,425,284 | \$8,748,058 | \$6,642,475 | \$9,047,292 |
| 16 | Utility Rate Base | \$243,542,771 | \$243,542,771 | \$241,647,763 | \$241,647,763 |
| 17 | Deemed Equity Portion of Rate Base | \$97,417,108 | \$97,417,108 | \$96,659,105 | \$96,659,105 |
| 18 | Income/(Equity Portion of Rate Base) | 6.60% | 8.98% | 6.87% | 9.36% |
| 19 | Target Return - Equity on Rate Base | 8.98% | 8.98% | 9.36% | 9.36% |
| 20 | Deficiency/Sufficiency in Return on Equity | -2.38% | 0.00% | -2.49% | 0.00% |
| 21 | Indicated Rate of Return | 5.58% | 6.53% | 5.66% | 6.66% |
| 22 | Requested Rate of Return on Rate Base | 6.53% | 6.53% | 6.66% | 6.66% |
| 23 | Deficiency/Sufficiency in Rate of Return | -0.95% | 0.00% | -1.00% | 0.00% |
| 24 | Target Return on Equity | \$8,748,056 | \$8,748,056 | \$9,047,292 | \$9,047,292 |
| 25 | Revenue Deficiency/(Sufficiency) | \$2,322,773 | \$1 | \$2,404,817 | (\$0) |
| 26 | Gross Revenue Deficiency/(Sufficiency) | \$3,119,042 (1) | | \$3,229,440 (1) | |

Notes:

(1) Revenue Deficiency/Sufficiency divided by (1 - Tax Rate)



Revenue Requirement

| Line No. | Particulars | Application | | | | Per Board Decision | |
|----------|---|---------------------|-----|---------------------|-----|---------------------|-----|
| 1 | OM&A Expenses | \$28,283,692 | | \$28,283,692 | | \$28,283,692 | |
| 2 | Amortization/Depreciation | \$10,672,290 | | \$10,597,300 | | \$10,597,300 | |
| 3 | Property Taxes | \$ - | | | | | |
| 5 | Income Taxes (Grossed up) | \$1,104,395 | | \$1,111,395 | | \$1,111,395 | |
| 6 | Other Expenses | \$ - | | | | | |
| 7 | Return | | | | | | |
| | Deemed Interest Expense | \$7,158,599 | | \$7,037,749 | | \$7,102,898 | |
| | Return on Deemed Equity | \$8,748,056 | | \$9,047,292 | | \$8,679,988 | |
| 8 | Service Revenue Requirement (before Revenues) | <u>\$55,967,033</u> | | <u>\$56,077,428</u> | | <u>\$55,775,272</u> | |
| 9 | Revenue Offsets | \$3,767,464 | | \$3,767,464 | | \$ - | |
| 10 | Base Revenue Requirement (excluding Tranformer Owership Allowance credit adjustment) | <u>\$52,199,569</u> | | <u>\$52,309,964</u> | | <u>\$55,775,272</u> | |
| 11 | Distribution revenue | \$52,199,570 | | \$52,309,964 | | \$52,309,964 | |
| 12 | Other revenue | <u>\$3,767,464</u> | | <u>\$3,767,464</u> | | <u>\$3,767,464</u> | |
| 13 | Total revenue | <u>\$55,967,034</u> | | <u>\$56,077,428</u> | | <u>\$56,077,428</u> | |
| 14 | Difference (Total Revenue Less Distribution Revenue Requirement before Revenues) | <u>\$1</u> | (1) | <u>(\$0)</u> | (1) | <u>\$302,156</u> | (1) |

Notes

(1) Line 11 - Line 8

DOCUMENTATION ON CORRECTIONS/ADJUSTMENTS TO RRWF ARISING FROM INTERROGATORY RESPONSE

| RRWF Sheet | Item | Amount of Change | IR Reference |
|--------------------|--|--|---|
| 3.Data_Input_Sheet | Gross Fixed Assets | (\$4,707,250) | 2.1-EP-6, 7.1-CCC-27, 4.3-SEC-20 part (c) |
| | Accumulated Depreciation | \$2,129,871 | 2.1-EP-6, 7.1-CCC-27, 4.3-SEC-20 part (c) Also see updated Appendix 2-CP-2013 and CQ-2014 |
| | Cost of Power | \$6,562,774 | 7.1-EP-25 |
| | WCA | -.07% - Was 13.8% updated to 13.73% | 7.1-EP-34 |
| | Distribution Revenue at Proposed Rates | \$110,394 | Resulting difference in revenue requirement calculation |
| | Depreciation/Amortization | (\$74,990) | 2.1-EP-6, 7.1-CCC-27, 4.3-SEC-20 part (c) 2.1-EP-6, 7.1-CCC-27, 4.3-SEC-20 part (c) Also see updated Appendix 2-CP-2013 and CQ-2014 |
| | Income taxes (grossed up) | \$7,000 | 7.1-EP-41 Also see updated 2014 Tax Model |
| | Cost of Capital Parameters | | |
| | Long-term debt Cost Rate(%) | -0.05% | |
| | Short-term debt Cost Rate(%) | 0.04% | 7.5-EPP-44, 7.5-EPP-48 |
| | Common Equity Cost Rate(%) | 0.38% | |
| 4.Rate_Base | Net Fixed Assets (Average) | (\$2,577,379) | 2.1-EP-6, 7.1-CCC-27, 4.3-SEC-20 part (c) 2.1-EP-6, 7.1-CCC-27, 4.3-SEC-20 part (c) Also see updated Appendix 2-CP-2013 and CQ-2014 |
| | Allowance for Working Capital | \$682,371 | 7.1-EP-25 7.1-EP-34 |
| | Distribution Revenue at Proposed Rates | \$110,394 | |
| 5.Utility Income | | | See notes on 3.Data_Input_Sheet |
| | Depreciation/Amortization | (\$74,990) | See notes on 3.Data_Input_Sheet |
| | Deemed Interest Expense | (\$120,849) | Calculated based on other changes |
| | Income Taxes(grossed up) | \$6,999 | See notes on 3.Data_Input_Sheet |
| | Utility Net Income | \$299,234 | Calculated based on other changes |



Income Tax/PILs Workform for 2014 Filers

Version 2.0

| | |
|------------------------|-------------------------------------|
| Utility Name | Veridian Connections Inc. |
| Assigned EB Number | |
| Name and Title | UPDATED FROM INTERROGATORY RESPONSE |
| Phone Number | |
| Email Address | |
| Date | 18-Feb-14 |
| Last COS Re-based Year | 2010 |



Income Tax/PILs Workform for 2014 Filers

[1. Info](#)

- [A. Data Input Sheet](#)
- [B. Tax Rates & Exemptions](#)
- [C. Sch 8 Hist](#)
- [D. Schedule 10 CEC Hist](#)
- [E. Sch 13 Tax Reserves Hist](#)
- [F. Sch 7-1 Loss Cfwd Hist](#)
- [G. Adj. Taxable Income Historic](#)
- [H. PILs,Tax Provision Historic](#)
- [I. Schedule 8 CCA Bridge Year](#)
- [J. Schedule 10 CEC Bridge Year](#)

- [K. Sch 13 Tax Reserves Bridge](#)
- [L. Sch 7-1 Loss Cfwd Bridge](#)
- [M. Adj. Taxable Income Bridge](#)
- [N. PILs,Tax Provision Bridge](#)
- [O. Schedule 8 CCA Test Year](#)
- [P. Schedule 10 CEC Test Year](#)
- [Q Sch 13 Tax Reserve Test Year](#)
- [R. Sch 7-1 Loss Cfwd](#)
- [S. Taxable Income Test Year](#)
- [T. PILs,Tax Provision](#)

Income Tax/PILs Workform for 2014 Filers

Rate Base

\$ 241,647,763

Return on Ratebase

Deemed ShortTerm Debt %
Deemed Long Term Debt %
Deemed Equity %

4.00%
56.00%
40.00%

T \$ 9,665,911
U \$ 135,322,747
V \$ 96,659,105

$W = S * T$
 $X = S * U$
 $Y = S * V$

Short Term Interest Rate
Long Term Interest

2.11%
5.05%
9.36%

Z \$ 203,951
AA \$ 6,833,799
AB \$ 9,047,292

$AC = W * Z$
 $AD = X * AA$
 $AE = Y * AB$
 $AF = AC + AD + AE$

Return on Equity (Regulatory Income)

Return on Rate Base

\$ 16,085,042

Questions that must be answered

- Does the applicant have any Investment Tax Credits (ITC)?
- Does the applicant have any SRED Expenditures?
- Does the applicant have any Capital Gains or Losses for tax purposes?
- Does the applicant have any Capital Leases?
- Does the applicant have any Loss Carry-Forwards (non-capital or net capital)?
- Since 1999, has the applicant acquired another regulated applicant's assets?
- Did the applicant pay dividends?
If Yes, please describe what was the tax treatment in the manager's summary.
- Did the applicant elect to capitalize interest incurred on CWIP for tax purposes?

Historic

Bridge

Test Year

| | | |
|-----|-----|-----|
| Yes | Yes | Yes |
| Yes | Yes | Yes |
| No | No | No |
| No | No | No |
| No | No | No |
| Yes | Yes | Yes |
| Yes | Yes | Yes |
| Yes | Yes | Yes |



Income Tax/PILs Workform for 2014 Filers

Tax Rates Federal & Provincial As of June 20, 2012

Federal income tax

General corporate rate
Federal tax abatement
Adjusted federal rate

Rate reduction

Ontario income tax

Combined federal and Ontario

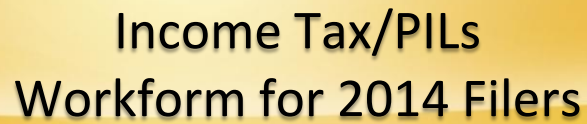
Federal & Ontario Small Business

Federal small business threshold
Ontario Small Business Threshold


Federal small business rate

Ontario small business rate

| | Effective January-01-11 | Effective January-01-12 | Effective January-01-13 | Effective January-01-14 |
|----------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| 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 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% |



| 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 |
| 13₁ | Lease # 1 | 45,531 | | 45,531 |
| 13₂ | Lease #2 | | | 0 |
| 13₃ | Lease # 3 | | | 0 |
| 13₄ | 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 |
| | | | | 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 |
| 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 |
| -Accumulated 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 |



Income Tax/PILs Workform for 2014 Filers

Schedule 7-1 Loss Carry Forward - Historic

Corporation Loss Continuity and Application

| | Total | Non-Distribution Portion | Utility Balance |
|---|-------|--------------------------|-----------------|
| Non-Capital Loss Carry Forward Deduction | | | |
| Actual Historic | 0 | | 0 |

| | Total | Non-Distribution Portion | Utility Balance |
|---|-------|--------------------------|-----------------|
| Net Capital Loss Carry Forward Deduction | | | |
| 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 Education Tax 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 |
| 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.

Regulatory Taxable Income

Wires Only

\$ 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
Rate reduction (negative)

\$ 500,000 **D**

-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
Federal tax rate
Combined tax rate

11.02%

K = J / A

15.00%

L

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) | Reduced UCC | Rate % | Bridge Year CCA | UCC End of Bridge Year |
|------------|--|--------------------------------|---------------|-------------------------|---------------------------------|--|----------------|--------|-----------------|---------------------------|
| 1 | Distribution System - post 1987 | \$ 102,134,443 | | | \$ 102,134,443 | \$ - | \$ 102,134,443 | 4% | \$ 4,085,378 | \$ 98,049,065 |
| 1 Enhanced | Non-residential Buildings Reg. 1100(1)(a.1) election | \$ 9,938,810 | \$ 761,297 | | \$ 10,700,107 | \$ 380,649 | \$ 10,319,459 | 6% | \$ 619,168 | \$ 10,080,939 |
| 2 | Distribution System - pre 1988 | \$ - | | | \$ - | \$ - | \$ - | 6% | \$ - | \$ - |
| 8 | General Office/Stores Equip | \$ 2,694,340 | \$ 1,269,114 | | \$ 3,963,454 | \$ 634,557 | \$ 3,328,897 | 20% | \$ 665,779 | \$ 3,297,675 |
| 10 | Computer Hardware/ Vehicles | \$ 2,485,450 | \$ 220,900 | | \$ 2,706,350 | \$ 110,450 | \$ 2,595,900 | 30% | \$ 778,770 | \$ 1,927,580 |
| 10.1 | Certain Automobiles | \$ 37,651 | | | \$ 37,651 | \$ - | \$ 37,651 | 30% | \$ 11,295 | \$ 26,356 |
| 12 | Computer Software | \$ 1,013,716 | \$ 1,825,306 | | \$ 2,839,022 | \$ 912,653 | \$ 1,926,369 | 100% | \$ 1,926,369 | \$ 912,653 |
| 13 1 | Lease # 1 | \$ 45,531 | | | \$ 45,531 | \$ - | \$ 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 | | | | \$ - | \$ - | \$ - | 8% | \$ - | \$ - |
| 42 | Fibre Optic Cable | \$ 4,674 | | | \$ 4,674 | \$ - | \$ 4,674 | 12% | \$ 561 | \$ 4,113 |
| 43.1 | Certain Energy-Efficient Electrical Generating Equipment | | | | \$ - | \$ - | \$ - | 30% | \$ - | \$ - |
| 43.2 | Certain Clean Energy Generation Equipment | \$ - | | | \$ - | \$ - | \$ - | 50% | \$ - | \$ - |
| 45 | Computers & Systems Software acq'd post Mar 22/04 | \$ 21,233 | | | \$ 21,233 | \$ - | \$ 21,233 | 45% | \$ 9,555 | \$ 11,678 |
| 46 | Data Network Infrastructure Equipment (acq'd post Mar 22/04) | | | | \$ - | \$ - | \$ - | 30% | \$ - | \$ - |
| 47 | Distribution System - post February 2005 | \$ 78,372,847 | \$ 13,687,196 | | \$ 92,060,043 | \$ 6,843,598 | \$ 85,216,445 | 8% | \$ 6,817,316 | \$ 85,242,727 |
| 50 | Data Network Infrastructure Equipment - post Mar 2007 | \$ 304,484 | \$ 544,005 | | \$ 848,489 | \$ 272,003 | \$ 576,487 | 55% | \$ 317,068 | \$ 531,421 |
| 52 | Computer Hardware and system software | | | | \$ - | \$ - | \$ - | 100% | \$ - | \$ - |
| 95 | CWIP | \$ 5,288,185 | | | \$ 5,288,185 | \$ - | \$ 5,288,185 | | \$ - | \$ 5,288,185 |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | TOTAL | \$ 202,341,364 | \$ 18,307,818 | \$ - | \$ 220,649,182 | \$ 9,153,909 | \$ 211,495,273 | | \$ 15,231,258 | \$ 205,417,924 |



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

8,697

Other Adjustments

0

Subtotal

8,697

$\times \frac{3}{4} =$ 6,523

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

$\times \frac{1}{2} =$ 0

6,523

6,523

Amount transferred on amalgamation or wind-up of subsidiary

0

0

Subtotal

2,526,374

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

$\times \frac{3}{4} =$

0

Cumulative Eligible Capital Balance

2,526,374

Current Year Deduction

2,526,374

$\times 7\% =$

176,846

Cumulative Eligible Capital - Closing Balance

2,349,528



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 | |
| - Accumulated 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 | 15,231,258 |
| Terminal loss from Schedule 8 | 404 | |
| Cumulative eligible capital deduction from Schedule 10 | 405 | 176,846 |
| 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 | | 17,899,375 |
| | | |
| Net Income for Tax Purposes | | 4,984,603 |
| 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 | | 4,984,603 |



Income Tax/PILs Workform for 2014 Filers

PILS Tax Provision - Bridge Year

Wires Only

Regulatory Taxable Income

\$ 4,984,603 A

Ontario Income Taxes

Income tax payable

Ontario Income Tax

11.50% B

\$

573,229 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

\$ 538,229 J = C + F

Combined Tax Rate and PILs

Effective Ontario Tax Rate

10.80%

K = J / A

Federal tax rate

15.00%

L

Combined tax rate

25.80% M = K + L

Total Income Taxes

\$ 1,285,920 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

\$ 1,130,349 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.



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} | Reduced UCC | Rate % | Test Year CCA | UCC End of Test Year |
|------------|--|-------------------------------|---------------|----------------------|------------------------------|--|----------------|--------|---------------|----------------------|
| 1 | Distribution System - post 1987 | \$ 98,049,065 | 315,000 | | \$ 98,364,065 | \$ 157,500 | \$ 98,206,565 | 4% | \$ 3,928,263 | \$ 94,435,803 |
| 1 Enhanced | Non-residential Buildings Reg. 1100(1)(a.1) election | \$ 10,080,939 | | | \$ 10,080,939 | \$ - | \$ 10,080,939 | 6% | \$ 604,856 | \$ 9,476,083 |
| 2 | Distribution System - pre 1988 | \$ - | | | \$ - | \$ - | \$ - | 6% | \$ - | \$ - |
| 8 | General Office/Stores Equip | \$ 3,297,675 | 1,767,544 | | \$ 5,065,219 | \$ 883,772 | \$ 4,181,447 | 20% | \$ 836,289 | \$ 4,228,929 |
| 10 | Computer Hardware/ Vehicles | \$ 1,927,580 | 941,000 | | \$ 2,868,580 | \$ 470,500 | \$ 2,398,080 | 30% | \$ 719,424 | \$ 2,149,156 |
| 10.1 | Certain Automobiles | \$ 26,356 | | | \$ 26,356 | \$ - | \$ 26,356 | 30% | \$ 7,907 | \$ 18,449 |
| 12 | Computer Software | \$ 912,653 | 1,941,000 | | \$ 2,853,653 | \$ 970,500 | \$ 1,883,153 | 100% | \$ 1,883,153 | \$ 970,500 |
| 13 1 | Lease # 1 | \$ 45,531 | | | \$ 45,531 | \$ - | \$ 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 | \$ - | | | \$ - | \$ - | \$ - | 8% | \$ - | \$ - |
| 42 | Fibre Optic Cable | \$ 4,113 | | | \$ 4,113 | \$ - | \$ 4,113 | 12% | \$ 494 | \$ 3,620 |
| 43.1 | Certain Energy-Efficient Electrical Generating Equipment | \$ - | | | \$ - | \$ - | \$ - | 30% | \$ - | \$ - |
| 43.2 | Certain Clean Energy Generation Equipment | \$ - | | | \$ - | \$ - | \$ - | 50% | \$ - | \$ - |
| 45 | Computers & Systems Software acq'd post Mar 22/04 | \$ 11,678 | | | \$ 11,678 | \$ - | \$ 11,678 | 45% | \$ 5,255 | \$ 6,423 |
| 46 | Data Network Infrastructure Equipment (acq'd post Mar 22/04) | \$ - | | | \$ - | \$ - | \$ - | 30% | \$ - | \$ - |
| 47 | Distribution System - post February 2005 | \$ 85,242,727 | 24,720,100 | -4,419,562 | \$ 105,543,265 | \$ 10,150,269 | \$ 95,392,996 | 8% | \$ 7,631,440 | \$ 97,911,826 |
| 50 | Data Network Infrastructure Equipment - post Mar 2007 | \$ 531,421 | 434,000 | | \$ 965,421 | \$ 217,000 | \$ 748,421 | 55% | \$ 411,632 | \$ 553,790 |
| 52 | Computer Hardware and system software | \$ - | | | \$ - | \$ - | \$ - | 100% | \$ - | \$ - |
| 95 | CWIP | \$ 5,288,185 | | | \$ 5,288,185 | \$ - | \$ 5,288,185 | 0% | \$ - | \$ 5,288,185 |
| | | | | | \$ - | \$ - | \$ - | 0% | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | 0% | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | 0% | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | 0% | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | 0% | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | 0% | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | 0% | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | 0% | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | 0% | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | 0% | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | 0% | \$ - | \$ - |
| | TOTAL | \$ 205,417,924 | \$ 30,118,644 | -\$ 4,419,562 | \$ 231,117,006 | \$ 12,849,541 | \$ 218,267,465 | | \$ 16,028,712 | \$ 215,088,294 |



Income Tax/PILs Workform for 2014 Filers

Schedule 10 CEC - Test Year

Cumulative Eligible Capital

2,349,528

Additions

Cost of Eligible Capital Property Acquired during Test Year

20,000

Other Adjustments

0

Subtotal 20,000

x 3/4 = 15,000

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

15,000

15,000

Amount transferred on amalgamation or wind-up of subsidiary

0

0

Subtotal

2,364,528

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

2,364,528

Current Year Deduction (Carry Forward to Tab "Test Year Taxable Income")

2,364,528

x 7% =

165,517

Cumulative Eligible Capital - Closing Balance

2,199,011



Income Tax/PILs Workform for 2014 Filers

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 | | Balance for Test 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: | 2,212,350 | | 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 | |
| -Accumulated 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 |



Income Tax/PILs Workform for 2014 Filers

Schedule 7-1 Loss Carry Forward - Test Year

Corporation Loss Continuity and Application

| | Total | Non-Distribution Portion | Utility Balance |
|--|-------|--------------------------|-----------------|
| Non-Capital Loss Carry Forward Deduction | | | |
| 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 |

| | Total | Non-Distribution Portion | Utility Balance |
|--|-------|--------------------------|-----------------|
| Net Capital Loss Carry Forward Deduction | | | |
| 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

| | Test Year Taxable Income |
|--------------------------------|--------------------------------|
| Net Income Before Taxes | 9,047,292 |

| | T2 S1 line # | |
|---|--------------|------------|
| Additions: | | |
| Interest and penalties on taxes | 103 | |
| Amortization of tangible assets <i>2-4 ADJUSTED ACCOUNTING DATA P489</i> | 104 | 10,597,300 |
| Amortization of intangible assets <i>2-4 ADJUSTED ACCOUNTING DATA P490</i> | 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 | |
| <i>Other Additions: (please explain in detail the nature of the item)</i> | | |
| 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 | | 604,032 |
| Apprenticeship and Co-operative Education Tax Credits | | 99,546 |
| OITC/ORDTC from prior year-12(1)(x)-4.5% of proxy | | 5,187 |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| Total Additions | | 13,732,105 |
| Deductions: | | |
| Gain on disposal of assets per financial statements | 401 | |
| Dividends not taxable under section 83 | 402 | |
| Capital cost allowance from Schedule 8 | 403 | 16,028,712 |
| Terminal loss from Schedule 8 | 404 | |
| Cumulative eligible capital deduction from Schedule 10 CEC | 405 | 165,517 |
| 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 | |
| <i>Other deductions: (Please explain in detail the nature of the item)</i> | | |
| 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 | | 475,000 |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| Total Deductions | | 19,153,972 |
| | | |
| NET INCOME FOR TAX PURPOSES | | 3,625,425 |
| | | |
| 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 | | 3,625,425 |

Income Tax/PILs Workform for 2014 Filers

PILs Tax Provision - Test Year

Wires Only

Regulatory Taxable Income

\$ 3,625,425 A

Ontario Income Taxes

Income tax payable

Ontario Income Tax

11.50% B

\$

416,924 C = A * B

Small business credit

Ontario Small Business Threshold
Rate reduction

\$ 500,000 D

-7.00% E

-\$

35,000 F = D * E

Ontario Income tax

\$ 381,924 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

\$ 925,738 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

\$ 827,605 R = N - Q

Corporate PILs/Income Tax Provision Gross Up ¹

74.47%

S = 1 - M

\$ 283,790 T = R / S - R

Income Tax (grossed-up)

\$ 1,111,395 U = R + T

Note:

1. This is for the derivation of revenue requirement and should not be used for sufficiency/deficiency calculations.

**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 UPDATED FOR 2013 ACTUALS

| 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 Depreciation + ((d)*0.5)/(f) | 2013 Depreciation Expense per Appendix 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 | \$ 203,593 | 3.00 | 33.33% | \$ 281,223 | \$ 281,223 | \$ - | \$ 67,864 | \$ 85,971 | \$ 229,184 |
| 1611-01 | Computer Software (Formally known as Account 1925) - Acquired | \$ 1,634,282 | 3.00 | 33.33% | \$ 462,714 | | \$ 462,714 | \$ 544,761 | \$ - | \$ 735,094 |
| 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 | \$ 191,024 | 5.00 | 20.00% | \$ 58,026 | | \$ 58,026 | \$ 38,205 | \$ - | \$ 77,128 |
| 1611-02 | Computer Software (Formally known as Account 1925) - Internally generated | | | 0.00% | \$ 288,618 | \$ 2,447,727 | \$ -2,159,109 | \$ - | \$ - | \$ 288,618 |
| 1612 | Land Rights (Formally known as Account 1906) | \$ 8,697 | 50.00 | 2.00% | \$ 10,933 | \$ 10,933 | \$ 0 | \$ 174 | \$ - | \$ 11,020 |
| 1805 | Land | | | 0.00% | \$ - | | \$ - | \$ - | \$ - | \$ - |
| 1808 | Buildings | | 50.00 | 2.00% | \$ 5,566 | \$ 5,566 | \$ - | \$ - | \$ - | \$ 5,566 |
| 1810 | Leasehold Improvements | | | 0.00% | \$ - | | \$ - | \$ - | \$ - | \$ - |
| 1815 | Transformer Station Equipment >50 kV | | | 0.00% | \$ 4,821 | \$ 4,821 | \$ - | \$ - | \$ - | \$ 4,821 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 1,358,047 | 40.00 | 2.50% | \$ 43,780 | | \$ 43,780 | \$ 33,951 | \$ - | \$ 60,756 |
| 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 |

**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 UPDATED FOR 2013 ACTUALS

| 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 Depreciation + ((d)*0.5)/(f) | 2013 Depreciation Expense per Appendix 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) |
|---------|---|----------------------|---------------------------------------|---|---|---|--|---|---|---|
| 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 | \$ 129,417 | 40.00 | 2.50% | \$ 5,011 | | \$ 5,011 | \$ 3,235 | \$ - | \$ 6,628 |
| 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 |

**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 UPDATED FOR 2013 ACTUALS

| 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 Depreciation + ((d)*0.5)/(f) | 2013 Depreciation Expense per Appendix 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) |
|---------|---|----------------------|---------------------------------------|---|---|---|--|---|---|---|
| 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 | \$ 104,606 | 40.00 | 2.50% | \$ 4,182 | | \$ 4,182 | \$ 2,615 | \$ - | \$ 5,490 |
| 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 | \$ 110,907 | 25.00 | 4.00% | \$ 11,041 | | \$ 11,041 | \$ 4,436 | \$ - | \$ 13,259 |
| 1820-04 | Distribution Station Equipment <50 kV-Breaker & Relay | | | 0.00% | \$ 1,941 | | \$ 1,941 | \$ - | \$ - | \$ 1,941 |

**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 UPDATED FOR 2013 ACTUALS

| 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 Depreciation + ((d)*0.5)/(f) | 2013 Depreciation Expense per Appendix 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) |
|---------|---|----------------------|---------------------------------------|---|---|---|--|---|---|---|
| 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 | \$ 322,093 | 60.00 | 1.67% | \$ 7,046 | | \$ 7,046 | \$ 5,368 | \$ - | \$ 9,730 |
| 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 |

**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 UPDATED FOR 2013 ACTUALS

| 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 Depreciation + ((d)*0.5)/(f) | 2013 Depreciation Expense per Appendix 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) |
|---------|---|----------------------|---------------------------------------|---|---|---|--|---|---|---|
| 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 | \$ 217,546 | 40.00 | 2.50% | \$ 5,567 | | \$ 5,567 | \$ 5,439 | \$ - | \$ 8,287 |
| 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 | \$ 7,814 | 25.00 | 4.00% | \$ 23,059 | | \$ 23,059 | \$ 313 | \$ - | \$ 23,215 |
| 1820-07 | Distribution Station Equipment <50 kV-Wholesale Meters | | | 0.00% | \$ 75,316 | \$ 740,798 | \$ 665,482 | \$ - | \$ - | \$ 75,316 |
| 1825 | Storage Battery Equipment | | | 0.00% | \$ - | | \$ - | \$ - | \$ - | \$ - |

**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 UPDATED FOR 2013 ACTUALS

| 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 Depreciation + ((d)*0.5)/(f) | 2013 Depreciation Expense per Appendix 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) |
|---------|-----------------------------------|----------------------|---------------------------------------|---|---|---|--|---|---|---|
| 1830-01 | Poles, Towers & Fixtures-wood | \$ 2,981,819 | 40.00 | 2.50% | \$ 120,030 | | \$ 120,030 | \$ 74,545 | \$ - | \$ 157,303 |
| 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 | \$ 278,814 | 60.00 | 1.67% | \$ 7,090 | | \$ 7,090 | \$ 4,647 | \$ - | \$ 9,413 |
| 1830-02 | Poles, Towers & Fixtures-concrete | | | 0.00% | \$ 18,890 | | \$ 18,890 | \$ - | \$ - | \$ 18,890 |
| 1830-02 | Poles, Towers & Fixtures-concrete | | | 0.00% | \$ 31,290 | \$ 781,879 | \$ 750,589 | \$ - | \$ - | \$ 31,290 |
| 1835-01 | Overhead Conductors | \$ 1,941,643 | 60.00 | 1.67% | \$ 62,831 | | \$ 62,831 | \$ 32,361 | \$ - | \$ 79,011 |
| 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 | \$ 292,057 | 20.00 | 5.00% | \$ 17,394 | | \$ 17,394 | \$ 14,603 | \$ - | \$ 24,696 |
| 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 | \$ 261,622 | 40.00 | 2.50% | \$ 7,920 | | \$ 7,920 | \$ 6,541 | \$ - | \$ 11,190 |
| 1835-03 | Overhead Disconnect | | | 0.00% | \$ 7,627 | | \$ 7,627 | \$ - | \$ - | \$ 7,627 |
| 1835-03 | Overhead Disconnect | | | 0.00% | \$ 73,945 | \$ 1,042,307 | \$ 968,362 | \$ - | \$ - | \$ 73,945 |
| 1840 | Underground Conduit | \$ 2,313,207 | 60.00 | 1.67% | \$ 80,177 | | \$ 80,177 | \$ 38,553 | \$ - | \$ 99,454 |
| 1840 | Underground Conduit | | | 0.00% | \$ 12,717 | | \$ 12,717 | \$ - | \$ - | \$ 12,717 |
| 1840 | Underground Conduit | | | 0.00% | \$ 406,766 | \$ 499,660 | \$ 92,894 | \$ - | \$ - | \$ 406,766 |
| 1845-01 | Underground Conductors | \$ 2,667,059 | 40.00 | 2.50% | \$ 138,437 | | \$ 138,437 | \$ 66,676 | \$ - | \$ 171,775 |
| 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 | \$ 112,030 | 25.00 | 4.00% | \$ 246,491 | \$ 904,395 | \$ 657,904 | \$ 4,481 | \$ - | \$ 248,732 |
| 1850-01 | Line Transformers-Padmount | \$ 2,133,852 | 30.00 | 3.33% | \$ 1,464,730 | | \$ 1,464,730 | \$ 71,128 | \$ - | \$ 1,500,294 |
| 1850-02 | Line Transformers-Polemount | \$ 894,790 | 40.00 | 2.50% | \$ 146,221 | \$ 1,610,950 | \$ 1,464,729 | \$ 22,370 | \$ - | \$ 157,406 |
| 1855-01 | Services -Overhead | \$ 1,321,552 | 50.00 | 2.00% | \$ 285,160 | | \$ 285,160 | \$ 26,431 | \$ - | \$ 298,376 |
| 1855-02 | Services - Underground | \$ 844,490 | 40.00 | 2.50% | \$ 278,572 | \$ 563,732 | \$ 285,160 | \$ 21,112 | \$ - | \$ 289,128 |
| 1860-01 | Meters - Smart Meters | \$ 612,500 | 15.00 | 6.67% | \$ 353,460 | | \$ 353,460 | \$ 40,833 | \$ - | \$ 373,877 |
| 1860-01 | Meters - Smart Meters | | | 0.00% | \$ 447,531 | | \$ 447,531 | \$ - | \$ - | \$ 447,531 |
| 1860-02 | Meters - Stranded Meters | | | 0.00% | \$ 254,992 | | \$ 254,992 | \$ - | \$ 254,992 | \$ - |
| 1860-03 | Meters - Collectors | \$ 25,717 | 15.00 | 6.67% | \$ 151,268 | | \$ 151,268 | \$ 1,714 | \$ - | \$ 152,125 |
| 1860-03 | Meters - Collectors | | | 0.00% | \$ 23,656 | | \$ 23,656 | \$ - | \$ - | \$ 23,656 |
| 1860-04 | Meters - Interval | \$ 192,596 | 25.00 | 4.00% | \$ 28,255 | \$ 1,259,163 | \$ 1,230,908 | \$ 7,704 | \$ - | \$ 32,107 |
| 1905 | Land | | | 0.00% | \$ - | | \$ - | \$ - | \$ - | \$ - |
| 1908-01 | Buildings - Structure | \$ 261,838 | 50.00 | 2.00% | \$ 156,050 | | \$ 156,050 | \$ 5,237 | \$ - | \$ 158,668 |
| 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 | \$ 299,262 | 25.00 | 4.00% | \$ 19,013 | | \$ 19,013 | \$ 11,970 | \$ - | \$ 24,998 |
| 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 | \$ 107,580 | 15.00 | 6.67% | \$ 33,053 | | \$ 33,053 | \$ 7,172 | \$ - | \$ 36,639 |
| 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 |

**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 UPDATED FOR 2013 ACTUALS

| 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 Depreciation + ((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) |
|---------|--|----------------------|---------------------------------------|---|---|--|--|---|---|---|
| 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 | \$ 92,617 | 25.00 | 4.00% | \$ 3,060 | | \$ 3,060 | \$ 3,705 | \$ - | \$ 4,912 |
| 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% | \$ - | \$ 1,113,946 | \$ 1,113,946 | \$ - | \$ - | \$ - |
| 1910 | Leasehold Improvements | | | 0.00% | \$ - | | \$ - | \$ - | \$ - | \$ - |
| 1915 | Office Furniture & Equipment | \$ 28,349 | 10.00 | 10.00% | \$ 204,411 | \$ 204,411 | \$ 0 | \$ 2,835 | \$ - | \$ 205,828 |
| 1920-01 | Computer Equipment - Hardware - Servers/Others | \$ 486,562 | 5.00 | 20.00% | \$ 67,006 | | \$ 67,006 | \$ 97,312 | \$ - | \$ 115,662 |
| 1920-01 | Computer Equipment - Hardware - Servers/Others | | | 0.00% | \$ 237,671 | | \$ 237,671 | \$ - | \$ - | \$ 237,671 |
| 1920 | Computer Equip.-Hardware-Desktops | \$ 23,546 | 4.00 | 25.00% | \$ 133,269 | | \$ 133,269 | \$ 5,886 | \$ 111,717 | \$ 24,495 |
| 1920 | Computer Equip.-Hardware-laptops | \$ 33,897 | 3.00 | 33.33% | \$ 39,532 | \$ 477,478 | \$ 437,946 | \$ 11,299 | \$ 24,155 | \$ 21,027 |
| 1930-01 | Transportation Equipment-Light Vehicles | \$ 137,657 | 6.00 | 16.67% | \$ 32,947 | | \$ 32,947 | \$ 22,943 | \$ - | \$ 44,419 |
| 1930-02 | Transportation Equipment-Bucket Trucks | | | 0.00% | \$ 22,815 | | \$ 22,815 | \$ - | \$ - | \$ 22,815 |
| 1930-03 | Transportation Equipment Heavy Duty Trucks | \$ 83,246 | 15.00 | 6.67% | \$ 11,178 | | \$ 11,178 | \$ 5,550 | \$ - | \$ 13,953 |
| 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 | \$ 551,785 | \$ 545,238 | \$ - | \$ - | \$ 6,547 |
| 1935 | Stores Equipment | | | 0.00% | \$ 1,151 | \$ 1,151 | \$ 0 | \$ - | \$ - | \$ 1,151 |
| 1940 | Tools, Shop & Garage Equipment | \$ 126,655 | 10.00 | 10.00% | \$ 41,016 | \$ 41,016 | \$ - | \$ 12,666 | \$ - | \$ 47,349 |
| 1945 | Measurement & Testing Equipment | | 10.00 | 10.00% | \$ 6,020 | \$ 6,020 | \$ - | \$ - | \$ - | \$ 6,020 |
| 1950 | Power Operated Equipment | | | 0.00% | \$ - | | \$ - | \$ - | \$ - | \$ - |
| 1955 | Communications Equipment | \$ 317,800 | 10.00 | 10.00% | \$ 51,160 | \$ 51,160 | \$ - | \$ 31,780 | \$ - | \$ 67,050 |
| 1955 | Communication Equipment (Smart Meters) | | | 0.00% | \$ - | | \$ - | \$ - | \$ - | \$ - |
| 1960 | Miscellaneous Equipment | \$ 59,850 | 10.00 | 10.00% | \$ 34,903 | \$ 34,903 | \$ - | \$ 5,985 | \$ - | \$ 37,896 |
| 1970 | Load Management Controls - Customer Premises | | | 0.00% | \$ - | | \$ - | \$ - | \$ - | \$ - |
| 1975 | Load Management Controls Utility Premises | | | 0.00% | \$ - | | \$ - | \$ - | \$ - | \$ - |
| 1980 | System Supervisor Equipment | \$ 736,460 | 15.00 | 6.67% | \$ 263,530 | \$ 263,530 | \$ - | \$ 49,097 | \$ - | \$ 288,079 |

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 UPDATED FOR 2013 ACTUALS

| 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 Depreciation + ((d)*0.5)/(f) | 2013 Depreciation Expense per Appendix 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) |
|---------|-----------------------------------|----------------------|-----------------------------------|---|---|---|--|---|---|---|
| 1985 | Miscellaneous Fixed Assets | | | 0.00% | \$ - | | \$ - | \$ - | \$ - | \$ - |
| 1990 | Other Tangible Property | | | 0.00% | \$ - | | \$ - | \$ - | \$ - | \$ - |
| 1995 | Contributions & Grants | -\$ 5,269,983 | 30.00 | 3.33% | -\$ 288,060 | -\$ 1,668,233 | \$ 1,380,173 | -\$ 175,666 | \$ - | -\$ 375,893 |
| 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 | | -\$ 66,759 | \$ - | \$ - | -\$ 66,759 |
| 1995 | Contributions & Grants | | | 0.00% | \$ - | | \$ - | \$ - | \$ - | \$ - |
| 1995 | Contributions & Grants | | | 0.00% | \$ - | | \$ - | \$ - | \$ - | \$ - |
| etc. | | | | 0.00% | \$ - | | \$ - | \$ - | \$ - | \$ - |
| | | | | 0.00% | \$ - | | \$ - | \$ - | \$ - | \$ - |
| | Total | \$ 18,687,108 | | | \$ 11,230,320 | \$ 11,230,321 | -\$ 0 | \$ 1,237,833 | \$ 1,430,936 | \$ 10,418,301 |
| | Less: Disposal of Stranded Meters | \$ (8,461,023) | | | \$ (4,041,461) | | | | | |
| | Net Additions | \$ 10,226,085 | | | \$ 7,188,859 | | | | | |

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 UPDATED FOR 2013 ACTUALS AND REVISED 2014 FORECAST

| 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 | \$ 475,000 | 3.00 | 33.33% | \$ 308,351 | \$ 308,351 | \$ - |
| 1611-01 | Computer Software (Formally known as Account 1925) - Acquired | \$ 970,500 | 3.00 | 33.33% | \$ 896,844 | \$ 2,102,786 | -\$ 1,205,942 |
| 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 | \$ 970,500 | 5.00 | 20.00% | \$ 174,178 | | \$ 174,178 |
| 1611-02 | Computer Software (Formally known as Account 1925) - Internally generated | | | 0.00% | \$ 288,618 | | \$ 288,618 |
| 1612 | Land Rights (Formally known as Account 1906) | | | 0.00% | \$ 11,020 | \$ 11,020 | \$ - |
| 1805 | Land | \$ 20,000 | - | 0.00% | \$ - | | \$ - |
| 1808 | Buildings | | | 0.00% | \$ 5,566 | \$ 5,566 | \$ - |
| 1810 | Leasehold Improvements | | | 0.00% | \$ - | | \$ - |
| 1815 | Transformer Station Equipment >50 kV | | | 0.00% | \$ 4,821 | \$ 4,821 | \$ - |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 2,539,844 | 40.00 | 2.50% | \$ 92,504 | | \$ 92,504 |
| 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 | \$ 131,280 | 40.00 | 2.50% | \$ 8,269 | | \$ 8,269 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | | | 0.00% | \$ 2,470 | | \$ 2,470 |

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 **UPDATED FOR 2013 ACTUALS AND REVISED 2014 FORECAST**

| Account | Description | Additions | Years (new additions only) | Depreciation Rate on New Additions | 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) |
|---------|---|------------|----------------------------|------------------------------------|---|---|--|
| | | (d) | (f) | (g) = 1 / (f) | | | |
| 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 | \$ 134,551 | 40.00 | 2.50% | \$ 7,172 | | \$ 7,172 |
| 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 |

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 **UPDATED FOR 2013 ACTUALS AND REVISED 2014 FORECAST**

| Account | Description | Additions | Years (new additions only) | Depreciation Rate on New Additions | 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) |
|---------|---|--------------|----------------------------|------------------------------------|---|---|--|
| | | (d) | (f) | (g) = 1 / (f) | | | |
| 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 | \$ 1,167,813 | 25.00 | 4.00% | \$ 36,615 | | \$ 36,615 |
| 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 | \$ 775,000 | 60.00 | 1.67% | \$ 16,188 | | \$ 16,188 |
| 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 |

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 **UPDATED FOR 2013 ACTUALS AND REVISED 2014 FORECAST**

| Account | Description | Additions | Years (new additions only) | Depreciation Rate on New Additions | 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) |
|---------|---|--------------|----------------------------|------------------------------------|---|---|--|
| | | (d) | (f) | (g) = 1 / (f) | | | |
| 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 | \$ 184,525 | 40.00 | 2.50% | \$ 10,593 | | \$ 10,593 |
| 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% | \$ 23,215 | | \$ 23,215 |
| 1820-07 | Distribution Station Equipment <50 kV-Wholesale Meters | | | 0.00% | \$ 75,316 | \$ 826,925 | -\$ 751,609 |
| 1825 | Storage Battery Equipment | | | 0.00% | \$ - | | \$ - |
| 1830-01 | Poles, Towers & Fixtures-wood | \$ 6,451,407 | 40.00 | 2.50% | \$ 237,945 | | \$ 237,945 |
| 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 | \$ 255,970 | 60.00 | 1.67% | \$ 11,546 | | \$ 11,546 |
| 1830-02 | Poles, Towers & Fixtures-concrete | | | 0.00% | \$ 18,890 | | \$ 18,890 |
| 1830-02 | Poles, Towers & Fixtures-concrete | | | 0.00% | \$ 31,290 | \$ 904,251 | -\$ 872,961 |
| 1835-01 | Overhead Conductors | \$ 3,924,938 | 60.00 | 1.67% | \$ 111,719 | | \$ 111,719 |
| 1835-01 | Overhead Conductors | | | 0.00% | \$ 26,476 | | \$ 26,476 |
| 1835-01 | Overhead Conductors | | | 0.00% | \$ 350,640 | | \$ 350,640 |
| 1835-02 | Overhead LIS | \$ 942,179 | 20.00 | 5.00% | \$ 48,250 | | \$ 48,250 |

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 **UPDATED FOR 2013 ACTUALS AND REVISED 2014 FORECAST**

| 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) |
|---------|--|----------------------|---|---|---|---|--|
| 1835-02 | Overhead LIS | | | 0.00% | \$ 233,381 | | \$ 233,381 |
| 1835-02 | Overhead LIS | | | 0.00% | \$ 262,093 | | \$ 262,093 |
| 1835-03 | Overhead Disconnect | \$ 598,875 | 40.00 | 2.50% | \$ 18,676 | | \$ 18,676 |
| 1835-03 | Overhead Disconnect | | | 0.00% | \$ 7,627 | | \$ 7,627 |
| 1835-03 | Overhead Disconnect | | | 0.00% | \$ 73,945 | \$ 1,132,807 | -\$ 1,058,862 |
| 1840 | Underground Conduit | \$ 4,752,478 | 60.00 | 1.67% | \$ 139,058 | | \$ 139,058 |
| 1840 | Underground Conduit | | | 0.00% | \$ 12,717 | \$ 558,541 | -\$ 545,824 |
| 1840 | Underground Conduit | | | 0.00% | \$ 406,766 | | \$ 406,766 |
| 1845-01 | Underground Conductors | \$ 4,383,434 | 40.00 | 2.50% | \$ 226,568 | \$ 1,017,866 | -\$ 791,298 |
| 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 | \$ 1,154,986 | 25.00 | 4.00% | \$ 271,831 | | \$ 271,831 |
| 1850-01 | Line Transformers-Padmount | \$ 3,938,208 | 30.00 | 3.33% | \$ 1,565,931 | \$ 1,738,070 | -\$ 172,139 |
| 1850-02 | Line Transformers-Polemount | \$ 1,178,662 | 40.00 | 2.50% | \$ 172,139 | | \$ 172,139 |
| 1855-01 | Services -Overhead | \$ 933,468 | 50.00 | 2.00% | \$ 307,710 | \$ 617,572 | -\$ 309,862 |
| 1855-02 | Services - Underground | \$ 1,658,675 | 40.00 | 2.50% | \$ 309,862 | | \$ 309,862 |
| 1860-01 | Meters - Smart Meters | \$ 404,490 | 15.00 | 6.67% | \$ 387,360 | | \$ 387,360 |
| 1860-01 | Meters - Smart Meters | | | 0.00% | \$ 447,531 | \$ 1,045,496 | -\$ 597,965 |
| 1860-02 | Meters - Stranded Meters | | | 0.00% | \$ - | | \$ - |
| 1860-03 | Meters - Collectors | \$ 81,500 | 15.00 | 6.67% | \$ 154,842 | | \$ 154,842 |
| 1860-03 | Meters - Collectors | | | 0.00% | \$ 23,656 | | \$ 23,656 |
| 1860-04 | Meters - Interval | | 25.00 | 4.00% | \$ 32,107 | | \$ 32,107 |
| 1905 | Land | | | 0.00% | \$ - | | \$ - |
| 1908-01 | Buildings - Structure | \$ 25,000 | 50.00 | 2.00% | \$ 158,918 | \$ 1,092,752 | -\$ 933,834 |
| 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% | \$ 26,798 | | \$ 26,798 |
| 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% | \$ 40,972 | | \$ 40,972 |
| 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% | \$ 6,312 | | \$ 6,312 |
| 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% | \$ - | | \$ - |
| 1910 | Leasehold Improvements | | | 0.00% | \$ - | | \$ - |
| 1915 | Office Furniture & Equipment | \$ 35,000 | 10.00 | 10.00% | \$ 207,578 | \$ 207,578 | \$ 0 |
| 1920-01 | Computer Equipment - Hardware - Servers/Others | \$ 434,000 | 5.00 | 20.00% | \$ 159,062 | \$ 442,256 | -\$ 283,194 |
| 1920-01 | Computer Equipment - Hardware - Servers/Others | | | 0.00% | \$ 237,671 | | \$ 237,671 |
| 1920 | Computer Equip.-Hardware-Desktops | | | 0.00% | \$ 24,495 | | \$ 24,495 |
| 1920 | Computer Equip.-Hardware-laptops | | | 0.00% | \$ 21,027 | | \$ 21,027 |
| 1930-01 | Transportation Equipment-Light Vehicles | \$ 200,000 | 6.00 | 16.67% | \$ 61,085 | | \$ 61,085 |
| 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% | \$ 23,653 | | \$ 23,653 |
| 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 |

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 **UPDATED FOR 2013 ACTUALS AND REVISED 2014 FORECAST**

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|--|--|----------------------|----------------------------|------------------------------------|---|---|--|
| | | (d) | (f) | (g) = 1 / (f) | | | |
| 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 | \$ 604,032 | -\$ 597,485 |
| 1935 | Stores Equipment | | | 0.00% | \$ 1,151 | \$ 1,151 | \$ 0 |
| 1940 | Tools, Shop & Garage Equipment | \$ 185,000 | 10.00 | 10.00% | \$ 56,599 | \$ 56,599 | -\$ 0 |
| 1945 | Measurement & Testing Equipment | | 10.00 | 10.00% | \$ 6,020 | \$ 6,020 | \$ 0 |
| 1950 | Power Operated Equipment | | | 0.00% | \$ - | | \$ - |
| 1955 | Communications Equipment | \$ 239,912 | 10.00 | 10.00% | \$ 79,045 | \$ 79,045 | \$ 0 |
| 1955 | Communication Equipment (Smart Meters) | | | 0.00% | \$ - | | \$ - |
| 1960 | Miscellaneous Equipment | \$ 165,000 | 10.00 | 10.00% | \$ 46,146 | \$ 46,146 | -\$ 0 |
| 1970 | Load Management Controls - Customer Premises | | | 0.00% | \$ - | | \$ - |
| 1975 | Load Management Controls Utility Premises | | | 0.00% | \$ - | | \$ - |
| 1980 | System Supervisor Equipment | \$ 1,142,632 | 15.00 | 6.67% | \$ 326,167 | \$ 326,167 | -\$ 0 |
| 1985 | Miscellaneous Fixed Assets | | | 0.00% | \$ - | | \$ - |
| 1990 | Other Tangible Property | | | 0.00% | \$ - | | \$ - |
| 1995 | Contributions & Grants | -\$ 10,705,181 | 30.00 | 3.33% | -\$ 554,312 | | -\$ 554,312 |
| 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 | -\$ 1,934,486 | \$ 1,867,727 |
| | | | | 0.00% | \$ - | | \$ - |
| | | | | | \$ - | | |
| | | | | 0.00% | \$ - | | \$ - |
| Total | | \$ 30,780,646 | | | \$ 11,201,332 | \$ 11,201,332 | \$ 1 |
| Total Depreciation expense to be included in the test year revenue requirement | | | | | \$ 11,201,332 | | |



Revenue Requirement Workform



Version 4.00

| | |
|--------------------|--------------------------------------|
| Utility Name | Veridian Connections Inc. |
| Service Territory | Harmonized |
| Assigned EB Number | EB-2013-0174 |
| Name and Title | Laurie McLorg, VP Financial Services |
| Phone Number | 905-427-9870 X2230 |
| Email Address | lmclorg@veridian.on.ca |

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While this model has been provided in Excel format and is required to be filed with the applications, the onus remains on the applicant to ensure the accuracy of the data and the



Revenue Requirement Workform

[1. Info](#)

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[3. Data Input Sheet](#)

[4. Rate Base](#)

[5. Utility Income](#)

[6. Taxes PILs](#)

[7. Cost of Capital](#)

[8. Rev Def Suff](#)

[9. Rev Req](#)

Notes:

- (1) Pale green cells represent inputs
- (2) Pale green boxes at the bottom of each page are for additional notes
- (3) Pale yellow cells represent drop-down lists
- (4) ***Please note that this model uses MACROS. Before starting, please ensure that macros have been enabled.***
- (5) ***Completed versions of the Revenue Requirement Work Form are required to be filed in working Microsoft Excel***



Revenue Requirement Workform

Data Input ⁽¹⁾

| | Initial Application | (2) | Adjustments | Interrogatory Responses | (6) | Adjustments | Per Board Decision |
|----------|--|-----------------|-------------|-------------------------|-----|-------------|--------------------|
| 1 | Rate Base | | | | | | |
| | Gross Fixed Assets (average) | \$440,397,053 | | \$ 435,734,790 | | | \$435,734,790 |
| | Accumulated Depreciation (average) | (\$230,266,428) | (5) | (\$228,094,542) | | | (\$228,094,542) |
| | Allowance for Working Capital: | | | | | | |
| | Controllable Expenses | \$28,283,692 | | \$ 28,283,692 | | | \$28,283,692 |
| | Cost of Power | \$284,142,396 | | \$ 290,705,170 | | | \$290,705,170 |
| | Working Capital Rate (%) | 13.80% | (9) | 13.73% | (9) | | 13.73% (9) |
| 2 | Utility Income | | | | | | |
| | Operating Revenues: | | | | | | |
| | Distribution Revenue at Current Rates | \$49,080,522 | | \$49,080,522 | | | |
| | Distribution Revenue at Proposed Rates | \$53,903,935 | ### | \$54,113,370 | | | |
| | Other Revenue: | | | | | | |
| | Specific Service Charges | \$1,789,404 | | \$1,789,404 | | | |
| | Late Payment Charges | \$494,459 | | \$494,459 | | | |
| | Other Distribution Revenue | \$969,428 | | \$969,428 | | | |
| | Other Income and Deductions | \$514,173 | | \$514,173 | | | |
| | Total Revenue Offsets | \$3,767,464 | (7) | \$3,767,464 | | | |
| | Operating Expenses: | | | | | | |
| | OM+A Expenses | \$28,283,692 | | \$ 28,283,692 | | | \$28,283,692 |
| | Depreciation/Amortization | \$11,367,282 | | \$ 11,335,214 | | | \$11,335,214 |
| | Property taxes | | | | | | |
| | Other expenses | | | | | | |
| 3 | Taxes/PILs | | | | | | |
| | Taxable Income: | | | | | | |
| | Adjustments required to arrive at taxable income | (\$4,447,088) | (3) | (\$4,638,836) | | | |
| | Utility Income Taxes and Rates: | | | | | | |
| | Income taxes (not grossed up) | \$1,098,981 | | \$1,132,237 | | | |
| | Income taxes (grossed up) | \$1,480,054 | | \$1,525,248 | | | |
| | Federal tax (%) | 15.00% | | 15.00% | | | |
| | Provincial tax (%) | 10.75% | | 10.77% | | | |
| | Income Tax Credits | (\$98,133) | | (\$98,133) | | | |
| 4 | Capitalization/Cost of Capital | | | | | | |
| | Capital Structure: | | | | | | |
| | Long-term debt Capitalization Ratio (%) | 56.0% | | 56.0% | | | |
| | Short-term debt Capitalization Ratio (%) | 4.0% | (8) | 4.0% | (8) | | (8) |
| | Common Equity Capitalization Ratio (%) | 40.0% | | 40.0% | | | |
| | Preferred Shares Capitalization Ratio (%) | | | | | | |
| | | 100.0% | | 100.0% | | | |
| | Cost of Capital | | | | | | |
| | Long-term debt Cost Rate (%) | 5.10% | | 5.05% | | | |
| | Short-term debt Cost Rate (%) | 2.07% | | 2.11% | | | |
| | Common Equity Cost Rate (%) | 8.98% | | 9.36% | | | |
| | Preferred Shares Cost Rate (%) | | | | | | |

Notes:

- General** Data inputs are required on Sheets 3. Data from Sheet 3 will automatically complete calculations on sheets 4 through 9 (Rate Base through Revenue Requirement). Sheets 4 through 9 do not require any inputs except for notes that the Applicant may wish to enter to support the results. Pale green cells are available on sheets 4 through 9 to enter both footnotes beside key cells and the related text for the notes at the bottom of each sheet.
- (1) All inputs are in dollars (\$) except where inputs are individually identified as percentages (%)
- Data in column E is for Application as originally filed. For updated revenue requirement as a result of interrogatory responses, technical or settlement conferences, etc., use column M and Adjustments in column I
- (2) Net of addbacks and deductions to arrive at taxable income.
- (3) Average of Gross Fixed Assets at beginning and end of the Test Year
- (4) Average of Accumulated Depreciation at the beginning and end of the Test Year. Enter as a negative amount.
- (5) Select option from drop-down list by clicking on cell M10. This column allows for the application update reflecting the end of discovery or Argument-in-Chief. Also, the outcome of any Settlement Process can be reflected.
- (6) Input total revenue offsets for deriving the base revenue requirement from the service revenue requirement
- (7) 4.0% unless an Applicant has proposed or been approved for another amount.
- (8) Starting with 2013, default Working Capital Allowance factor is 13% (of Cost of Power plus controllable expenses). Alternatively, WCA factor based on lead-lag study or approved WCA factor for another distributor, with supporting rationale.
- (9)
- (10) \$54,113,370 is Distribution Revenue at Proposed Base Distribution Rates without application of the Negative Revenue Requirement Adjustment Rate Riders (RRARRs). After application of the RRARRs the Distribution Revenue at Proposed Rates is \$52,309,964 which is equivalent to Distribution Revenue calculated using Average Net Fixed Assets



Revenue Requirement Workform

Rate Base and Working Capital

| Rate Base | | | | | | |
|-----------|------------------------------------|-----|----------------------|----------------------|-------------------------|----------------------|
| Line No. | Particulars | | Initial Application | Adjustments | Interrogatory Responses | Per Board Decision |
| 1 | Gross Fixed Assets (average) | (3) | \$440,397,053 | (4) (\$4,662,263) | \$435,734,790 | \$435,734,790 |
| 2 | Accumulated Depreciation (average) | (3) | (\$230,266,428) | (4) \$2,171,886 | (\$228,094,542) | (\$228,094,542) |
| 3 | Net Fixed Assets (average) | (3) | \$210,130,625 | (\$2,490,377) | \$207,640,248 | \$207,640,248 |
| 4 | Allowance for Working Capital | (1) | \$43,114,800 | \$682,371 | \$43,797,171 | \$43,797,171 |
| 5 | Total Rate Base | | \$253,245,425 | (\$1,808,006) | \$251,437,419 | \$251,437,419 |

(1) Allowance for Working Capital - Derivation

| | | | | | | | |
|----|---------------------------|-----|---------------|-------------|---------------|-------|---------------|
| 6 | Controllable Expenses | | \$28,283,692 | \$ - | \$28,283,692 | \$ - | \$28,283,692 |
| 7 | Cost of Power | | \$284,142,396 | \$6,562,774 | \$290,705,170 | \$ - | \$290,705,170 |
| 8 | Working Capital Base | | \$312,426,088 | \$6,562,774 | \$318,988,862 | \$ - | \$318,988,862 |
| 9 | Working Capital Rate % | (2) | 13.80% | -0.07% | 13.73% | 0.00% | 13.73% |
| 10 | Working Capital Allowance | | \$43,114,800 | \$682,371 | \$43,797,171 | \$ - | \$43,797,171 |

Notes

- (2) Some Applicants may have a unique rate as a result of a lead-lag study. The default rate for 2014 cost of service applications is 13%.
- (3) Average of opening and closing balances for the year.
- (4) This Version of the RRFW has been completed on the basis of Rate Base and Revenue Requirement calculated using 2014 YE NFA Rate Base values and 2014 YE NFA Revenue Requirement, not average of opening and closing balances for the year



Revenue Requirement Workform

Utility Income

| Line No. | Particulars | Initial Application | Adjustments | Interrogatory Responses | Adjustments | Per Board Decision |
|----------|--|---------------------|-------------|-------------------------|-------------|--------------------|
| | Operating Revenues: | | | | | |
| 1 | Distribution Revenue (at Proposed Rates) | \$53,903,935 | \$209,435 | \$54,113,370 | \$ - | \$54,113,370 |
| 2 | Other Revenue (1) | \$3,767,464 | \$ - | \$3,767,464 | \$ - | \$3,767,464 |
| 3 | Total Operating Revenues | \$57,671,399 | \$209,435 | \$57,880,834 | \$ - | \$57,880,834 |
| | Operating Expenses: | | | | | |
| 4 | OM+A Expenses | \$28,283,692 | \$ - | \$28,283,692 | \$ - | \$28,283,692 |
| 5 | Depreciation/Amortization | \$11,367,282 | (\$32,068) | \$11,335,214 | \$ - | \$11,335,214 |
| 6 | Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| 7 | Capital taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| 8 | Other expense | \$ - | \$ - | \$ - | \$ - | \$ - |
| 9 | Subtotal (lines 4 to 8) | \$39,650,974 | (\$32,068) | \$39,618,906 | \$ - | \$39,618,906 |
| 10 | Deemed Interest Expense | \$7,443,795 | (\$120,931) | \$7,322,863 | \$67,788 | \$7,390,651 |
| 11 | Total Expenses (lines 9 to 10) | \$47,094,769 | (\$152,999) | \$46,941,769 | \$67,788 | \$47,009,557 |
| 12 | Utility income before income taxes | \$10,576,630 | \$362,434 | \$10,939,065 | (\$67,788) | \$10,871,277 |
| 13 | Income taxes (grossed-up) | \$1,480,054 | \$45,193 | \$1,525,248 | \$ - | \$1,525,248 |
| 14 | Utility net income | \$9,096,576 | \$317,241 | \$9,413,817 | (\$67,788) | \$9,346,030 |

Notes

Other Revenues / Revenue Offsets

| | | | | | | |
|-----|-----------------------------|-------------|------|-------------|------|-------------|
| (1) | Specific Service Charges | \$1,789,404 | \$ - | \$1,789,404 | | \$1,789,404 |
| | Late Payment Charges | \$494,459 | \$ - | \$494,459 | | \$494,459 |
| | Other Distribution Revenue | \$969,428 | \$ - | \$969,428 | | \$969,428 |
| | Other Income and Deductions | \$514,173 | \$ - | \$514,173 | | \$514,173 |
| | Total Revenue Offsets | \$3,767,464 | \$ - | \$3,767,464 | \$ - | \$3,767,464 |



Revenue Requirement Workform

Taxes/PILs

| Line No. | Particulars | Application | Interrogatory Responses | Per Board Decision |
|---|--|--------------------|-------------------------|--------------------|
| <u>Determination of Taxable Income</u> | | | | |
| 1 | Utility net income before taxes | \$9,096,576 | \$9,413,817 | \$9,031,632 |
| 2 | Adjustments required to arrive at taxable utility income | (\$4,447,088) | (\$4,638,836) | (\$4,447,088) |
| 3 | Taxable income | <u>\$4,649,488</u> | <u>\$4,774,981</u> | <u>\$4,584,544</u> |
| <u>Calculation of Utility income Taxes</u> | | | | |
| 4 | Income taxes | <u>\$1,098,981</u> | <u>\$1,132,237</u> | <u>\$1,132,237</u> |
| 6 | Total taxes | <u>\$1,098,981</u> | <u>\$1,132,237</u> | <u>\$1,132,237</u> |
| 7 | Gross-up of Income Taxes | <u>\$381,073</u> | <u>\$393,011</u> | <u>\$393,011</u> |
| 8 | Grossed-up Income Taxes | <u>\$1,480,054</u> | <u>\$1,525,248</u> | <u>\$1,525,248</u> |
| 9 | PILs / tax Allowance (Grossed-up Income taxes + Capital taxes) | <u>\$1,480,054</u> | <u>\$1,525,248</u> | <u>\$1,525,248</u> |
| 10 | Other tax Credits | (\$98,133) | (\$98,133) | (\$98,133) |
| <u>Tax Rates</u> | | | | |
| 11 | Federal tax (%) | 15.00% | 15.00% | 15.00% |
| 12 | Provincial tax (%) | 10.75% | 10.77% | 10.77% |
| 13 | Total tax rate (%) | <u>25.75%</u> | <u>25.77%</u> | <u>25.77%</u> |

Notes



Revenue Requirement Workform

Capitalization/Cost of Capital

| Line No. | Particulars | Capitalization Ratio | | Cost Rate | | Return |
|----------|------------------|-------------------------|---------------------------|-----------|-------------|--------------|
| | | Initial Application | | | | |
| | | (%) | (\$) | (%) | | (\$) |
| | Debt | | | | | |
| 1 | Long-term Debt | 56.00% | <div></div> \$141,817,438 | 5.10% | <div></div> | \$7,234,108 |
| 2 | Short-term Debt | 4.00% | \$10,129,817 | 2.07% | | \$209,687 |
| 3 | Total Debt | 60.00% | \$151,947,255 | 4.90% | | \$7,443,795 |
| | Equity | | | | | |
| 4 | Common Equity | 40.00% | <div></div> \$101,298,170 | 8.98% | <div></div> | \$9,096,576 |
| 5 | Preferred Shares | 0.00% | \$ - | 0.00% | | \$ - |
| 6 | Total Equity | 40.00% | \$101,298,170 | 8.98% | | \$9,096,576 |
| 7 | Total | 100.00% | \$253,245,425 | 6.53% | | \$16,540,370 |
| | | Interrogatory Responses | | | | |
| | | (%) | (\$) | (%) | | (\$) |
| | Debt | | | | | |
| 1 | Long-term Debt | 56.00% | <div></div> \$140,804,955 | 5.05% | <div></div> | \$7,110,650 |
| 2 | Short-term Debt | 4.00% | \$10,057,497 | 2.11% | | \$212,213 |
| 3 | Total Debt | 60.00% | \$150,862,451 | 4.85% | | \$7,322,863 |
| | Equity | | | | | |
| 4 | Common Equity | 40.00% | <div></div> \$100,574,968 | 9.36% | <div></div> | \$9,413,817 |
| 5 | Preferred Shares | 0.00% | \$ - | 0.00% | | \$ - |
| 6 | Total Equity | 40.00% | \$100,574,968 | 9.36% | | \$9,413,817 |
| 7 | Total | 100.00% | \$251,437,419 | 6.66% | | \$16,736,680 |
| | | Per Board Decision | | | | |
| | | (%) | (\$) | (%) | | (\$) |
| | Debt | | | | | |
| 8 | Long-term Debt | 56.00% | <div></div> \$140,804,955 | 5.10% | <div></div> | \$7,182,461 |
| 9 | Short-term Debt | 4.00% | \$10,057,497 | 2.07% | | \$208,190 |
| 10 | Total Debt | 60.00% | \$150,862,451 | 4.90% | | \$7,390,651 |
| | Equity | | | | | |
| 11 | Common Equity | 40.00% | <div></div> \$100,574,968 | 8.98% | <div></div> | \$9,031,632 |
| 12 | Preferred Shares | 0.00% | \$ - | 0.00% | | \$ - |
| 13 | Total Equity | 40.00% | \$100,574,968 | 8.98% | | \$9,031,632 |
| 14 | Total | 100.00% | \$251,437,419 | 6.53% | | \$16,422,283 |

Notes

(1) Data in column E is for Application as originally filed. For updated revenue requirement as a result of interrogatory responses, technical or settlement conferences, etc., use column M and Adjustments in column I

(2)

This Version of the RRFW has been completed on the basis of Rate Base and Revenue Requirement calculated using 2014 YE NFA Rate Base values and 2014 YE NFA Revenue Requirement, not average of opening and closing balances for the year



Revenue Requirement Workform

Revenue Deficiency/Sufficiency

| Line No. | Particulars | Initial Application | | Interrogatory Responses | | Per Board Decision | |
|----------|--|---------------------------|----------------------|---------------------------|----------------------|---------------------------|----------------------|
| | | At Current Approved Rates | At Proposed Rates | At Current Approved Rates | At Proposed Rates | At Current Approved Rates | At Proposed Rates |
| 1 | Revenue Deficiency from Below | | \$4,823,414 | | \$5,032,847 | | \$4,585,789 |
| 2 | Distribution Revenue | \$49,080,522 | \$49,080,521 | \$49,080,522 | \$49,080,523 | \$49,080,522 | \$49,527,581 |
| 3 | Other Operating Revenue | \$3,767,464 | \$3,767,464 | \$3,767,464 | \$3,767,464 | \$3,767,464 | \$3,767,464 |
| | Offsets - net | | | | | | |
| 4 | Total Revenue | \$52,847,986 | \$57,671,399 | \$52,847,986 | \$57,880,834 | \$52,847,986 | \$57,880,834 |
| 5 | Operating Expenses | \$39,650,974 | \$39,650,974 | \$39,618,906 | \$39,618,906 | \$39,618,906 | \$39,618,906 |
| 6 | Deemed Interest Expense | \$7,443,795 | \$7,443,795 | \$7,322,863 | \$7,322,863 | \$7,390,651 | \$7,390,651 |
| 8 | Total Cost and Expenses | \$47,094,769 | \$47,094,769 | \$46,941,769 | \$46,941,769 | \$47,009,557 | \$47,009,557 |
| 9 | Utility Income Before Income Taxes | \$5,753,217 | \$10,576,630 | \$5,906,217 | \$10,939,065 | \$5,838,429 | \$10,871,277 |
| 10 | Tax Adjustments to Accounting Income per 2013 PILs model | (\$4,447,088) | (\$4,447,088) | (\$4,638,836) | (\$4,638,836) | (\$4,638,836) | (\$4,638,836) |
| 11 | Taxable Income | \$1,306,129 | \$6,129,542 | \$1,267,381 | \$6,300,229 | \$1,199,593 | \$6,232,441 |
| 12 | Income Tax Rate | 25.75% | 25.75% | 25.77% | 25.77% | 25.77% | 25.77% |
| 13 | Income Tax on Taxable Income | \$336,292 | \$1,578,189 | \$326,566 | \$1,623,380 | \$309,099 | \$1,605,913 |
| 14 | Income Tax Credits | (\$98,133) | (\$98,133) | (\$98,133) | (\$98,133) | (\$98,133) | (\$98,133) |
| 15 | Utility Net Income | \$5,515,058 | \$9,096,576 | \$5,677,784 | \$9,413,817 | \$5,627,463 | \$9,346,030 |
| 16 | Utility Rate Base | \$253,245,425 | \$253,245,425 | \$251,437,419 | \$251,437,419 | \$251,437,419 | \$251,437,419 |
| 17 | Deemed Equity Portion of Rate Base | \$101,298,170 | \$101,298,170 | \$100,574,968 | \$100,574,968 | \$100,574,968 | \$100,574,968 |
| 18 | Income/(Equity Portion of Rate Base) | 5.44% | 8.98% | 5.65% | 9.36% | 5.60% | 9.29% |
| 19 | Target Return - Equity on Rate Base | 8.98% | 8.98% | 9.36% | 9.36% | 8.98% | 8.98% |
| 20 | Deficiency/Sufficiency in Return on Equity | -3.54% | 0.00% | -3.71% | 0.00% | -3.38% | 0.31% |
| 21 | Indicated Rate of Return | 5.12% | 6.53% | 5.17% | 6.66% | 5.18% | 6.66% |
| 22 | Requested Rate of Return on Rate Base | 6.53% | 6.53% | 6.66% | 6.66% | 6.53% | 6.53% |
| 23 | Deficiency/Sufficiency in Rate of Return | -1.41% | 0.00% | -1.49% | 0.00% | -1.35% | 0.13% |
| 24 | Target Return on Equity | \$9,096,576 | \$9,096,576 | \$9,413,817 | \$9,413,817 | \$9,031,632 | \$9,031,632 |
| 25 | Revenue Deficiency/(Sufficiency) | \$3,581,518 | \$0 | \$3,736,033 | \$0 | \$3,404,169 | \$314,397 |
| 26 | Gross Revenue Deficiency/(Sufficiency) | \$4,823,414 (1) | | \$5,032,847 (1) | | \$4,585,789 (1) | |

Notes:

- (1) Revenue Deficiency/Sufficiency divided by (1 - Tax Rate)
 Note: Revenue Deficiency/Sufficiency calculation does not include application of negative Revenue Requirement Adjustment Rate Riders (RRARR's). With application of RRARRs, revenue deficiency is \$3,119,042 which equals the calculated revenue deficiency as provided at Exhibit 6.

(2)



Revenue Requirement Workform

Revenue Requirement

| Line No. | Particulars | Application | Interrogatory Responses | Per Board Decision |
|----------|---|---------------------|-------------------------|----------------------|
| 1 | OM&A Expenses | \$28,283,692 | \$28,283,692 | \$28,283,692 |
| 2 | Amortization/Depreciation | \$11,367,282 | \$11,335,214 | \$11,335,214 |
| 3 | Property Taxes | \$ - | | |
| 5 | Income Taxes (Grossed up) | \$1,480,054 | \$1,525,248 | \$1,525,248 |
| 6 | Other Expenses | \$ - | | |
| 7 | Return | | | |
| | Deemed Interest Expense | \$7,443,795 | \$7,322,863 | \$7,390,651 |
| | Return on Deemed Equity | \$9,096,576 | \$9,413,817 | \$9,031,632 |
| 8 | Service Revenue Requirement (before Revenues) | <u>\$57,671,399</u> | <u>\$57,880,834</u> | <u>\$57,566,437</u> |
| 9 | Revenue Offsets | \$3,767,464 | \$3,767,464 | \$ - |
| 10 | Base Revenue Requirement (excluding Tranformer Owership Allowance credit adjustment) | <u>\$53,903,935</u> | <u>(2) \$54,113,370</u> | <u>\$57,566,437</u> |
| 11 | Distribution revenue | \$53,903,935 | (2) \$54,113,370 | \$54,113,370 |
| 12 | Other revenue | <u>\$3,767,464</u> | <u>\$3,767,464</u> | <u>\$3,767,464</u> |
| 13 | Total revenue | <u>\$57,671,399</u> | <u>(3) \$57,880,834</u> | <u>\$57,880,834</u> |
| 14 | Difference (Total Revenue Less Distribution Revenue Requirement before Revenues) | <u>\$0</u> | <u>(1) \$0</u> | <u>(1) \$314,397</u> |

Notes

(1) Line 11 - Line 8
\$53,903,935 is Distribution Revenue at Proposed Base Distribution Rates without application of the Negative Revenue Requirement Adjustment Rate Riders (RRARRs). After application of the RRARRs the Distribution Revenue at Proposed Rates is \$52,199,570 which is equivalent to Distribution Revenue calculated using Average Net Fixed Assets

(2) \$57,880,834 is Service Revenue at Proposed Base Distribution Rates without application of the Negative Revenue Requirement Adjustment Rate Riders (RRARRs). After application of the RRARRs the Service Revenue at Proposed Rates is \$56,077,428 which is equivalent to Service Revenue calculated using Average Net Fixed Assets

(3)

DOCUMENTATION ON CORRECTIONS/ADJUSTMENTS TO YE-RRWF ARISING FROM INTERROGATORY RESPONSE

| YE-RRWF Sheet | Item | Amount of Change | IR Reference |
|----------------------|--|--|---|
| 3.Data_Input_Sheet | Gross Fixed Assets | (\$4,662,263) | 2.1-EP-6, 7.1-CCC-27, 4.3-SEC-20 part (c) |
| | Accumulated Depreciation | \$2,171,886 | 2.1-EP-6, 7.1-CCC-27, 4.3-SEC-20 part (c) Also see updated Full Year Depreciation Expense |
| | Cost of Power | \$6,562,774 | 7.1-EP-25 |
| | WCA | -.07% - Was 13.8% updated to 13.73% | 7.1-EP-34 |
| | Distribution Revenue at Proposed Rates | \$209,435 | Resulting difference in revenue requirement calculation |
| | Depreciation/Amortization | (\$32,068) | 2.1-EP-6, 7.1-CCC-27, 4.3-SEC-20 part (c) 2.1-EP-6, 7.1-CCC-27, 4.3-SEC-20 part (c) Also see updated Full Year Depreciation Expense |
| | Income taxes (grossed up) | \$45,194 | 7.1-EP-41 Also see updated 2014 YE Tax Model |
| | Cost of Capital Parameters | | |
| | Long-term debt Cost Rate(%) | -0.05% | |
| | Short-term debt Cost Rate(%) | 0.04% | 7.5-EPP-44, 7.5-EPP-48 |
| | Common Equity Cost Rate(%) | 0.38% | |
| 4.Rate_Base | Net Fixed Assets (Average) | (\$2,490,377) | 2.1-EP-6, 7.1-CCC-27, 4.3-SEC-20 part (c) 2.1-EP-6, 7.1-CCC-27, 4.3-SEC-20 part (c) Also see updated Full Year Depreciation Expense |
| | Allowance for Working Capital | \$682,371 | 7.1-EP-25 7.1-EP-34 |
| 5.Utility Income | Distribution Revenue at Proposed Rates | \$209,435 | See notes on 3.Data_Input_Sheet |
| | Depreciation/Amortization | (\$32,068) | See notes on 3.Data_Input_Sheet |
| | Deemed Interest Expense | (\$120,931) | Calculated based on other changes |
| | Income Taxes(grossed up) | \$45,193 | See notes on 3.Data_Input_Sheet |
| | Utility Net Income | \$317,241 | Calculated based on other changes |



Income Tax/PILs Workform for 2014 Filers

Version 2.0

| | |
|------------------------|--|
| Utility Name | Veridian Connections Inc. |
| Assigned EB Number | |
| Name and Title | UPDATED FROM INTERROGATORY RESPONSE - YE TAX MODEL |
| Phone Number | |
| Email Address | |
| Date | 18-Feb-14 |
| Last COS Re-based Year | 2010 |



Income Tax/PILs Workform for 2014 Filers

[1. Info](#)

- [A. Data Input Sheet](#)
- [B. Tax Rates & Exemptions](#)
- [C. Sch 8 Hist](#)
- [D. Schedule 10 CEC Hist](#)
- [E. Sch 13 Tax Reserves Hist](#)
- [F. Sch 7-1 Loss Cfwd Hist](#)
- [G. Adj. Taxable Income Historic](#)
- [H. PILs,Tax Provision Historic](#)
- [I. Schedule 8 CCA Bridge Year](#)
- [J. Schedule 10 CEC Bridge Year](#)

- [K. Sch 13 Tax Reserves Bridge](#)
- [L. Sch 7-1 Loss Cfwd Bridge](#)
- [M. Adj. Taxable Income Bridge](#)
- [N. PILs,Tax Provision Bridge](#)
- [O. Schedule 8 CCA Test Year](#)
- [P. Schedule 10 CEC Test Year](#)
- [Q Sch 13 Tax Reserve Test Year](#)
- [R. Sch 7-1 Loss Cfwd](#)
- [S. Taxable Income Test Year](#)
- [T. PILs,Tax Provision](#)

Income Tax/PILs Workform for 2014 Filers

Rate Base

\$ 251,437,419

Return on Ratebase

Deemed ShortTerm Debt %
Deemed Long Term Debt %
Deemed Equity %

4.00%
56.00%
40.00%

T \$ 10,057,497
U \$ 140,804,955
V \$ 100,574,968

$W = S * T$
 $X = S * U$
 $Y = S * V$

Short Term Interest Rate
Long Term Interest

2.11%
5.05%
9.36%

Z \$ 212,213
AA \$ 7,110,650
AB \$ 9,413,817

$AC = W * Z$
 $AD = X * AA$
 $AE = Y * AB$
 $AF = AC + AD + AE$

Return on Equity (Regulatory Income)

Return on Rate Base

\$ 16,736,680

Questions that must be answered

- Does the applicant have any Investment Tax Credits (ITC)?
- Does the applicant have any SRED Expenditures?
- Does the applicant have any Capital Gains or Losses for tax purposes?
- Does the applicant have any Capital Leases?
- Does the applicant have any Loss Carry-Forwards (non-capital or net capital)?
- Since 1999, has the applicant acquired another regulated applicant's assets?
- Did the applicant pay dividends?
If Yes, please describe what was the tax treatment in the manager's summary.
- Did the applicant elect to capitalize interest incurred on CWIP for tax purposes?

Historic

Bridge

Test Year

| | | |
|-----|-----|-----|
| Yes | Yes | Yes |
| Yes | Yes | Yes |
| No | No | No |
| No | No | No |
| No | No | No |
| Yes | Yes | Yes |
| Yes | Yes | Yes |
| Yes | Yes | Yes |



Income Tax/PILs Workform for 2014 Filers

Tax Rates Federal & Provincial As of June 20, 2012

Federal income tax

General corporate rate
Federal tax abatement
Adjusted federal rate

Rate reduction

Ontario income tax

Combined federal and Ontario

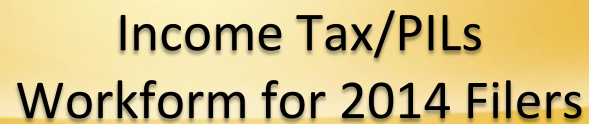
Federal & Ontario Small Business

Federal small business threshold
Ontario Small Business Threshold


Federal small business rate

Ontario small business rate

| | Effective January-01-11 | Effective January-01-12 | Effective January-01-13 | Effective January-01-14 |
|----------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| 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 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% |



| 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 |
| 13₁ | Lease # 1 | 45,531 | | 45,531 |
| 13₂ | Lease #2 | | | 0 |
| 13₃ | Lease # 3 | | | 0 |
| 13₄ | 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 |
| | | | | 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 |
| 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 |
| -Accumulated 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 |



Income Tax/PILs Workform for 2014 Filers

Schedule 7-1 Loss Carry Forward - Historic

Corporation Loss Continuity and Application

| | Total | Non-Distribution Portion | Utility Balance |
|---|-------|--------------------------|-----------------|
| Non-Capital Loss Carry Forward Deduction | | | |
| Actual Historic | 0 | | 0 |

| | Total | Non-Distribution Portion | Utility Balance |
|---|-------|--------------------------|-----------------|
| Net Capital Loss Carry Forward Deduction | | | |
| 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 Education Tax 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 |
| 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.

Regulatory Taxable Income

Wires Only

\$ 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
Rate reduction (negative)

\$ 500,000 **D**

-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
Federal tax rate
Combined tax rate

11.02%

K = J / A

15.00%

L

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) | Reduced UCC | Rate % | Bridge Year CCA | UCC End of Bridge Year |
|------------|--|--------------------------------|---------------|-------------------------|---------------------------------|--|----------------|--------|-----------------|---------------------------|
| 1 | Distribution System - post 1987 | \$ 102,134,443 | | | \$ 102,134,443 | \$ - | \$ 102,134,443 | 4% | \$ 4,085,378 | \$ 98,049,065 |
| 1 Enhanced | Non-residential Buildings Reg. 1100(1)(a.1) election | \$ 9,938,810 | \$ 761,297 | | \$ 10,700,107 | \$ 380,649 | \$ 10,319,459 | 6% | \$ 619,168 | \$ 10,080,939 |
| 2 | Distribution System - pre 1988 | \$ - | | | \$ - | \$ - | \$ - | 6% | \$ - | \$ - |
| 8 | General Office/Stores Equip | \$ 2,694,340 | \$ 1,269,114 | | \$ 3,963,454 | \$ 634,557 | \$ 3,328,897 | 20% | \$ 665,779 | \$ 3,297,675 |
| 10 | Computer Hardware/ Vehicles | \$ 2,485,450 | \$ 220,900 | | \$ 2,706,350 | \$ 110,450 | \$ 2,595,900 | 30% | \$ 778,770 | \$ 1,927,580 |
| 10.1 | Certain Automobiles | \$ 37,651 | | | \$ 37,651 | \$ - | \$ 37,651 | 30% | \$ 11,295 | \$ 26,356 |
| 12 | Computer Software | \$ 1,013,716 | \$ 1,825,306 | | \$ 2,839,022 | \$ 912,653 | \$ 1,926,369 | 100% | \$ 1,926,369 | \$ 912,653 |
| 13 1 | Lease # 1 | \$ 45,531 | | | \$ 45,531 | \$ - | \$ 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 | | | | \$ - | \$ - | \$ - | 8% | \$ - | \$ - |
| 42 | Fibre Optic Cable | \$ 4,674 | | | \$ 4,674 | \$ - | \$ 4,674 | 12% | \$ 561 | \$ 4,113 |
| 43.1 | Certain Energy-Efficient Electrical Generating Equipment | | | | \$ - | \$ - | \$ - | 30% | \$ - | \$ - |
| 43.2 | Certain Clean Energy Generation Equipment | \$ - | | | \$ - | \$ - | \$ - | 50% | \$ - | \$ - |
| 45 | Computers & Systems Software acq'd post Mar 22/04 | \$ 21,233 | | | \$ 21,233 | \$ - | \$ 21,233 | 45% | \$ 9,555 | \$ 11,678 |
| 46 | Data Network Infrastructure Equipment (acq'd post Mar 22/04) | | | | \$ - | \$ - | \$ - | 30% | \$ - | \$ - |
| 47 | Distribution System - post February 2005 | \$ 78,372,847 | \$ 13,687,196 | | \$ 92,060,043 | \$ 6,843,598 | \$ 85,216,445 | 8% | \$ 6,817,316 | \$ 85,242,727 |
| 50 | Data Network Infrastructure Equipment - post Mar 2007 | \$ 304,484 | \$ 544,005 | | \$ 848,489 | \$ 272,003 | \$ 576,487 | 55% | \$ 317,068 | \$ 531,421 |
| 52 | Computer Hardware and system software | | | | \$ - | \$ - | \$ - | 100% | \$ - | \$ - |
| 95 | CWIP | \$ 5,288,185 | | | \$ 5,288,185 | \$ - | \$ 5,288,185 | | \$ - | \$ 5,288,185 |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | | \$ - | \$ - |
| | TOTAL | \$ 202,341,364 | \$ 18,307,818 | \$ - | \$ 220,649,182 | \$ 9,153,909 | \$ 211,495,273 | | \$ 15,231,258 | \$ 205,417,924 |



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

8,697

Other Adjustments

0

Subtotal

8,697

$\times \frac{3}{4} = 6,523$

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

$\times \frac{1}{2} = 0$

6,523

6,523

Amount transferred on amalgamation or wind-up of subsidiary

0

0

Subtotal

2,526,374

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

$\times \frac{3}{4} =$

0

Cumulative Eligible Capital Balance

2,526,374

Current Year Deduction

2,526,374

$\times 7\% =$

176,846

Cumulative Eligible Capital - Closing Balance

2,349,528



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 | |
| - Accumulated 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 | 15,231,258 |
| Terminal loss from Schedule 8 | 404 | |
| Cumulative eligible capital deduction from Schedule 10 | 405 | 176,846 |
| 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 | | 17,899,375 |
| | | |
| Net Income for Tax Purposes | | 4,984,603 |
| 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 | | 4,984,603 |

Income Tax/PILs Workform for 2014 Filers

PILS Tax Provision - Bridge Year

Wires Only

Regulatory Taxable Income

\$ 4,984,603 A

Ontario Income Taxes

Income tax payable

Ontario Income Tax

11.50% B

\$

573,229 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

\$ 538,229 J = C + F

Combined Tax Rate and PILs

Effective Ontario Tax Rate

10.80%

K = J / A

Federal tax rate

15.00%

L

Combined tax rate

25.80% M = K + L

Total Income Taxes

\$ 1,285,920 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

\$ 1,130,349 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) | Reduced UCC | Rate % | Test Year CCA | UCC End of Test Year |
|------------|--|-------------------------------|---------------|----------------------|------------------------------|--|----------------|--------|---------------|----------------------|
| 1 | Distribution System - post 1987 | \$ 98,049,065 | 315,000 | | \$ 98,364,065 | \$ 157,500 | \$ 98,206,565 | 4% | \$ 3,928,263 | \$ 94,435,803 |
| 1 Enhanced | Non-residential Buildings Reg. 1100(1)(a.1) election | \$ 10,080,939 | | | \$ 10,080,939 | \$ - | \$ 10,080,939 | 6% | \$ 604,856 | \$ 9,476,083 |
| 2 | Distribution System - pre 1988 | \$ - | | | \$ - | \$ - | \$ - | 6% | \$ - | \$ - |
| 8 | General Office/Stores Equip | \$ 3,297,675 | 1,767,544 | | \$ 5,065,219 | \$ 883,772 | \$ 4,181,447 | 20% | \$ 836,289 | \$ 4,228,929 |
| 10 | Computer Hardware/ Vehicles | \$ 1,927,580 | 941,000 | | \$ 2,868,580 | \$ 470,500 | \$ 2,398,080 | 30% | \$ 719,424 | \$ 2,149,156 |
| 10.1 | Certain Automobiles | \$ 26,356 | | | \$ 26,356 | \$ - | \$ 26,356 | 30% | \$ 7,907 | \$ 18,449 |
| 12 | Computer Software | \$ 912,653 | 1,941,000 | | \$ 2,853,653 | \$ 970,500 | \$ 1,883,153 | 100% | \$ 1,883,153 | \$ 970,500 |
| 13.1 | Lease # 1 | \$ 45,531 | | | \$ 45,531 | \$ - | \$ 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 | \$ - | | | \$ - | \$ - | \$ - | 8% | \$ - | \$ - |
| 42 | Fibre Optic Cable | \$ 4,113 | | | \$ 4,113 | \$ - | \$ 4,113 | 12% | \$ 494 | \$ 3,620 |
| 43.1 | Certain Energy-Efficient Electrical Generating Equipment | \$ - | | | \$ - | \$ - | \$ - | 30% | \$ - | \$ - |
| 43.2 | Certain Clean Energy Generation Equipment | \$ - | | | \$ - | \$ - | \$ - | 50% | \$ - | \$ - |
| 45 | Computers & Systems Software acq'd post Mar 22/04 | \$ 11,678 | | | \$ 11,678 | \$ - | \$ 11,678 | 45% | \$ 5,255 | \$ 6,423 |
| 46 | Data Network Infrastructure Equipment (acq'd post Mar 22/04) | \$ - | | | \$ - | \$ - | \$ - | 30% | \$ - | \$ - |
| 47 | Distribution System - post February 2005 | \$ 85,242,727 | 24,720,100 | -4,419,562 | \$ 105,543,265 | \$ 10,150,269 | \$ 95,392,996 | 8% | \$ 7,631,440 | \$ 97,911,826 |
| 50 | Data Network Infrastructure Equipment - post Mar 2007 | \$ 531,421 | 434,000 | | \$ 965,421 | \$ 217,000 | \$ 748,421 | 55% | \$ 411,632 | \$ 553,790 |
| 52 | Computer Hardware and system software | \$ - | | | \$ - | \$ - | \$ - | 100% | \$ - | \$ - |
| 95 | CWIP | \$ 5,288,185 | | | \$ 5,288,185 | \$ - | \$ 5,288,185 | 0% | \$ - | \$ 5,288,185 |
| | | | | | \$ - | \$ - | \$ - | 0% | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | 0% | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | 0% | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | 0% | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | 0% | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | 0% | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | 0% | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | 0% | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | 0% | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | 0% | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | 0% | \$ - | \$ - |
| | | | | | \$ - | \$ - | \$ - | 0% | \$ - | \$ - |
| | TOTAL | \$ 205,417,924 | \$ 30,118,644 | -\$ 4,419,562 | \$ 231,117,006 | \$ 12,849,541 | \$ 218,267,465 | | \$ 16,028,712 | \$ 215,088,294 |



Income Tax/PILs Workform for 2014 Filers

Schedule 10 CEC - Test Year

Cumulative Eligible Capital

2,349,528

Additions

Cost of Eligible Capital Property Acquired during Test Year

20,000

Other Adjustments

0

Subtotal

20,000

x 3/4 = 15,000

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

15,000

15,000

Amount transferred on amalgamation or wind-up of subsidiary

0

0

Subtotal

2,364,528

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

2,364,528

Current Year Deduction (Carry Forward to Tab "Test Year Taxable Income")

2,364,528

x 7% =

165,517

Cumulative Eligible Capital - Closing Balance

2,199,011



Income Tax/PILs Workform for 2014 Filers

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 | | Balance for Test 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: | 2,212,350 | | 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 | |
| -Accumulated 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 |



Income Tax/PILs Workform for 2014 Filers

Schedule 7-1 Loss Carry Forward - Test Year

Corporation Loss Continuity and Application

| | Total | Non-Distribution Portion | Utility Balance |
|--|-------|--------------------------|-----------------|
| Non-Capital Loss Carry Forward Deduction | | | |
| 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 |

| | Total | Non-Distribution Portion | Utility Balance |
|--|-------|--------------------------|-----------------|
| Net Capital Loss Carry Forward Deduction | | | |
| 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

| | Test Year Taxable Income |
|--------------------------------|--------------------------------|
| Net Income Before Taxes | 9,413,817 |

| | T2 S1 line # | |
|---|--------------|------------|
| Additions: | | |
| Interest and penalties on taxes | 103 | |
| Amortization of tangible assets <i>2-4 ADJUSTED ACCOUNTING DATA P489</i> | 104 | 11,335,214 |
| Amortization of intangible assets <i>2-4 ADJUSTED ACCOUNTING DATA P490</i> | 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 | |
| <i>Other Additions: (please explain in detail the nature of the item)</i> | | |
| 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 | | 649,149 |
| Apprenticeship and Co-operative Education Tax Credits | | 99,546 |
| OITC/ORDTC from prior year-12(1)(x)-4.5% of proxy | | 5,187 |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| Total Additions | | 14,515,136 |
| Deductions: | | |
| Gain on disposal of assets per financial statements | 401 | |
| Dividends not taxable under section 83 | 402 | |
| Capital cost allowance from Schedule 8 | 403 | 16,028,712 |
| Terminal loss from Schedule 8 | 404 | |
| Cumulative eligible capital deduction from Schedule 10 CEC | 405 | 165,517 |
| 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 | |
| <i>Other deductions: (Please explain in detail the nature of the item)</i> | | |
| 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 | | 475,000 |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| Total Deductions | | 19,153,972 |
| | | |
| NET INCOME FOR TAX PURPOSES | | 4,774,981 |
| | | |
| 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 | | 4,774,981 |

Income Tax/PILs Workform for 2014 Filers

PILs Tax Provision - Test Year

Wires Only

Regulatory Taxable Income

\$ 4,774,981 A

Ontario Income Taxes

Income tax payable

Ontario Income Tax

11.50% B

\$

549,123 C = A * B

Small business credit

Ontario Small Business Threshold
Rate reduction

\$ 500,000 D

-7.00% E

-\$

35,000 F = D * E

Ontario Income tax

\$ 514,123 J = C + F

Combined Tax Rate and PILs

Effective Ontario Tax Rate

10.77%

K = J / A

Federal tax rate

15.00%

L

Combined tax rate

25.77% M = K + L

Total Income Taxes

\$ 1,230,370 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

\$ 1,132,237 R = N - Q

Corporate PILs/Income Tax Provision Gross Up ¹

74.23%

S = 1 - M

\$ 393,011 T = R / S - R

Income Tax (grossed-up)

\$ 1,525,248 U = R + T

Note:

1. This is for the derivation of revenue requirement and should not be used for sufficiency/deficiency calculations.

Amortization Calculation for YE Revenue Requirement Calculation
UPDATED FOR 2013 ACTUALS AND REVISED 2014 FORECAST

| Account | Description | Full Year 2013 Depreciation Expense - From App 2CP-2013 (a) | Depreciation Expense on 2014 Full Year Additions from App 2CQ-2014 (b) | 2014 Full Year Depreciation (c) = (a) + (b) |
|---------|---|---|---|---|
| 1610 | Miscellaneous Intangible Plant | \$ 229,184 | \$ 158,333 | \$ 387,518 |
| 1611-01 | Computer Software (Formally known as Account 1925) - Acquired | \$ 735,094 | \$ 323,500 | \$ 1,058,594 |
| 1611-01 | Computer Software (Formally known as Account 1925) - Acquired | \$ 743,146 | \$ - | \$ 743,146 |
| 1611-02 | Computer Software (Formally known as Account 1925) - Internally generated | \$ 77,128 | \$ 194,100 | \$ 271,228 |
| 1611-02 | Computer Software (Formally known as Account 1925) - Internally generated | \$ 288,618 | \$ - | \$ 288,618 |
| 1612 | Land Rights (Formally known as Account 1906) | \$ 11,020 | \$ - | \$ 11,020 |
| 1805 | Land | \$ - | \$ - | \$ - |
| 1808 | Buildings | \$ 5,566 | \$ - | \$ 5,566 |
| 1810 | Leasehold Improvements | \$ - | \$ - | \$ - |
| 1815 | Transformer Station Equipment >50 kV | \$ 4,821 | \$ - | \$ 4,821 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 60,756 | \$ 63,496 | \$ 124,252 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 13,679 | \$ - | \$ 13,679 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 12,520 | \$ - | \$ 12,520 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 15,390 | \$ - | \$ 15,390 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 6,596 | \$ - | \$ 6,596 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 9,764 | \$ - | \$ 9,764 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 11,021 | \$ - | \$ 11,021 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 10,378 | \$ - | \$ 10,378 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 4,086 | \$ - | \$ 4,086 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 8,813 | \$ - | \$ 8,813 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 9,230 | \$ - | \$ 9,230 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 3,042 | \$ - | \$ 3,042 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 4,825 | \$ - | \$ 4,825 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 57,935 | \$ - | \$ 57,935 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 7,200 | \$ - | \$ 7,200 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 15,906 | \$ - | \$ 15,906 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 7,410 | \$ - | \$ 7,410 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 2,959 | \$ - | \$ 2,959 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 1,254 | \$ - | \$ 1,254 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 6,501 | \$ - | \$ 6,501 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 3,061 | \$ - | \$ 3,061 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 10,654 | \$ - | \$ 10,654 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 17,407 | \$ - | \$ 17,407 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 1,275 | \$ - | \$ 1,275 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 5,050 | \$ - | \$ 5,050 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 2,058 | \$ - | \$ 2,058 |
| 1820-01 | Distribution Station Equipment <50 kV-Transformers | \$ 3,096 | \$ - | \$ 3,096 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 6,628 | \$ 3,282 | \$ 9,910 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 2,470 | \$ - | \$ 2,470 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 5,557 | \$ - | \$ 5,557 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 1,072 | \$ - | \$ 1,072 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 1,588 | \$ - | \$ 1,588 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 2,150 | \$ - | \$ 2,150 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 1,687 | \$ - | \$ 1,687 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 1,993 | \$ - | \$ 1,993 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 2,150 | \$ - | \$ 2,150 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 1,488 | \$ - | \$ 1,488 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 495 | \$ - | \$ 495 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 1,177 | \$ - | \$ 1,177 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 9,139 | \$ - | \$ 9,139 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 1,857 | \$ - | \$ 1,857 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 4,257 | \$ - | \$ 4,257 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 1,108 | \$ - | \$ 1,108 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 949 | \$ - | \$ 949 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 433 | \$ - | \$ 433 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 184 | \$ - | \$ 184 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 634 | \$ - | \$ 634 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 448 | \$ - | \$ 448 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 520 | \$ - | \$ 520 |

Amortization Calculation for YE Revenue Requirement Calculation
UPDATED FOR 2013 ACTUALS AND REVISED 2014 FORECAST

| Account | Description | Full Year 2013 Depreciation Expense - From App 2CP-2013 (a) | Depreciation Expense on 2014 Full Year Additions from App 2CQ-2014 (b) | 2014 Full Year Depreciation (c) = (a) + (b) |
|---------|---|---|---|---|
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 849 | \$ - | \$ 849 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 123 | \$ - | \$ 123 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 493 | \$ - | \$ 493 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 301 | \$ - | \$ 301 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 605 | \$ - | \$ 605 |
| 1820-02 | Distribution Station Equipment <50 kV-HV Switchgear | \$ 17,606 | \$ - | \$ 17,606 |
| 1820-03 | Distribution Station Equipment <50 kV-LV Switchgear | \$ 5,490 | \$ 3,364 | \$ 8,854 |
| 1820-03 | Distribution Station Equipment <50 kV-LV Switchgear | \$ 9,263 | \$ - | \$ 9,263 |
| 1820-03 | Distribution Station Equipment <50 kV-LV Switchgear | \$ 10,411 | \$ - | \$ 10,411 |
| 1820-03 | Distribution Station Equipment <50 kV-LV Switchgear | \$ 10,427 | \$ - | \$ 10,427 |
| 1820-03 | Distribution Station Equipment <50 kV-LV Switchgear | \$ 4,290 | \$ - | \$ 4,290 |
| 1820-03 | Distribution Station Equipment <50 kV-LV Switchgear | \$ 6,350 | \$ - | \$ 6,350 |
| 1820-03 | Distribution Station Equipment <50 kV-LV Switchgear | \$ 8,064 | \$ - | \$ 8,064 |
| 1820-03 | Distribution Station Equipment <50 kV-LV Switchgear | \$ 6,750 | \$ - | \$ 6,750 |
| 1820-03 | Distribution Station Equipment <50 kV-LV Switchgear | \$ 7,973 | \$ - | \$ 7,973 |
| 1820-03 | Distribution Station Equipment <50 kV-LV Switchgear | \$ 8,061 | \$ - | \$ 8,061 |
| 1820-03 | Distribution Station Equipment <50 kV-LV Switchgear | \$ 5,952 | \$ - | \$ 5,952 |
| 1820-03 | Distribution Station Equipment <50 kV-LV Switchgear | \$ 1,979 | \$ - | \$ 1,979 |
| 1820-03 | Distribution Station Equipment <50 kV-LV Switchgear | \$ 4,707 | \$ - | \$ 4,707 |
| 1820-03 | Distribution Station Equipment <50 kV-LV Switchgear | \$ 21,363 | \$ - | \$ 21,363 |
| 1820-03 | Distribution Station Equipment <50 kV-LV Switchgear | \$ 6,196 | \$ - | \$ 6,196 |
| 1820-03 | Distribution Station Equipment <50 kV-LV Switchgear | \$ 14,548 | \$ - | \$ 14,548 |
| 1820-03 | Distribution Station Equipment <50 kV-LV Switchgear | \$ 4,432 | \$ - | \$ 4,432 |
| 1820-03 | Distribution Station Equipment <50 kV-LV Switchgear | \$ 3,796 | \$ - | \$ 3,796 |
| 1820-03 | Distribution Station Equipment <50 kV-LV Switchgear | \$ 284 | \$ - | \$ 284 |
| 1820-04 | Distribution Station Equipment <50 kV-Breaker & Relay | \$ 13,259 | \$ 46,713 | \$ 59,972 |
| 1820-04 | Distribution Station Equipment <50 kV-Breaker & Relay | \$ 1,941 | \$ - | \$ 1,941 |
| 1820-04 | Distribution Station Equipment <50 kV-Breaker & Relay | \$ 1,735 | \$ - | \$ 1,735 |
| 1820-04 | Distribution Station Equipment <50 kV-Breaker & Relay | \$ 1,738 | \$ - | \$ 1,738 |
| 1820-04 | Distribution Station Equipment <50 kV-Breaker & Relay | \$ 2,547 | \$ - | \$ 2,547 |
| 1820-04 | Distribution Station Equipment <50 kV-Breaker & Relay | \$ 1,644 | \$ - | \$ 1,644 |
| 1820-04 | Distribution Station Equipment <50 kV-Breaker & Relay | \$ 2,554 | \$ - | \$ 2,554 |
| 1820-04 | Distribution Station Equipment <50 kV-Breaker & Relay | \$ 1,635 | \$ - | \$ 1,635 |
| 1820-04 | Distribution Station Equipment <50 kV-Breaker & Relay | \$ 1,676 | \$ - | \$ 1,676 |
| 1820-04 | Distribution Station Equipment <50 kV-Breaker & Relay | \$ 2,553 | \$ - | \$ 2,553 |
| 1820-04 | Distribution Station Equipment <50 kV-Breaker & Relay | \$ 1,674 | \$ - | \$ 1,674 |
| 1820-04 | Distribution Station Equipment <50 kV-Breaker & Relay | \$ - | \$ - | \$ - |
| 1820-04 | Distribution Station Equipment <50 kV-Breaker & Relay | \$ 2,059 | \$ - | \$ 2,059 |
| 1820-04 | Distribution Station Equipment <50 kV-Breaker & Relay | \$ 5,227 | \$ - | \$ 5,227 |
| 1820-04 | Distribution Station Equipment <50 kV-Breaker & Relay | \$ 1,663 | \$ - | \$ 1,663 |
| 1820-04 | Distribution Station Equipment <50 kV-Breaker & Relay | \$ - | \$ - | \$ - |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 9,730 | \$ 12,917 | \$ 22,646 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 1,456 | \$ - | \$ 1,456 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 1,735 | \$ - | \$ 1,735 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 1,738 | \$ - | \$ 1,738 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 1,176 | \$ - | \$ 1,176 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 2,114 | \$ - | \$ 2,114 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 1,179 | \$ - | \$ 1,179 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 2,308 | \$ - | \$ 2,308 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 2,911 | \$ - | \$ 2,911 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 1,178 | \$ - | \$ 1,178 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 1,923 | \$ - | \$ 1,923 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 395 | \$ - | \$ 395 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 1,356 | \$ - | \$ 1,356 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 18,791 | \$ - | \$ 18,791 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 797 | \$ - | \$ 797 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 2,806 | \$ - | \$ 2,806 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 2,127 | \$ - | \$ 2,127 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 163 | \$ - | \$ 163 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 58 | \$ - | \$ 58 |

Amortization Calculation for YE Revenue Requirement Calculation
UPDATED FOR 2013 ACTUALS AND REVISED 2014 FORECAST

| Account | Description | Full Year 2013 Depreciation Expense - From App 2CP-2013 (a) | Depreciation Expense on 2014 Full Year Additions from App 2CQ-2014 (b) | 2014 Full Year Depreciation (c) = (a) + (b) |
|---------|---|---|---|---|
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 103 | \$ - | \$ 103 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 172 | \$ - | \$ 172 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 173 | \$ - | \$ 173 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 154 | \$ - | \$ 154 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 194 | \$ - | \$ 194 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 197 | \$ - | \$ 197 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 89 | \$ - | \$ 89 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 251 | \$ - | \$ 251 |
| 1820-05 | Distribution Station Equipment <50 kV-Containment and Civil | \$ 4,620 | \$ - | \$ 4,620 |
| 1820-06 | Distribution Station Equipment <50 kV-Cable | \$ 8,287 | \$ 4,613 | \$ 12,900 |
| 1820-06 | Distribution Station Equipment <50 kV-Cable | \$ 371 | \$ - | \$ 371 |
| 1820-06 | Distribution Station Equipment <50 kV-Cable | \$ 834 | \$ - | \$ 834 |
| 1820-06 | Distribution Station Equipment <50 kV-Cable | \$ 322 | \$ - | \$ 322 |
| 1820-06 | Distribution Station Equipment <50 kV-Cable | \$ 476 | \$ - | \$ 476 |
| 1820-06 | Distribution Station Equipment <50 kV-Cable | \$ 323 | \$ - | \$ 323 |
| 1820-06 | Distribution Station Equipment <50 kV-Cable | \$ 506 | \$ - | \$ 506 |
| 1820-06 | Distribution Station Equipment <50 kV-Cable | \$ 598 | \$ - | \$ 598 |
| 1820-06 | Distribution Station Equipment <50 kV-Cable | \$ 322 | \$ - | \$ 322 |
| 1820-06 | Distribution Station Equipment <50 kV-Cable | \$ 446 | \$ - | \$ 446 |
| 1820-06 | Distribution Station Equipment <50 kV-Cable | \$ 148 | \$ - | \$ 148 |
| 1820-06 | Distribution Station Equipment <50 kV-Cable | \$ 353 | \$ - | \$ 353 |
| 1820-06 | Distribution Station Equipment <50 kV-Cable | \$ 1,659 | \$ - | \$ 1,659 |
| 1820-06 | Distribution Station Equipment <50 kV-Cable | \$ 536 | \$ - | \$ 536 |
| 1820-06 | Distribution Station Equipment <50 kV-Cable | \$ 11,187 | \$ - | \$ 11,187 |
| 1820-06 | Distribution Station Equipment <50 kV-Cable | \$ 582 | \$ - | \$ 582 |
| 1820-06 | Distribution Station Equipment <50 kV-Cable | \$ 332 | \$ - | \$ 332 |
| 1820-06 | Distribution Station Equipment <50 kV-Cable | \$ 285 | \$ - | \$ 285 |
| 1820-06 | Distribution Station Equipment <50 kV-Cable | \$ 11,674 | \$ - | \$ 11,674 |
| 1820-07 | Distribution Station Equipment <50 kV-Wholesale Meters | \$ 23,215 | \$ - | \$ 23,215 |
| 1820-07 | Distribution Station Equipment <50 kV-Wholesale Meters | \$ 75,316 | \$ - | \$ 75,316 |
| 1825 | Storage Battery Equipment | \$ - | \$ - | \$ - |
| 1830-01 | Poles, Towers & Fixtures-wood | \$ 157,303 | \$ 161,285 | \$ 318,588 |
| 1830-01 | Poles, Towers & Fixtures-wood | \$ 193,184 | \$ - | \$ 193,184 |
| 1830-01 | Poles, Towers & Fixtures-wood | \$ 411,395 | \$ - | \$ 411,395 |
| 1830-02 | Poles, Towers & Fixtures-concrete | \$ 9,413 | \$ 4,266 | \$ 13,680 |
| 1830-02 | Poles, Towers & Fixtures-concrete | \$ 18,890 | \$ - | \$ 18,890 |
| 1830-02 | Poles, Towers & Fixtures-concrete | \$ 31,290 | \$ - | \$ 31,290 |
| 1835-01 | Overhead Conductors | \$ 79,011 | \$ 65,416 | \$ 144,427 |
| 1835-01 | Overhead Conductors | \$ 26,476 | \$ - | \$ 26,476 |
| 1835-01 | Overhead Conductors | \$ 350,640 | \$ - | \$ 350,640 |
| 1835-02 | Overhead LIS | \$ 24,696 | \$ 47,109 | \$ 71,805 |
| 1835-02 | Overhead LIS | \$ 233,381 | \$ - | \$ 233,381 |
| 1835-02 | Overhead LIS | \$ 262,093 | \$ - | \$ 262,093 |
| 1835-03 | Overhead Disconnect | \$ 11,190 | \$ 14,972 | \$ 26,162 |
| 1835-03 | Overhead Disconnect | \$ 7,627 | \$ - | \$ 7,627 |
| 1835-03 | Overhead Disconnect | \$ 73,945 | \$ - | \$ 73,945 |
| 1840 | Underground Conduit | \$ 99,454 | \$ 79,208 | \$ 178,662 |
| 1840 | Underground Conduit | \$ 12,717 | \$ - | \$ 12,717 |
| 1840 | Underground Conduit | \$ 406,766 | \$ - | \$ 406,766 |
| 1845-01 | Underground Conductors | \$ 171,775 | \$ 109,586 | \$ 281,361 |
| 1845-01 | Underground Conductors | \$ 31,989 | \$ - | \$ 31,989 |
| 1845-01 | Underground Conductors | \$ 487,478 | \$ - | \$ 487,478 |
| 1845-02 | Underground Switchgear - Padmount | \$ 248,732 | \$ 46,199 | \$ 294,931 |
| 1850-01 | Line Transformers-Padmout | \$ 1,500,294 | \$ 131,274 | \$ 1,631,567 |
| 1850-02 | Line Transformers-Polemout | \$ 157,406 | \$ 29,467 | \$ 186,872 |
| 1855-01 | Services -Overhead | \$ 298,376 | \$ 18,669 | \$ 317,045 |
| 1855-02 | Services - Underground | \$ 289,128 | \$ 41,467 | \$ 330,595 |
| 1860-01 | Meters - Smart Meters | \$ 373,877 | \$ 26,966 | \$ 400,843 |
| 1860-01 | Meters - Smart Meters | \$ 447,531 | \$ - | \$ 447,531 |
| 1860-02 | Meters - Stranded Meters | \$ - | \$ - | \$ - |

Amortization Calculation for YE Revenue Requirement Calculation
UPDATED FOR 2013 ACTUALS AND REVISED 2014 FORECAST

| Account | Description | Full Year 2013 Depreciation Expense - From App 2CP-2013 (a) | Depreciation Expense on 2014 Full Year Additions from App 2CQ-2014 (b) | 2014 Full Year Depreciation (c) = (a) + (b) |
|---------|--|---|---|---|
| 1860-03 | Meters - Collectors | \$ 152,125 | \$ 5,433 | \$ 157,559 |
| 1860-03 | Meters - Collectors | \$ 23,656 | \$ - | \$ 23,656 |
| 1860-04 | Meters - Interval | \$ 32,107 | \$ - | \$ 32,107 |
| 1905 | Land | \$ - | \$ - | \$ - |
| 1908-01 | Buildings - Structure | \$ 158,668 | \$ 500 | \$ 159,168 |
| 1908-01 | Buildings - Structure | \$ 54,682 | \$ - | \$ 54,682 |
| 1908-01 | Buildings - Structure | \$ 3,928 | \$ - | \$ 3,928 |
| 1908-01 | Buildings - Structure | \$ - | \$ - | \$ - |
| 1908-01 | Buildings - Structure | \$ 43,576 | \$ - | \$ 43,576 |
| 1908-01 | Buildings - Structure | \$ 1,692 | \$ - | \$ 1,692 |
| 1908-02 | Buildings - Exterior | \$ 24,998 | \$ 3,600 | \$ 28,598 |
| 1908-02 | Buildings - Exterior | \$ - | \$ - | \$ - |
| 1908-02 | Buildings - Exterior | \$ 280,415 | \$ - | \$ 280,415 |
| 1908-02 | Buildings - Exterior | \$ 117,575 | \$ - | \$ 117,575 |
| 1908-03 | Buildings - Interior | \$ 36,639 | \$ 8,667 | \$ 45,306 |
| 1908-03 | Buildings - Interior | \$ 86,070 | \$ - | \$ 86,070 |
| 1908-03 | Buildings - Interior | \$ 13,199 | \$ - | \$ 13,199 |
| 1908-03 | Buildings - Interior | \$ 2,229 | \$ - | \$ 2,229 |
| 1908-03 | Buildings - Interior | \$ 495 | \$ - | \$ 495 |
| 1908-03 | Buildings - Interior | \$ 36,950 | \$ - | \$ 36,950 |
| 1908-04 | Buildings - HVAC | \$ 4,912 | \$ 2,800 | \$ 7,712 |
| 1908-04 | Buildings - HVAC | \$ - | \$ - | \$ - |
| 1908-04 | Buildings - HVAC | \$ 2,749 | \$ - | \$ 2,749 |
| 1908-04 | Buildings - HVAC | \$ 38,277 | \$ - | \$ 38,277 |
| 1908-04 | Buildings - HVAC | \$ 141,958 | \$ - | \$ 141,958 |
| 1908-04 | Buildings - HVAC | \$ 30,503 | \$ - | \$ 30,503 |
| 1908-04 | Buildings - HVAC | \$ 5,453 | \$ - | \$ 5,453 |
| 1908-04 | Buildings - HVAC | \$ - | \$ - | \$ - |
| 1908-04 | Buildings - HVAC | \$ - | \$ - | \$ - |
| 1910 | Leasehold Improvements | \$ - | \$ - | \$ - |
| 1915 | Office Furniture & Equipment | \$ 205,828 | \$ 3,500 | \$ 209,328 |
| 1920-01 | Computer Equipment - Hardware - Servers/Others | \$ 115,662 | \$ 86,800 | \$ 202,462 |
| 1920-01 | Computer Equipment - Hardware - Servers/Others | \$ 237,671 | \$ - | \$ 237,671 |
| 1920 | Computer Equip.-Hardware-Desktops | \$ 24,495 | \$ - | \$ 24,495 |
| 1920 | Computer Equip.-Hardware-laptops | \$ 21,027 | \$ - | \$ 21,027 |
| 1930-01 | Transportation Equipment-Light Vehicles | \$ 44,419 | \$ 33,333 | \$ 77,752 |
| 1930-02 | Transportation Equipment-Bucket Trucks | \$ 22,815 | \$ 37,500 | \$ 60,315 |
| 1930-03 | Transportation Equipment Heavy Duty Trucks | \$ 13,953 | \$ 19,400 | \$ 33,353 |
| 1930 | Transportation Equipment | \$ 45,042 | \$ - | \$ 45,042 |
| 1930 | Transportation Equipment | \$ 4,398 | \$ - | \$ 4,398 |
| 1930 | Transportation Equipment | \$ 5,977 | \$ - | \$ 5,977 |
| 1930 | Transportation Equipment | \$ 11,018 | \$ - | \$ 11,018 |
| 1930 | Transportation Equipment | \$ 41,101 | \$ - | \$ 41,101 |
| 1930 | Transportation Equipment | \$ 60,756 | \$ - | \$ 60,756 |
| 1930 | Transportation Equipment | \$ 111 | \$ - | \$ 111 |
| 1930 | Transportation Equipment | \$ 29,354 | \$ - | \$ 29,354 |
| 1930 | Transportation Equipment | \$ - | \$ - | \$ - |
| 1930 | Transportation Equipment | \$ - | \$ - | \$ - |
| 1930 | Transportation Equipment | \$ 45,812 | \$ - | \$ 45,812 |
| 1930 | Transportation Equipment | \$ 58,453 | \$ - | \$ 58,453 |
| 1930 | Transportation Equipment | \$ 110,624 | \$ - | \$ 110,624 |
| 1930 | Transportation Equipment | \$ 21,856 | \$ - | \$ 21,856 |
| 1930 | Transportation Equipment | \$ 36,679 | \$ - | \$ 36,679 |
| 1930 | Transportation Equipment | \$ 6,547 | \$ - | \$ 6,547 |
| 1935 | Stores Equipment | \$ 1,151 | \$ - | \$ 1,151 |
| 1940 | Tools, Shop & Garage Equipment | \$ 47,349 | \$ 18,500 | \$ 65,849 |
| 1945 | Measurement & Testing Equipment | \$ 6,020 | \$ - | \$ 6,020 |
| 1950 | Power Operated Equipment | \$ - | \$ - | \$ - |
| 1955 | Communications Equipment | \$ 67,050 | \$ 23,991 | \$ 91,041 |
| 1955 | Communication Equipment (Smart Meters) | \$ - | \$ - | \$ - |

Amortization Calculation for YE Revenue Requirement Calculation
UPDATED FOR 2013 ACTUALS AND REVISED 2014 FORECAST

| Account | Description | Full Year 2013 Depreciation Expense - From App 2CP-2013 (a) | Depreciation Expense on 2014 Full Year Additions from App 2CQ-2014 (b) | 2014 Full Year Depreciation (c) = (a) + (b) |
|---------|--|---|---|---|
| 1960 | Miscellaneous Equipment | \$ 37,896 | \$ 16,500 | \$ 54,396 |
| 1970 | Load Management Controls - Customer Premises | \$ - | \$ - | \$ - |
| 1975 | Load Management Controls Utility Premises | \$ - | \$ - | \$ - |
| 1980 | System Supervisor Equipment | \$ 288,079 | \$ 76,175 | \$ 364,254 |
| 1985 | Miscellaneous Fixed Assets | \$ - | \$ - | \$ - |
| 1990 | Other Tangible Property | \$ - | \$ - | \$ - |
| 1995 | Contributions & Grants | -\$ 375,893 | -\$ 356,839 | -\$ 732,732 |
| 1995 | Contributions & Grants | -\$ 43,545 | \$ - | -\$ 43,545 |
| 1995 | Contributions & Grants | -\$ 4,141 | \$ - | -\$ 4,141 |
| 1995 | Contributions & Grants | -\$ 6,203 | \$ - | -\$ 6,203 |
| 1995 | Contributions & Grants | -\$ 54,683 | \$ - | -\$ 54,683 |
| 1995 | Contributions & Grants | -\$ 1,787 | \$ - | -\$ 1,787 |
| 1995 | Contributions & Grants | -\$ 471 | \$ - | -\$ 471 |
| 1995 | Contributions & Grants | -\$ 3,401 | \$ - | -\$ 3,401 |
| 1995 | Contributions & Grants | -\$ 401 | \$ - | -\$ 401 |
| 1995 | Contributions & Grants | -\$ 58,980 | \$ - | -\$ 58,980 |
| 1995 | Contributions & Grants | -\$ 4,486 | \$ - | -\$ 4,486 |
| 1995 | Contributions & Grants | -\$ 33,818 | \$ - | -\$ 33,818 |
| 1995 | Contributions & Grants | -\$ 25,637 | \$ - | -\$ 25,637 |
| 1995 | Contributions & Grants | -\$ 7,233 | \$ - | -\$ 7,233 |
| 1995 | Contributions & Grants | -\$ 106,999 | \$ - | -\$ 106,999 |
| 1995 | Contributions & Grants | -\$ 339,502 | \$ - | -\$ 339,502 |
| 1995 | Contributions & Grants | -\$ 33,160 | \$ - | -\$ 33,160 |
| 1995 | Contributions & Grants | -\$ 473,353 | \$ - | -\$ 473,353 |
| 1995 | Contributions & Grants | -\$ 44,377 | \$ - | -\$ 44,377 |
| 1995 | Contributions & Grants | -\$ 71,238 | \$ - | -\$ 71,238 |
| 1995 | Contributions & Grants | -\$ 66,759 | \$ - | -\$ 66,759 |
| | | \$ - | \$ - | \$ - |
| | Total | \$ 10,418,301 | \$ 1,566,062 | \$ 11,984,363 |

Less: Vehicles - Allocated through overheads

-\$ 649,149

Net Amortization to be included in YE Revenue Requirement

\$ 11,335,214

7.7-Staff-36

Ref: Appendix 2-W

Request

Upon completing all interrogatories from Board staff and intervenors, please provide an updated Appendix 2-W for all classes at the typical consumption / demand levels (e.g. 800 kWh for residential, 2,000 kWh for GS<50, etc.).

Response:

Veridian has no update to Appendix 2-W to provide at this time. As requested in 7.7-Staff-34 Veridian has provided updates versions of the Average and YE RRWF which reflect any corrections and/or adjustments as a result of its interrogatory responses.

Veridian has not, however, at this time, been able to complete full recalculation of distribution rates that may arise as a result of the changes in its RRWF values.

Recalculating rates and bill impacts would take significantly more time and resources than Veridian has available to respond to the interrogatories received as it would involve full updates to cost allocation and rate design.

Veridian proposes that bill impacts, in general would move in the same direction and magnitude as the change in revenue requirement.

Load Forecast, Cost Allocation and Rate Design

Issue 8.1

Is the proposed load forecast, including billing determinants an appropriate reflection of the energy and demand requirements of the applicant?

8.1-EP-52

Ref: Exhibit 1, Tab 1, Schedule 2

Request

- (a) Please provide the number of customers in each rate class that is usually associated with connections (eg. street lights, sentinel and USL) in each of 2010 through 2014.
- (b) Is Table 2 based on year-end numbers, mid-point numbers or monthly average numbers of customers?
- (c) Please provide a revised Table 2 that shows the comparison between the 2014 forecast and the 2010 actual figures.

Response:

- (a) The table below provides the number of customers in each rate class that is usually associated with connections for the periods of 2010 through 2014.

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|-------------------|-------------|-------------|-------------|-------------|-------------|
| USL | 914 | 917 | 909 | 918 | 926 |
| Sentinel Lighting | 133 | 133 | 133 | 133 | 133 |
| Street Lighting | 9 | 9 | 9 | 9 | 9 |

- (b) Table 2 is based on mid-point numbers.
- (c) Revised Table 2 showing comparison between 2014 forecast and 2010 actuals.

Table 2: Load and customer growth 2010 to 2014

| | 2014 Test Year | 2010 Actual | Change | %age change |
|-------------|---------------------------|--------------------|---------------|------------------------|
| Retail kWh* | 2,562,048,571 | 2,543,041,714 | 19,006,857 | 0.7% |
| Customers** | 118,727 | 112,106 | 6,621 | 5.9% |

**Note: 2010 Actual is the sum of Main and Gravenhurst
separate load forecasts*

***Note: Denotes customers, not connections*

8.1-EP-53

Ref: Exhibit 3, Tab 2, Schedule 2, Attachment 1

Request

- (a) Are the figures shown in Table 5 for 2013 and 2014 rather than 2012 and 2013? If not, please explain how the forecast for 2014 has been determined.
- (b) Please update the forecasts in Table 5 to reflect the most recent forecasts available. Please also add the most recent forecast from CIBC to the table and calculate the average based on the average of the 5 forecasts.
- (c) What is the impact on the volume forecast using the updated employment forecast requested in part (b) above?
- (d) What is the impact on the revenue deficiency of the forecast requested in part (c) above?

Response:

- (a) Veridian confirms the figures shown in Table 5 are for 2013 and 2014.
- (b) An update to Table 5 providing the most recent available forecasts is provided below.

| <i>Employment Forecast – Ontario</i> | | | | | |
|--|---------------------------|------------------------|-----------------------------|--------------------------|-----|
| <i>(figures in annual percentage change)</i> | | | | | |
| | BMO (January 17, 2014) | RBC (December 2013) | Scotia (January 6, 2014) | TD (January 15, 2014) | Avg |
| 2013 | 1.4 | 1.4 | 1.4 | 1.5 | 1.4 |
| 2014 | 1.1 | 1.3 | 1.1 | 1.4 | 1.2 |

A further update to Table 5 including the most recent forecast from CIBC is provided below.

| <i>Employment Forecast – Ontario</i> | | | | | | |
|--|---------------------------|------------------------|---------------------------|-----------------------------|--------------------------|-----|
| <i>(figures in annual percentage change)</i> | | | | | | |
| | BMO (January 17, 2014) | RBC (December 2013) | CIBC (October 4, 2013) | Scotia (January 6, 2014) | TD (January 15, 2014) | Avg |
| 2013 | 1.4 | 1.4 | 1.5 | 1.4 | 1.5 | 1.4 |
| 2014 | 1.1 | 1.3 | 1.7 | 1.1 | 1.4 | 1.3 |

- (c) The following tables show the updated forecast 2014 normalized delivered kWh for each tariff zone when applying the 2013 average adjustment of 1.4% and 2014 average adjustment of 1.3%.

Table 1: Veridian-Main

Annual Actual vs. Normalized MainkWh

| | MainkWh | % Change | Normalized Value | % Change |
|------|---------------|----------|------------------|----------|
| 2002 | 2,387,095,602 | | 2,348,787,957 | |
| 2003 | 2,373,316,465 | -0.6% | 2,406,061,089 | 2.4% |
| 2004 | 2,393,015,080 | 0.8% | 2,457,233,222 | 2.1% |
| 2005 | 2,538,717,128 | 6.1% | 2,472,183,839 | 0.6% |
| 2006 | 2,558,350,419 | 0.8% | 2,510,518,864 | 1.6% |
| 2007 | 2,562,505,950 | 0.2% | 2,545,494,785 | 1.4% |
| 2008 | 2,526,783,479 | -1.4% | 2,568,004,254 | 0.9% |
| 2009 | 2,468,591,443 | -2.3% | 2,489,533,039 | -3.1% |
| 2010 | 2,555,698,870 | 3.5% | 2,524,097,287 | 1.4% |
| 2011 | 2,564,736,252 | 0.4% | 2,576,544,550 | 2.1% |
| 2012 | 2,607,412,555 | 1.7% | 2,597,801,474 | 0.8% |
| 2013 | | | 2,631,256,243 | 1.3% |
| 2014 | | | 2,662,749,483 | 1.2% |

Table 2-Veridian-Gravenhurst

Annual Actual vs. Normalized GravkWh

| | GravkWh | % Change | Normalized Value | % Change |
|------|-------------|----------|------------------|----------|
| 2002 | 98,605,822 | | 98,680,374 | |
| 2003 | 99,296,988 | 0.7% | 99,921,617 | 1.3% |
| 2004 | 99,083,993 | -0.2% | 101,040,133 | 1.1% |
| 2005 | 99,742,558 | 0.7% | 99,421,611 | -1.6% |
| 2006 | 96,127,653 | -3.6% | 100,450,469 | 1.0% |
| 2007 | 99,457,968 | 3.5% | 100,501,665 | 0.1% |
| 2008 | 100,986,177 | 1.5% | 100,601,549 | 0.1% |
| 2009 | 102,103,495 | 1.1% | 99,699,499 | -0.9% |
| 2010 | 102,226,116 | 0.1% | 99,962,002 | 0.3% |
| 2011 | 102,279,712 | 0.1% | 100,262,850 | 0.3% |
| 2012 | 101,801,800 | -0.5% | 99,661,037 | -0.6% |
| 2013 | | | 99,875,462 | 0.2% |
| 2014 | | | 100,078,349 | 0.2% |

The table below provides the updated forecast harmonized 2014 normalized delivered kWh by class with comparison to the forecast as filed.

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Updated with most recent Employment Forecast - VCI Harmonized Load Forecast

| | 2012 Actual | 2012 Normalized | 2013f Normalized | Updated 2014f Normalized | As Filed | Change | %age |
|------------------------------|---------------|-----------------|---------------------|-----------------------------|---------------|----------------|--------------|
| Residential (kWh) | 955,964,961 | 951,822,758 | 963,705,957 | 974,892,780 | 973,174,502 | 1,718,278 0 | 0.18% |
| Residential - Seasonal (kWh) | 9,220,330 | 9,218,828 | 9,201,231 | 9,183,667 | 9,183,667 | 0 | 0.00% |
| GS<50 (kWh) | 299,242,920 | 297,868,147 | 301,539,583 | 304,995,913 | 304,465,000 | 530,913 0 | 0.17% |
| GS>50 (kWh) | 1,056,049,049 | 1,051,590,459 | 1,045,647,591 | 1,041,640,336 | 1,039,731,728 | 1,908,608 0 | 0.18% |
| (kW) | 2,507,861 | 2,497,247 | 2,496,880 | 2,504,531 | 2,504,507 | 4,530 | 0.18% |
| Intermediate (kWh) | 54,894,697 | 54,894,697 | 90,616,333 | 126,308,499 | 126,308,499 | 0 | 0.00% |
| (kW) | 147,009 | 147,009 | 202,890 | 257,941 | 257,941 | 0 | 0.00% |
| Large Use (kWh) | 190,643,020 | 190,643,020 | 146,387,216 | 115,197,786 | 115,197,786 | 0 | 0.00% |
| (kW) | 334,461 | 334,461 | 247,389 | 184,514 | 184,514 | 0 | 0.00% |
| Street Lights (kWh) | 20,739,716 | 20,739,716 | 21,132,796 | 21,533,545 | 21,533,545 | 0 | 0.00% |
| (kW) | 57,735 | 57,735 | 58,829 | 59,945 | 59,945 | 0 | 0.00% |
| Sentinel Lights (kWh) | 423,455 | 423,455 | 398,374 | 374,941 | 374,941 | 0 | 0.00% |
| (kW) | 1,791 | 1,791 | 1,682 | 1,580 | 1,580 | 0 | 0.00% |
| USL (kWh) | 4,414,474 | 4,414,474 | 4,455,481 | 4,496,870 | 4,496,870 | 0 | 0.00% |
| Total Retail kWh | 2,591,592,621 | 2,581,615,553 | 2,583,084,562 | 2,598,624,336 | 2,594,466,537 | 4,157,799 | 0.16% |

(d) The impact on the revenue deficiency of the forecast is a reduction of \$50,182.

8.1-EP-54

Ref: Exhibit 3, Tab 2, Schedule 2, Attachment 1

Please re-estimate the Main equation by replacing the Shoulder variable with two variables: one that has a value of 1 in September, October and November and 0 in all other months, and one that has a value of 1 in April and May and 0 in all other months.

Request

- (a) Based on the equation requested above, please provide the associated Table 2, Table 3 and Table 6 output.
- (b) What is the approximate impact on revenues at current rates of this change in the load forecast?

Response:

- (a) Tables 2, 3 and 6 output based on the equation requested.

Table 2: Updated with two shoulder variables

OLS, using observations 2002:01-2012:12 (T = 132)

Dependent variable: MainkWh

| | coefficient | t-ratio | p-value |
|--------------|-----------------|--------------------|----------|
| const | - 67,656,021.30 | -3.62 | 0.000426 |
| PearsonHDD | 69,465.47 | 18.85 | 2.43E-38 |
| PearsonCDD | 276,382.13 | 15.28 | 2.24E-30 |
| OntFTE | 38,665.36 | 14.20 | 7.74E-28 |
| Peakdays | 2,153,933.23 | 4.47 | 1.76E-05 |
| Shoulder One | - 6,763,649.48 | -4.45 | 1.87E-05 |
| Shoulder Two | - 3,906,256.58 | -2.19 | 0.030699 |
| R-squared | 0.898 | Adjusted R-squared | 0.89 |
| F(6, 125) | 182.8 | P-value(F) | 2.19E-59 |
| Theil's U | 0.31 | Durbin-Watson | 1.43 |

Table 3: Updated with two shoulder variables

Annual Predicted vs. Actual MainkWh

| | MainkWh | Predicted Value | Absolute % Error |
|--|---------------|-----------------|---------------------|
| 2002 | 2,387,095,602 | 2,376,263,398 | 0.5% |
| 2003 | 2,373,316,465 | 2,408,813,686 | 1.5% |
| 2004 | 2,393,015,080 | 2,423,024,935 | 1.3% |
| 2005 | 2,538,717,128 | 2,524,703,503 | 0.6% |
| 2006 | 2,558,350,419 | 2,494,047,046 | 2.5% |
| 2007 | 2,562,505,950 | 2,568,933,714 | 0.3% |
| 2008 | 2,526,783,479 | 2,557,173,298 | 1.2% |
| 2009 | 2,468,591,443 | 2,452,413,955 | 0.7% |
| 2010 | 2,555,698,870 | 2,532,811,215 | 0.9% |
| 2011 | 2,564,736,252 | 2,596,013,487 | 1.2% |
| 2012 | 2,607,412,555 | 2,602,025,007 | 0.2% |
| <i>Mean Absolute Percentage Error (Annual)</i> | | | 1.0% |
| <i>Mean Absolute Percentage Error (Monthly)</i> | | | 2.0% |

Table 6: Updated with two shoulder variables

Annual Actual vs. Normalized MainkWh

| | MainkWh | % Change | Normalized Value | % Change |
|------|---------------|----------|------------------|----------|
| 2002 | 2,387,095,602 | | 2,338,787,329 | |
| 2003 | 2,373,316,465 | -0.6% | 2,400,303,639 | 2.6% |
| 2004 | 2,393,015,080 | 0.8% | 2,453,994,900 | 2.2% |
| 2005 | 2,538,717,128 | 6.1% | 2,470,817,652 | 0.7% |
| 2006 | 2,558,350,419 | 0.8% | 2,511,698,534 | 1.7% |
| 2007 | 2,562,505,950 | 0.2% | 2,548,117,980 | 1.4% |
| 2008 | 2,526,783,479 | -1.4% | 2,572,561,946 | 1.0% |
| 2009 | 2,468,591,443 | -2.3% | 2,489,319,025 | -3.2% |
| 2010 | 2,555,698,870 | 3.5% | 2,526,178,710 | 1.5% |
| 2011 | 2,564,736,252 | 0.4% | 2,582,548,662 | 2.2% |
| 2012 | 2,607,412,555 | 1.7% | 2,604,777,649 | 0.9% |
| 2013 | | | 2,635,350,347 | 1.2% |
| 2014 | | | 2,668,880,945 | 1.3% |

b) The approximate impact on revenues at current rates of this change in the load forecast is an increase of \$112,868.

8.1-EP-55

Ref: Exhibit 3, Tab 2, Schedule 2, Attachment 1

Request

- (a) Please update Table 8 to reflect actual data for 2013.
- (b) Please update Table 11 to reflect actual data for 2013.

Response:

- (a) Table 8 has been updated to reflect actual 2013 data. 2013 actual data has been adjusted to reflect the full year impacts of the customer reclassifications as discussed at page 11 of E-3, T-2, S-2, Att-1.



Updated Table 8 - Actual GS > 50 Class kW-VCI Main



| Year | Actual kW | Class kW/kWh Ratio |
|------|-----------|--------------------|
| 2002 | 2,144,432 | 0.002336 |
| 2003 | 2,373,086 | 0.002461 |
| 2004 | 2,316,944 | 0.002460 |
| 2005 | 2,500,118 | 0.024855 |
| 2006 | 2,332,139 | 0.002372 |
| 2007 | 2,331,031 | 0.002411 |
| 2008 | 2,417,886 | 0.002595 |
| 2009 | 2,279,944 | 0.002470 |
| 2010 | 2,327,604 | 0.002427 |
| 2011 | 2,343,632 | 0.002384 |
| 2012 | 2,428,849 | 0.002373 |
| 2013 | 2,383,175 | 0.002553 |

- (b) Table 11 has been updated to reflect actual 2013 data. 2013 actual data has been adjusted to reflect the full year impacts of the customer reclassifications as discussed at page 11 of E-3, T-2, S-2, Att-1.

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Updated Table 11 - Non-Weather Sensitive Historic Consumption - VCI Main

| Intermediate | | | | | Large Use | | | | |
|--------------|-------------|---|---------|--------|-----------|-------------|---|---------|---------|
| Year | kWh | % | kW | % | Year | kWh | % | kW | % |
| 2005 | 37,025,068 | | 97,817 | | 2005 | 237,241,914 | | 412,936 | |
| 2006 | 36,964,611 | -0.16% | 93,531 | -4.38% | 2006 | 244,544,213 | 3.08% | 422,374 | 2.29% |
| 2007 | 46,512,034 | 25.83% | 117,701 | 25.84% | 2007 | 206,326,221 | -15.63% | 357,781 | -15.29% |
| 2008 | 52,708,996 | 13.32% | 133,732 | 13.62% | 2008 | 174,505,258 | -15.42% | 290,339 | -18.85% |
| 2009 | 42,338,962 | -19.67% | 132,246 | -1.11% | 2009 | 187,618,724 | 7.51% | 317,012 | 9.19% |
| 2010 | 49,471,970 | 16.85% | 131,705 | -0.41% | 2010 | 175,152,266 | -6.64% | 344,569 | 8.69% |
| 2011 | 53,329,057 | 7.80% | 144,190 | 9.48% | 2011 | 195,574,881 | 11.66% | 337,123 | -2.16% |
| 2012 | 54,894,697 | 2.94% | 147,009 | 1.96% | 2012 | 190,643,020 | -2.52% | 334,461 | -0.79% |
| 2013 | 120,616,574 | 119.72%  | 260,786 | 77.39% | 2013 | 138,732,486 | -27.23%  | 243,983 | -27.05% |

| Street Lighting | | | | | Sentinel Lighting | | | | |
|-----------------|------------|---|--------|--------|-------------------|---------|--|--------|--------|
| Year | kWh | % | kW | % | Year | kWh | % | kW | % |
| 2005 | 19,530,434 | | 46,500 | | 2005 | 972,712 | | 46,500 | |
| 2006 | 18,461,322 | -5.47% | 51,125 | 9.95% | 2006 | 802,732 | -17.47% | 51,125 | 9.95% |
| 2007 | 18,376,945 | -0.46% | 51,647 | 1.02% | 2007 | 928,755 | 15.70% | 51,647 | 1.02% |
| 2008 | 18,811,565 | 2.37% | 52,584 | 1.81% | 2008 | 846,470 | -8.86% | 52,584 | 1.81% |
| 2009 | 19,168,966 | 1.90% | 53,466 | 1.68% | 2009 | 812,525 | -4.01% | 53,466 | 1.68% |
| 2010 | 18,008,286 | -6.05% | 53,945 | 0.90% | 2010 | 598,833 | -26.30% | 53,945 | 0.90% |
| 2011 | 19,480,569 | 8.18% | 56,154 | 4.09% | 2011 | 523,767 | -12.54% | 56,154 | 4.09% |
| 2012 | 20,144,931 | 3.41% | 56,061 | -0.17% | 2012 | 381,737 | -27.12% | 56,061 | -0.17% |
| 2013 | 20,375,820 | 1.15%  | 56,800 | 1.32% | 2013 | 361,849 | -5.21%  | 56,800 | 1.32% |

| USL | | |
|------|-----------|---------|
| Year | kWh | % |
| 2005 | 6,814,866 | |
| 2006 | 6,557,788 | -3.77% |
| 2007 | 5,907,835 | -9.91% |
| 2008 | 5,738,246 | -2.87% |
| 2009 | 6,318,275 | 10.11% |
| 2010 | 5,942,432 | -5.95% |
| 2011 | 5,860,015 | -1.39% |
| 2012 | 4,414,474 | -24.67% |
| 2013 | 5,560,277 | 25.96% |

8.1-EP-56

Ref: Exhibit 3, Tab 2, Schedule 2, Attachment 1

Request

- (a) Please show the derivation of the intermediate and large use kW forecasts for 2014 shown in Table 8 based on the 2012 figures and the adjustments noted on page 11.
- (b) Please update Table 10 to reflect 2013 actual data.

Response:

- (a) Veridian understands the table reference to be Table 9, rather than Table 8 as Table 8 contains data for the GS > 50 kW rate class.

VCI Intermediate normalized kW load for 2012 was 147,009 kW per table 9. Elenchus applied the ten month consumption trend 0.97% per table 10 to the 147,009 to estimate the 2013 kW load resulting in 148,430 kW.

To account for the 2012 re-classes Elenchus then included the July to December 2012 kW for the LU and 2 GS > 50 kW customers transferred to the Intermediate class. This results in the 2013 kW normalized load of 202,890 kW.

For 2014 Elenchus applied the applied the ten month consumption trend 0.97% to the 148,430 kW to estimate the 2014 kW load resulting in 149,866 kW before the re-class.


Elenchus then included the January to December 2012 kW for the LU and 2 GS > 50 kW customers transferred to the Intermediate class. This results in the 2014 kW normalized load of 257,941 kW.

- (b) Table 10 updated to reflect 2013 actual data is provided below.

Table 10 - Updated to include 2013 Actuals


Intermediate Class Consumption

Avg Monthly Consumption

| | kWh | | kW | |
|-------------------|---|-------|--------|-------|
| May'11 - Feb'12 | 4,516,610 | | 12,201 | |
| Mar'12 - Dec'12 | 4,559,384  | 0.95% | 12,319 | 0.97% |
| Jan'13 - June'13 | 5,423,177 | | 13,743 | |
| July '13 - Dec'13 | 10,175,566 | | 21,930 | |

Large Use Class Consumption

Avg Monthly Consumption

| | kWh | | kW | |
|-------------------|--|--------|--------|--------|
| May'11 - Feb'12 | 16,009,542 | | 28,791 | |
| Mar'12 - Dec'12 | 15,847,160  | -1.01% | 27,651 | -3.96% |
| Jan'13 - June'13 | 15,647,245 | | 26,789 | |
| July '13 - Dec'13 | 9,822,861 | | 17,557 | |

Note: Jan'13 - June'13 averages do not reflect impact of customer reclassifications. July '13 - Dec '13 do reflect impact of customer reclassifications

8.1-EP-57

Ref: Exhibit 3, Tab 2, Schedule 2, Attachment 1

Request

Please update Table 12 to reflect actual data for 2013.

Response:

Updated Table 12 - Average Annual Customer Connections - VCI Main

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013F | 2013 A | 2014F |
|----------------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|---------|
| Residential | 86,769 | 90,518 | 92,815 | 94,490 | 95,676 | 96,856 | 98,049 | 99,485 | 100,875 | 100,709 | 102,285 |
| % chg | | 4.3% | 2.5% | 1.8% | 1.3% | 1.2% | 1.2% | 1.5% | 1.4% | 1.2% | 1.4% |
| GS<50 kW | 7,450 | 7,565 | 7,604 | 7,655 | 7,706 | 7,809 | 7,892 | 7,961 | 8,034 | 7,989 | 8,109 |
| % chg | | 1.5% | 0.5% | 0.7% | 0.7% | 1.3% | 1.1% | 0.9% | 0.9% | 0.4% | 0.9% |
| GS> 50 kW | 996 | 1,012 | 1,020 | 1,038 | 1,019 | 1,006 | 1,005 | 1,021 | 1,029 | 1,043 | 1,037 |
| % chg | | 1.6% | 0.8% | 1.8% | -1.9% | -1.2% | -0.1% | 1.6% | 0.7% | 2.2% | 0.7% |
| Intermediate | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 4 | 4 | 5 |
| Large Use | 5 | 5 | 5 | 5 | 5 | 5 | 4 | 4 | 3 | 3 | 2 |
| Street Light | 23,912 | 24,769 | 25,669 | 26,070 | 26,468 | 27,108 | 27,885 | 28,273 | 28,825 | 28,435 | 29,387 |
| % chg | | 3.6% | 3.6% | 1.6% | 1.5% | 2.4% | 2.9% | 1.4% | 2.0% | 0.6% | 2.0% |
| Sentinel Light | 720 | 655 | 693 | 730 | 717 | 694 | 588 | 493 | 461 | 411 | 430 |
| USL | 756 | 759 | 868 | 875 | 887 | 914 | 917 | 909 | 918 | 921 | 926 |
| % chg | | 0.3% | 14.4% | 0.7% | 1.4% | 3.0% | 0.4% | -0.9% | 0.9% | 1.3% | 0.9% |

8.1-EP-58

Ref: Exhibit 3, Tab 2, Schedule 2, Attachment 1

Request

Please update Tables 20 and 22 to reflect actual data for 2013.

Response:

Updated tables below.

Updated Table 20 - Actual GS > 50 Class kW-Gravenhurst

| Year | Actual kW | Class kW/kWh Ratio |
|-------------|------------------|---------------------------|
| 2003 | 83,097 | 0.002852 |
| 2004 | 82,326 | 0.002809 |
| 2005 | 73,065 | 0.002335 |
| 2006 | 74,129 | 0.002692 |
| 2007 | 67,173 | 0.002382 |
| 2008 | 69,971 | 0.002396 |
| 2009 | 80,296 | 0.002613 |
| 2010 | 79,964 | 0.002435 |
| 2011 | 84,007 | 0.002591 |
| 2012 | 79,013 | 0.002421 |
| 2013 | 84,249 | 0.002437 |

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Updated Table 22 - Average Annual Customer Connections - Gravenhurst

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013F | 2013 A | 2014F |
|----------|-------|--------|--------|--------|--------|---------|---------|--------|--------|--------|--------|
| Res - | | | | | | | | | | | |
| Urban | 2,900 | 2,906 | 2,930 | 2,945 | 2,993 | 3,010 | 3,017 | 3,038 | 3,059 | 3,061 | 3,079 |
| % chg | | 0.20% | 0.80% | 0.50% | 1.60% | 0.60% | 0.20% | 0.70% | 0.70% | 0.76% | 0.70% |
| Res - | | | | | | | | | | | |
| SubUrban | 689 | 700 | 719 | 728 | 749 | 762 | 765 | 776 | 790 | 786 | 803 |
| % chg | | 1.60% | 2.70% | 1.20% | 3.00% | 1.70% | 0.40% | 1.50% | 1.70% | 1.26% | 1.70% |
| Res - | | | | | | | | | | | |
| Seasonal | 1,612 | 1,613 | 1,607 | 1,602 | 1,608 | 1,602 | 1,596 | 1,591 | 1,588 | 1,593 | 1,585 |
| % chg | | 0.10% | -0.40% | -0.30% | 0.30% | -0.40% | -0.30% | -0.40% | -0.20% | 0.13% | -0.20% |
| GS < 50 | | | | | | | | | | | |
| kW | 657 | 677 | 694 | 702 | 717 | 718 | 718 | 718 | 718 | 715 | 718 |
| % chg | | 3.00% | 2.50% | 1.10% | 2.10% | 0.20% | 0.10% | 0.00% | 0.00% | -0.49% | 0.00% |
| GS > 50 | | | | | | | | | | | |
| kW | 58 | 54 | 50 | 50 | 48 | 42 | 37 | 36 | 36 | 36 | 36 |
| % chg | | -6.80% | -7.20% | 0.00% | -4.80% | -11.70% | -12.10% | -2.50% | -0.50% | -0.69% | 0.00% |
| Street | | | | | | | | | | | |
| Light | 906 | 906 | 947 | 947 | 947 | 952 | 953 | 953 | 953 | 953 | 953 |
| % chg | | 0.00% | 0.00% | 0.00% | 0.00% | -15.10% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Sentinel | | | | | | | | | | | |
| Light | 53 | 53 | 53 | 53 | 53 | 45 | 45 | 45 | 45 | 38 | 45 |

8.1-EP-59

Ref: Exhibit 3, Tab 3, Schedule 1

Request

Does Veridian have a preliminary estimate of its 2013 CDM savings (kWh and kW) in relation to the 18,809,279 kWh and 12,549 kW shown in Table 2? If yes please provide the preliminary estimates.

Response:

No. Veridian does not have a preliminary estimate of its 2013 CDM savings.

8.1-EP-60

Ref: Exhibit 3, Tab 2, Schedule 2, Attachment 1
Exhibit 8, Tab 5, Schedule 1, Attachment 1

Request

- (a) Please explain how the retail kWh's were calculated in Table 25, resulting in a loss factor (unadjusted for LU loss of load) of 6.3%.
- (b) Please reconcile this loss of 6.3% with the forecast for 2014 of 4.8% as calculated in Exhibit 8, Tab 5, Schedule 1, Attachment 1

Response:

(a) and (b)

Veridian notes that the calculated retail kWh do not result in a loss factor of 6.3%. The delivered kWh of 2,757 GWh is the normalized load forecast before accounting for the lost Large Use customer as they are shown on Table 6 and 2014 F

| | | |
|-----------------------------|-----------|----------------------|
| Total Retail kWh (Table 25) | A | 2,594,466,537 |
| Delivered | | |
| Veridian Main kWh (Table 6) | | 2,657,912,736 |
| Gravenhurst kWh (Table 17) | | 100,046,618 |
| | B | <u>2,757,959,354</u> |
| Table 17. Loss Factor | C = B / A | 1.06 |

The retail kWh shown on Table 25 includes the effect of the lost Large Use customer load. Hence the delivered kWh must be adjusted to account for the lost load and would result in delivered kWh of 2,720 GWh and a calculated loss factor of 1.049.

2014 F

| | | |
|-----------------------------|---|---------------|
| Total Retail kWh (Table 25) | A | 2,594,466,537 |
|-----------------------------|---|---------------|

Delivered

| | | |
|-----------------------------|--|---------------|
| Veridian Main kWh (Table 6) | | 2,657,912,736 |
|-----------------------------|--|---------------|

| | | |
|--------------------------|--|-------------|
| Less lost Large Use Load | | -37,338,208 |
|--------------------------|--|-------------|

| | | |
|----------------------------|--|-------------|
| Gravenhurst kWh (Table 17) | | 100,046,618 |
|----------------------------|--|-------------|

| | |
|---|----------------------|
| B | <u>2,720,621,146</u> |
|---|----------------------|

| | | |
|-------------|-----------|-------|
| Loss Factor | C = B / A | 1.049 |
|-------------|-----------|-------|

This calculated loss factor compares with the forecast of 4.8% as calculated in Exhibit 8, Tab 5, Schedule 1, Attachment 1

8.1-Staff-37

Ref: E3-T2-S2 attachment 1

Please explain why Veridian uses 5 years of actuals for Main to calculate the geometric mean to forecast 2014 residential customers while it uses 7 years for Gravenhurst?

Request

- (a) Please calculate the MAIN 2014 forecast of residential customers using 7 years of actuals.
- (b) Please provide an estimate of the additional distribution base revenues that would be generated if the 7 year actuals is used.

Response:

In 2005, Veridian acquired the service area of Scugog Hydro, increasing the residential customer within the VCI Main tariff zone by approximately 3,000 customers, skewing the historic results for that year.

For this reason, Elenchus chose 5 years of actual for VCI Main as it was determined to create a more reasonable growth geomean reflective of current customer growth. At the time of calculation the 2013 projection was 100,875 customers where the actual 2013 value (as provided in Veridian's response to 8.1-EP-57) is 100,709.

Similarly, for VCI Gravenhurst, Elenchus chose 7 years as it yielded a reasonable estimate. At the time of the calculation, the 2013 projection was for 3,059 urban and 709 suburban customers where the actual 2013 values (as provided in Veridian's response to 8.1-EP-58) are 3,061 urban and 786 suburban customers.

- (a) The Main 2013 forecast of residential customers using 7 years of actual would be 101,447 residential customers or 572 more than 2013 forecast and 738 more than 2013 actual. The Main 2014 forecast of residential customers using 7 years of actual would be 103,449 residential customers or 1,164 higher than the forecast using 5 years of actual and 2,740 higher than 2013 actual.
- (b) Veridian does not accept the premise of the statement that 'additional distribution base revenues' would be generated. Had Veridian used 7 year of actual data to forecast the VCI Main residential customer, forecast base distribution revenues in 2014 would remain unchanged as the total customer forecast is not used in calculating base distribution revenue requirement.

8.1-VECC-44

Ref: E3/T2/S2, Att 1, page 6

Request

Please provide the employment forecast for 2013 and 2014 from the most recent Ontario Budget.

Response:

- (a) The table below provides the employment forecast for 2013 and 2014 from the most recent Ontario Budget dated May 2, 2013.

| Ontario Economic Outlook (Per Cent) | | | | | | | |
|--|------|------|------|-------------------|-------------------|-------------------|-------------------|
| | 2010 | 2011 | 2012 | 2013 ^p | 2014 ^p | 2015 ^p | 2016 ^p |
| Employment Growth | 1.7 | 1.8 | 0.8 | 1.2 | 1.4 | 1.5 | 1.5 |

8.1-VECC-45

Ref: E3/T2/S 2, Att 1, page 8

Request

- (a) What are the actual 2013 kWh Purchases for VCI Main?
- (b) Please provide a schedule that sets out:
- i. The actual 2013 VCI Main purchases
 - ii. The actual CDD and HDD values for 2013
 - iii. The assumed weather normal CDD and HDD values
 - iv. The difference between the Normal and Actual CDD values multiplied by 297,273.3
 - v. The difference between the Normal and Actual HDD values multiplied by 73,709.9
 - vi. The addition of items (i), (iv) and (v)

Response:

(a) The actual 2013 kWh purchases for VCI Main are 2,538,811,198.

(b)

| (i) 2013 Wholesale | Main |
|--------------------|----------------------|
| January | 233,355,728 |
| February | 214,497,347 |
| March | 219,655,314 |
| April | 198,213,144 |
| May | 194,444,631 |
| June | 202,162,664 |
| July | 237,807,083 |
| August | 217,682,495 |
| September | 193,603,365 |
| October | 198,223,733 |
| November | 206,623,180 |
| December | 222,542,515 |
| | <u>2,538,811,198</u> |

(ii) 2013 Monthly HDDCDD

| Station Name | Year | Month | Monthly HDD | Monthly CDD |
|----------------|------|-------|--------------|-------------|
| TORONTO INTL A | 2013 | 1 | 624.4 | 0 |
| TORONTO INTL A | 2013 | 2 | 631.5 | 0 |
| TORONTO INTL A | 2013 | 3 | 554.8 | 0 |
| TORONTO INTL A | 2013 | 4 | 358.6 | 0 |
| TORONTO INTL A | 2013 | 5 | 109.1 | 23.1 |
| TORONTO INTL A | 2013 | 6 | 33 | 50.8 |
| TORONTO INTL A | 2013 | 7 | 1.3 | 123.3 |
| TORONTO INTL A | 2013 | 8 | 4.4 | 93.8 |
| TORONTO INTL A | 2013 | 9 | 83 | 18.2 |
| TORONTO INTL A | 2013 | 10 | 208.5 | 0.4 |
| TORONTO INTL A | 2013 | 11 | 478.2 | 0 |
| TORONTO INTL A | 2013 | 12 | 688.1 | 0 |
| | | | <hr/> 3774.9 | <hr/> 309.6 |

(iii) 2003 - 2013 Normalized HDDCDD

| Station Name | Month | Monthly HDD | Monthly CDD |
|----------------|-------|--------------|-------------|
| TORONTO INTL A | 1 | 719.2 | 0 |
| TORONTO INTL A | 2 | 635.7 | 0 |
| TORONTO INTL A | 3 | 522.9 | 0 |
| TORONTO INTL A | 4 | 309.9 | 0.4 |
| TORONTO INTL A | 5 | 147.5 | 16.3 |
| TORONTO INTL A | 6 | 26.8 | 72.2 |
| TORONTO INTL A | 7 | 1.6 | 137.5 |
| TORONTO INTL A | 8 | 5.1 | 109.9 |
| TORONTO INTL A | 9 | 55.1 | 33.2 |
| TORONTO INTL A | 10 | 243.4 | 3.4 |
| TORONTO INTL A | 11 | 400.5 | 0 |
| TORONTO INTL A | 12 | 603.1 | 0 |
| | | <hr/> 3670.8 | <hr/> 372.9 |

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(iv) and (v)

| | Monthly HDD | Monthly CDD |
|-------------|-------------|-------------|
| 2013 Actual | 3774.9 | 309.6 |
| Normalized | 3670.8 | 372.9 |
| Difference | 104.1 | -63.3 |

| | Monthly HDD | Monthly CDD |
|--------------------------|-------------|-------------|
| Veridian - Main | | |
| Difference | 104.1 | -63.3 |
| Coefficient | 73709.9 | 297273.3 |
| Difference X Coefficient | 7,673,201 | -18,817,400 |

(vi) Addition of items (i), (iv) and (v)

| | Main |
|----------------|----------------------|
| Wholesale kWh | 2,538,811,198 |
| CDD Difference | -18,817,400 |
| HDD Difference | 7,673,201 |
| | <u>2,527,666,999</u> |

8.1-VECC-46

Ref: E3/T2/S 2, Att 1, page 17

Request

- (a) What are the actual 2013 kWh Purchases for VCI Gravenhurst?
- (b) Please provide a schedule that sets out:
- i. The actual 2013 VCI Gravenhurst purchases
 - ii. The actual CDD and HDD values for 2013
 - iii. The assumed weather normal CDD and HDD values
 - iv. The difference between the Normal and Actual CDD values multiplied by 12,092.9
 - v. The difference between the Normal and Actual HDD values multiplied by 5,917.7
 - vi. The addition of items (i), (iv) and (v)

Response:

(a) The actual 2013 kWh purchases for VCI Gravenhurst are 106,264,605.

(b)

| (i) 2013 Wholesale | Gravenhurst |
|---------------------------|--------------------|
| January | 10,692,189 |
| February | 9,905,049 |
| March | 9,552,673 |
| April | 8,210,660 |
| May | 7,616,201 |
| June | 7,758,688 |
| July | 8,665,401 |
| August | 8,480,434 |
| September | 7,375,526 |
| October | 7,948,546 |
| November | 9,074,174 |
| December | 10,985,064 |
| | <hr/> |
| | 106,264,605 |

(ii) 2013 Monthly HDDCDD

| Station Name | Year | Month | Monthly HDD | Monthly CDD |
|----------------|------|-------|--------------|-------------|
| TORONTO INTL A | 2013 | 1 | 624.4 | 0 |
| TORONTO INTL A | 2013 | 2 | 631.5 | 0 |
| TORONTO INTL A | 2013 | 3 | 554.8 | 0 |
| TORONTO INTL A | 2013 | 4 | 358.6 | 0 |
| TORONTO INTL A | 2013 | 5 | 109.1 | 23.1 |
| TORONTO INTL A | 2013 | 6 | 33 | 50.8 |
| TORONTO INTL A | 2013 | 7 | 1.3 | 123.3 |
| TORONTO INTL A | 2013 | 8 | 4.4 | 93.8 |
| TORONTO INTL A | 2013 | 9 | 83 | 18.2 |
| TORONTO INTL A | 2013 | 10 | 208.5 | 0.4 |
| TORONTO INTL A | 2013 | 11 | 478.2 | 0 |
| TORONTO INTL A | 2013 | 12 | 688.1 | 0 |
| | | | <hr/> 3774.9 | <hr/> 309.6 |

(iii) 2003 - 2013 Normalized HDDCDD

| Station Name | Month | Monthly HDD | Monthly CDD |
|----------------|-------|--------------|-------------|
| TORONTO INTL A | 1 | 719.2 | 0 |
| TORONTO INTL A | 2 | 635.7 | 0 |
| TORONTO INTL A | 3 | 522.9 | 0 |
| TORONTO INTL A | 4 | 309.9 | 0.4 |
| TORONTO INTL A | 5 | 147.5 | 16.3 |
| TORONTO INTL A | 6 | 26.8 | 72.2 |
| TORONTO INTL A | 7 | 1.6 | 137.5 |
| TORONTO INTL A | 8 | 5.1 | 109.9 |
| TORONTO INTL A | 9 | 55.1 | 33.2 |
| TORONTO INTL A | 10 | 243.4 | 3.4 |
| TORONTO INTL A | 11 | 400.5 | 0 |
| TORONTO INTL A | 12 | 603.1 | 0 |
| | | <hr/> 3670.8 | <hr/> 372.9 |

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(iv) and (v)

| | Monthly HDD | Monthly CDD |
|-------------|-------------|-------------|
| 2013 Actual | 3774.9 | 309.6 |
| Normalized | 3670.8 | 372.9 |
| Difference | 104.1 | -63.3 |

| | Monthly HDD | Monthly CDD |
|--------------------------|-------------|-------------|
| Veridian - Gravenhurst | | |
| Difference | 104.1 | -63.3 |
| Coefficient | 5917.7 | 12092.9 |
| Difference X Coefficient | 616,033 | -765,481 |

(vi) Addition of items (i), (iv) and (v)

| | Gravenhurst |
|----------------|-------------|
| Wholesale kWh | 106,264,605 |
| CDD Difference | -765,481 |
| HDD Difference | 616,033 |
| | 106,115,157 |

8.1-VECC-47

Ref: E3/T1/S2, Att 1, pages 9-11

Request

- (a) Please provide a 2013 schedule that, in the first row, sets out the starting forecast kWh and kW for each of the GS>50, Intermediate and Large Use classes plus the overall total and then, in subsequent rows, set out each of the adjustments outlined in the referenced pages leading to the proposed forecast by customer class.
- (b) Please provide a similar schedule for 2014.

Response:

(a)

| | GSGT50 | | Intermediate | | Large Use | | Total | |
|------------------------|---------------|-----------|--------------|---------|-------------|---------|---------------|-----------|
| | kWh | kW | kWh | kW | kWh | kW | kWh | kW |
| 2013 Original Forecast | 1,030,897,085 | 2,446,601 | 55,414,565 | 148,430 | 188,709,353 | 321,223 | 1,275,021,004 | 2,916,254 |
| Interclass Transfer | -19,142,693 | -27,239 | 35,201,768 | 54,459 | -16,059,075 | -27,220 | 0 | 0 |
| LU Shutdown | | | | | -26,263,063 | -46,614 | -26,263,063 | -46,614 |
| 2013 Proposed Forecast | 1,011,754,392 | 2,419,362 | 90,616,333 | 202,890 | 146,387,216 | 247,389 | 1,248,757,941 | 2,869,641 |

(b)

| | GSGT50 | | Intermediate | | Large Use | | Total | |
|------------------------|---------------|-----------|--------------|---------|-------------|---------|---------------|-----------|
| | kWh | kW | kWh | kW | kWh | kW | kWh | kW |
| 2014 Original Forecast | 1,043,238,348 | 2,475,891 | 55,939,357 | 149,866 | 186,795,300 | 308,508 | 1,285,973,005 | 2,934,265 |
| Interclass Transfer | -35,576,170 | -49,034 | 70,369,142 | 108,075 | -34,792,972 | -59,041 | 0 | 0 |
| LU Shutdown | | | | | -36,804,542 | -64,953 | -36,804,542 | -64,953 |
| 2014 Proposed Forecast | 1,007,662,179 | 2,426,856 | 126,308,499 | 257,941 | 115,197,786 | 184,514 | 1,249,168,463 | 2,869,312 |

8.1-VECC-48

Ref: E3/T1/S2, Att 1, page 11

Request

- (a) Table 10 does not use comparable months for 2011 and 2012 in order to calculate the growth rates. Did Elenchus examine whether this inconsistency would bias the results?
- (b) Please re-do Table 10 but calculate the growth rates using the periods May-December 2011 versus May-December 2012.
- (c) Please re-do Table 10 but calculate the growth rates using the periods May 2011-March 2012 versus May 2012-March 2013.

Response:




- (a) Elenchus used the best data available at the time for determining growth. Elenchus was of the opinion the ten months comparison was a reasonable method to be applied.

(b)

Revised Table 10-calculating growth rates May-Dec 2011 & 2012




Intermediate Class Consumption

Avg Monthly May-Dec

| | kWh | | kW | |
|---|-----------|---|--------|-------|
| May'11 - Dec'11  | 4,483,155 | | 12,291 | |
| May'12 - Dec'12  | 4,559,384 | 1.70%  | 12,440 | 1.21% |

Large Use Class Consumption

Avg Monthly May-Dec




| | kWh | | kW | |
|---|------------|--|--------|--------|
| May'11 - Dec'11  | 15,990,500 | | 28,762 | |
| May'12 - Dec'12  | 15,475,078 | -3.22%  | 27,437 | -4.61% |

(c)

Revised Table 10-calculating growth rates May-March (2011-2012 and 2012-2013)




Intermediate Class Consumption

Avg Monthly May-March

| | kWh | | kW | |
|---|-----------|---|--------|-------|
| May'11 - Mar'12  | 4,532,938 | | 12,168 | |
| May'12 - Mar'13  | 4,553,827 | 0.46%  | 12,358 | 1.56% |

Large Use Class Consumption

Avg Monthly May-March

| | kWh | | kW | |
|---|------------|--|--------|--------|
| May'11 - Mar'12  | 16,197,385 | | 28,784 | |
| May'12 - Mar'13  | 15,924,699 | -1.68%  | 28,076 | -2.46% |

8.1-VECC-49

Ref: E3/T1/S2, Att. 1, pages 13 and 21

Request

- (a) Please explain why the VCI Main customer counts for Street and Sentinel Lighting are based on the “average of year end values” whereas those for VCI Gravenhurst are based on “yearend customer counts”.

Response:

- (a) Elenchus proposed using the “average of year end values” for VCI main as a reasonable means of forecasting growth or loss of customers as VCI main is experiencing continued material change in this sector. VCI Gravenhurst on the other hand is not experiencing any material change in this sector, so it was determined that using year end balances was reasonable.

8.1-VECC-50

Ref: E3/T3/S1, page 2

Request

- (a) Please provide copies of the OPA's final reports for 2011 and 2012.

Response:

- (a) Veridian has included copies of the OPA's 2011 and 2012 final reports as attachments to this response.



Message from the Vice President:

The OPA is pleased to provide you with the enclosed Final 2011 Results Report.

Despite some of the inertial challenges in 2011 with program start up, on average, year one province-wide forecasts were met and the year finished out with strong momentum which continues to build 2012. There are still challenges for LDCs of all sizes and we are committed to ensuring LDCs are successful in meeting their objectives. We look forward to further dialogue to discover opportunities to improve the current program suite with local program opportunities, best practices and successes to better reach our customers in the years to come.

This report was developed in collaboration with the OPA-LDC Reporting and Evaluation Working Group and is designed to help populate LDC annual report templates that will be submitted to the OEB in late September. Between the draft and final reports several improvements were made to improve clarity and transparency based on feedback provided by LDCs, such as: the addition of a glossary tab, total adjustments to savings are now broken out into both the realization rate and net-to-gross ratio for both peak demand and energy savings and modifications were made to the methodology tab. We invite you to continue to provide your feedback.

All results are now considered final for 2011. Any additional 2011 program activity not captured will be reported in the Final 2012 Results Report. Please continue to monitor saveONenergy E-blasts for any further updates and should you have any other questions or comments please contact LDC.Support@powerauthority.on.ca.

We appreciate your collaboration and cooperation throughout the reporting and evaluation process. We look forward to another successful year in 2012.

Sincerely,
Andrew Pride

Table of Contents

| | |
|---|---|
| <u>Summary</u> | Provides a "snapshot" of your LDC's OPA-Contracted Province-Wide Program performance in 2011: progress to target using 2 scenarios, sector breakdown and progress against the LDC community. |
| LDC-Specific Data: table formats, section references and table numbers align with the OEB Reporting Template | |
| <u>2.3 Results Participation - LDC</u> | Breakdown of initiative-level participation in 2011 for your LDC. |
| <u>2.5.1 Evaluation Findings</u> | Provides a summary of the province-wide evaluation findings for each initiative and highlights which initiatives were not evaluated. |
| <u>2.5.2 Results - LDC</u> | Provides LDC-specific initiative-level results (net and gross peak demand and energy savings, realization rates, net-to-gross ratios and how each initiative contributes to target) |
| <u>3.1.1 Summary - LDC</u> | Provides a portfolio level view of achievement towards your OEB targets in 2011. Contains space to input LDC-specific progress to milestones set out in your CDM Strategy. |
| Province-Wide Data: LDC performance in aggregate (province-wide results) | |
| <u>Provincial - Participation</u> | Breakdown of initiative-level participation in 2011 for the province. |
| <u>Provincial - Results</u> | Provides province-wide initiative-level results (net and gross peak demand and energy savings, realization rates, net-to-gross ratios and how each initiative contributes to target) |
| <u>Provincial - Progress Summary</u> | Provides a portfolio level view of provincial achievement towards province-wide OEB targets in 2011. |
| <u>Methodology</u> | Provides key equations, notes and an initiative-level breakdown of: how savings are attributed to LDCs, when the savings are considered to 'start' (i.e. what period the savings are attributed to) and how the savings are calculated. |
| <u>Reference Tables</u> | Provides the sector mapping used for Retrofit and the allocation methodology table used in the consumer program when customer |
| <u>Glossary</u> | Contains definitions for terms used throughout the report. |

OPA-Contracted Province-Wide CDM Programs FINAL 2011 Results

LDC: Veridian Connections Inc.

| FINAL 2011 Progress to Targets | Incremental 2011 | Scenario 1: % of Target Achieved | Scenario 2: % of Target Achieved |
|--------------------------------|------------------|----------------------------------|----------------------------------|
|--------------------------------|------------------|----------------------------------|----------------------------------|

Net Annual Peak Demand Savings (MW) 3.1 7.3% 10.8%

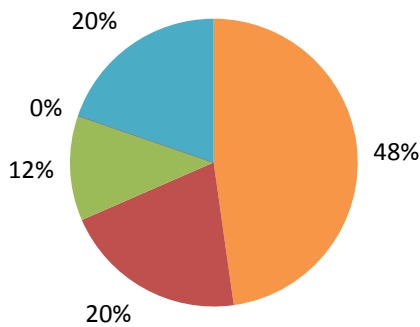
Net Cumulative Energy Savings (GWh) 9.3 32.1% 32.2%

Scenario 1 = Assumes that demand resource resources have a persistence of 1 year

Scenario 2 = Assumes that demand response resources remain in your territory until 2014

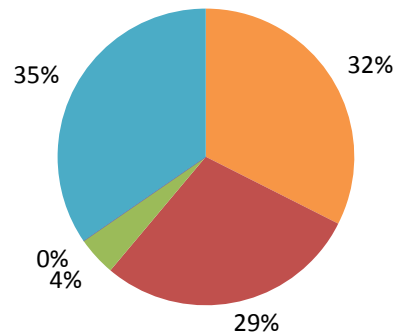
Achievement by Sector

2011 Incremental Peak Demand Savings (MW)



■ Consumer Program Total
■ Industrial Program Total
■ Pre-2011 Programs completed in 2011 Total

2011 Incremental Energy Savings (GWh)

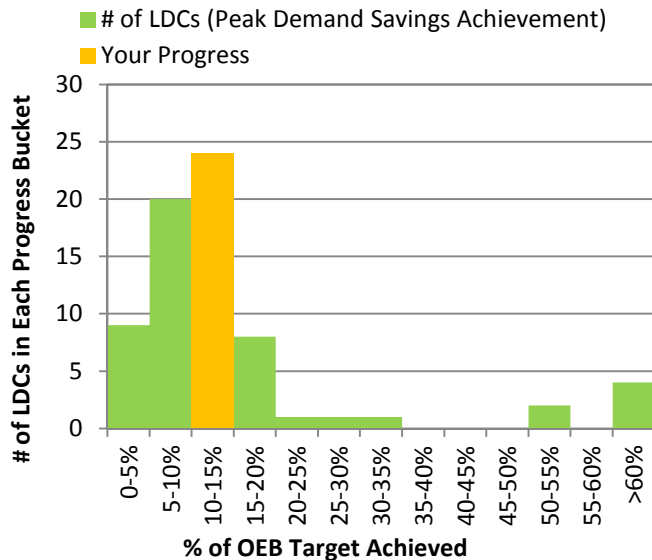


■ Business Program Total
■ Consumer Program Total
■ Home Assistance Program Total

Comparison: Your Achievement vs. LDC Community Achievement

The following graphs assume that demand response resources remain in your territory until 2014 (aligns with Scenario 2)

% of OEB Peak Demand Savings Target Achieved



% of OEB Energy Savings Target Achieved

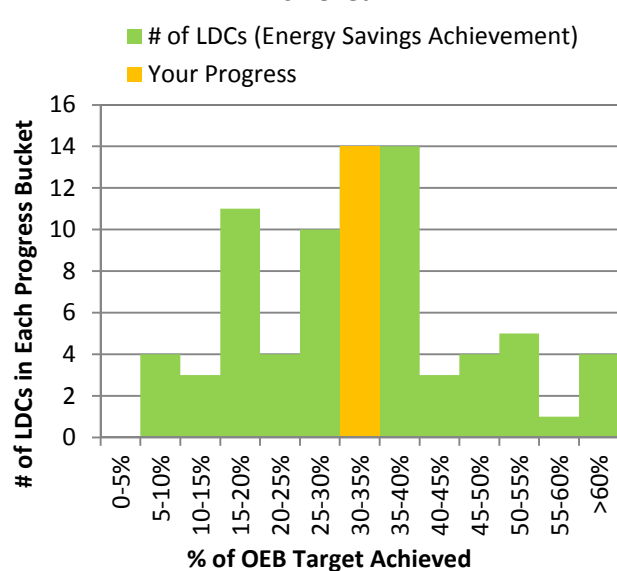


Table 1: Participation¹

| # | Initiative | Unit | Uptake/ Participation Units |
|--|--|-------------------------|-----------------------------|
| Consumer Program | | | |
| 1 | Appliance Retirement | Appliances | 918 |
| 2 | Appliance Exchange | Appliances | 64 |
| 3 | HVAC Incentives | Equipment | 2,774 |
| 4 | Conservation Instant Coupon Booklet | Products | 11,975 |
| 5 | Bi-Annual Retailer Event | Products | 20,475 |
| 6 | Retailer Co-op | Products | 0 |
| 7 | Residential Demand Response | Devices | 1,010 |
| 8 | Residential New Construction | Houses | 0 |
| Business Program | | | |
| 9 | Efficiency: Equipment Replacement | Projects | 32 |
| 10 | Direct Install Lighting | Projects | 80 |
| 11 | Existing Building Commissioning Incentive | Buildings | 0 |
| 12 | New Construction and Major Renovation Incentive | Buildings | 0 |
| 13 | Energy Audit | Audits | 3 |
| 14 | Commercial Demand Response (part of the Residential program schedule) | Devices | 0 |
| 15 | Demand Response 3 (part of the Industrial program schedule) | Facilities | 2 |
| Industrial Program | | | |
| 16 | Process & System Upgrades | Projects ² | 0 |
| 17 | Monitoring & Targeting | Projects ³ | 0 |
| 18 | Energy Manager | Managers ^{2,3} | 0 |
| 19 | Efficiency: Equipment Replacement Incentive (part of the C&I program schedule) | Projects | 35 |
| 20 | Demand Response 3 | Facilities | 2 |
| Home Assistance Program | | | |
| 21 | Home Assistance Program | Homes | 0 |
| Pre 2011 Programs Completed in 2011 | | | |
| 22 | Electricity Retrofit Incentive Program | Projects | 28 |
| 23 | High Performance New Construction | Projects | 8 |
| 24 | Toronto Comprehensive | Projects | 0 |
| 25 | Multifamily Energy Efficiency Rebates | Projects | 0 |
| 26 | Data Centre Incentive Program | Projects | 0 |
| 27 | EnWin Green Suites | Projects | 0 |

¹ Please see "Methodology" tab for more information regarding attributing savings to LDCs

² Results are based on completed incentive projects (see "Methodology" tab for more information)

³ Includes: Roving Energy Managers, Key Account Managers and Embedded Energy Managers if projects are completed in 2011

Table 3: OPA Province-Wide Evaluation Findings

| # | Initiative | OPA Province-Wide Key Evaluation Findings |
|-------------------------|-------------------------------------|--|
| Consumer Program | | |
| 1 | Appliance Retirement | <ul style="list-style-type: none"> * Overall participation continues to decline year over year * Participation declined 17% from 2010 (from over 67,000 units in 2010 to over 56,000 units in 2011) * 97% of net resource savings achieved through the home pick-up stream * Measure Breakdown: 66% refrigerators, 30% freezers, 4% Dehumidifiers and window air conditioners * 3% of net resource savings achieved through the Retailer pick-up stream * Measure Breakdown: 90% refrigerators, 10% freezers * Net-to-Gross ratio for the initiative was 50% * Measure-level free ridership ranges from 82% for the retailer pick-up stream to 49% for the home pick-up stream * Measure-level spillover ranges from 3.7% for the retailer pick-up stream to 1.7% for the home pick-up stream |
| 2 | Appliance Exchange | <ul style="list-style-type: none"> * Overall eligible units exchanged declined by 36% from 2010 (from over 5,700 units in 2010 to * Measure Breakdown: 75% window air conditioners, 25% dehumidifiers * Dehumidifiers and window air conditioners contributed almost equally to the net energy * Dehumidifiers provide more than three times the energy savings per unit than window air conditioners * Window air conditioners contributed to 64% of the net peak demand savings achieved * Approximately 96% of consumers reported having replaced their exchanged units (as opposed to retiring the unit) * Net-to-Gross ratio for the initiative is consistent with previous evaluations (51.5%) |
| 3 | HVAC Incentives | <ul style="list-style-type: none"> * Total air conditioner and furnace installations increased by 14% (from over 95,800 units in 2010 to over 111,500 units in 2011) * Measure Breakdown: 64% furnaces, 10% tier 1 air conditioners (SEER 14.5) and 26% tier 2 air conditioners (SEER 15) * Measure breakdown did not change from 2010 to 2011 * The HVAC Incentives initiative continues to deliver the majority of both the energy (45%) and demand (83%) savings in the consumer program * Furnaces accounted for over 91% of energy savings achieved for this initiative * Net-to-Gross ratio for the initiative was 17% higher than 2010 (from 43% in 2010 to 60% in * Increase due in part to the removal of programmable thermostats from the program, and an increase in the net-to-gross ratio for both Furnaces and Tier 2 air conditioners (SEER 15) |
| 4 | Conservation Instant Coupon Booklet | <ul style="list-style-type: none"> * Customers redeemed nearly 210,000 coupons, translating to nearly 560,000 products * Majority of coupons redeemed were downloadable (~40%) or LDC-branded (~35%) * Majority of coupons redeemed were for multi-packs of standard spiral CFLs (37%), followed by multi-packs of specialty CFLs (17%) * Per unit savings estimates and net-to-gross ratios for 2011 are based on a weighted average of 2009 and 2010 evaluation findings * Careful attention in the 2012 evaluation will be made for standard CFLs since it is believed that the market has largely been transformed |
| | | <ul style="list-style-type: none"> * Customers redeemed nearly 370,000 coupons, translating to over 870,000 products * Majority of coupons redeemed were for multi-packs of standard spiral CFLs (49%), followed by multi-packs of specialty CFLs (16%) |

| # | Initiative | OPA Province-Wide Key Evaluation Findings |
|-------------------------|-----------------------------------|---|
| 5 | Bi-Annual Retailer Event | <ul style="list-style-type: none"> * Per unit savings estimates and net-to-gross ratios for 2011 are based on a weighted average of 2009 and 2010 evaluation findings * Standard CFLs and heavy duty outdoor timers were reintroduced to the initiative in 2011 and contributed more than 64% of the initiative's 2011 net annual energy savings * While the volume of coupons redeemed for heavy duty outdoor timers was relatively small (less than 1%), the measure accounted for 10% of net annual savings due to high per unit savings * Careful attention in the 2012 evaluation will be made for standard CFLs since it is believed that the market has largely been transformed. |
| 6 | Retailer Co-op | <ul style="list-style-type: none"> * Initiative was not evaluated in 2011 due to low uptake. Verified Bi-Annual Retailer Event per unit assumptions and free-ridership rates were used to calculate net resource savings |
| 7 | Residential Demand Response | <ul style="list-style-type: none"> * Approximately 20,000 new devices were installed in 2011 * 99% of the new devices enrolled controlled residential central AC (CAC) * 2011 only saw 1 atypical event (in both weather and timing) that had limited participation * The ex ante impact developed through the 2009/2010 evaluations was maintained for 2011; residential CAC: 0.56 kW/device, commercial CAC: 0.64 kW/device, and Electric Water Heaters: 0.30 kW/device |
| 8 | Residential New Construction | <ul style="list-style-type: none"> * Initiative was not evaluated in 2011 due to limited uptake * Business case assumptions were used to calculate savings |
| Business Program | | |
| 9 | Efficiency: Equipment Replacement | <ul style="list-style-type: none"> * Gross verified energy savings were boosted by lighting projects in the prescriptive and * Lighting projects overall were determined to have a realization rate of 112%; 116% when including interactive energy changes * On average, the evaluation found high realization rates as a result of both longer operating hours and larger wattage reductions than initial assumptions * Low realization rates for engineered lighting projects due to overstated operating hour assumptions * Custom non-lighting projects suffered from process issues such as: the absence of required M&V plans, the use of inappropriate assumptions, and the lack of adherence to the M&V plan * The final realization rate for summer peak demand was 94% * 84% was a result of different methodologies used to calculate peak demand savings * 10% due to the benefits from reduced air conditioning load in lighting retrofits * Overall net-to-gross ratios in the low 70's represent an improvement over the 2009 and Strict eligibility requirements and improvements in the pre-approval process contributed to the improvement in net-to-gross ratios |
| 10 | Direct Install Lighting | <ul style="list-style-type: none"> * Though overall performance is above expectations, participation continues to decline year over year as the initiative reaches maturity * 70% of province-wide resource savings persist to 2014 * Over 35% of the projects for 2011 included at least one CFL measure * Resource savings from CFLs in the commercial sector only persist for the industry standard of 3 years * Since 2009 the overall realization rate for this program has improved * 2011 evaluation recorded the highest energy realization rate to date at 89.5% |

| # | Initiative | OPA Province-Wide Key Evaluation Findings |
|--|--|--|
| | | <ul style="list-style-type: none"> * The hours of use values were held constant from the 2010 evaluation and continue to be the main driver of energy realization rate * Lights installed in “as needed” areas (e.g., bathrooms, storage areas) were determined to have very low realization rates due to the difference in actual energy saved vs. reported savings |
| 11 | Existing Building Commissioning Incentive | * Initiative was not evaluated in 2011, no completed projects in 2011 |
| 12 | New Construction and Major Renovation Incentive | <ul style="list-style-type: none"> * Initiative was not evaluated in 2011 due to low uptake * Assumptions used are consistent with preliminary reporting based on the 2010 Evaluation findings and consultation with the C&I Work Group (100% realization rate and 50% net-to-gross ratio) |
| 13 | Energy Audit | * The evaluation is ongoing. The sample size for 2011 was too small to draw reliable conclusions. |
| 14 | Commercial Demand Response (part of the Residential program schedule) | * See residential demand response (#7) |
| 15 | Demand Response 3 (part of the Industrial program schedule) | * See Demand Response 3 (#20) |
| Industrial Program | | |
| 16 | Process & System Upgrades | * Initiative was not evaluated in 2011, no completed projects in 2011 |
| 17 | Monitoring & Targeting | * Initiative was not evaluated in 2011, no completed projects in 2011 |
| 18 | Energy Manager | * Initiative was not evaluated in 2011, no completed projects in 2011 |
| 19 | Efficiency: Equipment Replacement Incentive (part of the C&I program schedule) | * See Efficiency: Equipment Replacement (#9) |
| 20 | Demand Response 3 | <ul style="list-style-type: none"> * Program performance for Tier 1 customers increased with DR-3 participants providing 75% * Industrial customers outperform commercial customers by provide 84% and 76% of contracted MW, respectively * Program continues to diversify but still remains heavily concentrated with less than 5% of * By increasing the number of contributors in each settlement account and implementation of the new baseline methodology the performance of the program is expected to increase |
| Home Assistance Program | | |
| 21 | Home Assistance Program | <ul style="list-style-type: none"> * Initiative was not evaluated in 2011 due to low uptake * Business Case assumptions were used to calculate savings |
| Pre-2011 Programs completed in 2011 | | |

| # | Initiative | OPA Province-Wide Key Evaluation Findings |
|----|--|---|
| 22 | Electricity Retrofit Incentive Program | <ul style="list-style-type: none"> * Initiative was not evaluated Net-to-Gross ratios used are consistent with the 2010 evaluation findings (multifamily buildings 99% realization rate and 62% net-to-gross ratio and C&I buildings 77% realization rate and 52% net-to-gross ratio) |
| 23 | High Performance New Construction | <ul style="list-style-type: none"> * Initiative was not evaluated Net-to-Gross ratios used are consistent with the 2010 evaluation findings (realization rate of 100% and net-to-gross ratio of 50%) |
| 24 | Toronto Comprehensive | <ul style="list-style-type: none"> * Initiative was not evaluated Net-to-Gross ratios used are consistent with the 2010 evaluation findings |
| 25 | Multifamily Energy Efficiency Rebates | <ul style="list-style-type: none"> * Initiative was not evaluated Net-to-Gross ratios used are consistent with the 2010 evaluation findings |
| 26 | Data Centre Incentive Program | <ul style="list-style-type: none"> * Initiative was not evaluated |
| 27 | EnWin Green Suites | <ul style="list-style-type: none"> * Initiative was not evaluated |

Table 5: Summarized Program Results

| Program | | | | Gross Savings | | | | Net Savings | |
|---|--|--|--|--------------------------------------|----------------------------------|--|--|--------------------------------------|----------------------------------|
| | | | | Incremental Peak Demand Savings (kW) | Incremental Energy Savings (kWh) | | | Incremental Peak Demand Savings (kW) | Incremental Energy Savings (kWh) |
| Consumer Program Total | | | | 2,089 | 4,329,296 | | | 1,501 | 3,029,800 |
| Business Program Total | | | | 821 | 3,501,410 | | | 650 | 2,680,442 |
| Industrial Program Total | | | | 454 | 539,390 | | | 372 | 399,728 |
| Home Assistance Program Total | | | | 0 | 0 | | | 0 | 0 |
| Pre-2011 Programs completed in 2011 Total | | | | 1,212 | 6,319,742 | | | 619 | 3,229,100 |
| Total OPA Contracted Province-Wide CDM Programs | | | | 4,576 | 14,689,838 | | | 3,142 | 9,339,069 |

| # | Initiative | Realization Rate | | Gross Savings | | Net-to-Gross Ratio | | Net Savings | |
|-------------------------------------|--|---------------------|----------------|--------------------------------------|----------------------------------|---------------------|----------------|--------------------------------------|----------------------------------|
| | | Peak Demand Savings | Energy Savings | Incremental Peak Demand Savings (kW) | Incremental Energy Savings (kWh) | Peak Demand Savings | Energy Savings | Incremental Peak Demand Savings (kW) | Incremental Energy Savings (kWh) |
| Consumer Program | | | | | | | | | |
| 1 | Appliance Retirement | 100% | 100% | 108 | 751,366 | 50% | 51% | 53 | 373,331 |
| 2 | Appliance Exchange | 100% | 100% | 13 | 15,694 | 52% | 52% | 7 | 8,088 |
| 3 | HVAC Incentives | 100% | 100% | 1,343 | 2,521,649 | 60% | 60% | 809 | 1,507,825 |
| 4 | Conservation Instant Coupon Booklet | 100% | 100% | 24 | 406,317 | 114% | 111% | 28 | 447,750 |
| 5 | Bi-Annual Retailer Event | 100% | 100% | 35 | 632,806 | 113% | 110% | 40 | 691,341 |
| 6 | Retailer Co-op | - | - | 0 | 0 | - | - | 0 | 0 |
| 7 | Residential Demand Response | 0% | 0% | 566 | 1,465 | - | - | 566 | 1,465 |
| 8 | Residential New Construction | - | - | 0 | 0 | - | - | 0 | 0 |
| Business Program | | | | | | | | | |
| 9 | Efficiency: Equipment Replacement | 93% | 121% | 598 | 3,268,224 | 77% | 76% | 457 | 2,463,618 |
| 10 | Direct Install Lighting | 108% | 90% | 79 | 228,951 | 93% | 93% | 85 | 212,590 |
| 11 | Existing Building Commissioning Incentive | - | - | 0 | 0 | - | - | 0 | 0 |
| 12 | New Construction and Major Renovation Incentive | - | - | 0 | 0 | - | - | 0 | 0 |
| 13 | Energy Audit | - | - | 0 | 0 | - | - | 0 | 0 |
| 14 | Commercial Demand Response (part of the Residential program schedule) | 0% | 0% | 0 | 0 | - | - | 0 | 0 |
| 15 | Demand Response 3 (part of the Industrial program schedule) | 76% | 100% | 143 | 4,235 | n/a | n/a | 108 | 4,235 |
| Industrial Program | | | | | | | | | |
| 16 | Process & System Upgrades | - | - | 0 | 0 | - | - | 0 | 0 |
| 17 | Monitoring & Targeting | - | - | 0 | 0 | - | - | 0 | 0 |
| 18 | Energy Manager | - | - | 0 | 0 | - | - | 0 | 0 |
| 19 | Efficiency: Equipment Replacement Incentive (part of the C&I program schedule) | 93% | 124% | 82 | 520,988 | 72% | 73% | 58 | 381,325 |
| 20 | Demand Response 3 | 84% | 100% | 372 | 18,403 | n/a | n/a | 314 | 18,403 |
| Home Assistance Program | | | | | | | | | |
| 21 | Home Assistance Program | - | - | 0 | 0 | - | - | 0 | 0 |
| Pre-2011 Programs completed in 2011 | | | | | | | | | |
| 22 | Electricity Retrofit Incentive Program | 77% | 77% | 656 | 3,461,438 | 52% | 52% | 341 | 1,799,948 |
| 23 | High Performance New Construction | 100% | 100% | 557 | 2,858,305 | 50% | 50% | 278 | 1,429,152 |
| 24 | Toronto Comprehensive | - | - | 0 | 0 | - | - | 0 | 0 |
| 25 | Multifamily Energy Efficiency Rebates | - | - | 0 | 0 | - | - | 0 | 0 |
| 26 | Data Centre Incentive Program | - | - | 0 | 0 | - | - | 0 | 0 |
| 27 | EnWin Green Suites | - | - | 0 | 0 | - | - | 0 | 0 |

Assumes demand response resources have a persistence of 1 year

| Program | Contribution to Targets | |
|--|--|--|
| | Program-to-Date: Net Annual Peak Demand Savings (kW) in 2014 | Program-to-Date: 2011-2014 Net Cumulative Energy Savings (kWh) |
| Consumer Program Total | 929 | 12,109,314 |
| Business Program Total | 504 | 10,589,135 |
| Industrial Program Total | 58 | 1,543,703 |
| Home Assistance Program Total | 0 | 0 |
| Pre-2011 Programs completed in 2011 Total | 619 | 12,916,400 |
| Total OPA Contracted Province-Wide CDM Programs | 2,111 | 37,158,551 |

| # | Initiative | Contribution to Targets | |
|-------------------------------------|--|--|--|
| | | Program-to-Date: Net Annual Peak Demand Savings (kW) in 2014 | Program-to-Date: 2011-2014 Net Cumulative Energy Savings (kWh) |
| Consumer Program | | | |
| 1 | Appliance Retirement | 51 | 1,491,403 |
| 2 | Appliance Exchange | 3 | 28,782 |
| 3 | HVAC Incentives | 809 | 6,031,299 |
| 4 | Conservation Instant Coupon Booklet | 28 | 1,791,002 |
| 5 | Bi-Annual Retailer Event | 40 | 2,765,363 |
| 6 | Retailer Co-op | 0 | 0 |
| 7 | Residential Demand Response | 0 | 1,465 |
| 8 | Residential New Construction | 0 | 0 |
| Business Program | | | |
| 9 | Efficiency: Equipment Replacement | 457 | 9,854,470 |
| 10 | Direct Install Lighting | 47 | 730,430 |
| 11 | Existing Building Commissioning Incentive | 0 | 0 |
| 12 | New Construction and Major Renovation Incentive | 0 | 0 |
| 13 | Energy Audit | 0 | 0 |
| 14 | Commercial Demand Response (part of the Residential program schedule) | 0 | 0 |
| 15 | Demand Response 3 (part of the Industrial program schedule) | 0 | 4,235 |
| Industrial Program | | | |
| 16 | Process & System Upgrades | 0 | 0 |
| 17 | Monitoring & Targeting | 0 | 0 |
| 18 | Energy Manager | 0 | 0 |
| 19 | Efficiency: Equipment Replacement Incentive (part of the C&I program schedule) | 58 | 1,525,300 |
| 20 | Demand Response 3 | 0 | 18,403 |
| Home Assistance Program | | | |
| 21 | Home Assistance Program | 0 | 0 |
| Pre-2011 Programs completed in 2011 | | | |
| 22 | Electricity Retrofit Incentive Program | 341 | 7,199,790 |
| 23 | High Performance New Construction | 278 | 5,716,609 |
| 24 | Toronto Comprehensive | 0 | 0 |
| 25 | Multifamily Energy Efficiency Rebates | 0 | 0 |
| 26 | Data Centre Incentive Program | 0 | 0 |
| 27 | EnWin Green Suites | 0 | 0 |

Assumes demand response resources have a persistence of 1 year

Progress Towards CDM Targets

Results are attributed to target using current OPA reporting policies. Energy efficiency resources persist for the duration of the effective useful life. Any upcoming code changes are taken into account. Demand response resources persist for 1 year. Please see methodology tab for more detailed information.

Yellow cells are intended for the LDC to input information to complete their OEB Reporting Template.

Table 6: Net Peak Demand Savings at the End User Level (MW)

| Implementation Period | Annual | | | |
|---|--------|------|------|-------|
| | 2011 | 2012 | 2013 | 2014 |
| 2011 - Verified | 3.14 | 2.15 | 2.15 | 2.11 |
| 2012 | | | | |
| 2013 | | | | |
| 2014 | | | | 0.00 |
| Verified Net Annual Peak Demand Savings Persisting in 2014: | | | | 2.11 |
| Veridian Connections Inc. 2014 Annual CDM Capacity Target: | | | | 29.05 |
| Verified Portion of Peak Demand Savings Target Achieved in 2014(%): | | | | 7.27% |
| LDC Milestone submitted for 2011 | | | | -% |
| Variance | | | | |

Table 7: Net Energy Savings at the End User Level (GWh)

| Implementation Period | Annual | | | | Cumulative |
|---|--------|------|------|------|------------|
| | 2011 | 2012 | 2013 | 2014 | 2011-2014 |
| 2011 - Verified | 9.34 | 9.31 | 9.30 | 9.21 | 37.16 |
| 2012 | | | | | |
| 2013 | | | | | |
| 2014 | | | | | |
| Verified Net Cumulative Energy Savings 2011-2014: | | | | | 37.16 |
| Veridian Connections Inc. 2011-2014 Cumulative CDM Energy Target: | | | | | 115.74 |
| Verified Portion of Cumulative Energy Target Achieved (%): | | | | | 32.11% |
| LDC Milestone submitted for 2011 | | | | | -% |
| Variance | | | | | |

Table P1: Province-Wide Participation

| # | Initiative | Activity Unit | Uptake/ Participation Units |
|--|---|-----------------------|-----------------------------|
| Consumer Program | | | |
| 1 | Appliance Retirement | Appliances | 56,110 |
| 2 | Appliance Exchange | Appliances | 3,688 |
| 3 | HVAC Incentives | Equipment | 111,587 |
| 4 | Conservation Instant Coupon Booklet | Products ⁴ | 559,462 |
| 5 | Bi-Annual Retailer Event | Products ⁵ | 870,332 |
| 6 | Retailer Co-op | Products | 152 |
| 7 | Residential Demand Response | Devices | 19,577 |
| 8 | Residential New Construction | Houses | 7 |
| Business Program | | | |
| 9 | Efficiency: Equipment Replacement | Projects | 2,516 |
| 10 | Direct Installed Lighting | Projects | 20,297 |
| 11 | Existing Building Commissioning Incentive | Buildings | - |
| 12 | New Construction and Major Renovation Incentive | Buildings | 10 |
| 13 | Energy Audit | Audits | 103 |
| 14 | Commercial Demand Response (part of the Residential program schedule) | Devices | 264 |
| 15 | Demand Response 3 (part of the Industrial program schedule) | Facilities | 148 |
| Industrial Program | | | |
| 16 | Process & System Upgrades ² | Projects | - |
| 17 | Monitoring & Targeting ² | Projects | - |
| 18 | Energy Manager ^{2,3} | Managers | - |
| 19 | Efficiency: Equipment Replacement Incentive (part of the C&I program schedule) ¹ | Projects | 433 |
| 20 | Demand Response 3 | Facilities | 134 |
| Home Assistance Program | | | |
| 21 | Home Assistance Program | Homes | 46 |
| Pre 2011 Programs Completed in 2011 | | | |
| 22 | Electricity Retrofit Incentive Program | Projects | 2,023 |
| 23 | High Performance New Construction | Projects | 145 |
| 24 | Toronto Comprehensive | Projects | 553 |
| 25 | Multifamily Energy Efficiency Rebates | Projects | 110 |
| 26 | Data Centre Incentive Program | Projects | 5 |
| 27 | EnWin Green Suites | Projects | 3 |

² Results are based on completed incentive projects (see "Methodology" tab for more information)

³ Includes: Roving Energy Managers, Key Account Managers and Embedded Energy Managers with completed projects

⁴ 209,693 valid coupons redeemed

⁵ 369,446 valid coupons redeemed

Table P2: Province-Wide Results

| Program | | | | Gross Savings | | | | Net Savings | |
|---|--|--|--|--------------------------------------|----------------------------------|---------|-------------|--------------------------------------|----------------------------------|
| | | | | Incremental Peak Demand Savings (kW) | Incremental Energy Savings (kWh) | | | Incremental Peak Demand Savings (kW) | Incremental Energy Savings (kWh) |
| Consumer Program Total | | | | 73,757 | 192,379,633 | | | 49,123 | 133,519,668 |
| Business Program Total | | | | 78,048 | 251,304,448 | | | 64,594 | 198,124,227 |
| Industrial Program Total | | | | 68,648 | 41,493,145 | | | 57,099 | 31,947,577 |
| Home Assistance Program Total | | | | 4 | 56,119 | | | 2 | 39,283 |
| Pre-2011 Programs completed in 2011 Total | | | | 87,169 | 460,822,079 | 44,833 | 241,853,020 | | |
| Total OPA Contracted Province-Wide CDM Programs | | | | 307,626 | 946,055,425 | 215,651 | 605,483,775 | | |

| # | Initiative | Realization Rate | | Gross Savings | | Net-to-Gross Ratio | | Net Savings | |
|-------------------------------------|--|---------------------|----------------|--------------------------------------|----------------------------------|---------------------|----------------|--------------------------------------|----------------------------------|
| | | Peak Demand Savings | Energy Savings | Incremental Peak Demand Savings (kW) | Incremental Energy Savings (kWh) | Peak Demand Savings | Energy Savings | Incremental Peak Demand Savings (kW) | Incremental Energy Savings (kWh) |
| Consumer Program | | | | | | | | | |
| 1 | Appliance Retirement | 100% | 100% | 6,750 | 45,971,627 | 51% | 51% | 3,299 | 23,005,812 |
| 2 | Appliance Exchange | 100% | 100% | 719 | 873,531 | 51% | 51% | 371 | 450,187 |
| 3 | HVAC Incentives | 100% | 100% | 53,209 | 99,413,430 | 60% | 60% | 32,037 | 59,437,670 |
| 4 | Conservation Instant Coupon Booklet | 100% | 100% | 1,184 | 19,192,453 | 114% | 111% | 1,344 | 21,211,537 |
| 5 | Bi-Annual Retailer Event | 100% | 100% | 1,504 | 26,899,265 | 112% | 110% | 1,681 | 29,387,468 |
| 6 | Retailer Co-op | 100% | 100% | 0 | 3,917 | 68% | 68% | 0 | 2,652 |
| 7 | Residential Demand Response | n/a | n/a | 10,390 | 23,597 | n/a | n/a | 10,390 | 23,597 |
| 8 | Residential New Construction | 100% | 100% | 0 | 1,813 | 41% | 41% | 0 | 743 |
| Business Program | | | | | | | | | |
| 9 | Efficiency: Equipment Replacement | 106% | 91% | 34,201 | 184,070,265 | 72% | 74% | 24,467 | 136,002,258 |
| 10 | Direct Installed Lighting | 108% | 93% | 22,155 | 65,777,197 | 108% | 93% | 23,724 | 61,076,701 |
| 11 | Existing Building Commissioning Incentive | - | - | - | - | - | - | - | - |
| 12 | New Construction and Major Renovation Incentive | 50% | 50% | 247 | 823,434 | 50% | 50% | 123 | 411,717 |
| 13 | Energy Audit | - | - | - | - | - | - | - | - |
| 14 | Commercial Demand Response (part of the Residential program schedule) | n/a | n/a | 55 | 131 | n/a | n/a | 55 | 131 |
| 15 | Demand Response 3 (part of the Industrial program schedule) | 76% | n/a | 21,390 | 633,421 | n/a | n/a | 16,224 | 633,421 |
| Industrial Program | | | | | | | | | |
| 16 | Process & System Upgrades | - | - | - | - | - | - | - | - |
| 17 | Monitoring & Targeting | - | - | - | - | - | - | - | - |
| 18 | Energy Manager | - | - | - | - | - | - | - | - |
| 19 | Efficiency: Equipment Replacement Incentive (part of the C&I program schedule) | 111% | 91% | 6,372 | 38,412,408 | 72% | 75% | 4,615 | 28,866,840 |
| 20 | Demand Response 3 | 84% | n/a | 62,276 | 3,080,737 | n/a | n/a | 52,484 | 3,080,737 |
| Home Assistance Program | | | | | | | | | |
| 21 | Home Assistance Program | 100% | 100% | 4 | 56,119 | 70% | 70% | 2 | 39,283 |
| Pre-2011 Programs completed in 2011 | | | | | | | | | |
| 22 | Electricity Retrofit Incentive Program | 80% | 80% | 40,418 | 223,956,390 | 54% | 54% | 21,550 | 120,492,549 |
| 23 | High Performance New Construction | 100% | 100% | 10,197 | 52,371,183 | 49% | 49% | 5,098 | 26,185,591 |
| 24 | Toronto Comprehensive | 113% | 113% | 33,467 | 174,070,574 | 50% | 52% | 15,805 | 86,964,886 |
| 25 | Multifamily Energy Efficiency Rebates | 93% | 93% | 2,553 | 9,774,792 | 78% | 78% | 1,981 | 7,595,683 |
| 26 | Data Centre Incentive Program | 100% | 100% | 81 | 533,038 | 100% | 100% | 81 | 533,038 |
| 27 | EnWin Green Suites | 100% | 100% | 453 | 116,102 | 70% | 70% | 317 | 81,272 |

Assumes demand response resources have a persistence of 1 year

| Program | | Contribution to Targets | |
|---|--|--|--|
| | | Program-to-Date: Net Annual Peak Demand Savings (kW) in 2014 | Program-to-Date: 2011-2014 Net Cumulative Energy Savings (kWh) |
| Consumer Program Total | | 38,405 | 534,017,835 |
| Business Program Total | | 41,048 | 767,657,790 |
| Industrial Program Total | | 4,613 | 118,543,019 |
| Home Assistance Program Total | | 2 | 157,134 |
| Pre-2011 Programs completed in 2011 Total | | 44,833 | 967,412,079 |
| Total OPA Contracted Province-Wide CDM Programs | | 128,901 | 2,387,787,856 |
| # | Initiative | Contribution to Targets | |
| | | Program-to-Date: Net Annual Peak Demand Savings (kW) in 2014 | Program-to-Date: 2011-2014 Net Cumulative Energy Savings (kWh) |
| Consumer Program | | | |
| 1 | Appliance Retirement | 3,160 | 91,903,303 |
| 2 | Appliance Exchange | 181 | 1,930,651 |
| 3 | HVAC Incentives | 32,037 | 237,750,681 |
| 4 | Conservation Instant Coupon Booklet | 1,344 | 84,846,148 |
| 5 | Bi-Annual Retailer Event | 1,681 | 117,549,874 |
| 6 | Retailer Co-op | 0 | 10,607 |
| 7 | Residential Demand Response | 0 | 23,597 |
| 8 | Residential New Construction | 0 | 2,973 |
| Business Program | | | |
| 9 | Efficiency: Equipment Replacement | 24,438 | 543,856,392 |
| 10 | Direct Installed Lighting | 16,486 | 221,520,977 |
| 11 | Existing Building Commissioning Incentive | - | - |
| 12 | New Construction and Major Renovation Incentive | 123 | 1,646,869 |
| 13 | Energy Audit | - | - |
| 14 | Commercial Demand Response (part of the Residential program schedule) | 0 | 131 |
| 15 | Demand Response 3 (part of the Industrial program schedule) | 0 | 633,421 |
| Industrial Program | | | |
| 16 | Process & System Upgrades | - | - |
| 17 | Monitoring & Targeting | - | - |
| 18 | Energy Manager | - | - |
| 19 | Efficiency: Equipment Replacement Incentive (part of the C&I program schedule) | 4,613 | 115,462,282 |
| 20 | Demand Response 3 | 0 | 3,080,737 |
| Home Assistance Program | | | |
| 21 | Home Assistance Program | 2 | 157,134 |
| Pre-2011 Programs completed in 2011 | | | |
| 22 | Electricity Retrofit Incentive Program | 21,550 | 481,970,197 |
| 23 | High Performance New Construction | 5,098 | 104,742,366 |
| 24 | Toronto Comprehensive | 15,805 | 347,859,545 |
| 25 | Multifamily Energy Efficiency Rebates | 1,981 | 30,382,733 |
| 26 | Data Centre Incentive Program | 81 | 2,132,152 |
| 27 | EnWin Green Suites | 317 | 325,086 |

Assumes demand response resources have a persistence of 1 year

Summary - Provincial Progress

Table P3: Province-Wide Net Peak Demand Savings at the End User Level (MW)

| Implementation Period | Annual | | | |
|--|--------|-------|-------|-------|
| | 2011 | 2012 | 2013 | 2014 |
| 2011 | 215.7 | 136.4 | 135.7 | 128.9 |
| 2012 | | | | |
| 2013 | | | | |
| 2014 | | | | |
| Verified Net Annual Peak Demand Savings in 2014: | | | | 128.9 |
| 2014 Annual CDM Capacity Target | | | | 1,330 |
| Verified Peak Demand Savings Target Achieved - 2011 (%): | | | | 9.69% |

Table P4: Province-Wide Net Energy Savings at the End-User Level (GWh)

| Implementation Period | Annual | | | | Cumulative 2011-2014 |
|--|--------|-------|-------|-------|-------------------------|
| | 2011 | 2012 | 2013 | 2014 | |
| 2011 | 605.5 | 601.6 | 599.6 | 580.9 | 2,388 |
| 2012 | | | | | 0 |
| 2013 | | | | | 0 |
| 2014 | | | | | 0 |
| Verified Net Cumulative Energy Savings 2011-2014: | | | | | 2,388 |
| 2011-2014 Cumulative CDM Energy Target: | | | | | 6,000 |
| Verified Portion of Energy Target Achieved - 2011 (%): | | | | | 39.79% |

METHODOLOGY

All results are at the end-user level (not including transmission and distribution losses)

EQUATIONS:

PRESCRIPTIVE MEASURES/PROJECTS:

Gross Savings = Activity * Per Unit Assumption

Net Savings = Gross Savings * Net-to-Gross Ratio

All savings are annualized (i.e. the savings are the same regardless of time of year a project was completed or measure installed)

ENGINEERED/CUSTOM PROJECTS:

Gross Savings = Reported Savings * Realization Rate

Net Savings = Gross Savings * Net-to-Gross Ratio

All savings are annualized (i.e. the savings are the same regardless of time of year a project was completed or measure installed)

DEMAND RESPONSE:

Peak Demand: Gross Savings = Net Savings = contracted MW at contributor level * Provincial contracted to ex ante ratio

Energy: Gross Savings = Net Savings = provincial ex post energy savings * LDC proportion of total provincial contracted MW

All savings are annualized (i.e. the savings are the same regardless of the time of year a participant began offering DR)

| # | Initiative | Attributing Savings to LDCs | Savings 'start' Date | Calculating Resource Savings |
|-------------------------|----------------------|---|--|--|
| Consumer Program | | | | |
| 1 | Appliance Retirement | Includes both retail and home pickup stream; Retail stream allocated based on average of 2008 & 2009 residential throughput; Home pickup stream directly attributed by postal code or customer selection | Savings are considered to begin in the year the appliance is picked up. | Peak demand and energy savings are determined using the verified measure level per unit assumption multiplied by the uptake in the market (gross) taking into account net-to-gross factors such as free-ridership and spillover (net) at the measure level. |
| 2 | Appliance Exchange | When postal code information is provided by customer, results are directly attributed to the LDC. When postal code is not available, results allocated based on average of 2008 & 2009 residential throughput | Savings are considered to begin in the year that the exchange event occurred | |
| 3 | HVAC Incentives | Results directly attributed to LDC based on customer postal code | Savings are considered to begin in the year that the installation occurred | |

| # | Initiative | Attributing Savings to LDCs | Savings 'start' Date | Calculating Resource Savings |
|---|-------------------------------------|---|--|---|
| 4 | Conservation Instant Coupon Booklet | LDC-coded coupons directly attributed to LDC; Otherwise results are allocated based on average of 2008 & 2009 residential throughput | Savings are considered to begin in the year in which the coupon was redeemed. | <p>Peak demand and energy savings are determined using the verified measure level per unit assumption multiplied by the uptake in the market (gross) taking into account net-to-gross factors such as free-ridership and spillover (net) at the measure level. Initiative was not evaluated in 2011, reported results are presented with verified per unit assumptions and net-to-gross ratio from Bi-Annual Retailer Event and Conservation Instant Coupon Booklet initiatives.</p> |
| 5 | Bi-Annual Retailer Event | Results are allocated based on average of 2008 & 2009 residential throughput | Savings are considered to begin in the year in which the event occurs. | |
| 6 | Retailer Co-op | When postal code information is provided by the customer, results are directly attributed. If postal code information is not available, results are allocated based on average of 2008 & 2009 residential throughput. | Savings are considered to begin in the year of the home visit and installation date. | <p>Peak demand and energy savings are determined using the verified measure level per unit assumption multiplied by the uptake in the market (gross) taking into account net-to-gross factors such as free-ridership and spillover (net) at the measure level. Initiative was not evaluated in 2011, reported results are presented with verified per unit assumptions and net-to-gross ratio from Bi-Annual Retailer Event and Conservation Instant Coupon Booklet initiatives.</p> |

| # | Initiative | Attributing Savings to LDCs | Savings 'start' Date | Calculating Resource Savings |
|------------------|------------------------------|--|--|--|
| 7 | Residential Demand Response | Results are directly attributed to LDC based on data provided to OPA through project completion reports and continuing participant lists | Savings are considered to begin in the year the device was installed and/or when a customer signed a peaksaver PLUS™ participant agreement. | Peak demand savings are based on an ex ante estimate assuming a 1 in 10 weather year and represents the "insurance value" of the initiative. Energy savings are based on an ex post estimate which reflects the savings that occurred as a result of activations in the year and accounts for any "snapback" in energy consumption experienced after the event. Savings are assumed to persist for only 1 year, reflecting that savings will only occur if the resource is activated. |
| 8 | Residential New Construction | Results are directly attributed to LDC based on LDC identified in application in the saveONenergy CRM system; Initiative was not evaluated in 2011, reported results are presented with forecast assumptions as per the business case. | Savings are considered to begin in the year of the project completion date. | Peak demand and energy savings are determined using a measure level per unit assumption multiplied by the uptake in the market (gross) taking into account net-to-gross factors such as free-ridership and spillover (net) at the measure level. |
| Business Program | | | | |

| # | Initiative | Attributing Savings to LDCs | Savings 'start' Date | Calculating Resource Savings |
|----|---|---|---|--|
| 9 | Efficiency: Equipment Replacement | Results are directly attributed to LDC based on LDC identified at the facility level in the saveONenergy CRM; Projects in the Application Status: "Post-Stage Submission" are included (excluding "Payment denied by LDC"); Please see "Reference Tables" tab for Building type to Sector mapping | Savings are considered to begin in the year of the actual project completion date on the iCON CRM system. | Peak demand and energy savings are determined by the total savings for a given project as reported in the iCON CRM system (reported). A realization rate is applied to the reported savings to ensure that these savings align with EM&V protocols and reflect the savings that were actually realized (i.e. how many light bulbs were actually installed vs. what was reported) (gross). Net savings takes into account net-to-gross factors such as free-ridership and spillover (net). Both realization rate and net-to-gross ratios can differ for energy and demand savings and depend on the mix of projects within an LDC territory (i.e. lighting or non-lighting project, engineered/custom/prescriptive track). |
| | | Additional Note: project counts were derived by filtering out "Application Status" = "Post-Project Submission - Payment denied by LDC" and only including projects with an "Actual Project Completion Date" in 2011 and pulling both the "Application Name" field followed by the "Building Address 1" field from the Post Stage Retrofit Report and finally performing a count of the Building Addresses. | | |
| 10 | Direct Installed Lighting | Results are directly attributed to LDC based on the LDC specified on the work order | Savings are considered to begin in the year of the actual project completion date. | Peak demand and energy savings are determined using the verified measure level per unit assumptions multiplied by the uptake of each measure accounting for the realization rate for both peak demand and energy to reflect the savings that were actually realized (i.e. how many light bulbs were actually installed vs. what was reported) (gross). Net savings take into account net-to-gross factors such as free-ridership and spillover for both peak demand and energy savings at the program level (net). |

| # | Initiative | Attributing Savings to LDCs | Savings 'start' Date | Calculating Resource Savings |
|----|---|--|--|---|
| 11 | Existing Building Commissioning Incentive | Results are directly attributed to LDC based on LDC identified in the application; Initiative was not evaluated, no completed projects in 2011. | Savings are considered to begin in the year of the actual project completion date. | Peak demand and energy savings are determined by the total savings for a given project as reported (reported). A realization rate is applied to the reported savings to ensure that these savings align with EM&V protocols and reflect the savings that were actually realized (i.e. how many light bulbs were actually installed vs. what was reported) (gross). Net savings takes into account net-to-gross factors such as free-ridership and spillover (net). |
| 12 | New Construction and Major Renovation Incentive | Results are directly attributed to LDC based on LDC identified in the application; Initiative was not evaluated, reported results are presented with reported assumptions (as per evaluated results in 2010 and consultation with OPA-LDC Work Groups) | Savings are considered to begin in the year of the actual project completion date. | |
| 13 | Energy Audit | No resource savings results determined in 2011; Projects are directly attributed to LDC based on LDC identified in the application | Savings are considered to begin in the year of the audit date. | Peak demand and energy savings are determined by the total savings resulting from an audit as reported (reported). A realization rate is applied to the reported savings to ensure that these savings align with EM&V protocols and reflect the savings that were actually realized (i.e. how many light bulbs were actually installed vs. what was reported) (gross). Net savings takes into account net-to-gross factors such as free-ridership and spillover (net). |
| 14 | Commercial Demand Response (part of the Residential program schedule) | Results are directly attributed to LDC based on data provided to OPA through project completion reports and continuing participant lists | Savings are considered to begin in the year the device was installed and/or when a customer signed a peaksaver PLUS™ participant agreement. | Peak demand savings are based on an ex ante estimate assuming a 1 in 10 weather year and represents the "insurance value" of the initiative. Energy savings are based on an ex post estimate which reflects the savings that occurred as a result of activations in the year. Savings are assumed to persist for only 1 year, reflecting that savings will only occur if the resource is activated. |

| # | Initiative | Attributing Savings to LDCs | Savings 'start' Date | Calculating Resource Savings |
|---------------------------|---|--|---|--|
| 15 | Demand Response 3 (part of the Industrial program schedule) | Results are attributed to LDCs based on the total contracted megawatts at the contributor level as of December 31st, applying the provincial ex ante to contracted ratio (ex ante estimate/contracted megawatts); Ex post energy savings are attributed to the LDC based on their proportion of the total contracted megawatts at the contributor level. | Savings are considered to begin in the year in which the contributor signed up to participate in demand response. | Peak demand savings are ex ante estimates based on the load reduction capability that can be expected for the purposes of planning. The ex ante estimates factor in both scheduled non-performances (i.e. maintenance) and historical performance. Energy savings are based on an ex post estimate which reflects the savings that actually occurred as a results of activations in the year. Savings are assumed to persist for 1 year, reflecting that savings will not occur if the resource is not activated and additional costs are incurred to activate the resource. |
| Industrial Program | | | | |
| 16 | Process & System Upgrades | Results are directly attributed to LDC based on LDC identified in application in the saveONenergy CRM system; Initiative was not evaluated, no completed projects in 2011. | Savings are considered to begin in the year in which the incentive project was completed. | Peak demand and energy savings are determined by the total savings from a given project as reported (reported). A realization rate is applied to the reported savings to ensure that these savings align with EM&V protocols and reflect the savings that were actually realized (i.e. how many light bulbs were actually installed vs. what was reported) (gross). Net savings takes into account net-to-gross factors such as free-ridership and spillover (net). |

| # | Initiative | Attributing Savings to LDCs | Savings 'start' Date | Calculating Resource Savings |
|----|------------------------|---|--|--|
| 17 | Monitoring & Targeting | Results are directly attributed to LDC based on LDC identified in the application; Initiative was not evaluated, no completed projects in 2011. | Savings are considered to begin in the year in which the incentive project was completed. | Peak demand and energy savings are determined by the total savings from a given project as reported (reported). A realization rate is applied to the reported savings to ensure that these savings align with EM&V protocols and reflect the savings that were actually realized (i.e. how many light bulbs were actually installed vs. what was reported) (gross). Net savings takes into account net-to-gross factors such as free-ridership and spillover (net). |
| 18 | Energy Manager | Results are directly attributed to LDC based on LDC identified in the application; Initiative was not evaluated, no completed projects in 2011. | Savings are considered to begin in the year in which the project was completed by the energy manager. If no date is specified the savings will begin the year of the Quarterly Report submitted by the energy manager. | Peak demand and energy savings are determined by the total savings from a given project as reported (reported). A realization rate is applied to the reported savings to ensure that these savings align with EM&V protocols and reflect the savings that were actually realized (i.e. how many light bulbs were actually installed vs. what was reported) (gross). Net savings takes into account net-to-gross factors such as free-ridership and spillover (net). |

| # | Initiative | Attributing Savings to LDCs | Savings 'start' Date | Calculating Resource Savings |
|----|--|--|---|--|
| 19 | Efficiency: Equipment Replacement Incentive (part of the C&I program schedule) | Results are directly attributed to LDC based on LDC identified at the facility level in the saveONenergy CRM; Projects in the Application Status: "Post-Stage Submission" are included (excluding "Payment denied by LDC"); Please see "Reference Tables" tab for Building type to Sector mapping | Savings are considered to begin in the year of the actual project completion date on the iCON CRM system. | Peak demand and energy savings are determined by the total savings for a given project as reported in the iCON CRM system (reported). A realization rate is applied to the reported savings to ensure that these savings align with EM&V protocols and reflect the savings that were actually realized (i.e. how many light bulbs were actually installed vs. what was reported) (gross). Net savings takes into account net-to-gross factors such as free-ridership and spillover (net). Both realization rate and net-to-gross ratios can differ for energy and demand savings and depend on the mix of projects within an LDC territory (i.e. lighting or non-lighting project, engineered/custom/prescriptive track). |
| 20 | Demand Response 3 | Results are attributed to LDCs based on the total contracted megawatts at the contributor level as of December 31st, applying the provincial ex ante to contracted ratio (ex ante estimate/contracted megawatts); Ex post energy savings are attributed to the LDC based on their proportion of the total contracted megawatts at the contributor level. | Savings are considered to begin in the year in which the contributor signed up to participate in demand response. | Peak demand savings are ex ante estimates based on the load reduction capability that can be expected for the purposes of planning. The ex ante estimates factor in both scheduled non-performances (i.e. maintenance) and historical performance. Energy savings are based on an ex post estimate which reflects the savings that actually occurred as a results of activations in the year. Savings are assumed to persist for 1 year, reflecting that savings will not occur if the resource is not activated and additional costs are incurred to activate the resource. |

| # | Initiative | Attributing Savings to LDCs | Savings 'start' Date | Calculating Resource Savings |
|-------------------------------------|--|---|---|---|
| Home Assistance Program | | | | |
| 21 | Home Assistance Program | Results are directly attributed to LDC based on LDC identified in the application; Initiative was not evaluated in 2011, reported results are presented with forecast assumptions as per the business case. | Savings are considered to begin in the year in which the measures were installed. | Peak demand and energy savings are determined using the measure level per unit assumption multiplied by the uptake of each measure (gross) taking into account net-to-gross factors such as free-ridership and spillover (net) at the measure level. |
| Pre-2011 Programs completed in 2011 | | | | |
| 22 | Electricity Retrofit Incentive Program | Results are directly attributed to LDC based on LDC identified in the application; Initiative was not evaluated in 2011, assumptions as per 2010 evaluation | Savings are considered to begin in the year in which a project was completed. | Peak demand and energy savings are determined by the total savings from a given project as reported (reported). A realization rate is applied to the reported savings to ensure that these savings align with EM&V protocols and reflect the savings that were actually realized (i.e. how many light bulbs were actually installed vs. what was reported) (gross). Net savings takes into account net-to-gross factors such as free-ridership and spillover (net). If energy savings are not available , an estimate is made based on the kWh to kW ratio in the provincial results from the 2010 evaluated results (http://www.powerauthority.on.ca/evaluation-measurement-and-verification/evaluation-reports). |
| 23 | High Performance New Construction | Results are directly attributed to LDC based on customer data provided to the OPA from Enbridge; Initiative was not evaluated in 2011, assumptions as per 2010 evaluation | Savings are considered to begin in the year in which a project was completed. | |
| 24 | Toronto Comprehensive | Program run exclusively in Toronto Hydro-Electric System Limited service territory; Initiative was not evaluated in 2011, assumptions as per 2010 evaluation | | |

| # | Initiative | Attributing Savings to LDCs | Savings 'start' Date | Calculating Resource Savings |
|----|---------------------------------------|---|---|---|
| 25 | Multifamily Energy Efficiency Rebates | Results are directly attributed to LDC based on LDC identified in the application; Initiative was not evaluated in 2011, assumptions as per 2010 evaluation | Savings are considered to begin in the year in which a project was completed. | <p>Peak demand and energy savings are determined by the total savings from a given project as reported (reported). A realization rate is applied to the reported savings to ensure that these savings align with EM&V protocols and reflect the savings that were actually realized (i.e. how many light bulbs were actually installed vs. what was reported) (gross). Net savings takes into account net-to-gross factors such as free-ridership and spillover (net). If energy savings are not available, an estimate is made based on the kWh to kW ratio in the provincial results from the 2010 evaluated results (http://www.powerauthority.on.ca/evaluation-measurement-and-verification/evaluation-reports).</p> |
| 26 | Data Centre Incentive Program | Program run exclusively in PowerStream Inc. service territory; Initiative was not evaluated in 2011, assumptions as per 2009 evaluation | | |
| 27 | EnWin Green Suites | Program run exclusively in ENWIN Utilities Ltd. service territory; Initiative was not evaluated in 2011, assumptions as per 2010 evaluation | | |

ERII Sector (C&I vs. Industrial Mapping)

| Building Type | Sector |
|--|------------|
| Agribusiness - Cattle Farm | C&I |
| Agribusiness - Dairy Farm | C&I |
| Agribusiness - Greenhouse | C&I |
| Agribusiness - Other | C&I |
| Agribusiness - Other,Mixed-Use - Office/Retail | C&I |
| Agribusiness - Other,Office,Retail,Warehouse | C&I |
| Agribusiness - Other,Office,Warehouse | C&I |
| Agribusiness - Poultry | C&I |
| Agribusiness - Poultry,Hospitality - Motel | C&I |
| Agribusiness - Swine | C&I |
| Convenience Store | C&I |
| Education - College / Trade School | C&I |
| Education - College / Trade School,Multi-Residential - Condominium | C&I |
| Education - College / Trade School,Multi-Residential - Rental Apartment | C&I |
| Education - College / Trade School,Retail | C&I |
| Education - Primary School | C&I |
| Education - Primary School,Education - Secondary School | C&I |
| Education - Primary School,Multi-Residential - Rental Apartment | C&I |
| Education - Primary School,Not-for-Profit | C&I |
| Education - Secondary School | C&I |
| Education - University | C&I |
| Education - University,Office | C&I |
| Hospital/Healthcare - Clinic | C&I |
| Hospital/Healthcare - Clinic,Hospital/Healthcare - Long-term Care,Hospital/Healthcare - Medical Building | C&I |
| Hospital/Healthcare - Clinic,Industrial | C&I |
| Hospital/Healthcare - Clinic,Retail | C&I |
| Hospital/Healthcare - Long-term Care | C&I |
| Hospital/Healthcare - Long-term Care,Hospital/Healthcare - Medical Building | C&I |
| Hospital/Healthcare - Medical Building | C&I |
| Hospital/Healthcare - Medical Building,Mixed-Use - Office/Retail | C&I |
| Hospital/Healthcare - Medical Building,Mixed-Use - Office/Retail,Office | C&I |
| Hospitality - Hotel | C&I |
| Hospitality - Hotel,Restaurant - Dining | C&I |
| Hospitality - Motel | C&I |
| Industrial | Industrial |
| Mixed-Use - Office/Retail | C&I |
| Mixed-Use - Office/Retail,Industrial | Industrial |
| Mixed-Use - Office/Retail,Mixed-Use - Other | C&I |
| Mixed-Use - Office/Retail,Mixed-Use - Other,Not-for-Profit,Warehouse | C&I |
| Mixed-Use - Office/Retail,Mixed-Use - Residential/Retail | C&I |
| Mixed-Use - Office/Retail,Office,Restaurant - Dining,Restaurant - Quick Serve,Retail,Warehouse | C&I |

| | |
|---|------------|
| Mixed-Use - Office/Retail,Office,Warehouse | C&I |
| Mixed-Use - Office/Retail,Retail | C&I |
| Mixed-Use - Office/Retail,Warehouse | C&I |
| Mixed-Use - Office/Retail,Warehouse,Industrial | Industrial |
| Mixed-Use - Other | C&I |
| Mixed-Use - Other,Industrial | Industrial |
| Mixed-Use - Other,Not-for-Profit,Office | C&I |
| Mixed-Use - Other,Office | C&I |
| Mixed-Use - Other,Other: Please specify | C&I |
| Mixed-Use - Other,Retail,Warehouse | C&I |
| Mixed-Use - Other,Warehouse | C&I |
| Mixed-Use - Residential/Retail | C&I |
| Mixed-Use - Residential/Retail,Multi-Residential - Condominium | C&I |
| Mixed-Use - Residential/Retail,Multi-Residential - Rental Apartment | C&I |
| Mixed-Use - Residential/Retail,Retail | C&I |
| Multi-Residential - Condominium | C&I |
| Multi-Residential - Condominium,Multi-Residential - Rental Apartment | C&I |
| Multi-Residential - Condominium,Other: Please specify | C&I |
| Multi-Residential - Rental Apartment | C&I |
| Multi-Residential - Rental Apartment,Multi-Residential - Social Housing Provider,Not-for-Profit | C&I |
| Multi-Residential - Rental Apartment,Not-for-Profit | C&I |
| Multi-Residential - Rental Apartment,Warehouse | C&I |
| Multi-Residential - Social Housing Provider | C&I |
| Multi-Residential - Social Housing Provider,Industrial | C&I |
| Multi-Residential - Social Housing Provider,Not-for-Profit | C&I |
| Not-for-Profit | C&I |
| Not-for-Profit,Office | C&I |
| Not-for-Profit,Other: Please specify | C&I |
| Not-for-Profit,Warehouse | C&I |
| Office | C&I |
| Office,Industrial | Industrial |
| Office,Other: Please specify | C&I |
| Office,Other: Please specify,Warehouse | C&I |
| Office,Restaurant - Dining | C&I |
| Office,Restaurant - Dining,Industrial | Industrial |
| Office,Retail | C&I |
| Office,Retail,Industrial | C&I |
| Office,Retail,Warehouse | C&I |
| Office,Warehouse | C&I |
| Office,Warehouse,Industrial | Industrial |
| Other: Please specify | C&I |
| Other: Please specify,Industrial | Industrial |
| Other: Please specify,Retail | C&I |
| Other: Please specify,Warehouse | C&I |
| Restaurant - Dining | C&I |
| Restaurant - Dining,Retail | C&I |

| | |
|---------------------------------|------------|
| Restaurant - Quick Serve | C&I |
| Restaurant - Quick Serve,Retail | C&I |
| Retail | C&I |
| Retail,Industrial | Industrial |
| Retail,Warehouse | C&I |
| Warehouse | C&I |
| Warehouse,Industrial | Industrial |

Consumer Program Allocation Methodology

Results can be allocated based on average of 2008 & 2009 residential throughput for each LDC (below) when additional information is not available. Source: OEB Yearbook Data 2008 & 2009

| Local Distribution Company | Allocation |
|--|------------|
| Algoma Power Inc. | 0.2% |
| Atikokan Hydro Inc. | 0.0% |
| Attawapiskat Power Corporation | 0.0% |
| Bluewater Power Distribution Corporation | 0.6% |
| Brant County Power Inc. | 0.2% |
| Brantford Power Inc. | 0.7% |
| Burlington Hydro Inc. | 1.4% |
| Cambridge and North Dumfries Hydro Inc. | 1.0% |
| Canadian Niagara Power Inc. | 0.5% |
| Centre Wellington Hydro Ltd. | 0.1% |
| Chapleau Public Utilities Corporation | 0.0% |
| COLLUS Power Corporation | 0.3% |
| Cooperative Hydro Embrun Inc. | 0.0% |
| E.L.K. Energy Inc. | 0.2% |
| Enersource Hydro Mississauga Inc. | 3.9% |
| ENTEGRUS | 0.6% |
| ENWIN Utilities Ltd. | 1.6% |
| Erie Thames Powerlines Corporation | 0.4% |
| Espanola Regional Hydro Distribution Corporation | 0.1% |
| Essex Powerlines Corporation | 0.7% |
| Festival Hydro Inc. | 0.3% |
| Fort Albany Power Corporation | 0.0% |
| Fort Frances Power Corporation | 0.1% |
| Greater Sudbury Hydro Inc. | 1.0% |
| Grimsby Power Inc. | 0.2% |
| Guelph Hydro Electric Systems Inc. | 0.9% |
| Haldimand County Hydro Inc. | 0.4% |
| Halton Hills Hydro Inc. | 0.5% |
| Hearst Power Distribution Company Limited | 0.1% |
| Horizon Utilities Corporation | 4.0% |
| Hydro 2000 Inc. | 0.0% |
| Hydro Hawkesbury Inc. | 0.1% |
| Hydro One Brampton Networks Inc. | 2.8% |
| Hydro One Networks Inc. | 30.0% |

| | |
|---|-------|
| Hydro Ottawa Limited | 5.6% |
| Innisfil Hydro Distribution Systems Limited | 0.4% |
| Kashechewan Power Corporation | 0.0% |
| Kenora Hydro Electric Corporation Ltd. | 0.1% |
| Kingston Hydro Corporation | 0.5% |
| Kitchener-Wilmot Hydro Inc. | 1.6% |
| Lakefront Utilities Inc. | 0.2% |
| Lakeland Power Distribution Ltd. | 0.2% |
| London Hydro Inc. | 2.7% |
| Middlesex Power Distribution Corporation | 0.1% |
| Midland Power Utility Corporation | 0.1% |
| Milton Hydro Distribution Inc. | 0.6% |
| Newmarket - Tay Power Distribution Ltd. | 0.7% |
| Niagara Peninsula Energy Inc. | 1.0% |
| Niagara-on-the-Lake Hydro Inc. | 0.2% |
| Norfolk Power Distribution Inc. | 0.3% |
| North Bay Hydro Distribution Limited | 0.5% |
| Northern Ontario Wires Inc. | 0.1% |
| Oakville Hydro Electricity Distribution Inc. | 1.5% |
| Orangeville Hydro Limited | 0.2% |
| Orillia Power Distribution Corporation | 0.3% |
| Oshawa PUC Networks Inc. | 1.2% |
| Ottawa River Power Corporation | 0.2% |
| Parry Sound Power Corporation | 0.1% |
| Peterborough Distribution Incorporated | 0.7% |
| PowerStream Inc. | 6.6% |
| PUC Distribution Inc. | 0.9% |
| Renfrew Hydro Inc. | 0.1% |
| Rideau St. Lawrence Distribution Inc. | 0.1% |
| Sioux Lookout Hydro Inc. | 0.1% |
| St. Thomas Energy Inc. | 0.3% |
| Thunder Bay Hydro Electricity Distribution Inc. | 0.9% |
| Tillsonburg Hydro Inc. | 0.1% |
| Toronto Hydro-Electric System Limited | 12.8% |
| Veridian Connections Inc. | 2.4% |
| Wasaga Distribution Inc. | 0.2% |
| Waterloo North Hydro Inc. | 1.0% |
| Welland Hydro-Electric System Corp. | 0.4% |
| Wellington North Power Inc. | 0.1% |
| West Coast Huron Energy Inc. | 0.1% |
| Westario Power Inc. | 0.5% |
| Whitby Hydro Electric Corporation | 0.9% |
| Woodstock Hydro Services Inc. | 0.3% |

Reporting Glossary

Annual: the peak demand or energy savings that occur in a given year (includes resource savings from new program activity in a given year and resource savings persisting from previous years).

Cumulative Energy Savings: represents the sum of the annual energy savings that accrue over a defined period (in the context of this report the defined period is 2011 - 2014). This concept does not apply to peak demand savings.

End-User Level: resource savings in this report are measured at the customer level as opposed to the generator level (the difference being line losses).

Free-ridership: the percentage of participants who would have implemented the program measure or practice in the absence of the program.

Incremental: the new resource savings attributable to activity procured in a particular reporting period based on when the savings are considered to 'start' (please see table 5).

Initiative: a Conservation & Demand Management offering focusing on a particular opportunity or customer end-use (i.e. Retrofit, Fridge & Freezer Pickup).

Net-to-Gross Ratio: The ratio of net savings to gross savings, which takes into account factors such as free-ridership and spillover

Net Energy Savings (MWh): energy savings attributable to conservation and demand management activities net of free-riders, etc.

Net Peak Demand Savings (MW): peak demand savings attributable to conservation and demand management activities net of free-riders, etc.

Program: a group of initiatives that target a particular market sector (i.e. Consumer, Industrial).

Realization Rate: A comparison of observed or measured (evaluated) information to original reported savings which is used to adjust the gross savings estimates.

Settlement Account: the grouping of demand response facilities (contributors) into one contractual agreement

Spillover: Reductions in energy consumption and/or demand caused by the presence of the energy efficiency program, beyond the program-related gross savings of the participants. There can be participant and/or non-participant spillover.

Unit: for a specific initiative the relevant type of activity acquired in the market place (i.e. appliances picked up, projects completed, coupons redeemed).



Message from the Vice President:

The OPA is pleased to provide you with the enclosed Final 2012 Results Report. We have seen a 39% increase in energy savings for our new province-wide 2011-2014 suite of saveONenergy initiatives. Overall progress to targets is moving up with 29% of demand and 65% of energy savings achieved. Many LDCs, both large and small, continue to stay on track to meet or exceed their OEB targets. Conservation programs continue to be a valuable and cost effective resource for customers across the province, over the past two years the program cost to consumers remains within 3 cents per kWh.

Further to programmatic savings, capability building efforts launched in 2011 are yielding healthy enabled savings through Embedded Energy Managers and Audit initiative projects. The strong momentum continues in 2013.

We remain committed to ensuring LDCs are successful in meeting their objectives and our collective efforts to date have improved the current program suite by offering more local program opportunities, implementing a new expedited change management process, and enhancing incentives to make it easier for customers to participate in programs. We invite you to continue to provide your feedback to us and to celebrate our successes as we move forward.

The format of this report was developed in collaboration with the OPA-LDC Reporting and Evaluation Working Group and is designed to help populate LDC annual report templates that will be submitted to the OEB in late September. All results are now considered final for 2012. Any additional 2012 program activity not captured will be reported in the Final 2013 Results Report.

Please continue to monitor saveONenergy E-blasts for any further updates and should you have any other questions or comments please contact LDC.Support@powerauthority.on.ca.

We appreciate your ongoing collaboration and cooperation throughout the reporting and evaluation process. We look forward to another successful year.

Sincerely,

Andrew Pride

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| 2.0 LDC-Specific Data | Table formats, section references and table numbers align with the OEB Reporting Template. | 5 |
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| 2.2 LDC - Adjustments to Previous Year | Provides LDC specific initiative level true-up results from previous year (activity, net and gross peak demand and energy savings, and how each initiative contributes to target). | 6 |
| 2.3 LDC - NTGs | Provides LDC-specific initiative-level realization rates and net-to-gross ratios. | 7 |
| 2.4 LDC - Summary | Provides a portfolio level view of achievement towards your OEB targets to date. Contains space to input LDC-specific progress to milestones set out in your CDM Strategy. | 8 |
| 3.0 Province-Wide Data | LDC performance in aggregate (province-wide results) | 9 |
| 3.1 Provincial - Results | Provides province-wide initiative level results (activity, net and gross peak demand and energy savings, and how each initiative contributes to target). | 9 |
| 3.2 Provincial - True-up | Provides province-wide initiative level true-up results from previous year (activity, net and gross peak demand and energy savings, and how each initiative contributes to target). | 10 |
| 3.3 Provincial NTGs | Provides provincial realization rates and net-to-gross ratios. | 11 |
| 3.4 Provincial - Summary | Provides a portfolio level view of provincial achievement towards province-wide OEB targets to date. | 12 |
| 4.0 Methodology | Provides key equations, notes and an initiative-level breakdown of: how savings are attributed to LDCs, when the savings are considered to 'start' (i.e. what period the savings are attributed to) and how the savings are calculated. | 13 |
| 5.0 Reference Tables | Provides the sector mapping used for Retrofit and the allocation methodology table used in the consumer program when customer specific information is unavailable. | 22 |
| 6.0 Glossary | Contains definitions for terms used throughout the report. | 26 |

OPA-Contracted Province-Wide CDM Programs FINAL 2012 Results

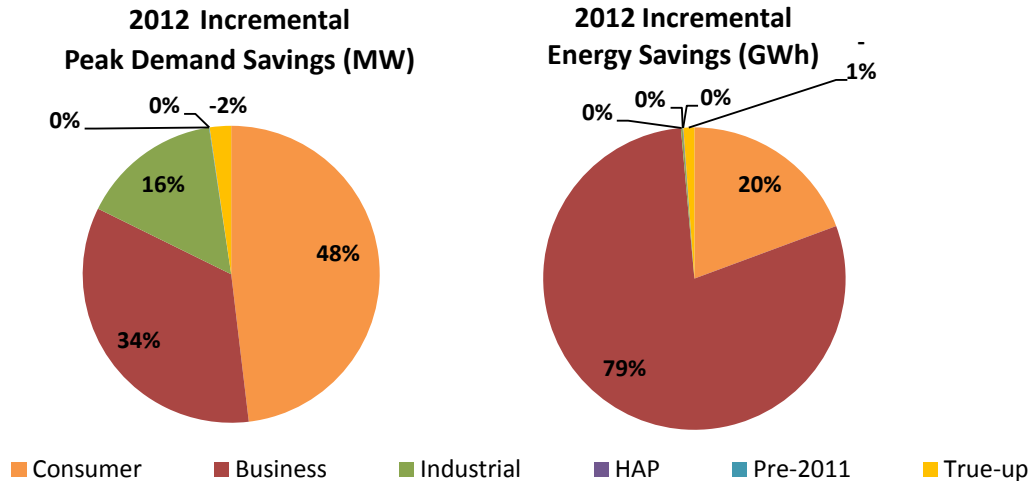
LDC: Veridian Connections Inc.

| FINAL 2012 Progress to Targets | 2012 Incremental | Program-to-Date Progress to Target (Scenario 1) | Scenario 1: % of Target Achieved | Scenario 2: % of Target Achieved |
|-------------------------------------|------------------|---|----------------------------------|----------------------------------|
| Net Annual Peak Demand Savings (MW) | 4.5 | 4.1 | 14.0% | 22.6% |
| Net Energy Savings (GWh) | 8.5 | 61.7 | 53.3% | 53.3% |

Scenario 1 = Assumes that demand resource resources have a persistence of 1 year

Scenario 2 = Assumes that demand response resources remain in your territory until 2014

Achievement by Sector



Comparison: Your Achievement vs. LDC Community Achievement (Progress to Target)

The following graphs assume that demand response resources remain in your territory until 2014 (aligns with Scenario 2)

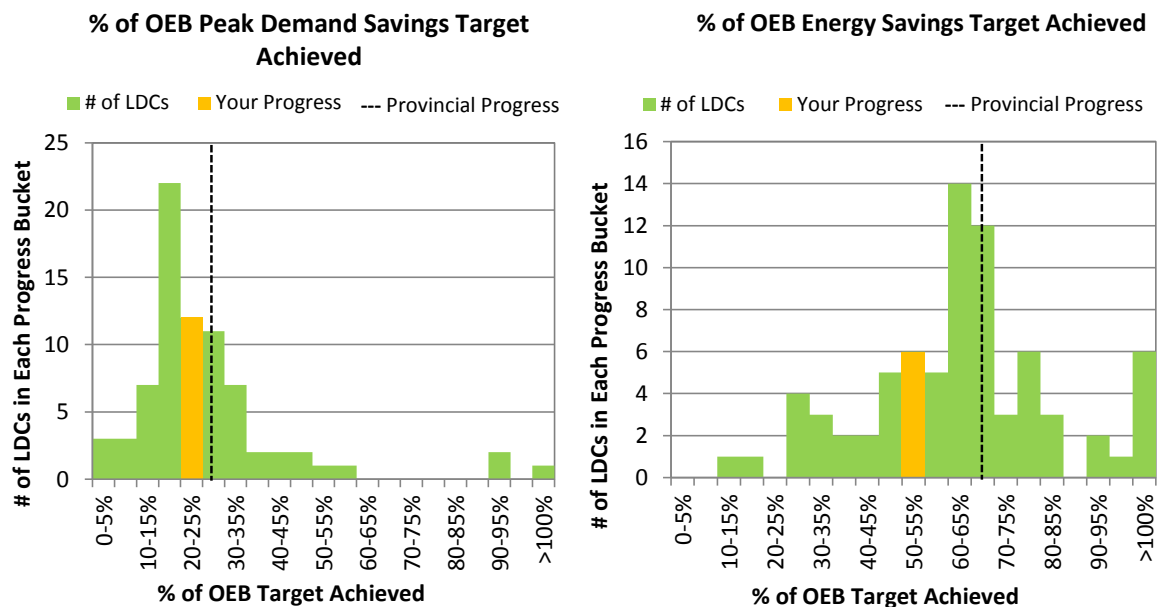


Table 1: Veridian Connections Inc. Initiative and Program Level Savings by Year (Scenario 1)

| Initiative | Unit | Incremental Activity (new program activity occurring within the specified reporting period) | | | | Net Incremental Peak Demand Savings (kW) (new peak demand savings from activity within the specified reporting period) | | | | Net Incremental Energy Savings (kWh) (new energy savings from activity within the specified reporting period) | | | | Program-to-Date Verified Progress to Target (excludes DR) | |
|--|------------|--|--------|------|------|---|-------|------|------|--|-----------|------|------|--|---|
| | | 2011 | 2012 | 2013 | 2014 | 2011 | 2012 | 2013 | 2014 | 2011 | 2012 | 2013 | 2014 | 2014 Net Annual Peak Demand Savings (kW) | 2011-2014 Net Cumulative Energy Savings (kWh) |
| | | | | | | | | | | | | | | 2014 | 2014 |
| Consumer Program | | | | | | | | | | | | | | | |
| Appliance Retirement | Appliances | 918 | 455 | | | 53 | 27 | | | 373,331 | 177,850 | | | 78 | 2,024,952 |
| Appliance Exchange | Appliances | 64 | 81 | | | 7 | 12 | | | 8,088 | 20,973 | | | 14 | 91,701 |
| HVAC Incentives | Equipment | 2,774 | 2,422 | | | 809 | 542 | | | 1,507,825 | 934,124 | | | 1,351 | 8,833,670 |
| Conservation Instant Coupon Booklet | Items | 11,975 | 727 | | | 28 | 5 | | | 447,750 | 32,893 | | | 33 | 1,889,680 |
| Bi-Annual Retailer Event | Items | 20,475 | 24,958 | | | 40 | 35 | | | 691,341 | 630,039 | | | 74 | 4,655,481 |
| Retailer Co-op | Items | 0 | 0 | | | 0 | 0 | | | 0 | 0 | | | 0 | 0 |
| Residential Demand Response (switch/pstat) | Devices | 1,010 | 3,196 | | | 566 | 1,631 | | | 1,465 | 14,113 | | | 0 | 15,578 |
| Residential Demand Response (IHD) | Devices | 0 | 1,654 | | | 0 | | | | 0 | | | | | |
| Residential New Construction | Homes | 0 | 0 | | | 0 | 0 | | | 0 | 0 | | | 0 | 0 |
| Consumer Program Total | | | | | | 1,501 | 2,252 | | | 3,029,800 | 1,809,992 | | | 1,551 | 17,511,063 |
| Business Program | | | | | | | | | | | | | | | |
| Retrofit | Projects | 32 | 109 | | | 457 | 1,213 | | | 2,463,618 | 6,472,559 | | | 1,670 | 29,271,392 |
| Direct Install Lighting | Projects | 80 | 240 | | | 85 | 159 | | | 212,590 | 606,683 | | | 202 | 2,533,876 |
| Building Commissioning | Buildings | 0 | 0 | | | 0 | 0 | | | 0 | 0 | | | 0 | 0 |
| New Construction | Buildings | 0 | 0 | | | 0 | 0 | | | 0 | 0 | | | 0 | 0 |
| Energy Audit | Audits | 3 | 13 | | | 0 | 67 | | | 0 | 327,291 | | | 67 | 981,874 |
| Small Commercial Demand Response | Devices | 0 | 81 | | | 0 | 52 | | | 0 | 295 | | | 0 | 295 |
| Small Commercial Demand Response (IHD) | Devices | 0 | 0 | | | 0 | | | | 0 | | | | 0 | 0 |
| Demand Response 3 | Facilities | 2 | 2 | | | 108 | 109 | | | 4,235 | 1,581 | | | 0 | 5,816 |
| Business Program Total | | | | | | 650 | 1,600 | | | 2,680,442 | 7,408,410 | | | 1,939 | 32,793,253 |
| Industrial Program | | | | | | | | | | | | | | | |
| Process & System Upgrades | Projects | 0 | 0 | | | 0 | 0 | | | 0 | 0 | | | 0 | 0 |
| Monitoring & Targeting | Projects | 0 | 0 | | | 0 | 0 | | | 0 | 0 | | | 0 | 0 |
| Energy Manager | Projects | 0 | 0 | | | 0 | 0 | | | 0 | 0 | | | 0 | 0 |
| Retrofit | Projects | 35 | | | | 58 | | | | 381,325 | | | | 58 | 1,525,300 |
| Demand Response 3 | Facilities | 2 | 4 | | | 314 | 718 | | | 18,403 | 17,294 | | | 0 | 35,697 |
| Industrial Program Total | | | | | | 372 | 718 | | | 399,728 | 17,294 | | | 58 | 1,560,997 |
| Home Assistance Program | | | | | | | | | | | | | | | |
| Home Assistance Program | Homes | 0 | 4 | | | 0 | 0 | | | 0 | 5,139 | | | 0 | 15,416 |
| Home Assistance Program Total | | | | | | 0 | 0 | | | 0 | 5,139 | | | 0 | 15,416 |
| Pre-2011 Programs completed in 2011 | | | | | | | | | | | | | | | |
| Electricity Retrofit Incentive Program | Projects | 28 | 0 | | | 341 | 0 | | | 1,799,948 | 0 | | | 341 | 7,199,790 |
| High Performance New Construction | Projects | 8 | 0 | | | 278 | 3 | | | 1,429,152 | 2,575 | | | 281 | 5,724,336 |
| Toronto Comprehensive | Projects | 0 | 0 | | | 0 | 0 | | | 0 | 0 | | | 0 | 0 |
| Multifamily Energy Efficiency Rebates | Projects | 0 | 0 | | | 0 | 0 | | | 0 | 0 | | | 0 | 0 |
| LDC Custom Programs | Projects | 0 | 0 | | | 0 | 0 | | | 0 | 0 | | | 0 | 0 |
| Pre-2011 Programs completed in 2011 Total | | | | | | 619 | 3 | | | 3,229,100 | 2,575 | | | 622 | 12,924,126 |
| Other | | | | | | | | | | | | | | | |
| Program Enabled Savings | Projects | 0 | 0 | | | 0 | 0 | | | 0 | 0 | | | 0 | 0 |
| Time-of-Use Savings | Homes | | | | | | | | | | | | | | |
| Other Total | | | | | | | 0 | | | | 0 | | | 0 | 0 |
| Adjustments to Previous Year's Verified Results | | | | | | | -109 | | | | -784,670 | | | -109 | -3,138,678 |
| Energy Efficiency Total | | | | | | 2,155 | 2,064 | | | 9,314,968 | 9,210,127 | | | 4,171 | 64,747,470 |
| Demand Response Total (Scenario 1) | | | | | | 988 | 2,509 | | | 24,102 | 33,284 | | | 0 | 57,385 |
| OPA-Contracted LDC Portfolio Total (inc. Adjustments) | | | | | | 3,142 | 4,464 | | | 9,339,069 | 8,458,741 | | | 4,062 | 61,666,177 |
| Activity & savings for Demand Response resources for each year and quarter represent the savings from all active facilities or devices contracted since January 1, 2011. | | Due to the limited timeframe of data, which didn't include the summer months, 2012 IHD results have been deemed inconclusive. The IHD line item on the 2012 annual report will be left blank. Once a full year of data is available (2013 evaluation), and the savings are quantified, 2012 results will be updated to reflect the quantified savings. | | | | | | | | Full OEB Target: | | | | 29,050 | 115,740,000 |
| | | | | | | | | | | % of Full OEB Target Achieved to Date (Scenario 1): | | | | 14.0% | 53.3% |

Table 2: Adjustments to **Veridian Connections Inc.** Verified Results due to Errors or Omissions (Scenario 1)

| Initiative | Unit | Incremental Activity (new program activity occurring within the specified reporting period) | | | | Net Incremental Peak Demand Savings (kW) (new peak demand savings from activity within the specified reporting period) | | | | Net Incremental Energy Savings (kWh) (new energy savings from activity within the specified reporting period) | | | | Program-to-Date Verified Progress to Target (excludes DR) | |
|--|------------|--|------|------|------|---|------|------|------|--|------|------|------|---|---|
| | | 2011 | 2012 | 2013 | 2014 | 2011 | 2012 | 2013 | 2014 | 2011 | 2012 | 2013 | 2014 | 2014 Net Annual Peak Demand Savings (kW) 2014 | 2011-2014 Net Cumulative Energy Savings (kWh) 2014 |
| Consumer Program | | | | | | | | | | | | | | | |
| Appliance Retirement | Appliances | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Appliance Exchange | Appliances | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| HVAC Incentives | Equipment | -516 | | | | -150 | | | | -280,271 | | | | -150 | -1,121,083 |
| Conservation Instant Coupon Booklet | Items | 193 | | | | 0 | | | | 6,485 | | | | 0 | 25,939 |
| Bi-Annual Retailer Event | Items | 1,925 | | | | 3 | | | | 51,364 | | | | 3 | 205,457 |
| Retailer Co-op | Items | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Residential Demand Response (switch/pstat)* | Devices | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Residential Demand Response (IHD) | Devices | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Residential New Construction | Homes | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Consumer Program Total | | | | | | -147 | | | | -222,422 | | | | -147 | -889,687 |
| Business Program | | | | | | | | | | | | | | | |
| Retrofit | Projects | 7 | | | | 12 | | | | 15,709 | | | | 12 | 62,837 |
| Direct Install Lighting | Projects | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Building Commissioning | Buildings | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| New Construction | Buildings | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Energy Audit | Audits | 1 | | | | 5 | | | | 25,176 | | | | 5 | 100,705 |
| Small Commercial Demand Response (switch/pstat)* | Devices | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Small Commercial Demand Response (IHD) | Devices | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Demand Response 3* | Facilities | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Business Program Total | | | | | | 17 | | | | 40,886 | | | | 17 | 163,542 |
| Industrial Program | | | | | | | | | | | | | | | |
| Process & System Upgrades | Projects | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Monitoring & Targeting | Projects | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Energy Manager | Projects | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Retrofit | Projects | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Demand Response 3* | Facilities | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Industrial Program Total | | | | | | 0 | | | | 0 | | | | 0 | 0 |
| Home Assistance Program | | | | | | | | | | | | | | | |
| Home Assistance Program | Homes | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Home Assistance Program Total | | | | | | 0 | | | | 0 | | | | 0 | 0 |
| Pre-2011 Programs completed in 2011 | | | | | | | | | | | | | | | |
| Electricity Retrofit Incentive Program | Projects | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| High Performance New Construction | Projects | 1 | | | | 21 | | | | -603,133 | | | | 21 | -2,412,533 |
| Toronto Comprehensive | Projects | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Multifamily Energy Efficiency Rebates | Projects | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| LDC Custom Programs | Projects | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Pre-2011 Programs completed in 2011 Total | | | | | | 21 | | | | -603,133 | | | | 21 | -2,412,533 |
| Other | | | | | | | | | | | | | | | |
| Program Enabled Savings | Projects | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Time-of-Use Savings | Homes | | | | | | | | | | | | | | |
| Other Total | | | | | | 0 | | | | 0 | | | | 0 | 0 |
| Adjustments to Previous Year's Verified Results | | | | | | -109 | | | | -784,670 | | | | -109 | -3,138,678 |

* Activity & savings for Demand Response resources for each year and quarter represent the savings from all active facilities or devices contracted since January 1, 2011.

Table 3: Veridian Connections Inc. Realization Rate & NTG

| Initiative | Peak Demand Savings | | | | | | | | Energy Savings | | | | | | | |
|--|---------------------|------|------|------|--------------------|------|------|------|------------------|------|------|------|--------------------|------|------|------|
| | Realization Rate | | | | Net-to-Gross Ratio | | | | Realization Rate | | | | Net-to-Gross Ratio | | | |
| | 2011 | 2012 | 2013 | 2014 | 2011 | 2012 | 2013 | 2014 | 2011 | 2012 | 2013 | 2014 | 2011 | 2012 | 2013 | 2014 |
| Consumer Program | | | | | | | | | | | | | | | | |
| Appliance Retirement | | 1.00 | | | | 0.46 | | | | 1.00 | | | | 0.47 | | |
| Appliance Exchange | | 1.00 | | | | 0.52 | | | | 1.00 | | | | 0.52 | | |
| HVAC Incentives | | 1.00 | | | | 0.50 | | | | 1.00 | | | | 0.49 | | |
| Conservation Instant Coupon Booklet | | 1.00 | | | | 1.00 | | | | 1.00 | | | | 1.05 | | |
| Bi-Annual Retailer Event | | 1.00 | | | | 0.91 | | | | 1.00 | | | | 0.92 | | |
| Retailer Co-op | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Residential Demand Response (switch/pstat)* | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Residential Demand Response (IHD) | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Residential New Construction | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Business Program | | | | | | | | | | | | | | | | |
| Retrofit | | 0.85 | | | | 0.77 | | | | 1.09 | | | | 0.78 | | |
| Direct Install Lighting | | 0.69 | | | | 0.94 | | | | 0.85 | | | | 0.94 | | |
| Building Commissioning | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| New Construction | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Energy Audit | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Small Commercial Demand Response (switch/pstat)* | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Small Commercial Demand Response (IHD) | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Demand Response 3* | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Industrial Program | | | | | | | | | | | | | | | | |
| Process & System Upgrades | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Monitoring & Targeting | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Energy Manager | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Retrofit | | | | | | | | | | | | | | | | |
| Demand Response 3* | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Home Assistance Program | | | | | | | | | | | | | | | | |
| Home Assistance Program | | 1.13 | | | | 1.00 | | | | 1.00 | | | | 1.00 | | |
| Pre-2011 Programs completed in 2011 | | | | | | | | | | | | | | | | |
| Electricity Retrofit Incentive Program | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| High Performance New Construction | | 1.00 | | | | 0.50 | | | | 1.00 | | | | 0.50 | | |
| Toronto Comprehensive | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Multifamily Energy Efficiency Rebates | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| LDC Custom Programs | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Other | | | | | | | | | | | | | | | | |
| Program Enabled Savings | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Time-of-Use Savings | | n/a | | | | n/a | | | | n/a | | | | n/a | | |

Progress Towards CDM Targets

Results are attributed to target using current OPA reporting policies. Energy efficiency resources persist for the duration of the effective useful life. Any upcoming code changes are taken into account. Demand response resources persist for 1 year. Please see methodology tab for more detailed information.

Table 4: Net Peak Demand Savings at the End User Level (MW)

| Implementation Period | Annual | | | |
|---|--------|------|------|-------|
| | 2011 | 2012 | 2013 | 2014 |
| 2011 - Verified | 3.1 | 2.2 | 2.1 | 2.1 |
| 2012 - Verified | | 4.5 | 2.0 | 2.0 |
| 2013 | | | | |
| 2014 | | | | |
| Verified Net Annual Peak Demand Savings Persisting in 2014: | | | | 4.1 |
| Veridian Connections Inc. 2014 Annual CDM Capacity Target | | | | 29.1 |
| Verified Portion of Peak Demand Savings Target Achieved in 2014(%): | | | | 14.0% |

Table 5: Net Energy Savings at the End User Level (GWh)

| Implementation Period | Annual | | | | Cumulative |
|--|--------|------|------|------|------------|
| | 2011 | 2012 | 2013 | 2014 | 2011-2014 |
| 2011 - Verified | 9.3 | 9.3 | 9.3 | 9.2 | 37.2 |
| 2012 - Verified | | 8.5 | 8.4 | 8.4 | 24.5 |
| 2013 | | | | | |
| 2014 | | | | | |
| Verified Net Cumulative Energy Savings 2011-2014: | | | | | 61.7 |
| Veridian Connections Inc. 2011-2014 Annual CDM Energy Target | | | | | 115.7 |
| Verified Portion of Cumulative Energy Target Achieved (%): | | | | | 53.3% |

*2011 energy adjustments included in cumulative energy savings.

Table 6: Province-Wide Initiatives and Program Level Savings by Year

| Initiative | Unit | Incremental Activity (new program activity occurring within the specified reporting period) | | | | Net Incremental Peak Demand Savings (kW) (new peak demand savings from activity within the specified reporting period) | | | | Net Incremental Energy Savings (kWh) (new energy savings from activity within the specified reporting period) | | | | Program-to-Date Verified Progress to Target (excludes DR) | |
|--|------------|--|-----------|------|------|---|---------|------|------|--|-------------|------|------|--|---|
| | | 2011 | 2012 | 2013 | 2014 | 2011 | 2012 | 2013 | 2014 | 2011 | 2012 | 2013 | 2014 | 2014 Net Annual Peak Demand Savings (kW) | 2011-2014 Net Cumulative Energy Savings (kWh) |
| | | | | | | | | | | | | | | 2014 | 2014 |
| Consumer Program | | | | | | | | | | | | | | | |
| Appliance Retirement | Appliances | 56,110 | 34,146 | | | 3,299 | 2,011 | | | 23,005,812 | 13,424,518 | | | 5,171 | 132,176,857 |
| Appliance Exchange | Appliances | 3,688 | 3,836 | | | 371 | 556 | | | 450,187 | 974,621 | | | 689 | 4,512,525 |
| HVAC Incentives | Equipment | 111,587 | 85,221 | | | 32,037 | 19,060 | | | 59,437,670 | 32,841,283 | | | 51,097 | 336,274,530 |
| Conservation Instant Coupon Booklet | Items | 559,462 | 30,891 | | | 1,344 | 230 | | | 21,211,537 | 1,398,202 | | | 1,575 | 89,040,754 |
| Bi-Annual Retailer Event | Items | 870,332 | 1,060,901 | | | 1,681 | 1,480 | | | 29,387,468 | 26,781,674 | | | 3,161 | 197,894,897 |
| Retailer Co-op | Items | 152 | 0 | | | 0 | 0 | | | 2,652 | 0 | | | 0 | 10,607 |
| Residential Demand Response (switch/pstat)* | Devices | 19,550 | 98,388 | | | 10,947 | 49,038 | | | 24,870 | 359,408 | | | 0 | 384,279 |
| Residential Demand Response (IHD) | Devices | 0 | 49,689 | | | 0 | | | | 0 | | | | | |
| Residential New Construction | Homes | 7 | 19 | | | 0 | 2 | | | 743 | 17,152 | | | 2 | 54,430 |
| Consumer Program Total | | | | | | 49,681 | 72,377 | | | 133,520,941 | 75,796,859 | | | 61,696 | 760,348,879 |
| Business Program | | | | | | | | | | | | | | | |
| Retrofit | Projects | 2,516 | 5,605 | | | 24,467 | 61,147 | | | 136,002,258 | 314,922,468 | | | 84,018 | 1,480,647,459 |
| Direct Install Lighting | Projects | 20,297 | 18,494 | | | 23,724 | 15,284 | | | 61,076,701 | 57,345,798 | | | 31,181 | 391,072,869 |
| Building Commissioning | Buildings | 0 | 0 | | | 0 | 0 | | | 0 | 0 | | | 0 | 0 |
| New Construction | Buildings | 10 | 69 | | | 123 | 764 | | | 411,717 | 1,814,721 | | | 888 | 7,091,031 |
| Energy Audit | Audits | 103 | 280 | | | 0 | 1,450 | | | 0 | 7,049,351 | | | 1,450 | 21,148,054 |
| Small Commercial Demand Response | Devices | 132 | 294 | | | 84 | 187 | | | 157 | 1,068 | | | 0 | 1,224 |
| Small Commercial Demand Response (IHD) | Devices | 0 | 0 | | | 0 | | | | 0 | | | | 0 | 0 |
| Demand Response 3* | Facilities | 145 | 151 | | | 16,218 | 19,389 | | | 633,421 | 281,823 | | | 0 | 915,244 |
| Business Program Total | | | | | | 64,617 | 98,221 | | | 198,124,253 | 381,415,230 | | | 117,535 | 1,900,875,881 |
| Industrial Program | | | | | | | | | | | | | | | |
| Process & System Upgrades | Projects | 0 | 0 | | | 0 | 0 | | | 0 | 0 | | | 0 | 0 |
| Monitoring & Targeting | Projects | 0 | 0 | | | 0 | 0 | | | 0 | 0 | | | 0 | 0 |
| Energy Manager | Projects | 0 | 39 | | | 0 | 1,086 | | | 0 | 7,372,108 | | | 1,086 | 22,116,324 |
| Retrofit | Projects | 433 | | | | 4,615 | | | | 28,866,840 | | | | 4,613 | 115,462,282 |
| Demand Response 3* | Facilities | 124 | 185 | | | 52,484 | 74,056 | | | 3,080,737 | 1,784,712 | | | 0 | 4,865,449 |
| Industrial Program Total | | | | | | 57,098 | 75,141 | | | 31,947,577 | 9,156,820 | | | 5,699 | 142,444,054 |
| Home Assistance Program | | | | | | | | | | | | | | | |
| Home Assistance Program | Homes | 46 | 5,033 | | | 2 | 566 | | | 39,283 | 5,442,232 | | | 569 | 16,483,831 |
| Home Assistance Program Total | | | | | | 2 | 566 | | | 39,283 | 5,442,232 | | | 569 | 16,483,831 |
| Pre-2011 Programs completed in 2011 | | | | | | | | | | | | | | | |
| Electricity Retrofit Incentive Program | Projects | 2,016 | 0 | | | 21,662 | 0 | | | 121,138,219 | 0 | | | 21,662 | 484,552,876 |
| High Performance New Construction | Projects | 145 | 69 | | | 5,098 | 3,251 | | | 26,185,591 | 11,901,944 | | | 8,349 | 140,448,197 |
| Toronto Comprehensive | Projects | 577 | 0 | | | 15,805 | 0 | | | 86,964,886 | 0 | | | 15,805 | 347,859,545 |
| Multifamily Energy Efficiency Rebates | Projects | 110 | 0 | | | 1,981 | 0 | | | 7,595,683 | 0 | | | 1,981 | 30,382,733 |
| LDC Custom Programs | Projects | 8 | 0 | | | 399 | 0 | | | 1,367,170 | 0 | | | 399 | 5,468,679 |
| Pre-2011 Programs completed in 2011 Total | | | | | | 44,945 | 3,251 | | | 243,251,550 | 11,901,944 | | | 48,195 | 1,008,712,030 |
| Other | | | | | | | | | | | | | | | |
| Program Enabled Savings | Projects | 0 | 16 | | | 0 | 2,304 | | | 0 | 1,188,362 | | | 2,304 | 3,565,086 |
| Time-of-Use Savings | Homes | | | | | | | | | | | | | | |
| Other Total | | | | | | | 2,304 | | | | 1,188,362 | | | 2,304 | 3,565,086 |
| Adjustments to Previous Year's Verified Results | | | | | | | 1,406 | | | | 18,689,081 | | | 1,156 | 73,918,598 |
| Energy Efficiency Total | | | | | | 136,610 | 109,191 | | | 603,144,419 | 482,474,435 | | | 235,998 | 3,826,263,564 |
| Demand Response Total (Scenario 1) | | | | | | 79,733 | 142,670 | | | 3,739,185 | 2,427,011 | | | 0 | 6,166,196 |
| OPA-Contracted LDC Portfolio Total (inc. Adjustments) | | | | | | 216,343 | 253,267 | | | 606,883,604 | 503,590,526 | | | 237,154 | 3,906,348,358 |
| * Activity & savings for Demand Response resources for each year and quarter represent the savings from all active facilities or devices contracted since January 1, 2011. | | Due to the limited timeframe of data, which didn't include the summer months, 2012 IHD results have been deemed inconclusive. The IHD line item on the 2012 annual report will be left blank. Once a full year of data is available (2013 evaluation), and the savings are quantified, 2012 results will be updated to reflect the quantified savings. | | | | | | | | Full OEB Target: | | | | 1,330,000 | 6,000,000,000 |
| | | | | | | | | | | % of Full OEB Target Achieved to Date (Scenario 1): | | | | 17.8% | 65.1% |

Table 7: Adjustments to Province-Wide Verified Results due to Errors & Omissions (Scenario 1)

| Initiative | Unit | Incremental Activity (new program activity occurring within the specified reporting period) | | | | Net Incremental Peak Demand Savings (kW) (new peak demand savings from activity within the specified reporting period) | | | | Net Incremental Energy Savings (kWh) (new energy savings from activity within the specified reporting period) | | | | Program-to-Date Verified Progress to Target (excludes DR) | |
|--|------------|--|------|------|------|---|------|------|------|--|------|------|------|---|---|
| | | 2011 | 2012 | 2013 | 2014 | 2011 | 2012 | 2013 | 2014 | 2011 | 2012 | 2013 | 2014 | 2014 Net Annual Peak Demand Savings (kW) 2014 | 2011-2014 Net Cumulative Energy Savings (kWh) 2014 |
| | | | | | | | | | | | | | | | |
| Consumer Program | | | | | | | | | | | | | | | |
| Appliance Retirement | Appliances | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Appliance Exchange | Appliances | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| HVAC Incentives | Equipment | -18,866 | | | | -5,278 | | | | -9,721,817 | | | | -5,278 | -38,887,267 |
| Conservation Instant Coupon Booklet | Items | 8,216 | | | | 16 | | | | 275,655 | | | | 16 | 1,102,621 |
| Bi-Annual Retailer Event | Items | 81,817 | | | | 108 | | | | 2,183,391 | | | | 108 | 8,733,563 |
| Retailer Co-op | Items | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Residential Demand Response (switch/pstat)* | Devices | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Residential Demand Response (IHD) | Devices | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Residential New Construction | Homes | 19 | | | | 1 | | | | 13,767 | | | | 1 | 55,069 |
| Consumer Program Total | | | | | | -5,153 | | | | -7,249,004 | | | | -5,153 | -28,996,015 |
| Business Program | | | | | | | | | | | | | | | |
| Retrofit | Projects | 303 | | | | 3,204 | | | | 16,216,165 | | | | 3,083 | 64,398,674 |
| Direct Install Lighting | Projects | 444 | | | | 501 | | | | 1,250,388 | | | | 372 | 4,624,945 |
| Building Commissioning | Buildings | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| New Construction | Buildings | 12 | | | | 828 | | | | 3,520,620 | | | | 828 | 14,082,482 |
| Energy Audit | Audits | 93 | | | | 481 | | | | 2,341,392 | | | | 481 | 9,365,567 |
| Small Commercial Demand Response (switch/pstat)* | Devices | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Small Commercial Demand Response (IHD) | Devices | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Demand Response 3* | Facilities | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Business Program Total | | | | | | 5,014 | | | | 23,328,565 | | | | 4,764 | 92,471,668 |
| Industrial Program | | | | | | | | | | | | | | | |
| Process & System Upgrades | Projects | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Monitoring & Targeting | Projects | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Energy Manager | Projects | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Retrofit | Projects | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Demand Response 3* | Facilities | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Industrial Program Total | | | | | | 0 | | | | 0 | | | | 0 | 0 |
| Home Assistance Program | | | | | | | | | | | | | | | |
| Home Assistance Program | Homes | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Home Assistance Program Total | | | | | | 0 | | | | 0 | | | | 0 | 0 |
| Pre-2011 Programs completed in 2011 | | | | | | | | | | | | | | | |
| Electricity Retrofit Incentive Program | Projects | 12 | | | | 138 | | | | 545,536 | | | | 138 | 2,182,145 |
| High Performance New Construction | Projects | 34 | | | | 1,407 | | | | 2,065,200 | | | | 1,407 | 8,260,800 |
| Toronto Comprehensive | Projects | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Multifamily Energy Efficiency Rebates | Projects | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| LDC Custom Programs | Projects | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Pre-2011 Programs completed in 2011 Total | | | | | | 1,545 | | | | 2,610,736 | | | | 1,545 | 10,442,945 |
| Other | | | | | | | | | | | | | | | |
| Program Enabled Savings | Projects | 0 | | | | 0 | | | | 0 | | | | 0 | 0 |
| Time-of-Use Savings | Homes | | | | | | | | | | | | | | |
| Other Total | | | | | | 0 | | | | 0 | | | | 0 | 0 |
| Adjustments to Previous Year's Verified Results | | | | | | 1,406 | | | | 18,690,297 | | | | 1,156 | 73,918,598 |

* Activity & savings for Demand Response resources for each year and quarter represent the savings from all active facilities or devices contracted since January 1, 2011.

Table 8: Province-Wide Realization Rate & NTG

| Initiative | Peak Demand Savings | | | | | | | | Energy Savings | | | | | | | |
|--|---------------------|------|------|------|--------------------|------|------|------|------------------|------|------|------|--------------------|------|------|------|
| | Realization Rate | | | | Net-to-Gross Ratio | | | | Realization Rate | | | | Net-to-Gross Ratio | | | |
| | 2011 | 2012 | 2013 | 2014 | 2011 | 2012 | 2013 | 2014 | 2011 | 2012 | 2013 | 2014 | 2011 | 2012 | 2013 | 2014 |
| Consumer Program | | | | | | | | | | | | | | | | |
| Appliance Retirement | | 1.00 | | | | 0.46 | | | | 1.00 | | | | 0.47 | | |
| Appliance Exchange | | 1.00 | | | | 0.52 | | | | 1.00 | | | | 0.52 | | |
| HVAC Incentives | | 1.00 | | | | 0.50 | | | | 1.00 | | | | 0.49 | | |
| Conservation Instant Coupon Booklet | | 1.00 | | | | 1.00 | | | | 1.00 | | | | 1.05 | | |
| Bi-Annual Retailer Event | | 1.00 | | | | 0.91 | | | | 1.00 | | | | 0.92 | | |
| Retailer Co-op | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Residential Demand Response (switch/pstat)* | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Residential Demand Response (IHD) | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Residential New Construction | | 3.65 | | | | 0.49 | | | | 7.17 | | | | 0.49 | | |
| Business Program | | | | | | | | | | | | | | | | |
| Retrofit | | 0.93 | | | | 0.75 | | | | 1.05 | | | | 0.76 | | |
| Direct Install Lighting | | 0.69 | | | | 0.94 | | | | 0.85 | | | | 0.94 | | |
| Building Commissioning | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| New Construction | | 0.98 | | | | 0.49 | | | | 0.99 | | | | 0.49 | | |
| Energy Audit | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Small Commercial Demand Response (switch/pstat)* | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Small Commercial Demand Response (IHD) | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Demand Response 3* | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Industrial Program | | | | | | | | | | | | | | | | |
| Process & System Upgrades | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Monitoring & Targeting | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Energy Manager | | 1.16 | | | | 0.90 | | | | 1.16 | | | | 0.90 | | |
| Retrofit | | | | | | | | | | | | | | | | |
| Demand Response 3* | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Home Assistance Program | | | | | | | | | | | | | | | | |
| Home Assistance Program | | 0.32 | | | | 1.00 | | | | 0.99 | | | | 1.00 | | |
| Pre-2011 Programs completed in 2011 | | | | | | | | | | | | | | | | |
| Electricity Retrofit Incentive Program | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| High Performance New Construction | | 1.00 | | | | 0.50 | | | | 1.00 | | | | 0.50 | | |
| Toronto Comprehensive | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Multifamily Energy Efficiency Rebates | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| LDC Custom Programs | | n/a | | | | n/a | | | | n/a | | | | n/a | | |
| Other | | | | | | | | | | | | | | | | |
| Program Enabled Savings | | 1.06 | | | | 1.00 | | | | 2.26 | | | | 1.00 | | |
| Time-of-Use Savings | | n/a | | | | n/a | | | | n/a | | | | n/a | | |

Summary - Provincial Progress

Table 9: Province-Wide Net Peak Demand Savings at the End User Level (MW)

| Implementation Period | Annual | | | |
|--|--------|-------|-------|-------|
| | 2011 | 2012 | 2013 | 2014 |
| 2011 | 216.3 | 136.6 | 135.8 | 129.0 |
| 2012 | | 253.3 | 109.8 | 108.2 |
| 2013 | | | | |
| 2014 | | | | |
| Verified Net Annual Peak Demand Savings in 2014: | | | | 237.2 |
| 2014 Annual CDM Capacity Target | | | | 1,330 |
| Verified Peak Demand Savings Target Achieved - 2011 (%): | | | | 17.8% |

Table 10: Province-Wide Net Energy Savings at the End-User Level (GWh)

| Implementation Period | Annual | | | | Cumulative |
|--|--------|-------|-------|-------|------------|
| | 2011 | 2012 | 2013 | 2014 | 2011-2014 |
| 2011 | 606.9 | 603.0 | 601.0 | 582.3 | 2,393 |
| 2012 | | 503.6 | 498.4 | 492.6 | 1,513 |
| 2013 | | | | | |
| 2014 | | | | | |
| Verified Net Cumulative Energy Savings 2011-2014: | | | | | 3,906 |
| 2011-2014 Cumulative CDM Energy Target: | | | | | 6,000 |
| Verified Portion of Energy Target Achieved - 2011 (%): | | | | | 65.1% |

*2011 energy adjustments included in cumulative energy savings.

METHODOLOGY

All results are at the end-user level (not including transmission and distribution losses)

EQUATIONS

| | |
|---|---|
| Prescriptive Measures and Projects | Gross Savings = Activity * Per Unit Assumption Net Savings = Gross Savings * Net-to-Gross Ratio All savings are annualized (i.e. the savings are the same regardless of time of year a project was completed or measure installed) |
| Engineered and Custom Projects | Gross Savings = Reported Savings * Realization Rate Net Savings = Gross Savings * Net-to-Gross Ratio All savings are annualized (i.e. the savings are the same regardless of time of year a project was completed or measure installed) |
| Demand Response | Peak Demand: Gross Savings = Net Savings = contracted MW at contributor level * Provincial contracted to ex ante ratio Energy: Gross Savings = Net Savings = provincial ex post energy savings * LDC proportion of total provincial contracted MW All savings are annualized (i.e. the savings are the same regardless of the time of year a participant began offering DR) |
| Adjustments to Previous Year's Verified Results | All errors and omissions from the prior years Final Annual Results report will be adjusted within this report. Any errors and omissions with regards to projects counts, data lag, and calculations etc., will be made within this report. Considers the cumulative effect of energy savings. |

| Initiative | Attributing Savings to LDCs | Savings 'start' Date | Calculating Resource Savings |
|-------------------------|---|--|--|
| Consumer Program | | | |
| Appliance Retirement | Includes both retail and home pickup stream; Retail stream allocated based on average of 2008 & 2009 residential throughput; Home pickup stream directly attributed by postal code or customer selection | Savings are considered to begin in the year the appliance is picked up. | Peak demand and energy savings are determined using the verified measure level per unit assumption multiplied by the uptake in the market (gross) taking into account net-to-gross factors such as free-ridership and spillover (net) at the measure level. |
| Appliance Exchange | When postal code information is provided by customer, results are directly attributed to the LDC. When postal code is not available, results allocated based on average of 2008 & 2009 residential throughput | Savings are considered to begin in the year that the exchange event occurred | |
| HVAC Incentives | Results directly attributed to LDC based on customer postal code | Savings are considered to begin in the year that the installation occurred | |

| Initiative | Attributing Savings to LDCs | Savings 'start' Date | Calculating Resource Savings |
|-------------------------------------|---|--|---|
| Conservation Instant Coupon Booklet | LDC-coded coupons directly attributed to LDC; Otherwise results are allocated based on average of 2008 & 2009 residential throughput | Savings are considered to begin in the year in which the coupon was redeemed. | <p>Peak demand and energy savings are determined using the verified measure level per unit assumption multiplied by the uptake in the market (gross) taking into account net-to-gross factors such as free-ridership and spillover (net) at the measure level.</p> |
| Bi-Annual Retailer Event | Results are allocated based on average of 2008 & 2009 residential throughput | Savings are considered to begin in the year in which the event occurs. | |
| Retailer Co-op | When postal code information is provided by the customer, results are directly attributed. If postal code information is not available, results are allocated based on average of 2008 & 2009 residential throughput. | Savings are considered to begin in the year of the home visit and installation date. | <p>Peak demand and energy savings are determined using the verified measure level per unit assumption multiplied by the uptake in the market (gross) taking into account net-to-gross factors such as free-ridership and spillover (net) at the measure level.</p> |
| Residential Demand Response | Results are directly attributed to LDC based on data provided to OPA through project completion reports and continuing participant lists | Savings are considered to begin in the year the device was installed and/or when a customer signed a <i>peaksaver</i> PLUS™ participant agreement. | <p>Peak demand savings are based on an ex ante estimate assuming a 1 in 10 weather year and represents the "insurance value" of the initiative. Energy savings are based on an ex post estimate which reflects the savings that occurred as a result of activations in the year and accounts for any "snapback" in energy consumption experienced after the event. Savings are assumed to persist for only 1 year, reflecting that savings will only occur if the resource is activated.</p> |

| Initiative | Attributing Savings to LDCs | Savings 'start' Date | Calculating Resource Savings |
|---|---|---|--|
| Residential New Construction | Results are directly attributed to LDC based on LDC identified in application in the saveONenergy CRM system; Initiative was not evaluated in 2011, reported results are presented with forecast assumptions as per the business case. | Savings are considered to begin in the year of the project completion date. | Peak demand and energy savings are determined using the verified measure level per unit assumption multiplied by the uptake in the market (gross) taking into account net-to-gross factors such as free-ridership and spillover (net) at the measure level. |
| Business Program | | | |
| Efficiency: Equipment Replacement | Results are directly attributed to LDC based on LDC identified at the facility level in the saveONenergy CRM; Projects in the Application Status: "Post-Stage Submission" are included (excluding "Payment denied by LDC"); Please see "Reference Tables" tab for Building type to Sector mapping | Savings are considered to begin in the year of the actual project completion date on the iCON CRM system. | Peak demand and energy savings are determined by the total savings for a given project as reported in the iCON CRM system (reported). A realization rate is applied to the reported savings to ensure that these savings align with EM&V protocols and reflect the savings that were actually realized (i.e. how many light bulbs were actually installed vs. what was reported) (gross). Net savings takes into account net-to-gross factors such as free-ridership and spillover (net). Both realization rate and net-to-gross ratios can differ for energy and demand savings and depend on the mix of projects within an LDC territory (i.e. lighting or non-lighting project, engineered/custom/prescriptive track). |
| Additional Note: project counts were derived by filtering out "Application Status" = "Post-Project Submission - Payment denied by LDC" and only including projects with an "Actual Project Completion Date" in 2012 and pulling both the "Application Name" field followed by the "Building Address 1" field from the Post Stage Retrofit Report and finally performing a count of the Building Addresses. | | | |

| Initiative | Attributing Savings to LDCs | Savings 'start' Date | Calculating Resource Savings |
|---|---|--|---|
| Direct Installed Lighting | Results are directly attributed to LDC based on the LDC specified on the work order | Savings are considered to begin in the year of the actual project completion date. | Peak demand and energy savings are determined using the verified measure level per unit assumptions multiplied by the uptake of each measure accounting for the realization rate for both peak demand and energy to reflect the savings that were actually realized (i.e. how many light bulbs were actually installed vs. what was reported) (gross). Net savings take into account net-to-gross factors such as free-ridership and spillover for both peak demand and energy savings at the program level (net). |
| Existing Building Commissioning Incentive | Results are directly attributed to LDC based on LDC identified in the application; Initiative was not evaluated, no completed projects in 2011 or 2012. | Savings are considered to begin in the year of the actual project completion date. | Peak demand and energy savings are determined by the total savings for a given project as reported (reported). A realization rate is applied to the reported savings to ensure that these savings align with EM&V protocols and reflect the savings that were actually realized (i.e. how many light bulbs were actually installed vs. what was reported) (gross). Net savings takes into account net-to-gross factors such as free-ridership and spillover (net). |
| New Construction and Major Renovation Incentive | Results are directly attributed to LDC based on LDC identified in the application. | Savings are considered to begin in the year of the actual project completion date. | |
| Energy Audit | Projects are directly attributed to LDC based on LDC identified in the application | Savings are considered to begin in the year of the audit date. | Peak demand and energy savings are determined by the total savings resulting from an audit as reported (reported). A realization rate is applied to the reported savings to ensure that these savings align with EM&V protocols and reflect the savings that were actually realized (i.e. how many light bulbs were actually installed vs. what was reported) (gross). Net savings takes into account net-to-gross factors such as free-ridership and spillover (net). |

| Initiative | Attributing Savings to LDCs | Savings 'start' Date | Calculating Resource Savings |
|---|--|--|--|
| Commercial Demand Response (part of the Residential program schedule) | Results are directly attributed to LDC based on data provided to OPA through project completion reports and continuing participant lists | Savings are considered to begin in the year the device was installed and/or when a customer signed a peaksaver PLUS™ participant agreement. | Peak demand savings are based on an ex ante estimate assuming a 1 in 10 weather year and represents the "insurance value" of the initiative. Energy savings are based on an ex post estimate which reflects the savings that occurred as a result of activations in the year. Savings are assumed to persist for only 1 year, reflecting that savings will only occur if the resource is activated. |
| Demand Response 3 (part of the Industrial program schedule) | Results are attributed to LDCs based on the total contracted megawatts at the contributor level as of December 31st, applying the provincial ex ante to contracted ratio (ex ante estimate/contracted megawatts); Ex post energy savings are attributed to the LDC based on their proportion of the total contracted megawatts at the contributor level. | Savings are considered to begin in the year in which the contributor signed up to participate in demand response. | Peak demand savings are ex ante estimates based on the load reduction capability that can be expected for the purposes of planning. The ex ante estimates factor in both scheduled non-performances (i.e. maintenance) and historical performance. Energy savings are based on an ex post estimate which reflects the savings that actually occurred as a results of activations in the year. Savings are assumed to persist for 1 year, reflecting that savings will not occur if the resource is not activated and additional costs are incurred to activate the resource. |
| Industrial Program | | | |
| Process & System Upgrades | Results are directly attributed to LDC based on LDC identified in application in the saveONenergy CRM system; Initiative was not evaluated, no completed projects in 2011 or 2012. | Savings are considered to begin in the year in which the incentive project was completed. | Peak demand and energy savings are determined by the total savings from a given project as reported (reported). A realization rate is applied to the reported savings to ensure that these savings align with EM&V protocols and reflect the savings that were actually realized (i.e. how many light bulbs were actually installed vs. what was reported) (gross). Net savings takes into account net-to-gross factors such as free-ridership and spillover (net). |

| Initiative | Attributing Savings to LDCs | Savings 'start' Date | Calculating Resource Savings |
|------------------------|---|--|--|
| Monitoring & Targeting | Results are directly attributed to LDC based on LDC identified in the application; Initiative was not evaluated, no completed projects in 2011 or 2012. | Savings are considered to begin in the year in which the incentive project was completed. | Peak demand and energy savings are determined by the total savings from a given project as reported (reported). A realization rate is applied to the reported savings to ensure that these savings align with EM&V protocols and reflect the savings that were actually realized (i.e. how many light bulbs were actually installed vs. what was reported) (gross). Net savings takes into account net-to-gross factors such as free-ridership and spillover (net). |
| Energy Manager | Results are directly attributed to LDC based on LDC identified in the application; No completed projects in 2011 or 2012. | Savings are considered to begin in the year in which the project was completed by the energy manager. If no date is specified the savings will begin the year of the Quarterly Report submitted by the energy manager. | Peak demand and energy savings are determined by the total savings from a given project as reported (reported). A realization rate is applied to the reported savings to ensure that these savings align with EM&V protocols and reflect the savings that were actually realized (i.e. how many light bulbs were actually installed vs. what was reported) (gross). Net savings takes into account net-to-gross factors such as free-ridership and spillover (net). |

| Initiative | Attributing Savings to LDCs | Savings 'start' Date | Calculating Resource Savings |
|---|--|---|--|
| Efficiency: Equipment Replacement Incentive (part of the C&I program schedule) | Results are directly attributed to LDC based on LDC identified at the facility level in the saveONenergy CRM; Projects in the Application Status: "Post-Stage Submission" are included (excluding "Payment denied by LDC"); Please see "Reference Tables" tab for Building type to Sector mapping | Savings are considered to begin in the year of the actual project completion date on the iCON CRM system. | Peak demand and energy savings are determined by the total savings for a given project as reported in the iCON CRM system (reported). A realization rate is applied to the reported savings to ensure that these savings align with EM&V protocols and reflect the savings that were actually realized (i.e. how many light bulbs were actually installed vs. what was reported) (gross). Net savings takes into account net-to-gross factors such as free-ridership and spillover (net). Both realization rate and net-to-gross ratios can differ for energy and demand savings and depend on the mix of projects within an LDC territory (i.e. lighting or non-lighting project, engineered/custom/prescriptive track). |
| Demand Response 3 | Results are attributed to LDCs based on the total contracted megawatts at the contributor level as of December 31st, applying the provincial ex ante to contracted ratio (ex ante estimate/contracted megawatts); Ex post energy savings are attributed to the LDC based on their proportion of the total contracted megawatts at the contributor level. | Savings are considered to begin in the year in which the contributor signed up to participate in demand response. | Peak demand savings are ex ante estimates based on the load reduction capability that can be expected for the purposes of planning. The ex ante estimates factor in both scheduled non-performances (i.e. maintenance) and historical performance. Energy savings are based on an ex post estimate which reflects the savings that actually occurred as a results of activations in the year. Savings are assumed to persist for 1 year, reflecting that savings will not occur if the resource is not activated and additional costs are incurred to activate the resource. |
| Home Assistance Program | | | |

| Initiative | Attributing Savings to LDCs | Savings 'start' Date | Calculating Resource Savings |
|--|---|---|---|
| Home Assistance Program | Results are directly attributed to LDC based on LDC identified in the application. | Savings are considered to begin in the year in which the measures were installed. | Peak demand and energy savings are determined using the measure level per unit assumption multiplied by the uptake of each measure (gross) taking into account net-to-gross factors such as free-ridership and spillover (net) at the measure level. |
| Pre-2011 Programs completed in 2011 | | | |
| Electricity Retrofit Incentive Program | Results are directly attributed to LDC based on LDC identified in the application; Initiative was not evaluated in 2011 or 2012, assumptions as per 2010 evaluation | Savings are considered to begin in the year in which a project was completed. | Peak demand and energy savings are determined by the total savings from a given project as reported (reported). A realization rate is applied to the reported savings to ensure that these savings align with EM&V protocols and reflect the savings that were actually realized (i.e. how many light bulbs were actually installed vs. what was reported) (gross). Net savings takes into account net-to-gross factors such as free-ridership and spillover (net). If energy savings are not available , an estimate is made based on the kWh to kW ratio in the provincial results from the 2010 evaluated results (http://www.powerauthority.on.ca/evaluation-measurement-and-verification/evaluation-reports). |
| High Performance New Construction | Results are directly attributed to LDC based on customer data provided to the OPA from Enbridge; Initiative was not evaluated in 2011 or 2012, assumptions as per 2010 evaluation | Savings are considered to begin in the year in which a project was completed. | |
| Toronto Comprehensive | Program run exclusively in Toronto Hydro-Electric System Limited service territory; Initiative was not evaluated in 2011 or 2012, assumptions as per 2010 evaluation | | |

| Initiative | Attributing Savings to LDCs | Savings 'start' Date | Calculating Resource Savings |
|---------------------------------------|---|---|---|
| Multifamily Energy Efficiency Rebates | Results are directly attributed to LDC based on LDC identified in the application; Initiative was not evaluated in 2011 or 2012, assumptions as per 2010 evaluation | Savings are considered to begin in the year in which a project was completed. | <p>Peak demand and energy savings are determined by the total savings from a given project as reported (reported). A realization rate is applied to the reported savings to ensure that these savings align with EM&V protocols and reflect the savings that were actually realized (i.e. how many light bulbs were actually installed vs. what was reported) (gross). Net savings takes into account net-to-gross factors such as free-ridership and spillover (net). If energy savings are not available, an estimate is made based on the kWh to kW ratio in the provincial results from the 2010 evaluated results (http://www.powerauthority.on.ca/evaluation-measurement-and-verification/evaluation-reports).</p> |
| Data Centre Incentive Program | Program run exclusively in PowerStream Inc. service territory; Initiative was not evaluated in 2011, assumptions as per 2009 evaluation | | |
| EnWin Green Suites | Program run exclusively in ENWIN Utilities Ltd. service territory; Initiative was not evaluated in 2011 or 2012, assumptions as per 2010 evaluation | | |

ERII Sector (C&I vs. Industrial Mapping)

| Building Type | Sector |
|--|------------|
| Agribusiness - Cattle Farm | C&I |
| Agribusiness - Dairy Farm | C&I |
| Agribusiness - Greenhouse | C&I |
| Agribusiness - Other | C&I |
| Agribusiness - Other,Mixed-Use - Office/Retail | C&I |
| Agribusiness - Other,Office,Retail,Warehouse | C&I |
| Agribusiness - Other,Office,Warehouse | C&I |
| Agribusiness - Poultry | C&I |
| Agribusiness - Poultry,Hospitality - Motel | C&I |
| Agribusiness - Swine | C&I |
| Convenience Store | C&I |
| Education - College / Trade School | C&I |
| Education - College / Trade School,Multi-Residential - Condominium | C&I |
| Education - College / Trade School,Multi-Residential - Rental Apartment | C&I |
| Education - College / Trade School,Retail | C&I |
| Education - Primary School | C&I |
| Education - Primary School,Education - Secondary School | C&I |
| Education - Primary School,Multi-Residential - Rental Apartment | C&I |
| Education - Primary School,Not-for-Profit | C&I |
| Education - Secondary School | C&I |
| Education - University | C&I |
| Education - University,Office | C&I |
| Hospital/Healthcare - Clinic | C&I |
| Hospital/Healthcare - Clinic,Hospital/Healthcare - Long-term Care,Hospital/Healthcare - Medical Building | C&I |
| Hospital/Healthcare - Clinic,Industrial | C&I |
| Hospital/Healthcare - Clinic,Retail | C&I |
| Hospital/Healthcare - Long-term Care | C&I |
| Hospital/Healthcare - Long-term Care,Hospital/Healthcare - Medical Building | C&I |
| Hospital/Healthcare - Medical Building | C&I |
| Hospital/Healthcare - Medical Building,Mixed-Use - Office/Retail | C&I |
| Hospital/Healthcare - Medical Building,Mixed-Use - Office/Retail,Office | C&I |
| Hospitality - Hotel | C&I |
| Hospitality - Hotel,Restaurant - Dining | C&I |
| Hospitality - Motel | C&I |
| Industrial | Industrial |
| Mixed-Use - Office/Retail | C&I |
| Mixed-Use - Office/Retail,Industrial | Industrial |
| Mixed-Use - Office/Retail,Mixed-Use - Other | C&I |
| Mixed-Use - Office/Retail,Mixed-Use - Other,Not-for-Profit,Warehouse | C&I |
| Mixed-Use - Office/Retail,Mixed-Use - Residential/Retail | C&I |
| Mixed-Use - Office/Retail,Office,Restaurant - Dining,Restaurant - Quick Serve,Retail,Warehouse | C&I |

| | |
|---|------------|
| Mixed-Use - Office/Retail,Office,Warehouse | C&I |
| Mixed-Use - Office/Retail,Retail | C&I |
| Mixed-Use - Office/Retail,Warehouse | C&I |
| Mixed-Use - Office/Retail,Warehouse,Industrial | Industrial |
| Mixed-Use - Other | C&I |
| Mixed-Use - Other,Industrial | Industrial |
| Mixed-Use - Other,Not-for-Profit,Office | C&I |
| Mixed-Use - Other,Office | C&I |
| Mixed-Use - Other,Other: Please specify | C&I |
| Mixed-Use - Other,Retail,Warehouse | C&I |
| Mixed-Use - Other,Warehouse | C&I |
| Mixed-Use - Residential/Retail | C&I |
| Mixed-Use - Residential/Retail,Multi-Residential - Condominium | C&I |
| Mixed-Use - Residential/Retail,Multi-Residential - Rental Apartment | C&I |
| Mixed-Use - Residential/Retail,Retail | C&I |
| Multi-Residential - Condominium | C&I |
| Multi-Residential - Condominium,Multi-Residential - Rental Apartment | C&I |
| Multi-Residential - Condominium,Other: Please specify | C&I |
| Multi-Residential - Rental Apartment | C&I |
| Multi-Residential - Rental Apartment,Multi-Residential - Social Housing Provider,Not-for-Profit | C&I |
| Multi-Residential - Rental Apartment,Not-for-Profit | C&I |
| Multi-Residential - Rental Apartment,Warehouse | C&I |
| Multi-Residential - Social Housing Provider | C&I |
| Multi-Residential - Social Housing Provider,Industrial | C&I |
| Multi-Residential - Social Housing Provider,Not-for-Profit | C&I |
| Not-for-Profit | C&I |
| Not-for-Profit,Office | C&I |
| Not-for-Profit,Other: Please specify | C&I |
| Not-for-Profit,Warehouse | C&I |
| Office | C&I |
| Office,Industrial | Industrial |
| Office,Other: Please specify | C&I |
| Office,Other: Please specify,Warehouse | C&I |
| Office,Restaurant - Dining | C&I |
| Office,Restaurant - Dining,Industrial | Industrial |
| Office,Retail | C&I |
| Office,Retail,Industrial | C&I |
| Office,Retail,Warehouse | C&I |
| Office,Warehouse | C&I |
| Office,Warehouse,Industrial | Industrial |
| Other: Please specify | C&I |
| Other: Please specify,Industrial | Industrial |
| Other: Please specify,Retail | C&I |
| Other: Please specify,Warehouse | C&I |
| Restaurant - Dining | C&I |
| Restaurant - Dining,Retail | C&I |

| | |
|---------------------------------|------------|
| Restaurant - Quick Serve | C&I |
| Restaurant - Quick Serve,Retail | C&I |
| Retail | C&I |
| Retail,Industrial | Industrial |
| Retail,Warehouse | C&I |
| Warehouse | C&I |
| Warehouse,Industrial | Industrial |

Consumer Program Allocation Methodology

Results can be allocated based on average of 2008 & 2009 residential throughput for each LDC (below) when additional information is not available. Source: OEB Yearbook Data 2008 & 2009

| Local Distribution Company | Allocation |
|--|------------|
| Algoma Power Inc. | 0.2% |
| Atikokan Hydro Inc. | 0.0% |
| Attawapiskat Power Corporation | 0.0% |
| Bluewater Power Distribution Corporation | 0.6% |
| Brant County Power Inc. | 0.2% |
| Brantford Power Inc. | 0.7% |
| Burlington Hydro Inc. | 1.4% |
| Cambridge and North Dumfries Hydro Inc. | 1.0% |
| Canadian Niagara Power Inc. | 0.5% |
| Centre Wellington Hydro Ltd. | 0.1% |
| Chapleau Public Utilities Corporation | 0.0% |
| COLLUS Power Corporation | 0.3% |
| Cooperative Hydro Embrun Inc. | 0.0% |
| E.L.K. Energy Inc. | 0.2% |
| Enersource Hydro Mississauga Inc. | 3.9% |
| ENTEGRUS | 0.6% |
| ENWIN Utilities Ltd. | 1.6% |
| Erie Thames Powerlines Corporation | 0.4% |
| Espanola Regional Hydro Distribution Corporation | 0.1% |
| Essex Powerlines Corporation | 0.7% |
| Festival Hydro Inc. | 0.3% |
| Fort Albany Power Corporation | 0.0% |
| Fort Frances Power Corporation | 0.1% |
| Greater Sudbury Hydro Inc. | 1.0% |
| Grimsby Power Inc. | 0.2% |
| Guelph Hydro Electric Systems Inc. | 0.9% |
| Haldimand County Hydro Inc. | 0.4% |
| Halton Hills Hydro Inc. | 0.5% |
| Hearst Power Distribution Company Limited | 0.1% |
| Horizon Utilities Corporation | 4.0% |
| Hydro 2000 Inc. | 0.0% |
| Hydro Hawkesbury Inc. | 0.1% |
| Hydro One Brampton Networks Inc. | 2.8% |
| Hydro One Networks Inc. | 30.0% |

| | |
|---|-------|
| Hydro Ottawa Limited | 5.6% |
| Innisfil Hydro Distribution Systems Limited | 0.4% |
| Kashechewan Power Corporation | 0.0% |
| Kenora Hydro Electric Corporation Ltd. | 0.1% |
| Kingston Hydro Corporation | 0.5% |
| Kitchener-Wilmot Hydro Inc. | 1.6% |
| Lakefront Utilities Inc. | 0.2% |
| Lakeland Power Distribution Ltd. | 0.2% |
| London Hydro Inc. | 2.7% |
| Middlesex Power Distribution Corporation | 0.1% |
| Midland Power Utility Corporation | 0.1% |
| Milton Hydro Distribution Inc. | 0.6% |
| Newmarket - Tay Power Distribution Ltd. | 0.7% |
| Niagara Peninsula Energy Inc. | 1.0% |
| Niagara-on-the-Lake Hydro Inc. | 0.2% |
| Norfolk Power Distribution Inc. | 0.3% |
| North Bay Hydro Distribution Limited | 0.5% |
| Northern Ontario Wires Inc. | 0.1% |
| Oakville Hydro Electricity Distribution Inc. | 1.5% |
| Orangeville Hydro Limited | 0.2% |
| Orillia Power Distribution Corporation | 0.3% |
| Oshawa PUC Networks Inc. | 1.2% |
| Ottawa River Power Corporation | 0.2% |
| Parry Sound Power Corporation | 0.1% |
| Peterborough Distribution Incorporated | 0.7% |
| PowerStream Inc. | 6.6% |
| PUC Distribution Inc. | 0.9% |
| Renfrew Hydro Inc. | 0.1% |
| Rideau St. Lawrence Distribution Inc. | 0.1% |
| Sioux Lookout Hydro Inc. | 0.1% |
| St. Thomas Energy Inc. | 0.3% |
| Thunder Bay Hydro Electricity Distribution Inc. | 0.9% |
| Tillsonburg Hydro Inc. | 0.1% |
| Toronto Hydro-Electric System Limited | 12.8% |
| Veridian Connections Inc. | 2.4% |
| Wasaga Distribution Inc. | 0.2% |
| Waterloo North Hydro Inc. | 1.0% |
| Welland Hydro-Electric System Corp. | 0.4% |
| Wellington North Power Inc. | 0.1% |
| West Coast Huron Energy Inc. | 0.1% |
| Westario Power Inc. | 0.5% |
| Whitby Hydro Electric Corporation | 0.9% |
| Woodstock Hydro Services Inc. | 0.3% |

Reporting Glossary

Annual: the peak demand or energy savings that occur in a given year (includes resource savings from new program activity in a given year and resource savings persisting from previous years).

Cumulative Energy Savings: represents the sum of the annual energy savings that accrue over a defined period (in the context of this report the defined period is 2011 - 2014). This concept does not apply to peak demand savings.

End-User Level: resource savings in this report are measured at the customer level as opposed to the generator level (the difference being line losses).

Free-ridership: the percentage of participants who would have implemented the program measure or practice in the absence of the program.

Incremental: the new resource savings attributable to activity procured in a particular reporting period based on when the savings are considered to 'start' (please see table 5).

Initiative: a Conservation & Demand Management offering focusing on a particular opportunity or customer end-use (i.e. Retrofit, Fridge & Freezer Pickup).

Net-to-Gross Ratio: The ratio of net savings to gross savings, which takes into account factors such as free-ridership and spillover

Net Energy Savings (MWh): energy savings attributable to conservation and demand management activities net of free-riders, etc.

Net Peak Demand Savings (MW): peak demand savings attributable to conservation and demand management activities net of free-riders, etc.

Program: a group of initiatives that target a particular market sector (i.e. Consumer, Industrial).

Realization Rate: A comparison of observed or measured (evaluated) information to original reported savings which is used to adjust the gross savings estimates.

Settlement Account: the grouping of demand response facilities (contributors) into one contractual agreement

Spillover: Reductions in energy consumption and/or demand caused by the presence of the energy efficiency program, beyond the program-related gross savings of the participants. There can be participant and/or non-participant spillover.

Unit: for a specific initiative the relevant type of activity acquired in the market place (i.e. appliances picked up, projects completed, coupons redeemed).

8.1-VECC-51

Ref: E3/T3/S1, Att 1 (Appendix 2-I)
OEB Decision EB-2012-0165 (Sioux Lookout 2013 Rates), page 7

Request

- (a) Please reconcile the proposed ½ year CDM adjustment for 2012 with the Board's Decision in EB-2012-0165 for Sioux Lookout's 2013 rates that "The Board does not agree with the inclusion of the half-year impact of the 2011 CDM program".

Response:

- (a) In preparing the CDM adjustment to its load forecast, Veridian adopted the methodology outlined in the 2013 EDR application and decision of Centre Wellington Hydro (EB-2012-0113). In this decision, the Board approved the half-year rule stating:

"Using the half-year approach recognizes the accumulation of impacts over the year and is consistent with other Board decisions."

Furthermore, when preparing the CDM adjustment to its load forecast, Veridian was also guided by the template for Appendix 2-I, which was provided by the Board and states:

"The default values represent the factor that each year's CDM program is factored into the manual CDM adjustment. Distributors can choose alternative weights of "0", "0.5" or "1" from the drop-down menu for each cell, but must support its alternatives."

For 2012 the default selection and rationale provided in the template was "50% of 2012 CDM impact is assumed reflected in base forecast based on 1/2 year rule."

By choosing the default selection for 2012, Veridian did not feel compelled to support its decision, since the template states that alternative weights must be supported.

8.1-VECC-52

Ref: E3/T4/S1

Request

- (a) Does the calculation of the transformer allowance by customer class take into account the customer reclassifications between GS>50, Intermediate and Large Use discussed in the Elenchus Load Forecast? If so, please indicate how.

Response:

- (a) Please see Veridian's response to 8.5-Staff-38.

Load Forecast, Cost Allocation and Rate Design

Issue 8.2

Is the proposed cost allocation methodology including the revenue-to-cost ratios appropriate?

8.2-EP-61

Ref: Exhibit 1, Tab 2, Schedule 1

Request

- (a) Are the costs (OM&A, PILs, return on capital, depreciation, etc.) associated with the Key Account Representatives recovered in their entirety through the revenue requirement, or are some costs covered through the OPA? If the latter, please explain how the allocation is derived.
- (b) Are the costs included in the revenue requirement for the Key Account Representative directly allocated to the commercial and industrial rate classes? If not, please explain how these costs are allocated and provide a table that shows the allocation of all the associated costs (OM&A, return on capital, PILs, depreciation, etc.) to each rate class in 2014.

Response:

- (a) The costs associated with the Key Account Representatives are recovered in their entirety through the OPA. The allocation charged to the OPA includes salaries, benefits, direct costs of office equipment, general administration costs, computer equipment and facility related costs. Costs for depreciation, return on capital and facilities related costs are allocated by number of workstations.
- (b) The costs for the Key Account Representative are not included in the revenue requirement.

8.2-EP-62

Ref: Exhibit 7, Tab 1, Schedule 1

Request

- (a) Please provide a version of all the attachments for the 2014 Cost Allocation Study assuming using of the standard average rate base approach rather than the year-end figures as proposed by Veridian.
- (b) Please provide a table that shows the revenue to cost ratios proposed by Veridian for each rate class based on the year-end approach and the average rate base approach.

Response:

- (a) Provided as Attachment 1.
- (b) Veridian has not completed a detailed analysis that would provide proposed revenue to cost ratios based on the average rate base approach but rather, provides here a table comparing the results of the 2014 CAS completed on both YE and Average rate base approaches.

Table 1: Revenue-to-Cost Ratios-Comparison 2014 CAS Ratios - YE and Average

| Customer Class | 2014 CAS Ratios - at current rates- YE Rate Base | 2014 Proposed CAS Ratios - YE Rate Base | 2014 CAS Ratios - at current rates- Average Rate Base | %age differences in 2014 CAS Ratios (YE and Average) | Board Approved Range |
|-----------------------------------|--|---|---|--|----------------------|
| Residential | 101.71 | 101.29 | 101.25 | - 0.4600 | 85-115 |
| Residential Suburban | | | | | |
| Residential Seasonal | 82.13 | 93.95 | 82.71 | 0.5800 | 85-115 |
| General Service less than 50 kW | 122.71 | 115.10 | 122.80 | 0.0900 | 80-120 |
| General Service 50 to 2,999 kW | 91.79 | 91.79 | 92.68 | 0.8900 | 80-120 |
| General Service 3,000 to 4,999 kW | 61.03 | 80.13 | 62.17 | 1.1400 | 80-120 |
| Large Use | 52.51 | 85.55 | 53.54 | 1.0300 | 85-115 |
| Unmetered Scattered Load | 132.11 | 116.90 | 132.41 | 0.3000 | 80-120 |
| Sentinel Lighting | 66.31 | 93.77 | 66.51 | 0.2000 | 80-120 |
| Street Lighting | 79.14 | 80.02 | 80.24 | 1.1000 | 70-120 |

Veridian notes that the differences in resulting CAS ratios between YE and average rate base approaches are not material.

Veridian's approach to proposed revenue to cost ratios under the average rate base approach would include:

- Bringing the revenue to cost ratio of the customer classes that are outside the Board Approved Range to within the Range. The affected classes are highlighted in the table and include Residential-Seasonal, GS < 50 kW, General Service 3,000 to 4,999 kW (Intermediate), Large Use, Unmetered Scattered Load and Sentinel Lighting.
- Revenue shortfalls or overages would be rebalanced by adjusting revenue to cost ratios for other classes.
- All of the adjustments would be subject to reasonable bill impacts.



Sheet I6.1 Revenue Worksheet - Initial Submission

| | |
|--|-----------|
| Miscellaneous Revenue (RRWF 5. cell F48) | 3,767,464 |
|--|-----------|

[illegible]



2014 Cost Allocation Model

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Sheet I6.2 Customer Data Worksheet - Initial Submission

| | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|--|--------|------------|-------------|----------------------|-----------|---------------|---------------------|----------------|----------|--------------|--------------------------|
| | ID | Total | Residential | Residential Seasonal | GS <50 | GS>50-Regular | GS >50-Intermediate | Large Use >5MW | Sentinel | Street Light | Unmetered Scattered Load |
| Billing Data | | | | | | | | | | | |
| Bad Debt 3 Year Historical Average | BDHA | \$714,633 | \$422,759 | \$3,375 | \$37,600 | \$250,900 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Late Payment 3 Year Historical Average | LPHA | \$699,224 | \$456,025 | \$4,606 | \$48,538 | \$190,055 | | | | | |
| Number of Bills | CNB | 720,948 | 637,002 | 9,510 | 52,962 | 12,876 | 60 | 24 | 2,850 | 108 | 5,556 |
| Number of Devices | | | | | | | | | | 30,340 | |
| Number of Connections (Unmetered) | CCON | 5,794 | | | | | | | 475 | 4,393 | 926 |
| Total Number of Customers | CCA | 119,069 | 106,167 | 1,585 | 8,827 | 1,073 | 5 | 2 | 475 | 9 | 926 |
| Bulk Customer Base | CCB | 119,069 | 106,167 | 1,585 | 8,827 | 1,073 | 5 | 2 | 475 | 9 | 926 |
| Primary Customer Base | CCP | 119,069 | 106,167 | 1,585 | 8,827 | 1,073 | 5 | 2 | 475 | 9 | 926 |
| Line Transformer Customer Base | CCLT | 118,979 | 106,167 | 1,585 | 8,827 | 990 | | | 475 | 9 | 926 |
| Secondary Customer Base | CCS | 118,979 | 106,167 | 1,585 | 8,827 | 990 | | | 475 | 9 | 926 |
| Weighted - Services | CWCS | 122,973 | 106,167 | 1,585 | 13,241 | 1,980 | - | - | - | - | - |
| Weighted Meter -Capital | CWMC | 21,944,562 | 16,631,970 | 252,927 | 3,245,950 | 1,703,554 | 78,687 | 31,475 | - | - | - |
| Weighted Meter Reading | CWMR | 10,898 | - | - | 500 | 10,062 | 240 | 96 | - | - | - |
| Weighted Bills | CWNB | 730,041 | 637,002 | 9,510 | 52,962 | 25,752 | 360 | 144 | 1,425 | 108 | 2,778 |
| Weighted Primary Customer-Poles | WPCCP | 128,208 | 106,167 | 6,340 | 8,827 | 1,073 | 5 | 2 | 475 | 4,393 | 926 |
| Weighted Secondary Customer-Poles | WPCCS | 128,118 | 106,167 | 6,340 | 8,827 | 990 | - | - | 475 | 4,393 | 926 |
| Weighted Primary Customer-O/H | WOCCP | 134,548 | 106,167 | 12,680 | 8,827 | 1,073 | 5 | 2 | 475 | 4,393 | 926 |
| Weighted Secondary Customer-O/H | WOCCS | 134,458 | 106,167 | 12,680 | 8,827 | 990 | - | - | 475 | 4,393 | 926 |
| Weighted Primary Customer-U/G | WUCCP | 125,196 | 106,167 | 3,329 | 8,827 | 1,073 | 5 | 2 | 475 | 4,393 | 926 |
| Weighted Secondary Customer-U/G | WUCCS | 125,107 | 106,167 | 3,329 | 8,827 | 990 | - | - | 475 | 4,393 | 926 |
| Weighted Line Transformer | WTCCLT | 128,118 | 106,167 | 6,340 | 8,827 | 990 | - | - | 475 | 4,393 | 926 |

Bad Debt Data

| | | | | | | | | | | | | | |
|--------------------|------|---------|---------|-------|--------|---------|---|---|---|---|---|---|---|
| Historic Year: | 2010 | 971,600 | 436,791 | 5,830 | 48,580 | 480,399 | | | | | | | |
| Historic Year: | 2011 | 560,400 | 437,146 | 2,130 | 33,624 | 87,500 | | | | | | | |
| Historic Year: | 2012 | 611,900 | 394,341 | 2,164 | 30,595 | 184,800 | | | | | | | |
| Three-year average | | 714,633 | 422,759 | 3,375 | 37,600 | 250,900 | - | - | - | - | - | - | - |



2014 Cost Allocation Model

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Sheet 18 Demand Data Worksheet - Initial Submission

This is an input sheet for demand allocators.

| | |
|------------------|-------|
| CP TEST RESULTS | 12 CP |
| NCP TEST RESULTS | 4 NCP |

| | |
|------------------|-----------|
| Co-incident Peak | Indicator |
| 1 CP | CP 1 |
| 4 CP | CP 4 |
| 12 CP | CP 12 |

| | |
|----------------------|-----------|
| Non-co-incident Peak | Indicator |
| 1 NCP | NCP 1 |
| 4 NCP | NCP 4 |
| 12 NCP | NCP 12 |

| Customer Classes | Total | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|---|-----------|-------------|----------------------|---------|---------------|---------------------|----------------|----------|--------------|--------------------------|
| | | Residential | Residential Seasonal | GS <50 | GS>50-Regular | GS >50-Intermediate | Large Use >5MW | Sentinel | Street Light | Unmetered Scattered Load |
| CO-INCIDENT PEAK | | | | | | | | | | |
| 1 CP | | | | | | | | | | |
| Transformation CP TCP1 | 422,979 | 191,084 | 1,567 | 45,499 | 152,041 | 16,495 | 10,781 | 73 | 4,965 | 475 |
| Bulk Delivery CP BCP1 | 422,979 | 191,084 | 1,567 | 45,499 | 152,041 | 16,495 | 10,781 | 73 | 4,965 | 475 |
| Total Sytem CP DCP1 | 422,979 | 191,084 | 1,567 | 45,499 | 152,041 | 16,495 | 10,781 | 73 | 4,965 | 475 |
| 4 CP | | | | | | | | | | |
| Transformation CP TCP4 | 1,661,784 | 728,977 | 7,160 | 188,220 | 608,163 | 62,768 | 49,165 | 215 | 15,046 | 2,068 |
| Bulk Delivery CP BCP4 | 1,661,784 | 728,977 | 7,160 | 188,220 | 608,163 | 62,768 | 49,165 | 215 | 15,046 | 2,068 |
| Total Sytem CP DCP4 | 1,661,784 | 728,977 | 7,160 | 188,220 | 608,163 | 62,768 | 49,165 | 215 | 15,046 | 2,068 |
| 12 CP | | | | | | | | | | |
| Transformation CP TCP12 | 4,663,689 | 1,965,384 | 18,411 | 569,379 | 1,716,035 | 188,993 | 161,643 | 590 | 37,014 | 6,240 |
| Bulk Delivery CP BCP12 | 4,663,689 | 1,965,384 | 18,411 | 569,379 | 1,716,035 | 188,993 | 161,643 | 590 | 37,014 | 6,240 |
| Total Sytem CP DCP12 | 4,556,674 | 1,893,862 | 18,754 | 664,908 | 1,578,233 | 188,636 | 168,436 | 590 | 37,014 | 6,240 |
| NON CO INCIDENT PEAK | | | | | | | | | | |
| 1 NCP | | | | | | | | | | |
| Classification NCP from Load Data Provider DNCP1 | 495,870 | 210,982 | 2,655 | 67,201 | 170,620 | 20,472 | 18,160 | 118 | 5,068 | 592 |
| Primary NCP PNCP1 | 495,870 | 210,982 | 2,655 | 67,201 | 170,620 | 20,472 | 18,160 | 118 | 5,068 | 592 |
| Line Transformer NCP LTNCP1 | 346,228 | 210,982 | 2,655 | 67,201 | 59,610 | | | 118 | 5,068 | 592 |
| Secondary NCP SNCP1 | 346,228 | 210,982 | 2,655 | 67,201 | 59,610 | | | 118 | 5,068 | 592 |
| 4 NCP | | | | | | | | | | |
| Classification NCP from Load Data Provider DNCP4 | 1,933,904 | 819,451 | 8,711 | 254,580 | 677,574 | 80,091 | 70,616 | 467 | 20,097 | 2,316 |
| Primary NCP PNCP4 | 1,933,904 | 819,451 | 8,711 | 254,580 | 677,574 | 80,091 | 70,616 | 467 | 20,097 | 2,316 |
| Line Transformer NCP LTNCP4 | 1,458,556 | 819,451 | 8,711 | 254,580 | 352,933 | | | 467 | 20,097 | 2,316 |
| Secondary NCP SNCP4 | 1,458,556 | 819,451 | 8,711 | 254,580 | 352,933 | | | 467 | 20,097 | 2,316 |
| 12 NCP | | | | | | | | | | |
| Classification NCP from Load Data Provider DNCP12 | 5,233,107 | 2,185,057 | 21,239 | 674,534 | 1,857,826 | 234,406 | 192,435 | 1,131 | 59,888 | 6,590 |
| Primary NCP PNCP12 | 5,233,107 | 2,185,057 | 21,239 | 674,534 | 1,857,826 | 234,406 | 192,435 | 1,131 | 59,888 | 6,590 |
| Line Transformer NCP LTNCP12 | 3,875,279 | 2,185,057 | 21,239 | 674,534 | 926,839 | | | 1,131 | 59,888 | 6,590 |
| Secondary NCP SNCP12 | 3,875,279 | 2,185,057 | 21,239 | 674,534 | 926,839 | | | 1,131 | 59,888 | 6,590 |



2014 Cost Allocation Model

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Sheet 01 Revenue to Cost Summary Worksheet - Initial Submission

Instructions:

Please see the first tab in this workbook for detailed instructions

Class Revenue, Cost Analysis, and Return on Rate Base

| Rate Base Assets | Total | 1 Residential | 2 Residential Seasonal | 3 GS <50 | 4 GS>50-Regular | 5 GS>50-Intermediate | 6 Large Use >5MW | 7 Sentinel | 8 Street Light | 9 Unmetered Scattered Load |
|---|-----------------|------------------|---------------------------|----------------|--------------------|-------------------------|---------------------|---------------|-------------------|-------------------------------|
| Distribution Revenue at Existing Rates | \$49,080,552 | \$31,102,285 | \$833,423 | \$6,823,873 | \$8,742,229 | \$532,404 | \$393,169 | \$36,942 | \$448,694 | \$167,532 |
| Miscellaneous Revenue (mi) | \$3,767,464 | \$2,559,421 | \$65,452 | \$356,754 | \$660,125 | \$44,527 | \$38,351 | \$4,616 | \$28,648 | \$9,571 |
| Miscellaneous Revenue Input equals Output | | | | | | | | | | |
| Total Revenue at Existing Rates | \$52,848,016 | \$33,661,706 | \$898,875 | \$7,180,627 | \$9,402,354 | \$576,930 | \$431,519 | \$41,558 | \$477,343 | \$177,103 |
| Factor required to recover deficiency (1 + D) | 1.0635 | | | | | | | | | |
| Distribution Revenue at Status Quo Rates | \$52,199,569 | \$33,078,802 | \$886,386 | \$7,257,523 | \$9,297,788 | \$566,237 | \$418,154 | \$39,290 | \$477,208 | \$178,179 |
| Miscellaneous Revenue (mi) | \$3,767,464 | \$2,559,421 | \$65,452 | \$356,754 | \$660,125 | \$44,527 | \$38,351 | \$4,616 | \$28,648 | \$9,571 |
| Total Revenue at Status Quo Rates | \$55,967,033 | \$35,638,223 | \$951,838 | \$7,614,277 | \$9,957,914 | \$610,764 | \$456,505 | \$43,906 | \$505,857 | \$187,749 |
| Expenses | | | | | | | | | | |
| Distribution Costs (di) | \$9,111,971 | \$5,051,734 | \$219,844 | \$1,080,519 | \$2,156,164 | \$227,338 | \$200,433 | \$10,495 | \$141,817 | \$23,627 |
| Customer Related Costs (cu) | \$8,360,063 | \$6,732,603 | \$97,465 | \$669,750 | \$802,684 | \$12,277 | \$4,911 | \$12,257 | \$4,223 | \$23,894 |
| General and Administration (ad) | \$10,811,658 | \$7,277,659 | \$197,251 | \$1,086,538 | \$1,837,778 | \$149,445 | \$128,142 | \$14,043 | \$91,447 | \$29,354 |
| Depreciation and Amortization (dep) | \$10,672,290 | \$6,390,348 | \$252,106 | \$1,315,838 | \$2,155,714 | \$199,892 | \$174,230 | \$11,091 | \$148,489 | \$24,581 |
| PILs (INPUT) | \$1,104,396 | \$632,739 | \$24,938 | \$132,942 | \$246,171 | \$25,547 | \$22,392 | \$1,177 | \$15,871 | \$2,619 |
| Interest | \$7,158,599 | \$4,101,358 | \$161,647 | \$861,722 | \$1,595,657 | \$165,596 | \$145,141 | \$7,630 | \$102,874 | \$16,975 |
| Total Expenses | \$47,218,977 | \$30,186,441 | \$953,250 | \$5,147,309 | \$8,794,167 | \$780,097 | \$675,249 | \$56,694 | \$504,721 | \$121,050 |
| Direct Allocation | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Allocated Net Income (NI) | \$8,748,056 | \$5,012,001 | \$197,538 | \$1,053,054 | \$1,949,948 | \$202,365 | \$177,367 | \$9,324 | \$125,715 | \$20,745 |
| Revenue Requirement (includes NI) | \$55,967,033 | \$35,198,442 | \$1,150,788 | \$6,200,362 | \$10,744,115 | \$982,461 | \$852,616 | \$66,017 | \$630,437 | \$141,795 |
| Revenue Requirement Input equals Output | | | | | | | | | | |
| Rate Base Calculation | | | | | | | | | | |
| Net Assets | | | | | | | | | | |
| Distribution Plant - Gross | \$426,990,942 | \$251,653,233 | \$10,197,297 | \$51,510,099 | \$89,570,996 | \$8,587,740 | \$7,536,686 | \$482,212 | \$6,387,969 | \$1,064,710 |
| General Plant - Gross | \$75,522,957 | \$44,650,853 | \$1,763,381 | \$9,076,421 | \$15,766,600 | \$1,544,954 | \$1,355,146 | \$82,898 | \$1,099,540 | \$183,164 |
| Accumulated Depreciation | (\$240,636,621) | (\$141,476,411) | (\$5,846,122) | (\$29,113,858) | (\$50,666,613) | (\$4,775,536) | (\$4,192,838) | (\$277,659) | (\$3,674,833) | (\$612,750) |
| Capital Contribution | (\$61,449,313) | (\$39,463,869) | (\$1,566,351) | (\$7,351,677) | (\$10,407,357) | (\$798,728) | (\$703,249) | (\$72,908) | (\$926,905) | (\$158,271) |
| Total Net Plant | \$200,427,965 | \$115,363,806 | \$4,548,204 | \$24,120,986 | \$44,263,626 | \$4,558,431 | \$3,995,746 | \$214,543 | \$2,885,770 | \$476,853 |
| Directly Allocated Net Fixed Assets | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Cost of Power (COP) | \$284,142,396 | \$107,233,024 | \$1,007,785 | \$33,158,399 | \$113,090,203 | \$14,001,006 | \$12,723,511 | \$41,583 | \$2,388,164 | \$498,723 |
| OM&A Expenses | \$28,283,692 | \$19,061,996 | \$514,559 | \$2,836,806 | \$4,796,626 | \$389,061 | \$333,486 | \$36,795 | \$237,487 | \$76,875 |
| Directly Allocated Expenses | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Subtotal | \$312,426,088 | \$126,295,020 | \$1,522,344 | \$35,995,205 | \$117,886,829 | \$14,390,066 | \$13,056,997 | \$78,378 | \$2,625,651 | \$575,597 |
| Working Capital | \$43,114,800 | \$17,428,713 | \$210,083 | \$4,967,338 | \$16,268,382 | \$1,985,829 | \$1,801,866 | \$10,816 | \$362,340 | \$79,432 |
| Total Rate Base | \$243,542,765 | \$132,792,519 | \$4,758,288 | \$29,088,324 | \$60,532,008 | \$6,544,260 | \$5,797,611 | \$225,359 | \$3,248,110 | \$556,285 |
| Rate Base Input equals Output | | | | | | | | | | |
| Equity Component of Rate Base | \$97,417,106 | \$53,117,008 | \$1,903,315 | \$11,635,330 | \$24,212,803 | \$2,617,704 | \$2,319,044 | \$90,144 | \$1,299,244 | \$222,514 |
| Net Income on Allocated Assets | \$8,748,056 | \$5,451,782 | (\$1,412) | \$2,466,968 | \$1,163,746 | (\$169,333) | (\$218,744) | (\$12,788) | \$1,135 | \$66,699 |
| Net Income on Direct Allocation Assets | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Income | \$8,748,056 | \$5,451,782 | (\$1,412) | \$2,466,968 | \$1,163,746 | (\$169,333) | (\$218,744) | (\$12,788) | \$1,135 | \$66,699 |
| RATIOS ANALYSIS | | | | | | | | | | |
| REVENUE TO EXPENSES STATUS QUO% | 100.00% | 101.25% | 82.71% | 122.80% | 92.68% | 62.17% | 53.54% | 66.51% | 80.24% | 132.41% |
| EXISTING REVENUE MINUS ALLOCATED COSTS | (\$3,119,017) | (\$1,536,736) | (\$251,913) | \$980,265 | (\$1,341,761) | (\$405,531) | (\$421,097) | (\$24,459) | (\$153,094) | \$35,308 |
| Deficiency Input equals Output | | | | | | | | | | |
| STATUS QUO REVENUE MINUS ALLOCATED COSTS | (\$0) | \$439,781 | (\$198,950) | \$1,413,915 | (\$786,201) | (\$371,697) | (\$396,111) | (\$22,111) | (\$124,580) | \$45,955 |
| RETURN ON EQUITY COMPONENT OF RATE BASE | 8.98% | 10.26% | -0.07% | 21.20% | 4.81% | -6.47% | -9.43% | -14.19% | 0.09% | 29.98% |

**Sheet 02 Monthly Fixed Charge Min. & Max. Worksheet - Initial Submission**

Summary

Existing Approved Fixed Charge

[illegible]

8.2-EP-63

Ref: Exhibit 7, Tab 1, Schedule 1

Request

Please provide a revised Attachment 5 that includes the existing approved fixed charge for each rate class shown.

Response:

Please see Attachment 1.



2014 Cost Allocation Model

EB-2013-0174

Sheet 02 Monthly Fixed Charge Min. & Max. Worksheet - Final Run

Output sheet showing minimum and maximum level for
Monthly Fixed Charge

Summary

Customer Unit Cost per month - Avoided Cost

Customer Unit Cost per month - Directly Related

Customer Unit Cost per month - Minimum System
with PLCC Adjustment

Existing Approved Fixed Charge

Veridian Main Existing Approved Fixed Charge

Veridian Gravenhurst Existing Approved Fixed Charge

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|-------------------------------------|----------------------|---------|---------------|---------------------|----------------|----------|--------------|--------------------------|
| Residential | Residential Seasonal | GS <50 | GS>50-Regular | GS >50-Intermediate | Large Use >5MW | Sentinel | Street Light | Unmetered Scattered Load |
| \$4.47 | \$4.37 | \$6.83 | \$31.17 | \$196.64 | \$62.81 | \$1.47 | -\$0.01 | \$1.46 |
| \$7.01 | \$6.93 | \$10.27 | \$55.41 | \$333.46 | \$199.71 | \$2.45 | \$0.04 | \$2.44 |
| \$18.27 | \$38.82 | \$22.52 | \$108.83 | \$373.23 | \$254.86 | \$11.82 | \$7.00 | \$10.30 |
| \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| \$11.23 | N/A | \$13.88 | \$136.80 | \$5,415.56 | \$8,135.28 | \$3.58 | \$0.56 | \$7.59 |
| \$10.11 - Urban \$18.51 Suburban | \$26.85 | \$10.00 | \$104.05 | N/A | N/A | \$3.01 | \$0.43 | N/A |

8.2-EP-64

Ref: Exhibit 7, Tab 1, Schedule 2

Request

Please provide a version on Table 1 that includes the following 2014 Proposed CAS Ratios for those classes outside of the Board approved ranges with no changes to the ratios for the classes already inside the range:

sentinel lighting = 80%, large use = 85%, GS 3,000 - 4,999 = 80%, residential seasonal = 85%, GS < 50 = 120% and USL = 120%.

- (a) Please confirm that these ratios result in excess revenues.
- (b) Please adjust the GS < 50 and USL classes in tandem (i.e. keeping their revenue to cost ratios equal to one another) and reduce this ratio from 120% until the excess revenues are eliminated. Please provide the resulting ratio for these two rate classes.

Response:

Version of Table 1 as requested.

Revised Table 1: Revenue-to-Cost Ratios - 2010 Approved to 2014 Proposed

| Customer Class | Main 2010 Approved | Gravenhurst 2010 Approved | 2014 CAS Ratios - at current rates | 2014 Requested CAS Ratios | Board Approved Range |
|-----------------------------------|-----------------------|---------------------------------|--|---------------------------------|----------------------------|
| Residential | 98.55 | 108.69 | 101.71 | 101.71 | 85-115 |
| Residential Suburban | N/A | 61.68 | | | |
| Residential Seasonal | N/A | 87.09 | 82.13 | 85.00 | 85-115 |
| General Service less than 50 kW | 114.78 | 141.45 | 122.71 | 120.00 | 80-120 |
| General Service 50 to 2,999 kW | 99.22 | 172.53 | 91.79 | 91.79 | 80-120 |
| General Service 3,000 to 4,999 kW | 81.41 | N/A | 61.03 | 80 | 80-120 |
| Large Use | 87.73 | N/A | 52.51 | 85 | 85-115 |
| Unmetered Scattered Load | 97.42 | N/A | 132.11 | 120.00 | 80-120 |
| Sentinel Lighting | 56.53 | 30.02 | 66.31 | 80 | 80-120 |
| Street Lighting | 74.96 | 83.27 | 79.14 | 79.14 | 70-120 |

- (a) Confirmed.

- (b) The resulting ratios for these two classes when adjusting the GS < 50 and USL classes in tandem and reducing from 120% until the excess revenues are eliminated are:

GS < 50 – 114.81
USL - 114.84

8.2-VECC-53

Ref: E7/T1/S1, page 3

Request

- (a) Please confirm whether the difference (\$1,704,365) was allocated to classes in proportion to their total allocated revenue requirement or their allocated share of the base distribution revenue requirement.
- (b) Since the difference is associated with Net Fixed Assets would it not be more appropriate for the difference to be allocated to classes based on each class' share of the NFA as determined in the CA model (Sheet O1, Row 51).
- (c) Please provide a schedule that sets out the allocation of the difference to customer classes based on Veridian's approach versus one that uses the NFA allocation in the CA Model

Response:

- (a) The difference was allocated to classes in proportion to their total allocated revenue requirement.
- (b) Veridian proposes that either methodology is appropriate.
- (c) See updated Table 1 and 2 below.

**Table 1: Allocation of YE NFA Revenue Requirement to Rate Classes
Based on Class Share of NFA as determined in the YE CA Model**

| | Allocations | %age by Class |
|-------------------------|---------------------|----------------------|
| Residential | 120,157,145 | 57.2% |
| Residential - Seasonal | 4,802,856 | 2.3% |
| GS under 50 kW | 25,223,302 | 12.0% |
| GS over 50 kW | 46,994,847 | 22.4% |
| Intermediate Use | 4,881,457 | 2.3% |
| Large Use | 4,281,357 | 2.0% |
| Unmetered Scattered Loa | 505,174 | 0.2% |
| Street Lighting | 3,057,164 | 1.5% |
| Sentinel Lighting | 227,323 | 0.1% |
| | <hr/> \$210,130,625 | <hr/> 100.0% |

Table 2: Allocation of Differential between YE NFA and

| | Allocations | %age by Class |
|-------------------------|--------------------|----------------------|
| Residential | (974,592) | 57.2% |
| Residential - Seasonal | (38,956) | 2.3% |
| GS under 50 kW | (204,586) | 12.0% |
| GS over 50 kW | (381,174) | 22.4% |
| Intermediate Use | (39,593) | 2.3% |
| Large Use | (34,726) | 2.0% |
| Unmetered Scattered Loa | (4,097) | 0.2% |
| Street Lighting | (24,797) | 1.5% |
| Sentinel Lighting | (1,844) | 0.1% |
| | <hr/> (1,704,365) | <hr/> 100.0% |

8.2-VECC-54

Ref: E7/T1/S1, page 5
Cost Allocation Model, Sheet I5.2

Request

- (a) Please confirm that the customers in classes other than Residential, Residential Seasonal, GS<50 and GS>50 own and are responsible for the maintenance/repair/replacement of their service assets.
- (b) If not confirmed, why are the weighting factors for these classes zero?

Response:

- (a) Veridian cannot confirm the statement provided.
- (b) When developing the weighting factors for services Veridian reviewed historic financial and engineering data which indicated that costs included in Veridian's accounts for Services were not attributable to accounts other than Residential, Residential Seasonal, GS < 50 and GS > 50.

8.2-VECC-55

Ref: E7/T1/S1, Att 2

Request

- (a) Please explain how Veridian determined that there were 4,393 connections associated with the 30,340 Street Light devices.

Response:

- (a) In completing its 2014 Cost Allocation Study, where appropriate Veridian relied on data filed in its 2007 Cost Allocation Information Filing (EB-2007-0002) and used for the purposes of Cost Allocation in its 2010 COS proceeding (EB-2009-0140).

The relationship between the number of devices and the number of connections for the Street Lighting rate classes is such an example.

The following excerpt from Veridian's 2007 Cost Allocation Information Filing provides the basis for this relationship.

"In the specific case of the street lighting rate class, as suggested in section 9.2 of the Directions, use of the number of devices as the number of connections may overstate the number of physical connections to a distributor's system. In Veridian's specific case, it was determined that an average ratio of 1:7 exists between physical connections to the distribution system and number of street lighting devices. For every one physical connection to the distribution system, on average seven street lighting devices are installed. To avoid overstatement of the number of connections and thus avoid an "over" allocation of customer related costs to the street lighting rate class, the Number of Connections (unmetered) (as entered on Sheet I6 Customer Data in the Model) for the street lighting rate class has been calculated as the number of unmetered devices divided by 7."

8.2-VECC-56

Ref: E7/T1/S1, Att. 8, page 8

Request

- (a) What was the basis for the hourly load profiles used for the GS>50, Intermediate and Large Use classes?
- (b) Please explain how the development of these load profiles accounted for the customer class changes (e.g. reclassifications and customer losses) discussed in Exhibit 3

Response:

- a) Load profiles for Veridian's Intermediate and Large Use rate classes were derived from scratch using 2012 hourly interval meter data (the most recent historic year at the time of submission). The new 2012 load profiles were then scaled to match the 2014 load forecast.
The 2004 hourly load profiles for the GS > 50 class in both the former Main and Gravenhurst service territories were taken as the starting point, and adjusted as per the process set out in the response to part b) below.
- b) Customers classified as Large Use after the reclassifications were included in the Large Use load profile, and customers classified as Intermediate after the reclassifications were included in that Intermediate load profile. The discontinued large use customer was not included in any load profiles as it was not expected to operate in the test year.
The 2004 hourly load profile for the GS > 50 rate class in the Main service territory was updated first by removing 2004 loads for three customers no longer in the class. The residual hourly load profile was scaled such that when combined with the 2012 hourly loads for the one customer who joined the class prior to 2012, the combined class was consistent with the 2012 weather normalized actual. The new 2012 hourly load profile was then scaled to the 2014 load forecast. There were no re-classifications in the Gravenhurst Service territory, so the 2014 Veridian Gravenhurst GS > 50 load profile was derived by scaling the 2004 hourly load profile to reflect 2014 forecasted load. Finally, the 2014 Veridian Main GS > 50 load profile, and 2014 Veridian Gravenhurst GS > 50 load profile were added to form the 2014 Veridian GS > 50 hourly load profile.

8.2-VECC-57

Ref: E7/T1/T2, page 2

Request

- (a) Why is the Residential Seasonal ratio being increases from 82.13% to 93.95% when there are other customer classes whose proposed ratios are less than the Residential Seasonal starting point?

Response:

In Veridian's analysis, the proposed adjustment to the Residential Seasonal revenue to cost ratio was a single element in a balanced overall approach of moving the majority of customer classes towards unity while considering total bill impacts.

8.2-VECC-58

Ref: E7/T1/S1, page 6
E8/T2/S1, pages 4-5

Request

- (a) Please confirm that the criteria for Residential classification as opposed to Residential Seasonal classification are not specifically linked to “density”.
- (b) Has Veridian undertaken any assessment in the last 5 years as to whether or not Residential Seasonal customers are in lower density areas than Residential customers? If so, please provide the results.
- (c) Please provide a revised version of the CA Model with no density weighting factors for Residential Seasonal.

Response:

- (a) Confirmed.
- (b) No, Veridian has not undertaken any assessment in the last 5 years as to whether or not Residential Seasonal customers are in lower density areas than Residential customers.
- (c) An Excel live spreadsheet version of the CA Model with no density weighting factors for Residential Seasonal has been provided.

Load Forecast, Cost Allocation and Rate Design

Issue 8.3

Is the proposed rate design including the class-specific fixed and variable splits and any applicant-specific rate classes appropriate?

8.3-CCC-31

Ref: E8/T2/S1

Request

Please explain to what extent Veridian sought input from its customers regarding its proposals for rate harmonization. If no input was sought please explain why.

Response:

See response to 1.2-Staff-6.

8.3-CCC-32

Ref: E8/T2/S1

Request

Please explain to what extent Veridian has sought input from its customers regarding the new residential service classifications. If no input was sought please explain why. Please indicate how Veridian plans to communicate with its customers regarding the requirement to certify that they meet the “Residential” requirements. What specific process will Veridian use to qualify customers as “Residential” vs “Residential-Seasonal”? How will customers “certify to the criteria”? Has Veridian had any discussions with the Federation of Ontario Cottagers’ Associations (FOCA) regarding its proposals? If so, please explain the nature of those discussions. If not, why not?

Response:

Discussion of Veridian’s rate harmonization plans/proposals were held at several meetings of the Gravenhurst Advisory Committee Meeting.

Minutes of these meetings have been provided in response to interrogatory 1.2-EP-1;
Meeting Date: November 24, 2011, - 1.2-EP-1 – Attachment 5
Meeting Date: May 29, 2013, - 1.2-EP-1 – Attachment 7
Meeting Date: November 21, 2013 – 1.2-EP-1 – Attachment 8

At E-8, T-2, S-1 page 8 Veridian states “As it is impractical and cost prohibitive to test for these criteria on a retroactive basis, Veridian proposes that customers currently within the Veridian_Main class of Residential and the Veridian_Gravenhurst class of Residential Urban Year-Round and Residential Suburban Year-Round would be classified as Residential under the new classifications. The customers currently classified within the Veridian_Gravenhurst class of Residential Suburban Seasonal would be classified as Residential-Seasonal under the new classification.”

As current classifications are ‘grandfathered’, Veridian will ensure communication of the year-round residency requirement with new customers at the time they apply for account setup. Additionally, Veridian’s Tariff of Rates and Charges is available on its website.

The process Veridian will use to qualify customers as “Residential” or “Residential-Seasonal” is similar to what is currently in existence for the Gravenhurst service area, where year round residency information is requested of customers to determine the accurate classification of the premise. Veridian notes that the wording related to year round residency requirement is consistent with the current approved Tariff and is not a

proposed change to the process or the criteria for identifying and classifying Seasonal customers.

Veridian will request new customers to verify the year round residency information as outlined at E-8, T-2, S-1, pages 4 and 5 when requesting a new account setup, hence certifying to the criteria.

No, Veridian has not had discussions with FOCA regarding its proposals. At the time of acquisition of Gravenhurst Hydro, Veridian established the Gravenhurst Advisory Committee to ensure that its Gravenhurst customers have a representative body to which customers can bring concerns and through which Veridian can efficiently communicate with customers.

Veridian notes that it has not received any correspondence or information request from FOCA on this or other matters.

Load Forecast, Cost Allocation and Rate Design

Issue 8.4

Are the proposed Total Loss Adjustment Factors appropriate for the distributor's system and a reasonable proxy for the expected losses?

Load Forecast, Cost Allocation and Rate Design

Issue 8.5

Is the proposed forecast of other regulated rates and charges including the proposed Retail Transmission Service Rates appropriate?

8.5-Staff-38

Ref: E3-T4-S1

Request

Do the forecasted transformer allowance credits for 2013 and 2014 take the closure of the Large Use customer into account? If so, please identify the step in the calculation where this is reflected.

Response:

Yes, the forecasted transformer allowance credits for 2013 and 2014 take into account the closure of the Large Use customer.

As stated at E3-T4-S1 p.1, "Transformer ownership credits are proposed on the basis of \$0.60 per kW for those customers who own their own transformer facilities. All customers in the Intermediate and Large Use categories are eligible for this credit."

The 2013 and 2014 kW forecasts for the Large Use class reflect the closure or loss of the Large Use customer referenced above as noted on page 11 of the ERA Load Forecast Report provided at E3-T2-S2-A1.

The 2013 and 2014 kW forecasts for Intermediate and Large Use classes are provided in Table 11 of the ERA Load Forecast Report as follows:

Table 1 – Summary of 2013 and 2014 kW forecasts

| Year | Intermediate | Large Use | GS > 50 kW |
|------|--------------|-----------|------------|
| 2013 | 202,890 | 247,389 | 2,496,857 |
| 2014 | 257,941 | 184,514 | 2,504,507 |

The 2014 kW forecasts for both classes were then adjusted to reflect the CDM 2014 forecast adjustment. This adjustment is set out at E3-T3-S1, table 4, p.6 and is summarized below.

Table 2 – 2014 CDM Forecast Adjustment

| Class | 2014 kW Forecast | CDM Load Forecast Adjustment | 2014 CDM Adjusted Forecast |
|--------------|------------------|------------------------------|----------------------------|
| Intermediate | 257,941 | (54) | 257,887 |
| Large Use | 184,514 | (452) | 184,062 |
| GS > 50 kW | 2,504,507 | (19,292) | 2,485,215 |

As 100% of the kW forecasted for the Large Use is eligible for the transformer allowance credit, the entire CDM Adjusted forecast for the class has been included.

8.5-Staff-39

Ref: E8-T3-S1

On January 9, 2014, the Board issued a Rate Order for the 2014 Uniform Transmission Rates and on December 19, 2013, the Board issued a Rate Order for Hydro One Distribution's Sub-transmission rates.

Request

Please provide an updated RTSR Adjustment Workform in working Microsoft Excel format reflecting the new UTR and Sub-Transmission Rates, as applicable, including any other corrections or adjustments that the Applicant wishes to make to the previous version of the Workform. Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note.

Response:

An updated RTSR Adjustment Workform is provided in working Microsoft Excel format. The UTR and sub transmission rates have been updated. Also the kWh and kW on tab 4 of the workform have been corrected for a CDM adjustment in response to 9.1-Staff-40.

8.5-VECC-59

Ref: E8/T3/S2, pg. 3

Request

- (a) Please confirm that the proposed HONI 2014 rates used in Table 2 are the same as the final approved rates.

Response:

- (a) The proposed 2014 HONI rates used in table 2 are different from the final approved rates. Table 1 and 2 have been updated for the revised LV rates.

Table 2: Hydro One Networks Inc. Rates effective Jan 1, 2014

| | Billing Det. | Existing | Proposed |
|---|---------------------------|-----------------|-----------------|
| | | 2013 | 2014 |
| Service Charge/Smart Meter Funding Adder | applicable Delivery Point | \$295.68 | \$298.89 |
| Meter Charge (for Hydro One ownership) | applicable Delivery Point | \$471.17 | \$476.35 |
| Facility Charge for connection to Common ST Lines (44 kV to 13.8 kV) | \$/kW | \$0.675 | \$0.682 |
| Facility Charge for connection to Specific ST Lines (44 kV to 13.8 kV) | \$/km | \$640.12 | \$647.16 |
| Facility Charge for connection to low-voltage (< 13.8 kV secondary) Low Voltage Distribution Station | \$/kW | \$1.965 | \$1.987 |
| Rate Rider for Disposition of Deferral/Variance Accounts (2012) (General) – effective until December 31, 2014 | \$/kW | \$0.275 | \$0.275 |
| Rate Rider for Recovery of Incremental Capital – effective until the later of December 31, 2014 or the effective date of the 2015 rates | \$/kW | \$0.010 | \$0.010 |
| Rate Rider for Recovery of Smart Grid Costs – effective until December 31, 2014 | \$/kW | \$0.008 | \$0.023 |
| Rate Rider for Application of Tax Change – effective until December 31, 2014 | \$/kW | -\$0.001 | -\$0.001 |

Veridian Connections Inc.
EB-2013-0174
Response to Interrogatories
February 18, 2014

Table 1: Current and Proposed LV Rates

| Rate Class | | Current LV Rate - Veridian | Current LV Rate - Gravenhurst | 2014 Proposed LV Rate - Harmonized |
|-----------------------------------|-----|-------------------------------|----------------------------------|---------------------------------------|
| Residential | kWh | \$ 0.0006 | | \$ 0.0009 |
| Residential Urban Year Round* | kWh | | \$ 0.0029 | \$ 0.0009 |
| Residential Suburban Year Round* | kWh | | \$ 0.0029 | \$ 0.0009 |
| Residential Suburban Seasonal | kWh | | \$ 0.0029 | \$ 0.0012 |
| General Service Less Than 50 kW | kWh | \$ 0.0005 | \$ 0.0026 | \$ 0.0008 |
| General Service 50 to 2,999 kW | KW | \$ 0.2462 | \$ 0.9486 | \$ 0.3826 |
| General Service 3,000 to 4,999 kW | KW | \$ 0.2710 | | \$ 0.4202 |
| Large Use | KW | \$ 0.2710 | | \$ 0.4202 |
| Unmetered Scattered Load | kWh | \$ 0.0005 | | \$ 0.0008 |
| Sentinel Lighting | KW | \$ 0.1527 | \$ 0.7486 | \$ 0.2405 |
| Street Lighting | KW | \$ 0.1609 | \$ 0.7333 | \$ 0.2514 |

**Note: Gravenhurst Residential Urban and Residential Suburban classes are harmonized with Main Residential in 2014 as a single Residential rate class*

Load Forecast, Cost Allocation and Rate Design

Issue 8.6

Is the proposed Tariff of Rates and Charges an accurate representation of the application, subject to the Board's findings on the application?

8.6-EP-65

Ref: Exhibit 1, Tab 1, Schedule 2
Exhibit 1, Tab 4, Schedule 6

Request

Please reconcile the bill impacts shown in Exhibit 1, Tab 4, Schedule 6 with those found on pages 27 through 29 of Exhibit 1, Tab 1, Schedule 2.

Response:

At E-1,T-1,S-2 Veridian states *“These bill impacts have been calculated for each of its existing tariff zones and are for distribution only as per sub-total A of Appendix 2-W.”*

Table 6 on page 27 of E-1,T-1,S-2 shows impact on total bill as per Appendix 2-W.

Table 7 on page 28 of E-1,T-1,S-2 shows impacts on the distribution portion of the bill as per sub-total B of Appendix 2-W.

Table 8 on page 29 of E-1,T-1,S-2 shows impacts on the delivery portion of the bill as per sub-total C of Appendix 2-W.

Accounting

Issue 9.1

Are the proposed deferral accounts, both new and existing, account balances, allocation methodology, disposition periods and related rate riders appropriate?

9.1-EP-66

Ref: Exhibit 2, Tab 1, Schedule 3

Request

How has Veridian identified the costs by rate class for the stranded meters? For example, has Veridian always tracked meter costs by rate class? If not, please provide the assumptions used and the calculations made to allocate the remaining NBV of the assets to each of the residential and GS < 50 rate classes.

Response:

Veridian did not, historically, track meter costs by rate class. In order to identify costs by rate class Veridian applied the ratio of smart meters installed by rate class to the total dollar value of the gross asset value, accumulated amortization and proceeds on disposition of the stranded meter totals. Calculations are provided below.

| | | | |
|-----------------------------------|---|---|----------------------------------|
| | Smart Meters Installed as %age of total | | |
| Residential | 92.3% | | |
| GS < 50 kW | 7.7% | | |
| | As at December 31, 2013 | Costs Allocated to Residential Class | Costs Allocated to GS < 50 kW |
| Gross Asset Value | \$ 8,461,023 | \$ 7,810,749 | \$ 650,274 |
| Less: Accumulated Amortization | \$ (4,041,461) | \$ (3,730,853) | \$ (310,608) |
| Less: Proceeds on Disposition | \$ (94,931) | \$ (87,635) | \$ (7,296) |
| Total for Recovery | \$ 4,324,631 | \$ 3,992,260 | \$ 332,371 |

9.1-EP-67

Ref: Exhibit 9, Tab 1, Schedule 1

Request

Please show the derivation of the \$127,836 principal balance as of Dec. 31, 2013 for account 2425. Please show all calculations and assumptions used in the calculation.

Response:

Please see the response to 9.1-Staff-42.

9.1-Staff-40

Ref: (i) E9-T2-S1 Tables 1 and 2
(ii) E9-T4-S1 pp.1-6 Attachments 1 and 2

Veridian has requested the disposition of its LRAMVA – Account 1568, totaling \$297,587 including \$9,191 in carrying charges until April 30, 2014. Veridian is requesting the disposition of the lost revenues related to its 2011 CDM savings in both 2011 and 2012 and its 2012 CDM savings in 2012 through volumetric rate riders over a one-year period .

Request

- (a) Please reconcile the total LRAMVA amount of \$297,587 with the 1568-LRAMVA totals found in Table 1 (Veridian – Main \$289,178) and Table 2 (Veridian – Gravenhurst \$15,862), total of \$305,040, of the “Overview of Proposed Disposition” Section.
- (b) Please discuss and provide more detail on what Veridian means when it says that it “is applying for partial disposition of Account 1568 – LRAMVA” in the LRAMVA Overview Section. In your response, please indicate if there are any eligible lost revenues Veridian is not seeking to dispose of at this time and the rationale for this request.
- (c) Please discuss the rationale and appropriateness of including the Residential New Construction and High Performance New Construction savings results in the Residential rate class when calculating the LRAMVA amounts.
- (d) Please confirm that Veridian applied the energy savings (kWh) results from the New Construction initiatives to the applicable rates to determine the LRAMVA amount. Please discuss the appropriateness for calculating its lost revenues in this manner as opposed to attributing the New Construction savings to its larger use rate group and using the peak demand (kW) savings to determine the LRAMVA amount.
- (e) Please provide an updated LRAMVA calculation with the New Construction Initiatives’ peak demand (kW) savings attributed to the appropriate larger rate class (either GS>50 kW or GS>5,000 kW), as opposed to the Residential rate class.
- (f) Please discuss Veridian’s rationale for not including any peak demand (kW) savings from its Demand Response 3 program in both 2011 and 2012.
- (g) Please discuss how Veridian has allocated its 2012 net incremental peak demand (kW) savings from its Business Program - Retrofit initiative (1,213 kW) across its

rate classes. It appears to Board staff that only 1,095 kW of a potential 1.213 kW have been used.

Response:

- (a) Veridian acknowledges an error was made in Tables 1 and 2 in regards to the ‘1568-LRAM Variance Account’ line item whereby carrying charges were included in the principal amount. The correction to the LRAMVA line items in these tables can be found below and reconciles to the revised LRAMVA amount of \$292,767.

| Account Description | Principal Balance at Dec 31, 2012 | Interest Balance at Dec 31, 2012 | Interest to April 30, 2014 | Total |
|--------------------------------|--|---|-----------------------------------|----------------|
| 1568-LRAM Variance Veridian | 268,981 | 3,309 | 5,254 | 277,544 |
| 1568-LRAM Variance Gravenhurst | 14,754 | 181 | 288 | 15,223 |
| Total | 283,735 | 3,490 | 5,542 | 292,767 |

Updated balances for all Deferral and Variance accounts are located in Veridian’s response to 9.1-Staff-43.

- (b) Veridian is applying for partial disposition of Account 1568 as the LRAMVA claim in this rate application only pertains to OPA CDM programs run during 2011 and 2012. Veridian intends to claim LRAMVA savings from programs run during 2013 onwards in a separate application.
- (c) Residential New Construction is a program that provides incentives to homebuilders for constructing new homes that are energy efficient. These energy savings are passed down to the eventual purchaser of the home, who will be paying residential electricity rates. Veridian has not had any participants in this program.

The High Performance New Construction (“HPNC”) program provides incentives for builders/renovators of commercial, institutional and industrial buildings to exceed existing codes and standards for energy efficiency. Veridian agrees that savings from this program should be attributed to its GS>50 kW class.

- (d) Veridian confirms that it applied the energy savings (kWh) results from the New Construction initiatives to the applicable rates to determine the LRAMVA amount. Veridian believes that treatment was incorrect. HPNC should be attributed to its GS>50 rate class and LRAMVA should be calculated on the basis of demand savings (kW) for the GS>50 rate class.

- (e) An updated LRAMVA calculation with the HPNC peak demand savings attributed to the GS>50kW rate class follows this IR.

The effect of this change to the CDM adjustment to the load forecast is as follows:

As Filed:

| | Weather Normalized 2014F | Verified CDM Savings 2012 (OPA) | | CDM Load Forecast Adjustment | 2014 CDM Adjusted Load Forecast |
|------------------------|-----------------------------|--|-------------|------------------------------------|---------------------------------------|
| kWh | A | B | D = B / C | F = D * E | F = A - E |
| Residential | 973,174,502 | 1,790,135 | 19% | 6,278,260 | 966,896,242 |
| Residential - Seasonal | 9,183,667 | 27,571 | 0% | 96,697 | 9,086,970 |
| GS<50 | 304,465,000 | 1,563,414 | 17% | 5,483,118 | 298,981,882 |
| GS>50 | 1,039,731,728 | 5,709,092 | 62% | 20,022,608 | 1,019,709,120 |
| Intermediate | 126,308,499 | 18,407 | 0% | 64,556 | 126,243,943 |
| Large Use | 115,197,786 | 134,790 | 1% | 472,728 | 114,725,058 |
| Street Lights | 21,533,545 | - | 0% | - | 21,533,545 |
| Sentinel Lights | 374,941 | - | 0% | - | 374,941 |
| USL | 4,496,870 | - | 0% | - | 4,496,870 |
| Total | 2,594,466,538 | 9,243,409 | 100% | 32,417,967 | 2,562,048,571 |
| | | C | | E | |

| | Weather Normalized 2014F | Verified CDM Savings 2012 (OPA) | | CDM Load Forecast Adjustment * | 2014 CDM Adjusted Load Forecast |
|------------------------|-----------------------------|--|-------------|--------------------------------------|---------------------------------------|
| kW | H | I | K = I / J | M = K * L | N = H - M |
| Residential (kWh) | | | 0% | - | - |
| Residential - Seasonal | | | 0% | - | - |
| GS<50 (kWh) | | | 0% | - | - |
| GS>50 (kW) | 2,504,507 | 1,067 | 97% | 19,292 | 2,485,215 |
| Intermediate (kW) | 257,941 | 3 | 0% | 54 | 257,887 |
| Large Use (kW) | 184,514 | 25 | 2% | 452 | 184,062 |
| Street Lights (kW) | 59,945 | | 0% | - | 59,945 |
| Sentinel Lights (kW) | 1,580 | | 0% | - | 1,580 |
| USL (kWh) | | | 0% | - | - |
| Total | 3,008,487 | 1,095 | 100% | 19,799 | 2,988,689 |
| | | J | | L | |

Adjusted for changes to HPNC:

| | Weather Normalized 2014F | Verified CDM Savings 2012 (OPA) | | CDM Load Forecast Adjustment | 2014 CDM Adjusted Load Forecast |
|------------------------|-----------------------------|--|-----------|------------------------------------|---------------------------------------|
| kWh | A | B | D = B / C | F = D * E | F = A - E |
| Residential | 973,174,502 | 1,787,599 | 19% | 6,269,366 | 966,905,136 |
| Residential - Seasonal | 9,183,667 | 27,532 | 0% | 96,560 | 9,087,107 |
| GS<50 | 304,465,000 | 1,563,414 | 17% | 5,483,118 | 298,981,882 |
| GS>50 | 1,039,731,728 | 5,711,667 | 62% | 20,031,639 | 1,019,700,089 |
| Intermediate | 126,308,499 | 18,407 | 0% | 64,556 | 126,243,943 |
| Large Use | 115,197,786 | 134,790 | 1% | 472,728 | 114,725,058 |
| Street Lights | 21,533,545 | - | 0% | - | 21,533,545 |
| Sentinel Lights | 374,941 | - | 0% | - | 374,941 |
| USL | 4,496,870 | - | 0% | - | 4,496,870 |
| Total | 2,594,466,538 | 9,243,409 | 100% | 32,417,967 | 2,562,048,571 |
| | | C | | E | |

| | Weather Normalized 2014F | Verified CDM Savings 2012 (OPA) | | CDM Load Forecast Adjustment * | 2014 CDM Adjusted Load Forecast |
|------------------------|-----------------------------|--|-----------|--------------------------------------|---------------------------------------|
| kW | H | I | K = I / J | M = K * L | N = H - M |
| Residential (kWh) | | | 0% | - | - |
| Residential - Seasonal | | | 0% | - | - |
| GS<50 (kWh) | | | 0% | - | - |
| GS>50 (kW) | 2,504,507 | 1,070 | 97% | 19,294 | 2,485,213 |
| Intermediate (kW) | 257,941 | 3 | 0% | 54 | 257,887 |
| Large Use (kW) | 184,514 | 25 | 2% | 451 | 184,063 |
| Street Lights (kW) | 59,945 | | 0% | - | 59,945 |
| Sentinel Lights (kW) | 1,580 | | 0% | - | 1,580 |
| USL (kWh) | | | 0% | - | - |
| Total | 3,008,487 | 1,098 | 100% | 19,799 | 2,988,689 |
| | | J | | L | |

- (f) Veridian did not include peak demand savings from the Demand Response 3 program in its LRAM claim as Veridian cannot confirm that savings from a demand response event were coincident with the peak demand for each customer. As a result, Veridian felt that not claiming any LRAM for this program was appropriate.

- (g) The Retrofit initiative is available to customers in several of Veridian's rate classes. Since the OPA's CDM savings results do not show initiative savings at a level that corresponds to Veridian's rate classes, Veridian used its own database of project applications that have been both completed and paid out to determine the percentage of total gross kWh and kW savings attributable to each rate class on an annual basis. These percentages were then used to pro-rate the OPA verified net savings between rate classes. A summary of this allocation was included within Veridian's rate application as Table 3 to Exhibit 9, Tab 4, Schedule 1, Attachment 2, for ease of reference, Veridian has also included it again below:

| 2012 | Main | | Gravenhurst | | Gross kW from ERII Applications | % of Total kW | kW with a Transformer Allowance | Monthly Transformer Allowance Savings | Apportionment of ERII Savings in kW |
|-------------------------------|-----------|-------|-------------|-----|---------------------------------------|------------------|---------------------------------------|---|---|
| | kWh | kW | kWh | kW | | | | | |
| GS<50 kW | 738,487 | 188 | 11,419 | 4 | 192.29 | 9.7% | | | 104.33 |
| GS > 50 kW | 7,304,465 | 1,718 | 45,707 | 26 | 1,743.98 | 87.9% | 698.41 | \$419.05 | 946.21 |
| Intermediate (3,000-5,000 kW) | 14,630 | 6 | N/A | N/A | 5.64 | 0.3% | 5.64 | \$3.38 | 3.06 |
| Large Use > 5,000 kW | 362,077 | 41 | N/A | N/A | 41.30 | 2.1% | 41.30 | \$24.78 | 22.41 |
| Total | 8,419,659 | 1,952 | 57,126 | 31 | 1,983.21 | 100.0% | 745.3535 | \$ | 1,076.00 |

This allocation led to 118 kW¹ (104.33/1,076.00 * 1213) of net demand savings being attributed to the GS<50kW class. Since this customer class is billed on energy use (kWh), and not demand (kW), only 1,095 kW of the 1,213 kW is being recovered from customers with a demand charge.

¹ Calculated as follows:

= (Apportionment of Retrofit savings for GS<50) * (Total Net Retrofit kW Savings)
= (104.33/1,076.00 * 1,213)
= 118 kW

Attachment 1: Summary of LRAM

| | | LRAM (\$) | | | | | | | | | | |
|------|-------------|-----------|------|------|------|------|--------|--------|--------|------|------------|------------|
| | | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014-Apr 1 | Total |
| 2005 | 3rd Tranche | | | | | | REBASE | | | | | |
| 2006 | 3rd Tranche | | | | | | | | | | | |
| 2007 | 3rd Tranche | | | | | | | | | | | |
| | OPA | | | | | | | | | | | |
| 2008 | OPA | | | | | | | | | | | |
| 2009 | OPA | | | | | | | | | | | |
| 2010 | OPA | | | | | | | | | | | |
| 2011 | OPA | | | | | | | 95,533 | 95,659 | | | \$ 191,192 |
| 2012 | OPA | | | | | | | | 92,543 | | | \$ 92,543 |

| | | | | | | | | | | | | |
|------------------|--|--|--|--|--|--|--|------------------|-------------------|-----------------|-----------------|-------------------|
| Subtotal | | | | | | | | 95,533 | 188,202 | 0 | | \$ 283,735 |
| Carrying Charges | | | | | | | | 702 | 2,788 | 4,171 | 1,371 | \$ 9,032 |
| Total | | | | | | | | \$ 96,236 | \$ 190,989 | \$ 4,171 | \$ 1,371 | \$ 292,767 |

**OPA Amounts are net of the transformer allowance*

| | |
|--|------------------------------------|
| | Claimed in 2009 IRM (EB 2008-0214) |
| | Claimed in 2012 IRM (EB-2011-0199) |

Table 1: 2011 LRAM

Veridian Connections
Lost Revenue Adjustment Mechanism
Lost Volumes and Revenues for 2011 CDM Program Year

| Line No. | Funding Mechanism/ Program/Rate/ Rate Class | Lost Volumes | | Distribution Rates ⁽¹⁾ | | | | Lost Revenues | | Total (\$) |
|----------|--|--------------|-------|-----------------------------------|---------|----------|---------|------------------------------------|------------------------------------|---------------|
| | | 2011 | | 2011 | | 2012 | | 2011 | 2012 | |
| | | (kWh) | (kW) | (\$/kWh) | (\$/kW) | (\$/kWh) | (\$/kW) | (\$) | (\$) | |
| | | (a) | (b) | (c) | (d) | (e) | (f) | (i) = [(a) x (c)] + [(b) x (d)] | (j) = [(a) x (e)] + [(b) x (f)] | |
| 1 | OPA-Contracted Province-Wide CDM Programs | | | | | | | | | |
| 2 | Consumer Program | | | | | | | | | |
| 3 | Appliance Retirement | 373,331 | 53 | | | | | | | |
| 4 | Appliance Exchange | 8,088 | 7 | | | | | | | |
| 5 | HVAC Incentives | 1,227,554 | 659 | | | | | | | |
| 6 | Conservation Instant Coupon Booklet | 454,235 | 28 | | | | | | | |
| 7 | Bi-Annual Retailer Event | 742,705 | 43 | | | | | | | |
| 8 | Residential Demand Response | 1,465 | N/A | | | | | | | |
| 9 | Total for Consumer Program | 2,807,378 | 788 | 0.01601 | | 0.01610 | | \$ 44,948 | \$ 45,188 | \$ 90,136 |
| 10 | | | | | | | | | | |
| 11 | Business Program (GS<50kW) | | | | | | | | | |
| 12 | Efficiency: Equipment Replacement | 655,258 | 122 | | | | | | | |
| 13 | Direct Install Lighting | 212,590 | 85 | | | | | | | |
| 14 | Energy Audit | 25,176 | 5 | | | | | | | |
| 15 | Demand Response 3 ^[2] | 4,235 | N/A | | | | | | | |
| 16 | Total for Business Program | 897,259 | 212 | 0.01701 | | 0.01699 | | \$ 15,265 | \$ 15,248 | \$ 30,513 |
| 17 | | | | | | | | | | |
| 18 | Industrial Program (GS >50 kW) | | | | | | | | | |
| 19 | Efficiency: Equipment Replacement Incentive (part of the C&I program schedule) | 3,897,857 | 726 | | | | | | | |
| 20 | Demand Response 3 ^[2] | 18,403 | N/A | | | | | | | |
| 21 | High Performance New Construction | 826,019 | 299 | | | | | | | |
| 22 | Subtotal for GS >50 kW | 4,742,279 | 1,025 | | 3.08292 | | 3.07474 | \$ 37,922 | \$ 37,821 | \$ 75,743 |
| 23 | Less: Transformer Allowances | | (397) | | 0.6000 | | 0.6000 | \$ (2,861) | \$ (2,861) | \$ (5,723) |
| 24 | Total for GS >50 kW | | | | | | | \$ 35,060 | \$ 34,960 | \$ 70,020 |
| 25 | | | | | | | | | | |
| 26 | Industrial Program (GS >5,000 kW) | | | | | | | | | |
| 27 | Efficiency: Equipment Replacement Incentive (part of the C&I program schedule) | 107,484 | 20 | | | | | | | |
| 28 | Subtotal for GS >5,000 kW | 107,484 | 20 | | 1.68270 | | 1.69357 | \$ 404 | \$ 407 | \$ 811 |
| 29 | Less: Transformer Allowances | | (20) | | 0.6000 | | 0.6000 | \$ (144) | \$ (144) | \$ (288) |
| 30 | Total for GS >5,000 kW | | | | | | | \$ 260 | \$ 263 | \$ 523 |
| 31 | | | | | | | | | | |
| 32 | Total | 8,554,400 | 2,045 | | | | | \$ 95,533 | \$ 95,659 | \$ 191,192 |

Notes:

(1) The distribution rates used to calculate lost revenues is based on eight-twelfths (May to December) of year one and a four-twelfths (Jan to April) of year two.

Table 2: 2012 LRAM

Veridian Connections
Lost Revenue Adjustment Mechanism
Lost Volumes and Revenues for 2012 CDM Program Year

| Line No. | Funding Mechanism/ Program/Rate/ Rate Class | 2012 | | Distribution Rates ⁽¹⁾ | | Lost Revenues | |
|----------|--|-----------|-------|-----------------------------------|---------|-----------------------------------|------------|
| | | (kWh) | (kW) | 2012 | 2012 | 2012 | Total |
| | | | | (\$/kWh) | (\$/kW) | (\$) | (\$) |
| | | (a) | (b) | (c) | (d) | (e) = [(a) x (c)]+ [(b) x (d)] | (f) = (e) |
| 1 | <u>OPA-Contracted Province-Wide CDM Programs</u> | | | | | | |
| 2 | Consumer Program | | | | | | |
| 3 | Appliance Retirement | 177,850 | 27 | | | | |
| 4 | Appliance Exchange | 20,973 | 12 | | | | |
| 5 | HVAC Incentives | 934,124 | 542 | | | | |
| 6 | Conservation Instant Coupon Booklet | 32,893 | 5 | | | | |
| 7 | Bi-Annual Retailer Event | 630,039 | 35 | | | | |
| 8 | Residential Demand Response | 14,113 | N/A | | | | |
| 9 | | | | | | | |
| 10 | Home Assistance Program | 5,139 | 0 | | | | |
| 11 | Total for Consumer Program | 1,815,131 | 621 | 0.01610 | | \$ 29,217 | \$ 29,217 |
| 12 | | | | | | | |
| 13 | Business Program (GS<50kw) | | | | | | |
| 14 | Efficiency: Equipment Replacement | 627,564 | 118 | | | | |
| 15 | Direct Install Lighting | 606,683 | 159 | | | | |
| 16 | Energy Audit | 327,291 | 67 | | | | |
| 17 | Small Commerical Demand Response | 295 | N/A | | | | |
| 18 | Demand Response 3 ^[2] | 1,581 | N/A | | | | |
| 19 | Total for Business Program | 1,563,414 | 344 | 0.01699 | | \$ 26,568 | \$ 26,568 |
| 20 | | | | | | | |
| 21 | Industrial Program (GS >50 kW) | | | | | | |
| 22 | Efficiency: Equipment Replacement Incentive (part of the C&I program schedule) | 5,691,798 | 1,067 | | | | |
| 23 | Demand Response 3 ^[2] | 17,294 | N/A | | | | |
| 24 | Residential New Construction (& HPNC) | 2,575 | 3 | | | | |
| 25 | Subtotal for GS >50 kW | 5,711,667 | 1,070 | | 3.07474 | \$ 39,468 | \$ 39,468 |
| 26 | Less: Transformer Allowances | | (427) | | 0.6000 | \$ (3,076) | \$ (3,076) |
| 27 | Total for GS >50 kW | | | | | \$ 36,392 | \$ 36,392 |
| 28 | | | | | | | |
| 29 | Industrial Program (Intermediate) | | | | | | |
| 30 | Efficiency: Equipment Replacement Incentive (part of the C&I program schedule) | 18,407 | 3 | | | | |
| 31 | Subtotal for Intermediate | 18,407 | 3 | | 1.42187 | \$ 59 | \$ 59 |
| 32 | Less: Transformer Allowances | | (3) | | 0.6000 | \$ (25) | \$ (25) |
| 33 | Total for Intermediate | | | | | \$ 34 | \$ 34 |
| 34 | | | | | | | |
| 35 | Industrial Program (GS >5,000 kW) | | | | | | |
| 36 | Efficiency: Equipment Replacement Incentive (part of the C&I program schedule) | 134,790 | 25 | | | | |
| 37 | Subtotal for GS >5,000 kW | 134,790 | 25 | | 1.69357 | \$ 513 | \$ 513 |
| 38 | Less: Transformer Allowances | | (25) | | 0.6000 | \$ (182) | \$ (182) |
| 39 | Total for GS >5,000 kW | | | | | \$ 331 | \$ 331 |
| 40 | | | | | | | |
| 41 | Total | 9,243,409 | 2,063 | | | \$ 92,543 | \$ 92,543 |

Notes:

(1)

The distribution rates used to calculate lost revenues is based on eight-twelfths (May to December) of year one and a four-twelfths (Jan to April) of year two.

Table 3: Carrying Costs

| CDM Program Start Year | LRAM Additions per Year | | | | |
|------------------------|-------------------------|------------|------|------|------------|
| | 2011 | 2012 | 2013 | 2014 | Total |
| 2011 Residential | \$ 44,948 | \$ 45,188 | | | \$ 90,136 |
| GS<50 | \$ 15,265 | \$ 15,248 | | | \$ 30,513 |
| GS>50 | \$ 35,060 | \$ 34,960 | | | \$ 70,020 |
| Intermediate | \$ - | \$ - | | | \$ - |
| Large Use | \$ 260 | \$ 263 | | | \$ 523 |
| | \$ 95,533 | \$ 95,659 | \$ - | \$ - | \$ 191,192 |
| 2012 Residential | \$ - | \$ 29,217 | | | \$ 29,217 |
| GS<50 | \$ - | \$ 26,568 | | | \$ 26,568 |
| GS>50 | \$ - | \$ 36,392 | | | \$ 36,392 |
| Intermediate | \$ - | \$ 34 | | | \$ 34 |
| Large Use | \$ - | \$ 331 | | | \$ 331 |
| | \$ - | \$ 92,543 | \$ - | \$ - | \$ 92,543 |
| 2013 Residential | | | | | \$ - |
| GS<50 | | | | | \$ - |
| GS>50 | | | | | \$ - |
| Intermediate | | | | | \$ - |
| Large Use | | | | | \$ - |
| | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2014 Residential | | | | | \$ - |
| GS<50 | | | | | \$ - |
| GS>50 | | | | | \$ - |
| Intermediate | | | | | \$ - |
| Large Use | | | | | \$ - |
| | \$ - | \$ - | \$ - | \$ - | \$ - |
| | \$ 95,533 | \$ 188,202 | \$ - | \$ - | \$ 283,735 |

| CDM Program Start Year | LRAM Year End Balances | | | | |
|------------------------|------------------------|------------|------------|------------|--|
| | 2011 | 2012 | 2013 | 2014 | |
| 2011 Residential | \$ 44,948 | \$ 90,136 | \$ 90,136 | \$ 90,136 | |
| GS<50 | \$ 15,265 | \$ 30,513 | \$ 30,513 | \$ 30,513 | |
| GS>50 | \$ 35,060 | \$ 70,020 | \$ 70,020 | \$ 70,020 | |
| Intermediate | \$ - | \$ - | \$ - | \$ - | |
| Large Use | \$ 260 | \$ 523 | \$ 523 | \$ 523 | |
| | \$ 95,533 | \$ 191,192 | \$ 191,192 | \$ 191,192 | |
| 2012 Residential | \$ - | \$ 29,217 | \$ 29,217 | \$ 29,217 | |
| GS<50 | \$ - | \$ 26,568 | \$ 26,568 | \$ 26,568 | |
| GS>50 | \$ - | \$ 36,392 | \$ 36,392 | \$ 36,392 | |
| Intermediate | \$ - | \$ 34 | \$ 34 | \$ 34 | |
| Large Use | \$ - | \$ 331 | \$ 331 | \$ 331 | |
| | \$ - | \$ 92,543 | \$ 92,543 | \$ 92,543 | |
| 2013 Residential | | | | | |
| GS<50 | | | | | |
| GS>50 | | | | | |
| Intermediate | | | | | |
| Large Use | | | | | |
| | \$ - | \$ - | \$ - | \$ - | |
| 2014 Residential | | | | | |
| GS<50 | | | | | |
| GS>50 | | | | | |
| Intermediate | | | | | |
| Large Use | | | | | |
| | \$ - | \$ - | \$ - | \$ - | |
| | \$ 95,533 | \$ 283,735 | \$ 283,735 | \$ 283,735 | |

| CDM Program Start Year | LRAM Average Balance | | | | |
|------------------------|----------------------|------------|------------|------------|--|
| | 2011 | 2012 | 2013 | 2014 | |
| 2011 Residential | \$ 22,474 | \$ 67,542 | \$ 90,136 | \$ 90,136 | |
| GS<50 | \$ 7,632 | \$ 22,889 | \$ 30,513 | \$ 30,513 | |
| GS>50 | \$ 17,530 | \$ 52,540 | \$ 70,020 | \$ 70,020 | |
| Intermediate | \$ - | \$ - | \$ - | \$ - | |
| Large Use | \$ 130 | \$ 392 | \$ 523 | \$ 523 | |
| | \$ 47,767 | \$ 143,363 | \$ 191,192 | \$ 191,192 | |
| 2012 Residential | \$ - | \$ 14,608 | \$ 29,217 | \$ 29,217 | |
| GS<50 | \$ - | \$ 13,284 | \$ 26,568 | \$ 26,568 | |
| GS>50 | \$ - | \$ 18,196 | \$ 36,392 | \$ 36,392 | |
| Intermediate | \$ - | \$ 17 | \$ 34 | \$ 34 | |
| Large Use | \$ - | \$ 166 | \$ 331 | \$ 331 | |
| | \$ - | \$ 46,271 | \$ 92,543 | \$ 92,543 | |
| 2013 Residential | \$ - | | | | |
| GS<50 | \$ - | | | | |
| GS>50 | \$ - | | | | |
| Intermediate | \$ - | | | | |
| Large Use | \$ - | | | | |
| | \$ - | \$ - | \$ - | \$ - | |
| 2014 Residential | \$ - | | | | |
| GS<50 | \$ - | | | | |
| GS>50 | \$ - | | | | |
| Intermediate | \$ - | | | | |
| Large Use | \$ - | | | | |
| | \$ - | \$ - | \$ - | \$ - | |
| | \$ 47,767 | \$ 189,634 | \$ 283,735 | \$ 283,735 | |

| Interest Calculations | | | | | | |
|-----------------------|----|-------|----------|----------|----------|----------|
| Rate | | 2011 | 2012 | 2013 | 2014 | Total |
| | | 1.47% | 1.47% | 1.47% | 1.47% | |
| 2011 Residential | \$ | 330 | \$ 993 | \$ 1,325 | \$ 436 | \$ 3,084 |
| GS<50 | \$ | 112 | \$ 336 | \$ 449 | \$ 147 | \$ 1,045 |
| GS>50 | \$ | 258 | \$ 772 | \$ 1,029 | \$ 338 | \$ 2,398 |
| Intermediate | \$ | - | \$ - | \$ - | \$ - | \$ - |
| Large Use | \$ | 2 | \$ 6 | \$ 8 | \$ 3 | \$ 18 |
| | \$ | 702 | \$ 2,107 | \$ 2,811 | \$ 924 | \$ 6,544 |
| 2012 Residential | \$ | - | \$ 215 | \$ 429 | \$ 141 | \$ 785 |
| GS<50 | \$ | - | \$ 195 | \$ 391 | \$ 128 | \$ 714 |
| GS>50 | \$ | - | \$ 267 | \$ 535 | \$ 176 | \$ 978 |
| Intermediate | \$ | - | \$ 0 | \$ 1 | \$ 0 | \$ 1 |
| Large Use | \$ | - | \$ 2 | \$ 5 | \$ 2 | \$ 9 |
| | \$ | - | \$ 680 | \$ 1,360 | \$ 447 | \$ 2,488 |
| 2013 Residential | \$ | - | \$ - | \$ - | \$ - | \$ - |
| GS<50 | \$ | - | \$ - | \$ - | \$ - | \$ - |
| GS>50 | \$ | - | \$ - | \$ - | \$ - | \$ - |
| Intermediate | \$ | - | \$ - | \$ - | \$ - | \$ - |
| Large Use | \$ | - | \$ - | \$ - | \$ - | \$ - |
| | \$ | - | \$ - | \$ - | \$ - | \$ - |
| 2014 Residential | \$ | - | \$ - | \$ - | \$ - | \$ - |
| GS<50 | \$ | - | \$ - | \$ - | \$ - | \$ - |
| GS>50 | \$ | - | \$ - | \$ - | \$ - | \$ - |
| Intermediate | \$ | - | \$ - | \$ - | \$ - | \$ - |
| Large Use | \$ | - | \$ - | \$ - | \$ - | \$ - |
| | \$ | - | \$ - | \$ - | \$ - | \$ - |
| | \$ | 702 | \$ 2,788 | \$ 4,171 | \$ 1,371 | \$ 9,032 |

Interest Rate Calculations

| Q1-2011 | Q2-2011 | Q3-2011 | Q4-2011 | 2011 Average |
|---------|---------|---------|---------|--------------|
| 1.47% | 1.47% | 1.47% | 1.47% | 1.47% |
| Q1-2012 | Q2-2012 | Q3-2012 | Q4-2012 | 2012 Average |
| 1.47% | 1.47% | 1.47% | 1.47% | 1.47% |
| Q1-2013 | Q2-2013 | Q3-2013 | Q4-2013 | 2013 Average |
| 1.47% | 1.47% | 1.47% | 1.47% | 1.47% |
| Q1-2014 | Q2-2014 | Q3-2014 | Q4-2014 | 2014 Average |
| 1.47% | 1.47% | 1.47% | 1.47% | 1.47% |

| Carrying Charges | |
|------------------|----------|
| Residential | \$ 3,869 |
| GS<50 | \$ 1,759 |
| GS>50 | \$ 3,376 |
| Intermediate | \$ 1 |
| Large Use | \$ 27 |
| | \$ 9,032 |

Notes:

- 1) Carrying charges calculated on simple interest basis
- 2) Interest rates are those prescribed by the OEB for Approved Deferral and Variance Accounts for Q1-2011 through to Q4-2013
- 3) Interest rates for Q1-2014 and Q2-2014 are assumed to be unchanged from Q4-2013

9.1-Staff-41

Ref: E9-T4-S1

Request

Please provide a table that lists all the appropriate OPA CDM Initiatives that produced net CDM savings which were used in the LRAMVA calculations. For each rate class, please list all relevant CDM initiatives in the applicable year and provide the subsequent net CDM savings for each. An example is provided below:

| Residential | Net kWh | Net kW |
|--------------------|----------------|---------------|
| Initiative 1 | | |
| Initiative 2 | | |
| Initiative 3 | | |
| Total | | |
| | | |
| GS<50 | Net kWh | Net kW |
| Initiative 1 | | |
| Initiative 2 | | |
| Initiative 3 | | |
| Total | | |
| GS>50 | Net kWh | Net kW |
| Initiative 1 | | |
| Initiative 2 | | |
| Initiative 3 | | |
| Total | | |

Response:

Please refer to the attachment provided in response to 9.1-Staff-40.

9.1-Staff-42

- Ref: (i) E9-T1-S1 pp. 12-13
(ii) E9- T2-S1 attachment 1 (2014 EDDVAR Continuity Schedule CoS_v2 2 Veridian Main xlsx_20131031.xls)
(iii) E9-T2-S1 attachment 2 2014_EDDVAR_Continuity_Schedule_CoS_v2 2 Gravenhurst _xlsx_20131031.xlsx)
(iv) E1-T4-S15

Veridian is requesting clearance of Account 2425, Other Deferred Credits, Test Year 2010 Building Project. As per E 9-T1-S1, the principal balance as at December 31, 2012 is a credit balance of \$94,502. Veridian is applying to clear a forecasted principal and carrying charge credit balance of \$129,841 as at December 31, 2013, with \$123,090 being allocated to Veridian Main and \$6,752 being allocated to Gravenhurst, as per the Veridian Main and Gravenhurst EDDVAR continuity schedules

Request

- (a) Please update the principal balance in Account 2425 as at December 31, 2013 with the actual balance incurred (or best estimate) and the associated carrying charges forecasted to April 30, 2014. Please update all necessary evidence as appropriate.
- (b) Please provide supporting documentation for the balance calculated in Account 2425 as at December 31, 2013. Please provide a breakdown of:
 - a. The asymmetric revenue requirement variances that would result if the actual capital costs were less than the forecast capital costs, with the reduction in revenue requirement credited to the variance account
 - b. The decrease in revenue requirement for the 2010 Test Year and the change (increase or decrease) in the revenue requirement for each of the subsequent IRM years, due to a change of in-service date of the Ajax Building Expansion Project from 2010 or beyond. The annual increase or decrease in revenue requirement was to be recorded in the variance account.
- (c) Please fill out a description of the balance in Account 2425 as at December 31, 2013 and the associated schedules (Appendix L, Ajax Building Expansion Project Variance Account Example – Annual Entries to Variance Account and YE Variance Account Balances, Working Capital Allowance, Amortization Calculations, OM&A Calculations), similar to Appendix B to the EB-2009-0140 Accounting Order included in Exh1/Tab4/Sch15. Please illustrate the baseline scenario and the variances from this baseline by year in the supporting documentation.

Response:

- (a) The actual balance in Account 2425 as at December 31, 2013 is a credit of \$129,841.

The breakdown of the account balance is as follows:

Principal Balance - (\$126,874)
Carrying Charges to April 30, 2014 (\$ 2,967)

The account balance has been allocated to Veridian's two Tariff zones as follows and provided in Tables 1 and 2 of E9-T2-S1 outlining accounts for disposition by Tariff zone:

| Tariff Zone | Principal Amount | Carrying Charges | Total |
|----------------------|------------------|------------------|-------------|
| Veridian_Main | (\$120,279) | (\$2,812) | (\$123,090) |
| Veridian_Gravenhurst | (\$6,597) | (\$154) | (\$6,751) |

No update to the calculation is required as the incremental principal balance amount to be recorded in 2013 was known at the time Veridian filed its Application. As stated at E9-T1-S1 p.13 "Veridian proposes disposition of the balance to December 31, 2013 in this application as entries to the variance account are to cease as of December 31, 2013 and the balance can be calculated at this time."

- (b) and (c) - Please see attached Attachment 1 which provides the details, by year, of the balanced calculated in Account 2425 as at December 31, 2013, the descriptions of the balance and the associated schedules similar to Appendix B of the EB-2009-0140 Accounting Order included in E1-T4-S15.

Account 2425 - Deferred Credits - Ajax Building Expansion Variance Account

| | 2010 | | | 2011 | | | 2012 | | | 2013 | | |
|--|---------------------|-----------------------------|-----------------------------|---------------------|-----------------------------|-----------------------------|---------------------|-----------------------------|-----------------------------|---------------------|-----------------------------|-----------------------------|
| | Revenue Requirement | Entries to Variance Account | YE Balance Variance Account | Revenue Requirement | Entries to Variance Account | YE Balance Variance Account | Revenue Requirement | Entries to Variance Account | YE Balance Variance Account | Revenue Requirement | Entries to Variance Account | YE Balance Variance Account |
| Scenario 1 - As Filed Completed in 2010, \$6M or more | \$ 134,196 | \$ - | \$ - | \$ 431,294 | \$ - | \$ - | \$ 410,144 | \$ - | \$ - | \$ 390,343 | \$ - | \$ - |
| Scenario 2 Actuals | \$ 116,119 | \$ (18,077) | \$ (18,077) | \$ 391,394 | \$ (39,900) | \$ (57,977) | \$ 374,003 | \$ (36,141) | \$ (94,118) | \$ 357,587 | \$ (32,756) | \$ (126,874) |

Account 2425 - Deferred Credits - Ajax Building Expansion Variance Account - Amortization Calculations

| Account | Description | Opening Balance | Less Fully Depreciated | Net for Depreciation | Additions | Net Additions | Total for Depreciation | Years | Depreciation Expense |
|--|---------------------|-----------------|------------------------|----------------------|--------------|---------------|------------------------|-------|----------------------|
| Scenario 1 - As Filed | | | | | | | | | |
| Completed in 2010, \$6M or more | | 2010 | | | | | | | |
| | Servc Centre Bldgs- | | | | | | | | |
| 1908 | Renos/Add'ns | | | \$ | 5,289,482 | \$ (61,641) | \$ 5,227,841 | 50 | \$ 52,278 |
| 1915 | Offc Furn & Equip | | \$ | - | \$ 710,518 | \$ (8,280) | \$ 702,238 | 10 | \$ 35,112 |
| | Totals | \$ - | \$ - | \$ - | \$ 6,000,000 | \$ (69,921) | \$ 5,930,079 | | \$ 87,390 |
| | | 2011 | | | | | | | |
| | Servc Centre Bldgs- | | | | | | | | |
| 1908 | Renos/Add'ns | \$ 5,237,204 | \$ | 5,237,204 | \$ - | \$ 5,237,204 | \$ 5,237,204 | 50 | \$ 104,744 |
| 1915 | Offc Furn & Equip | \$ 675,406 | \$ | 675,406 | \$ - | \$ 675,406 | \$ 675,406 | 10 | \$ 67,541 |
| | Totals | | | \$ | - | \$ - | \$ 5,912,610 | | \$ 172,285 |
| | | 2012 | | | | | | | |
| | Servc Centre Bldgs- | | | | | | | | |
| 1908 | Renos/Add'ns | \$ 5,132,460 | \$ | 5,132,460 | | \$ 5,132,460 | \$ 5,132,460 | 50 | \$ 102,649 |
| 1915 | Offc Furn & Equip | \$ 607,865 | \$ | 607,865 | | \$ 607,865 | \$ 607,865 | 10 | \$ 60,787 |
| | Totals | | | \$ | - | \$ - | \$ 5,740,325 | | \$ 163,436 |
| | | 2013 | | | | | | | |
| | Servc Centre Bldgs- | | | | | | | | |
| 1908 | Renos/Add'ns | \$ 5,029,810 | \$ | 5,029,810 | | \$ 5,029,810 | \$ 5,029,810 | 50 | \$ 100,596 |
| 1915 | Offc Furn & Equip | \$ 547,079 | \$ | 547,079 | | \$ 547,079 | \$ 547,079 | 10 | \$ 54,708 |
| | Totals | | | | \$ - | \$ - | \$ 5,576,889 | | \$ 155,304 |

Account 2425 - Deferred Credits - Ajax Building Expansion Variance Account - Amortization Calculations

| Account | Description | Opening Balance | Less Fully Depreciated | Net for Depreciation | Additions | Net Additions | Total for Depreciation | Years | Depreciation Expense |
|----------------|---------------------|-----------------|------------------------|----------------------|--------------|---------------|------------------------|-------|----------------------|
| Actuals | | 2010 | | | | | | | |
| | Servc Centre Bldgs- | | | | | | | | |
| 1908 | Renos/Add'ns | \$ - | \$ - | | \$ 5,278,378 | \$ 5,278,378 | \$ 2,639,189 | 50 | \$ 52,784 |
| 1915 | Offc Furn & Equip | \$ - | \$ - | \$ - | \$ 481,406 | \$ 481,406 | \$ 240,703 | 10 | \$ 24,070 |
| | Totals | \$ - | \$ - | \$ - | \$ 5,759,784 | \$ 5,759,784 | \$ 2,879,892 | | \$ 76,854 |
| | | 2011 | | | | | | | |
| | Servc Centre Bldgs- | | | | | | | | |
| 1908 | Renos/Add'ns | \$ 5,225,594 | \$ - | \$ 5,225,594 | \$ - | | \$ 5,225,594 | 50 | \$ 104,512 |
| 1915 | Offc Furn & Equip | \$ 457,336 | \$ - | \$ 457,336 | \$ - | | \$ 457,336 | 10 | \$ 45,734 |
| | Totals | | | | | \$ - | \$ 5,682,930 | | \$ 150,245 |
| | | 2012 | | | | | | | |
| | Servc Centre Bldgs- | | | | | | | | |
| 1908 | Renos/Add'ns | \$ 5,121,082 | | \$ 5,121,082 | \$ - | | \$ 5,121,082 | 50 | \$ 102,422 |
| 1915 | Offc Furn & Equip | \$ 411,602 | | \$ 411,602 | \$ - | | \$ 411,602 | 10 | \$ 41,160 |
| | Totals | | | | | \$ - | \$ 5,532,684 | | \$ 143,582 |
| | | 2013 | | | | | | | |
| | Servc Centre Bldgs- | | | | | | | | |
| 1908 | Renos/Add'ns | \$ 5,018,660 | | \$ 5,018,660 | \$ - | | \$ 5,018,660 | 50 | \$ 100,373 |
| 1915 | Offc Furn & Equip | \$ 370,442 | | \$ 370,442 | \$ - | | \$ 370,442 | 10 | \$ 37,044 |
| | Totals | | | | | \$ - | \$ 5,389,103 | | \$ 137,417 |

Account 2425 - Deferred Credits - Ajax Building Expansion Variance Account - Components of Revenue Requirement

| | | | |
|---------------------------|-------|----------------------------------|-------|
| Working Capital Allowance | 15.0% | Weighted Average Cost of Capital | 7.14% |
|---------------------------|-------|----------------------------------|-------|

| Components of Revenue Requirement | Capex | Related OM&A | WCA | Rate Base | Return | Amortization | PILs impact | Rev Req't |
|--|--------------|--------------|-------------|--------------|------------|--------------|-------------|------------------|
| Scenario 1 - As Filed Completed in 2010, \$6M or more Note: Project plan total of \$6 million reduced by adjustment of \$69,921 for impact of HST changes | 2010 | | | | | | | |
| | \$ 5,930,079 | \$ (163,151) | \$ (24,473) | \$ 2,940,567 | \$ 209,956 | \$ 87,390 | | \$ 134,196 |
| | 2011 | | | | | | | |
| | \$ 5,930,079 | \$ (163,151) | \$ (24,473) | \$ 5,912,610 | \$ 422,160 | \$ 172,285 | | \$ 431,294 |
| | 2012 | | | | | | | |
| | \$ 5,930,079 | \$ (163,151) | \$ (24,473) | \$ 5,740,325 | \$ 409,859 | \$ 163,436 | | \$ 410,144 |
| | 2013 | | | | | | | |
| | \$ 5,930,079 | \$ (163,151) | \$ (24,473) | \$ 5,576,889 | \$ 398,190 | \$ 155,304 | | \$ 390,343 |
| Cumulative to 2013 | | | | | | | \$ | 1,365,977 |
| Actuals | 2010 | | | | | | | |
| | \$ 5,759,784 | \$ (163,151) | \$ (24,473) | \$ 2,855,419 | \$ 203,877 | \$ 76,854 | \$ (1,462) | \$ 116,119 |
| | 2011 | | | | | | | |
| | \$ 5,759,784 | \$ (163,151) | \$ (24,473) | \$ 5,682,930 | \$ 405,761 | \$ 150,245 | \$ (1,462) | \$ 391,394 |
| | 2012 | | | | | | | |
| | \$ 5,759,784 | \$ (163,151) | \$ (24,473) | \$ 5,532,684 | \$ 395,034 | \$ 143,582 | \$ (1,462) | \$ 374,003 |
| | 2013 | | | | | | | |
| | \$ 5,759,784 | \$ (163,151) | \$ (24,473) | \$ 5,389,103 | \$ 384,782 | \$ 137,417 | \$ (1,462) | \$ 357,587 |
| Cumulative to 2013 | | | | | | | \$ | 1,239,102 |

9.1-Staff-43

Ref: E9-T2-S2

Veridian indicates that it is filing for disposition of Account 1595 -2008 but not Account 1595 GA - 2008. However, per the EB-2009-0140 Tariff Sheet, the Rate Rider for Deferral/Variance Account Disposition is effective until April 30, 2012 and the Rate Rider for Global Adjustment Sub-Account Disposition (Applicable only for Non-RPP Customers) is effective until April 30, 2012. In addition, it appears that Veridian has two sub-accounts for Account 1595 - 2008 – one to hold the 2010 rate year Global Adjustment rate rider and the other to hold the 2010 rate year Deferral and Variance Account rate rider.

Per the 2014_EDDVAR_Continuity_Schedule issued by the Board, Sheet 2. 2013 Continuity Schedule, Footnote 7 states:

Include Account 1595 as part of Group 1 accounts (lines 31, 32, 33 and 34) for review and disposition if the recovery (or refund) period has been completed.

Request

- (a) Please explain if Veridian's Account 1595 -2008 describes account balances that were cleared at a balance sheet date of December 31, 2008 in the 2010 rate year. Please confirm that the Board generally refers to this class of balances as Account 1595 (2010), according to the year the balances were cleared in rates. If this is the case, please re-label the appropriate evidence. If this is not the case, please explain.
- (b) Please explain if Veridian's Account 1595 -2010 describes account balances that were cleared at a balance sheet date of December 31, 2010 in the 2012 rate year. Please confirm that the Board generally refers this class of balances as Account 1595 (2012), according to the year the balances were cleared in rates. If this is the case, please re-label the appropriate evidence. If this is not the case, please explain.
- (c) Please explain why Veridian has two sub-accounts for Account 1595 -2008. Please provide the direction from the Board that directed Veridian to use two sub-accounts for Account 1595- 2008 i.e. direction to record the Rate Rider for Global Adjustment and associated disposed variance account balance in a separate sub-account from the other Deferral/Variance Account Disposition Rate Rider and associated deferral/variance account disposed balances. Please combine the two sub-accounts of Account 1595 and file an updated rate design.
- (d) Please indicate why Veridian has not included the balance in Account 1595 - 2008 GA for clearance in this proceeding, for both Veridian Main and

Gravenhurst. Please update the appropriate evidence and rate design with a balance in the accounts in the event the Board decides to dispose them.

- (e) Based on the rate design when the balances were cleared in the 2010 rate year, it is probable that there should be a non-zero residual principal balance in Account 1595-2008 for Veridian Main. Please explain why the residual principal balance in Account 1595 -2008 is zero, and update the rate design and evidence where appropriate with the correct balance.
- (f) Please explain why there are zero carrying charges forecasted on Account 1595-2008 for Veridian Main from January 1, 2013 to April 30, 2014. Please file an updated balance in the account and associated evidence.

Response:

- (a) Yes, Veridian's Account 1595 -2008 describes account balances that were cleared at a balance sheet date of December 31, 2008 in the 2010 rate year. Veridian has updated the labeling to comply with the Board's nomenclature. All evidence has been re-labelled.
- (b) Yes, Veridian's Account 1595 -2010 describes account balances that were cleared at a balance sheet date of December 31, 2010 in the 2012 rate year. Veridian has updated the labeling to comply with the Board's nomenclature. All evidence has been re-labelled.
- (c) While Veridian has not received explicit direction from the Board to use two sub accounts, Veridian proposes that use of two subaccounts is appropriate given the situation that expiry dates for the two rate riders may not always coincide. For example, the Gravenhurst GA rate rider expires April 30, 2012 while the Gravenhurst Other Deferral/Variance Account rate rider expired April 30, 2014. Only the GA rate rider is proposed for disposition at this time.

Veridian has combined the two subaccounts for Main as the expiry dates of those rate riders are coincident.

- (d) Veridian has included the 1595-2008 GA Veridian Main balance for clearing in proceeding as mentioned in part c. Gravenhurst sub account GA balance is included for clearance in this proceeding. Gravenhurst 1595-2008 Other Deferral/Variance Account has not been included for clearance in this proceeding because this rate rider does not expire until April 30, 2014.
- (e) The account 1595-2008 for Veridian Main GA sub account was incorrectly allocated to interest. This has been corrected in the 2014 _EDDVAR_Continuity_Schedule for Veridian Main. The evidence has been consolidated for both sub accounts GA and

Other Deferral/Variance Accounts. An updated 2014_EDDVAR_Continuity_Schedule has been filed with this IR. Updated evidence is shown in the tables below.

- (f) The zero carrying charges forecasted on Account 1595-2008 for Veridian Main are in error. The allocation has been corrected between principal and carrying charges in the 2014_EDDVAR_Continuity_Schedule for Veridian Main. The carrying charges have also been corrected for the period of January 1, 2013 to April 30, 2014. All evidence has been updated and included with this response.

Veridian has also updated the 2014_EDDVAR_Continuity_Schedule for errors in the following accounts:

1532 Renewable Generation OM&A as a result of IR 5.1-Staff-26 c
1568 LRAMVA as a result of IR 9.1-Staff-40

Table 1- All Variance and Deferral Accounts - Veridian Main

| Account Description | Principal Balance at Dec 31, 2012 | Interest Balance at Dec 31, 2012 | Balances at December 31,2012 |
|---|--|---|---|
| 1508-Deferred IFRS Transition Costs | 376,063 | 11,100 | 387,163 |
| 1518-RCVARetail | (497,633) | (22,654) | (520,287) |
| 1531-Renewable Generation Connection Capital | 4,740 | 139 | 4,879 |
| 1532-Renewable Generation Connection OM&A | 38,089 | 513 | 38,602 |
| 1535-Smart Grid OM&A Deferral Account | 235,226 | 5,551 | 240,777 |
| 1548-RCVASTR | 449,396 | 12,746 | 462,142 |
| 1550-LV Variance Account | 121,277 | (3,521) | 117,756 |
| 1555-Smart Meter Capital Variance | 4,579,788 | | 4,579,788 |
| 1568-LRAM Variance Account | 283,735 | 3,490 | 287,225 |
| 1576-Accounting Changes Under CGAAP | (4,107,961) | 0 | (4,107,961) |
| 1580-RSVAWMS | (3,032,323) | (79,721) | (3,112,044) |
| 1584-RSVANW | 103,550 | 31,718 | 135,268 |
| 1586-RSVACN | 860,704 | 63,752 | 924,456 |
| 1588-RSVAPOWER | 7,416,323 | 48,709 | 7,465,032 |
| 1589-RSVAPOWER SUB Global Adjustment | (4,201,043) | (23,852) | (4,224,895) |
| 1595-(2010)-Recovery of Reg asset balance | (61,769) | (161,939) | (223,708) |
| 1595-(2012)-Recovery of Reg asset balance | (3,229,367) | (219,623) | (3,448,991) |
| 1595-Recovery of Reg asset balance PILS | (187,367) | | (187,367) |
| 1563-PILS Contra | 187,367 | | 187,367 |
| 2425-Other Deferred Credits-Building Variance | (120,278) | (911) | (121,189) |
| Total | (781,484) | (334,503) | (1,115,987) |

Table 1 - Variance and Deferral Accounts For Disposition - Veridian Main

| Account Description | Principal Balance at Dec 31, 2012 | Interest Balance at Dec 31, 2012 | Interest to April 30, 2014 | Total |
|--|--|---|-----------------------------------|------------------|
| 1518-RCVARetail | (497,633) | (22,654) | (9,754) | (530,041) |
| 1531-Renewable Generation Connection Capital | 4,740 | 139 | 93 | 4,972 |
| 1532-Renewable Generation Connection OM&A | 36,913 | 513 | 723 | 38,149 |
| 1535-Smart Grid OM&A Deferral | 235,226 | 5,551 | 4,611 | 245,388 |
| 1548-RCVASTR | 449,396 | 12,746 | 8,809 | 470,951 |
| 1550-LV Variance Account | 121,277 | (11,517) | 2,377 | 112,137 |
| 1568-LRAM Variance Account | 268,981 | 3,309 | 5,254 | 277,544 |
| 1580-RSVAWMS | (3,032,323) | (30,324) | (59,433) | (3,122,080) |
| 1584-RSVANW | 103,550 | 10,622 | 2,029 | 116,201 |
| 1586-RSVACN | 860,704 | 10,753 | 16,869 | 888,326 |
| 1588-RSVAPOWER | 7,416,323 | (20,911) | 145,360 | 7,540,772 |
| 1589-RSVA Global Adjustment | (4,201,043) | (3,235) | (82,340) | (4,286,618) |
| 1595-(2010)-Disposition Rec/Refund | (61,769) | (161,939) | (1,211) | (224,919) |
| 2425-Other Deferred Credits | (120,278) | (911) | (1,901) | (123,090) |
| Total Including Global Adjustment | 1,584,064 | (207,858) | 31,486 | 1,407,692 |
| Total Excluding Global Adjustment | 5,785,107 | (204,623) | 113,826 | 5,694,310 |

Table 2 - Variance and Deferral Accounts for Disposition - Gravenhurst

| Account Description | Principal Balance at Dec 31, 2012 | Interest Balance at Dec 31, 2012 | Interest to April 30, 2014 | Total |
|--|--|---|-----------------------------------|------------------|
| 1518-RCVARetail | (27,282) | (1,246) | (535) | (29,063) |
| 1531-Renewable Generation Connection Capital | 260 | 8 | 5 | 273 |
| 1532-Renewable Generation Connection OM&A | 2,025 | 28 | 40 | 2,093 |
| 1535-Smart Grid OM&A Deferral Account | 12,903 | 304 | 253 | 13,460 |
| 1548-RCVASTR | 24,654 | 702 | 483 | 25,839 |
| 1550-LV Variance Account | 85,802 | 92 | 1,681 | 87,575 |
| 1568-LRAM Variance Account | 14,754 | 181 | 288 | 15,224 |
| 1580-RSVAWMS | (161,829) | (1,461) | (3,171) | (166,461) |
| 1584-RSVANW | (40,660) | 121 | (797) | (41,336) |
| 1586-RSVACN | 124,855 | 941 | 2,447 | 128,243 |
| 1588-RSVAPOWER | 473,137 | (404) | 9,273 | 482,006 |
| 1589-RSVAPOWER SUB Global Adjustment | (883,295) | (3,173) | (17,312) | (903,780) |
| 1595-2010-Disposition Other Def/Var | 45,730 | 1,888 | 896 | 48,514 |
| 2425-Other Deferred Credits | (6,597) | (50) | (104) | (6,751) |
| Total Including Global Adjustment | (335,544) | (2,067) | (6,553) | (344,163) |
| Total Excluding Global Adjustment | 547,751 | 1,106 | 10,759 | 559,617 |

Table 1: Veridian_Main - Existing and Proposed General Rate Rate Rider

| Rate Class | Billing Parameter | Current Rate Rider May 1, 2013 to April 30, 2014 | Proposed Rate Rider May 1, 2014 to April 30, 2015 |
|--------------------------|--------------------------|---|--|
| Residential | kWh | \$0.0021 | \$0.0024 |
| GS<50 kW | kWh | \$0.0021 | \$0.0024 |
| GS>50 kW | kW | \$0.7982 | \$0.9256 |
| Intermediate Use | kW | \$0.7744 | \$1.0845 |
| Large Use | kW | \$1.1073 | \$1.3124 |
| Unmetered Scattered Load | kWh | \$0.0021 | \$1.0023 |
| Sentinel Lighting | kW | \$0.7451 | \$0.6793 |
| Street Lighting | kW | \$0.7410 | \$1.1507 |

Table 2: Veridian_Gravenhurst - Existing and Proposed General Rate Rate Rider

| Rate Class | Billing Parameter | Current Rate Rider May 1, 2013 to April 30, 2014 | Proposed Rate Rider May 1, 2014 to April 30, 2015 |
|---------------------------------|--------------------------|---|--|
| Residential - Urban Yr Round | kWh | \$0.0051 | \$0.0063 |
| Residential - Suburban Yr Round | kWh | \$0.0051 | \$0.0064 |
| Residential - Suburban Seasonal | kWh | \$0.0051 | \$0.0068 |
| GS<50 kW | kWh | \$0.0051 | \$0.0060 |
| GS>50 kW | kW | \$2.1244 | \$2.3935 |
| Sentinel Lighting | kW | \$1.7525 | \$2.2245 |
| Street Lighting | kW | \$1.8313 | \$2.5615 |

9.1-Staff-44

Ref: E9-T2-S1

Veridian has requested a new variance account to track the variance between Veridian's revenue requirement required to support the portion of the investments that are eligible for the provincial rate protection, and the actual Provincial Rate Protection amounts collected from the IESO.

In the pre-filed evidence, Veridian proposed that the new variance account would meet the eligibility criteria of causation, materiality and prudence as set out in the Filing Requirements. The forecasted capital investments and operating expenses are outside the base upon which Veridian is seeking 2014 base revenue requirement and base distribution rates. Veridian proposes that the criteria of materiality and prudence are met through the Board's own proposal for the funding mechanism of these renewable enabling investments and costs as outlined in the Filing Requirements and underpinned by O. Reg 330/09.

Veridian also filed a proposed Accounting Order. However Veridian did not provide journal entries or the manner in which the applicant proposes to dispose of the account, contrary to page 56 of the 2014 Filing Requirements.

Request

- (a) Please provide estimated balances that would be recorded in the account.
- (b) Please provide details on how the revenue requirement part of the variance account is to be calculated and explain all assumptions used in the calculation process.
- (c) Please describe how the underlying capital and OM&A amounts would be tracked and calculated.
- (d) Please file an updated Accounting Order in accordance with page 55 and 56 of the 2014 Filing Requirements, including the journal entries that would be made to record the balances in the account and details on how the account would be disposed in a future proceeding.

Response:

- (a) Veridian's understanding is that the estimated balances that would be recorded in the account are the Provincial Rate Protection portion of the revenue requirement associated with the capital and/or operating costs that are eligible as calculated in

Appendix 2-FB and Appendix 2-FC. Veridian notes, that in its response to interrogatory 5.1-Staff-27 it has provided a corrected version of Appendix 2-FB.

- (b) The revenue requirement part of the variance account would be calculated using the methodology as prescribed in Appendix 2-FB and Appendix 2-FC and the calculations will be applied against the actual amounts incurred for each of the projects proposed. The difference between the amounts received from the IESO and these actual revenue requirement amounts will be the net amount comprising the variance account balances and would be the balances sought for disposition.
- (c) The underlying capital and OM&A amounts would be tracked through detailed records of these projects within Veridian's financial and accounting systems. As the underlying assets are allocated on a %age basis as Direct Benefit and Provincial Benefit, the values will be calculated using these proposed %ages.
- (d) Veridian is not able to provide any further detailed accounting entries for inclusion within the accounting order at this time. Veridian understands that while any applicant must seek an accounting order for purposes of tracking the variance between the revenue requirement required to support the portion of the investments that are eligible for the provincial rate protection, and the actual Provincial Rate Protection amounts collected from the IESO, it also understands as noted in Appendix 2-FB *"The Board may provide regulatory accounting guidance regarding a variance account either in an individual proceeding or on a general account basis"*.

On this basis, Veridian does not believe it has the expertise to propose all of the detailed accounting entries and would seek assistance and guidance from Board Staff on what it considers to be generic accounting matters.

Veridian also suggests that the lack of expertise on Veridian's part to be able to propose generic accounting entries at this time should not be a factor in the Board's consideration of its request for provincial rate protection amounts within this application.

9.1-Staff-45

Ref: (i) E9-T1-S1 Table 4
(ii) E9-T3-S3

Table 4 shows the Allocation of Common Accounts between Veridian and Gravenhurst. However, Account 1576 is not included in this table. Per E9-T3-S3 different rate design is proposed for Account 1576.

Request

- (a) Please explain the current rate design for Account 1576 per E9-T3-S3.
- (b) Please explain why the rate design for Account 1576 is different than the other “common” accounts (e.g. Account 1518, Account 1548) per Table 4.
- (c) Please update the rate design for Account 1576 to reflect the rate design used for the other “common” accounts

Response:

- (a) At E-9,T-3,S-3, page 1 Veridian states; *“Veridian proposes that as the Account 1576 balance arises due to a change in the value of Net Fixed Assets and as such is a rate base related item, it is appropriate to allocate the balance to the rate classes in the proportionate share of the cost of Total Net Plant allocated to each rate class within the Cost Allocation Model.”*

Veridian used the percentage allocation of Total Net Plant as per Sheet O1 Revenue to cost|RR of the Cost Allocation Model as the basis of the allocation to the classes. Veridian then calculated the proposed one-year volumetric rate rider for disposition of the balance of Account 1576 using the proposed 2014 Test Year volumetric billing determinants from the 2014 CDM-adjusted load forecast by class.

This allocation and rate design proposal does not include an intermediary step of allocating costs between the current Tariff zones of Veridian_Main and Veridian_Gravenhurst as the intent is to develop a harmonized rate rider similar to that proposed and approved by the Board for Veridian’s smart meter rate riders.

- (b) As stated in the response to (a) above, Veridian proposes that a harmonized rate rider which does not segregate amounts to the current Tariff zones and follows the treatment of smart meter rate riders is appropriate. Harmonized smart meter costs and riders were employed as costs and benefits of capital and OM&A investments in smart meters accrued to all of Veridian’s customers regardless of Tariff zone and that the allocation between Tariff zones would be arbitrary.

Veridian proposes that similarly, to allocate the credit balance of Account 1576 between the current Tariff Zones on the basis of customer count would presume the balance has a direct relationship with customer counts. Veridian proposes that Total Net Plant, not customer count likely has a more direct relationship.

Additionally, as noted at E-9, T-1, S-1 page 4 in the description of the “common” account allocator, *“The number of connections for Sentinel and Street Lighting have not been included in the percentage for Veridian Main and Gravenhurst.”*

- (c) As requested, Veridian provides here an allocation to the current Tariff Zones on the same basis as used for the “common” accounts referenced. The “common” account allocation uses forecast customer counts as the basis for allocation. The basis for this is found at E-9, T-1, S-1 page 4. The resulting split is 94.8% to Main and 5.2% to Gravenhurst.

Veridian then used the kWh and kW billing determinants for each Tariff Zone as found in the Tariff specific Deferral/Variance Account workforms to recalculate the one year volumetric rate riders.

Veridian notes that it believes this proposed alternative calculation is not appropriate as it allocates a disproportionate amount of the balance to the Street Lighting and Sentinel Lighting classes due to the high number of connections used in the allocator to the rate classes.

**Allocation using 'Common Account Allocation Method
Split - 5.2% Gravenhurst, 94.8% Main**

| | Balance | Veridian_Main | Veridian_Gravenhurst |
|----------------------|----------------|----------------|----------------------|
| Account 1576 Balance | \$ (6,325,889) | \$ (5,996,943) | \$ (328,946) |

Veridian Connections Inc.
EB-2013-0174
Response to Interrogatories
February 18, 2014

Allocation to Classes based on customer count and calculation of volumetric rate rider

| Main | Billing Units | Metered kWh or kW | Forecast Average Customer Count | Balance Allocated | Rate Rider |
|-----------------|----------------------|--------------------------|--|--------------------------|-------------------|
| Residential | kWh | 932,081,811 | 102,285 | \$ (4,314,200) | \$ (0.0046) |
| GS<50 | kWh | 284,036,423 | 8,109 | \$ (342,023) | \$ (0.0012) |
| GS>50 | kW | 2,408,221 | 1,037 | \$ (43,739) | \$ (0.0182) |
| Intermediate | kW | 257,887 | 5 | \$ (211) | \$ (0.0008) |
| Large Use | kW | 184,062 | 2 | \$ (84) | \$ (0.0005) |
| Street Lights | kW | 58,270 | 29,387 | \$ (1,239,492) | \$ (21.2715) |
| Sentinel Lights | KW | 1,453 | 430 | \$ (18,137) | \$ (12.4822) |
| USL | kWh | 4,496,870 | 926 | \$ (39,057) | \$ (0.0087) |
| | | | 142,181 | \$ (5,996,943) | |

| Gravenhurst | Billing Units | Metered kWh or kW | Forecast Average Customer Count | Balance Allocated | Rate Rider |
|----------------------|----------------------|--------------------------|--|--------------------------|-------------------|
| Residential-Urban | kWh | 26,123,127 | 3,079 | \$ (140,300) | \$ (0.0054) |
| Residential-Suburban | kWh | 8,691,305 | 803 | \$ (36,590) | \$ (0.0042) |
| Residential-Seasonal | kWh | 9,086,970 | 1,585 | \$ (72,223) | \$ (0.0079) |
| GS<50 | kWh | 14,945,459 | 718 | \$ (32,717) | \$ (0.0022) |
| GS>50 | kW | 76,993 | 36 | \$ (1,640) | \$ (0.0213) |
| Street Lights | kW | 1,675 | 953 | \$ (43,425) | \$ (25.9254) |
| Sentinel Lights | kW | 127 | 45 | \$ (2,051) | \$ (16.1457) |
| | | | 7,219 | \$ (328,946) | |

9.1-VECC-60

Ref: E8/T6/S2, page 2

Request

- (a) The text (lines 3-4) indicates that the bill impacts for the existing Gravenhurst classes of Residential Suburban and GS 50-2999 are greater than 10%. However, Table 1 suggests that this is not the case. Please clarify.

Response:

- (a) Table 1 shows a total bill impact for the existing Gravenhurst Residential Suburban class of negative 14.2% and for the existing Gravenhurst GS 50-2999 class of negative 10.5%.

The text at lines 3-4 are in reference to bill impacts above 10% on an absolute basis, regardless of positive or negative values.

9.1-VECC-61

Ref: E2/T1/S3/pg.3

Request

Stranded Meter Cost Recovery

- (a) Please provide the account balances for each of the years 2000 to 2010 which recorded the cost of residential meters separately from those of GS customers.
- (b) Please recalculate the stranded meter rate riders using Veridian's 2010 Cost Allocation model as used in its last cost of service application.

Response:

- (a) Veridian is unable to provide account balances for each of the years 2000 to 2010 which recorded the cost of residential meters separately from those of GS customers as Veridian did not, historically, track meter costs by rate class. In order to identify costs by rate class Veridian applied the ratio of smart meters installed by rate class to the total dollar value of the gross asset value, accumulated amortization and proceeds on disposition of the stranded meter totals. Please see response to 9.1-EP-66.

(b)

Allocation based on weighted meter costs from 2010 CAS

| | 2014 Forecast Customers | 2010 17.1 Weighted Meter Costs-VCI Main | 2010 17.1 Weighted Meter Costs-VCI Gravenhurst | Total 2010 Sheet 17.1 Weighted Meter Costs | Class % age |
|----------------------|-------------------------------|---|---|--|----------------|
| Residential | 107,752 | \$ 5,029,100 | \$ 451,776 | \$ 5,480,876 | 76% |
| GS < 50 kW | 3,088 | \$ 1,585,290 | \$ 130,257 | \$ 1,715,547 | 24% |
| | | \$ 6,614,390 | \$ 582,033 | \$ 7,196,423 | |

| Allocation of Recovery Amount | | Recalculated Rate Riders |
|----------------------------------|--------------|-----------------------------|
| Residential | \$ 3,293,687 | \$ 2.55 |
| GS < 50 kW | \$ 1,030,944 | \$ 27.82 |
| | \$ 4,324,631 | |

9.1-VECC-62

Ref: E9/T1/S1/pg.11

Request

Smart Grid Deferral Account 1535

- (a) Please provide the individual costs for the six Smart Grid Studies and Planning exercise outlined in the evidence.
- (b) Please describe who owned and operated the two electric vehicles for the Better Place project. If these vehicles were owned by Veridian please describe their purpose.
- (c) Please provide the costs of the Smart Grid Education and Training project.

Response:

- (a) Please refer to 5.1-Staff-25.
- (b) One vehicle was owned by Better Place and provided to Veridian on a short-term lease basis for 7 months (May, 2011 to December, 2011). The vehicle was utilized by various Veridian staff and recharged on the Better Place Level 2 charger. The second vehicle is a Veridian fleet vehicle and is recharged on the Better Place Level 2 charger.
- (c) Please refer to 5.1-Staff-25.

Accounting

Issue 9.2

Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified, and is the treatment of each of these impacts appropriate?