SCHOOL ENERGY COALITION
TECHNICAL CONFERENCE QUESTIONS

School Energy Coalition Question 1

Many parties have raised the issue of whether the proposed changes to cost of capital and to rates will have a negative impact on the financial health of LDCs. Please file your most recent annual audited or unaudited, as the case may be, financial statements. If your LDC represents more than 50% of the assets of a holding company, please file the holding company's most recent annual audited or unaudited, as the case may be, financial statements.

Response

The audited financial statements for the following LDCs are provided in Attachment 1:

- Enersource Hydro Mississauga Inc.; ("Enersource Hydro")
- Horizon Utilities Corporation; ("Horizon")
- Hydro Ottawa Limited; ("Hydro Ottawa")
- PowerStream Inc.; (PowerStream")
- Toronto Hydro-Electric System Limited; ("Toronto Hydro") and
- Veridian Connections Inc. ("Veridian").

The audited financial statements of the following holding companies are also provided in Attachment 1:

- Enersource Corporation Inc.;
- Hamilton Utilities Corporation;
- Hydro Ottawa Holding Inc.;
- Toronto Hydro Corporation; and
- Veridian Corporation.

SCHOOL ENERGY COALITION TECHNICAL CONFERENCE QUESTIONS

School Energy Coalition Question 2

A number of LDCs have, in their submissions, raised the question of whether the proposed changes in cost of capital are a surprise to LDCs and for that or other reasons will erode the foundation of their current business plans. The PWU has also relied on this proposition in its submissions. Please file your most recent multi-year business plan, if such a document exists and has been reviewed and/or approved by any of your shareholders or your board of directors. If the business plan includes unregulated business activities, please redact all parts of the plan that relate to an unregulated business and don't relate to the regulated utility business. If the business plan includes other confidential information, please file the document in confidence so that the Board's protections for confidential filings can be engaged.

Response

Toronto Hydro filed its business plan as part of its 2006 EDR application [RP-2005-0020/EB-2005-0421]. The plan was filed in confidence and all oral portions of the hearing were conducted *in camera*.

Hydro Ottawa filed a synopsis of its business plan in response to an interrogatory [RP–2005-0020/EB-2005-0381, Interrogatory Responses Tab B Page 1 of 33, CCC Questions 1 and 2].

The CLD decline to provide the requested business plans out of concern that the Board's confidential filing provisions and protections are acceptable in the context of an LDC specific proceeding only. However, in the context of a Technical Conference where a number of LDCs are participating, it is not possible to maintain confidentiality.

SCHOOL ENERGY COALITION
TECHNICAL CONFERENCE QUESTIONS

School Energy Coalition Question 3

If your LDC has carried out a merger or acquisition of an LDC since 1999, or has prepared an investment analysis of a proposed merger or acquisition of another LDC, or has prepared an analysis of a potential sale of your LDC to another LDC, please provide that investment analysis, business case, or similar document showing the financial parameters of the deal or proposed deal, including in particular any calculations of expected overall return or return on equity, and advise of the eventual result of the proposed transaction. If any such document contains confidential information, please file the document in confidence so that the Board's protections for confidential filings can be engaged.

Response

Please refer to response to the CLD's response to Board staff question 2.

SCHOOL ENERGY COALITION
TECHNICAL CONFERENCE QUESTIONS

School Energy Coalition Question 4

Dr. Yatchew posits, at page 16 of his report, that mergers or acquisitions of LDCs may have been cancelled, repriced, or otherwise materially affected by uncertainty about whether the acquiror would be able to receive the benefit of savings generated by the transaction. If your utility has any documents showing that this was a consideration in any transaction, please file those documents. If any such document contains confidential information, please file the document in confidence so that the Board's protections for confidential filings can be engaged.

Response

In response to the CLD's request for clarification, Dr. Yatchew has provided the following:

At page 16 of the report I stated:

> *"Finally, it is worth underscoring that regulatory uncertainty and political risks also have important implications for continued industry restructuring and consolidation. If utilities and their shareholders are uncertain about the potential for receiving benefits from mergers, they are unlikely to consider them, particularly in view of the significant transition and transactions costs that will certainly be incurred. As with efficiency gains arising from improvements in operating efficiency, utilities would need to benefit for a significant period of time from cost savings arising out of mergers if they are to be undertaken."*

Contrary to Mr. Shepherd's suggestion, the report neither posits nor asserts that mergers or acquisitions have been cancelled or re-priced. Rather, it states that mergers are unlikely to be considered in an uncertain regulatory and political environment. The implication is that there may not be substantial evidence of cancellations or re-pricings.

These issues were discussed at the Technical Conference; the attached excerpt is provided for convenience and is taken from pp. 208-209 of the transcript of September 21, 2006.

MR. SHEPHERD: Okay. I just have two other questions here. One is: On page 16 of your written material, you talked about mergers being disincented because of uncertainty about being able to keep the benefits you get from the merger.

Do you recall that? It's on page 16 of your materials…..

MR. SHEPHERD: Do you have any empirical evidence that this has actually happened?

DR. YATCHEW: I do not, but also, that empirical evidence might not be available, because if we're operating in a relatively uncertain political and regulatory environment, then people may not even be thinking about mergers, not expending any resources on looking for mergers until things stabilize, in more than one dimension, not just with respect to the regulatory.

SCHOOL ENERGY COALITION TECHNICAL CONFERENCE QUESTIONS

School Energy Coalition Question 5

Several parties have suggested that the proposed changes in the ROE and capital structure may cause LDCs to be offside on their debt covenants. Please advise whether such changes may cause your utility to be offside on your debt covenants, and if so file the text of such covenants, the amounts of borrowing to which they relate, and whether the lender is an affiliate/shareholder or an arm's length third party.

Response

The proposed changes in the ROE and capital structure would not cause any of the CLD member LDCs to be offside any of their debt covenants.

SCHOOL ENERGY COALITION
TECHNICAL CONFERENCE QUESTIONS

School Energy Coalition Question 6

An important issue in this proceeding is maintaining the creditworthiness of the LDC. If your LDC has been rated by Standard & Poors, DBRS, Moody's, or Dun and Bradstreet within the last 18 months, please file the last full rating from each rating agency, plus any updates since that full rating. If your LDC is rated and you have a public sector shareholder, please also advise the shareholder's debt rating(s) if any.

Response

The most recent DBRS rating reports for:

- Enersource Corporation;
- Hydro Ottawa Holding Inc.;
- PowerStream Inc.;
- Toronto Hydro-Electric System Limited; and
- Veridian Connections Inc.

are provided in Attachment 2. Please note that Horizon is not rated by DBRS. Copies of the summary S&P reports can be requested from their customer service number at 212-438-9832 or via e-mail research_request@standardandpoors.com.

SCHOOL ENERGY COALITION
TECHNICAL CONFERENCE QUESTIONS

School Energy Coalition Question 7

The ability of utilities to attract equity investment has been raised as a critical issue by many parties. Please provide the date, amount, investor identity and terms of the last common equity investment in your utility. If there was an offering or disclosure document, please file that document.

Response

Enersource Hydro has not needed to attract equity or sought an equity infusion. There are no offering or disclosure documents available.

Horizon Utilities Corporation, including its predecessors**,** has not needed to attract equity or sought an equity infusion. There are no offering or disclosure documents available.

Hydro Ottawa, the LDC, is a wholly owned subsidiary of Hydro Ottawa Holding Inc. (“HOHI”), which is in turn wholly owned by the City of Ottawa. On December 31, 2004, by Resolution approved by City Council dated August 25, 2004, $37,825,000 of the $237,825,000 promissory notes issued by HOHI were converted into 37,825,000 Class A common shares of HOHI. There was no offering or disclosure document required for this transaction. The conversion was permitted as the promissory notes issued at amalgamation included a conversion clause.

In 2004 **PowerStream Inc.** declared special dividends to move to the 60:40 capital structure, reducing the equity component from 45% to 40%. Pre-merger the LDCs were at a 55:45 structure based on their size.

Toronto Hydro has not raised equity capital, apart from that created pursuant to the City of Toronto’s transfer bylaw at the time of corporatization.

Veridian has not, in the past, raised equity capital to fund its business operations.

SCHOOL ENERGY COALITION
TECHNICAL CONFERENCE QUESTIONS

School Energy Coalition Question 8

Mr. Camfield believes that inadequate returns will result in lower than required investment in capital assets. Please provide for your utility the opening rate base, capital expenditures, and closing rate base for each year from 2000 to 2005 inclusive, and your current projected numbers for 2006.

Response

Enersource Hydro Mississauga Inc.
The following table summarizes Enersource Hydro's computed opening and closing net book value of assest, for 2002 to 2005 inclusive. Enersource Hydro's regulated Rate Base was frozen at its 1999 level until rates were rebased in 2006.

Opening & Closing Distribution Assets Calculation:				
	2002	2003	2004	2005
Opening Distribution Assets	-	**$487,304**	**$480,862**	**$480,001**
	-	-	-	-
Net Fix Assets +/-	-	-$2,519	-$1,971	$204
	-			
Working Capital +/-	-			
Change in COP	-	-$29,375	$6,088	$129,366
Change in OM&A	-	$3,218	$1,310	$4,043
	-	-$26,157	$7,398	$133,409
15% Working Capital Allowance	-	-$3,924	$1,110	$20,011
Closing Distribution Assets	**$ 487,304**	**$480,862**	**$480,001**	**$500,216**

Closing Distribution Assets Calculation:	-	-	-	
	2002	**2003**	**2004**	**2005**
Net Fixed Assets	$ 398,334	$ 395,815	$ 393,844	$ 394,048
Working Capital				
COP	$ 566,333	$ 536,958	$ 543,046	$ 672,412
OM&A	$ 26,803	$ 30,021	$ 31,331	$ 35,374
	$ 593,136	$ 566,979	$ 574,377	$ 707,786
Working Capital Allowance	$ 88,970	$ 85,047	$ 86,157	$ 106,168
Distribution Assets	**$ 487,304**	**$ 480,862**	**$ 480,001**	**$ 500,216**

	2002	**2003**	**2004**	**2005**

Source: 2006 EDR, 2005 financial statements

Horizon Utilities Corporation

The table below summarizes Horizon's balances based on the 2006 EDR filing of pro-forma financial statements.

Net Book Value of Assets		**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Opening Balance Horizon						$264,222	$264,055
Capital Expenditures (net of Contributed Capital)						18,819	25,000
Amortization						(18,973)	(20,000)
Other (gain or loss on disposal, AFUDC)						(13)	
Closing Balance Net Book Value Assets			$258,461	$262,907	$264,222	$264,055	$269,055
Working capital allowance included in rate base			$78,648	$78,648	$78,648	$78,648	$63,562
Approved rate base			$311,452	$311,452	$311,452	$311,452	$327,617

Notes: Closing NBV for 2002 to 2004 from 2006 EDR filing Pro-forma

Working Capital and Rate Base is total of predecessor distributors for 2002 to 2005 – rate base frozen

Hydro Ottawa Limited

The following table summarizes the opening and closing asset bases for 2000 to 2005 inclusive. Capital expenditures, amortization and working capital allowance for 2006 are based on the amounts approved for the 2006 EDR, not including Smart Meters. The computed balances are not the regulated rate base; the regulated rate base (the base on which rates are set) was frozen at 1999 levels until May 2006, as the table illustrates.

Net Book Value of Assets	2000	2001	2002	2003	2004	2005	2006
Opening Balance		$322,894	$327,334	$320,196	$352,701	$383,162	$410,389
Capital Expenditures (net of Contributed Capital)	N/A	26,476	18,876	56,983	55,234	56,492	66,893
Amortization	N/A	(22,233)	(23,432)	(25,107)	(25,890)	(29,674)	(33,970)
Other (gain or loss on disposal, AFUDC)	N/A	197	(2,582)	629	1,117	409	0
Closing Balance Net Book Value Assets	$322,894	$327,334	$320,196	$352,701	$383,162	$410,389	$443,312
Estimated working capital allowance (15% of expense)		$78,668	$82,018	$82,623	$82,884	$95,221	$93,111
Approved rate base	$380,263	$380,263	$380,263	$380,263	$380,263	$380,263	$504,316

Notes: 2006 capital expenditures and amortization based on 2006 EDR not including Smart Meter expenditures

Asset values include construction work in progress which would not be included in rate base

PowerStream Inc.

Rate base is developed using net fixed assets, as a base, and estimated working capital (being 15% of Cost of Power plus 15% of controllable costs). Therefore, capital spending additions are not the only factor impacting rate base in a given year. The annual impact on accumulated depreciation and the current year depreciation expense would have to be included in order to derive the ending rate base figure. PowerStream has provided the information requested, recognizing that beginning rate base plus capital spending is not equivalent to closing rate base.

PowerStream	2001	2002	2003	2004	2005
Rate Base	414.0	411.2	427.5	414.0	456.5
Gross capital spending			39.5	48.5	40.8
Capital net of contributed capital			18.2	30.2	19.9

Toronto Hydro

Toronto Hydro-Electric System Ltd

SUMMARY FINANCIAL INFORMATION	2002	2003	2004	2005	2006 (OEB Decision)
		(Capital Average of two years)	(Capital Average of two years)	(Capital Average of two years)	(Capital Average of two years)
	RRR Filing	RRR Filing	(Net of 2006 EDR adjustments)	(As Filed in the 2006 EDR)	
DISTRIBUTION ASSETS:					
Land and Buildings	50,017,133	51,728,843	52,637,739	51,834,925	51,837,961
TS Primary Above 50	0	0	0	0	0
DS	129,675,917	131,094,979	135,342,432	143,747,324	154,142,824
Poles, Wires	1,796,056,691	1,836,624,111	1,911,565,273	1,986,768,014	2,080,356,514
Line Transformers	410,814,278	432,020,471	469,172,060	495,289,956	518,654,456
Services and Meters	120,662,277	126,660,758	139,764,279	148,876,819	153,633,602
General Plant	107,942,004	107,929,542	106,529,496	106,439,912	109,132,912
Equipment	111,615,553	110,906,072	109,768,113	111,703,135	116,564,635
IT Assets	113,097,835	115,226,496	120,616,651	129,251,146	143,396,646
CDM Assets	0	0	1,254,900	2,509,800	2,509,800
Other Distribution Assets	47,739,421	48,895,652	51,258,786	53,600,688	56,568,188
Contributions and Grants	-84,511,703	-89,129,711	-108,007,260	-130,407,239	-149,547,678
TOTAL DISTRIBUTION ASSETS	**2,803,109,406**	**2,871,957,214**	**2,989,902,470**	**3,099,614,479**	**3,237,249,860**
Total Distribution Assets (as above) - LESS:					
Accumulated Amortization	-1,264,225,545	-1,319,891,743	-1,434,010,820	-1,556,011,190	-1,683,815,011
NET FIXED DISTRIBUTION ASSETS	**1,538,883,861**	**1,552,065,471**	**1,555,891,650**	**1,543,603,290**	**1,553,434,850**
Net Fixed Assets	1,538,883,861	1,552,065,471	1,555,891,650	1,543,603,290	1,553,434,850
Working Capital					
Working Capital Allowance	318,037,707	313,944,723	292,672,166	310,292,304	307,563,307
(Computed Hypothetical) Rate Base	**1,856,921,568**	**1,866,010,194**	**1,848,563,816**	**1,853,895,594**	**1,860,998,157**

Veridian Connections Inc.

The following table summarizes the opening and closing asset balances for 2000 to 2005 inclusive. Capital expenditures, amortization and working capital allowance for 2006 are based on the amounts approved for the 2006 EDR, not including Smart Meters.

Mergers and acquisitions in 2001 and 2005 are included as capital expenditures for the purpose of this response.

($000's)

Veridian Connections Assets	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Net Book Value of Assets							
Opening Balance	$ 79,801	$ 79,757	$ 115,588	$ 111,395	$ 109,091	$ 106,996	$ 114,054
Capital Expenditures/Mergers & Acquisitions	$ 4,992	$ 42,123	$ 3,423	$ 5,470	$ 5,949	$ 15,647	$ 9,000
Amortization	$ (5,035)	$ (6,293)	$ (7,615)	$ (7,774)	$ (8,044)	$ (8,589)	$ (8,948)
Closing Net Book Value of Fixed Assets	$ 79,757	$ 115,588	$ 111,395	$ 109,091	$ 106,996	$ 114,054	$ 114,106
Estimated working capital allowance (15% of expense)	$ 15,039	$ 19,701	$ 27,014	$ 23,604	$ 24,956	$ 27,973	$ 30,551
Approved Rate Base	$ 112,543	$ 144,971	$ 144,971	$ 144,971	$ 144,971	$ 155,691	$ 144,116

SCHOOL ENERGY COALITION
TECHNICAL CONFERENCE QUESTIONS

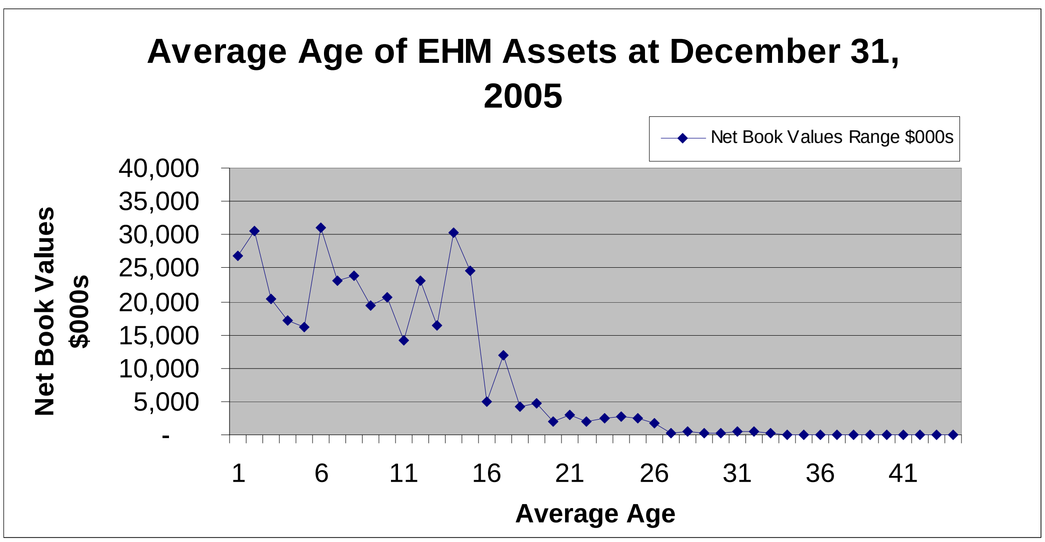
School Energy Coalition Question 9

Please provide a chart showing your fixed asset age distribution measured by dollar amount (e.g. $120 million at 25-30 years old).

Response

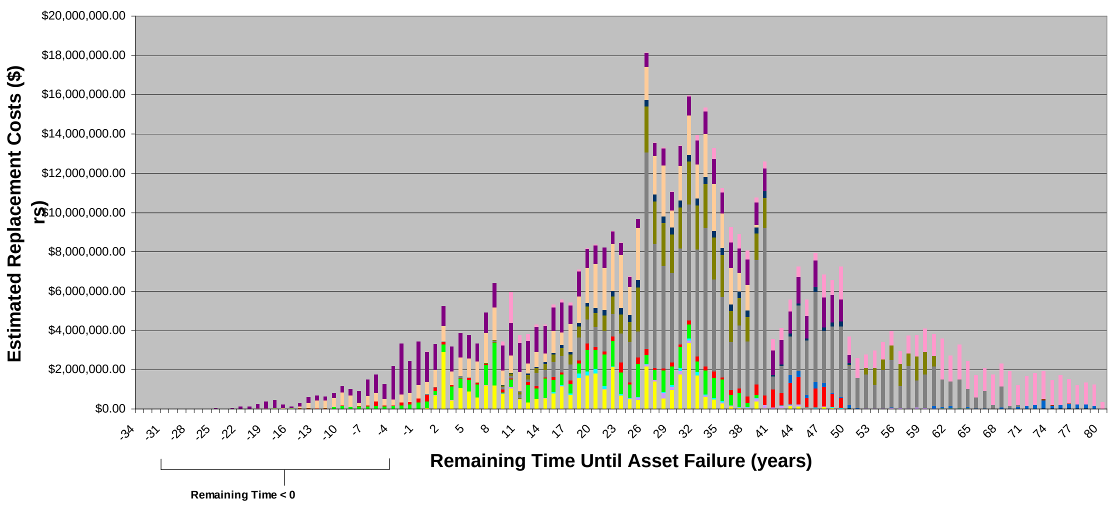
In the short-time available, the individual members of the CLD have provided the information that was readily available.

Enersource Hydro Mississauga Inc.



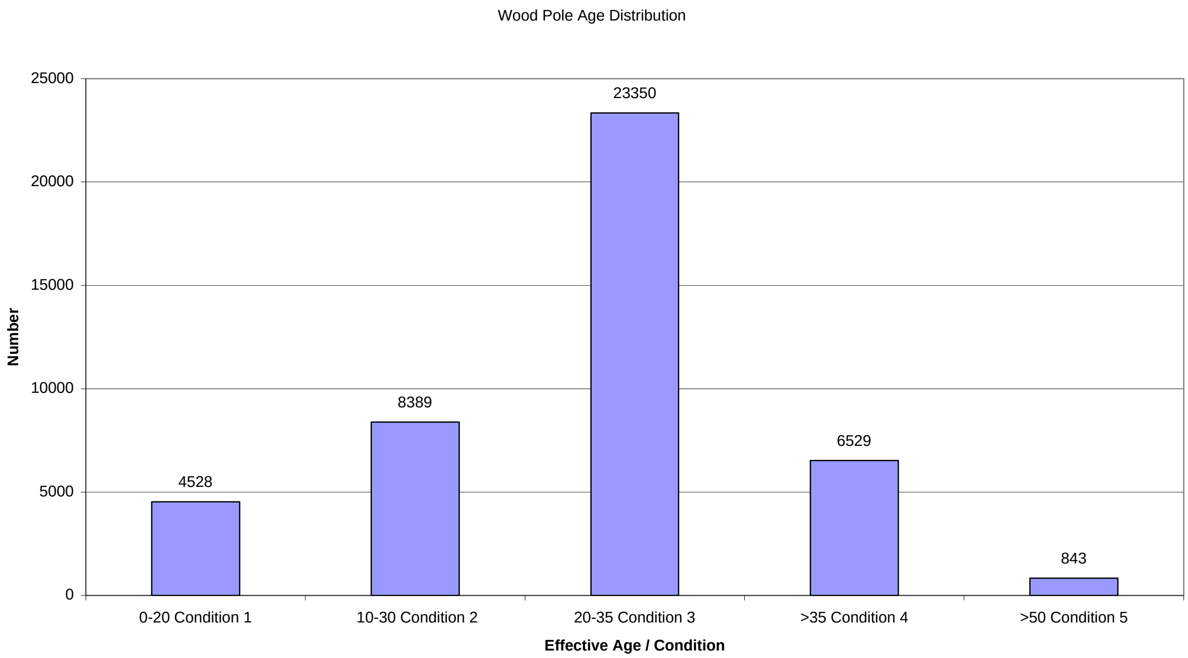
Horizon Utilities Corporation

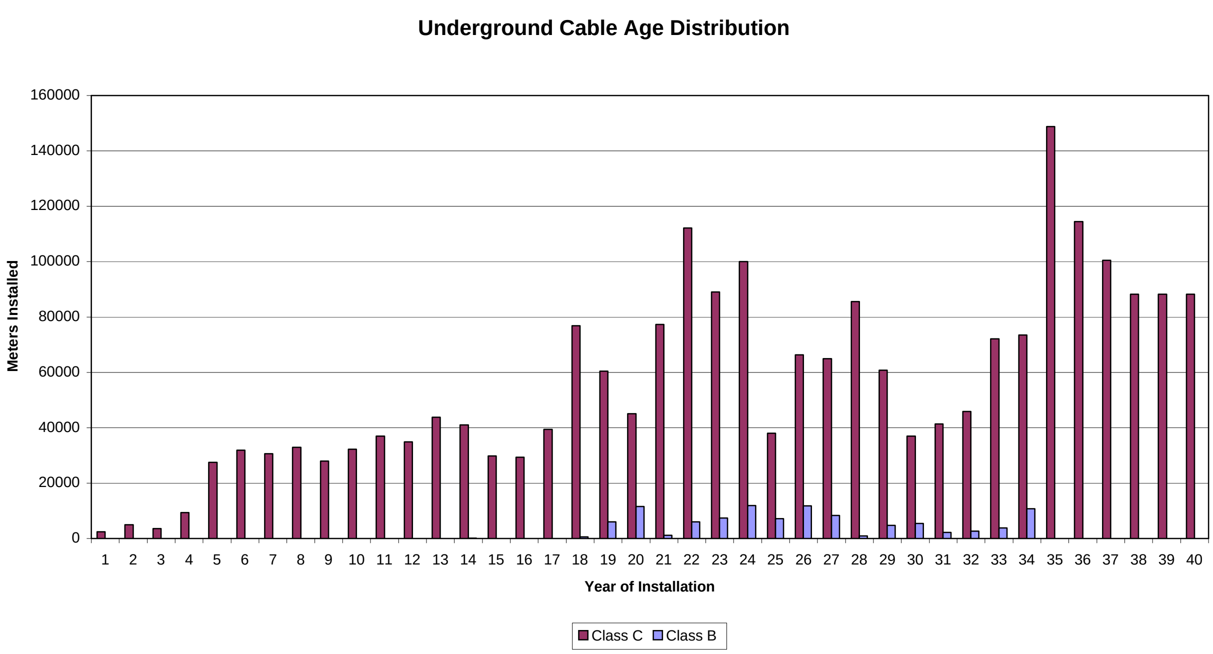
The following chart is a result of Horizon's review of Asset replacement and represents todays replacement cost of assets for both past depreciated life and going forward.

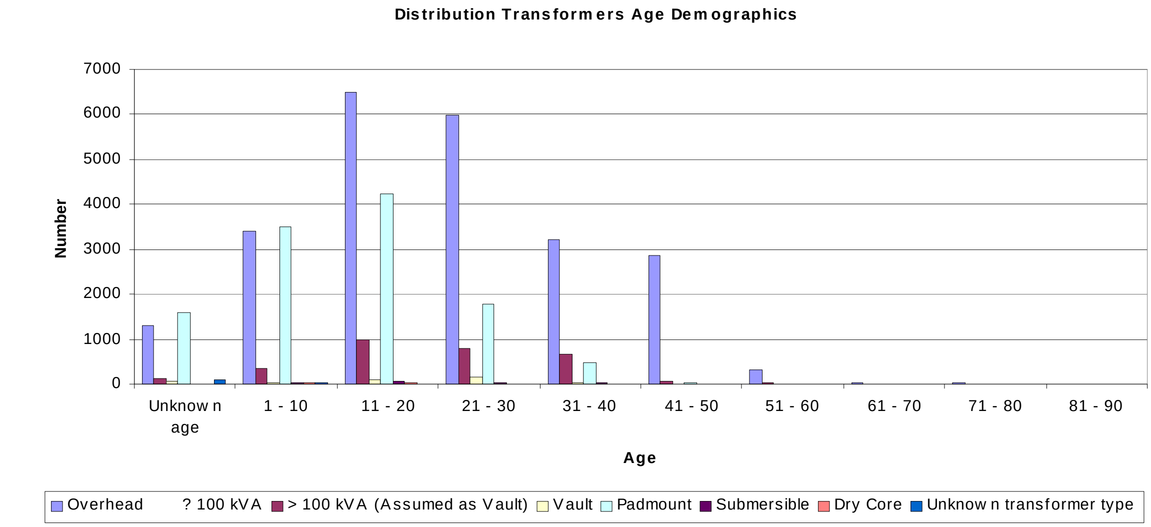


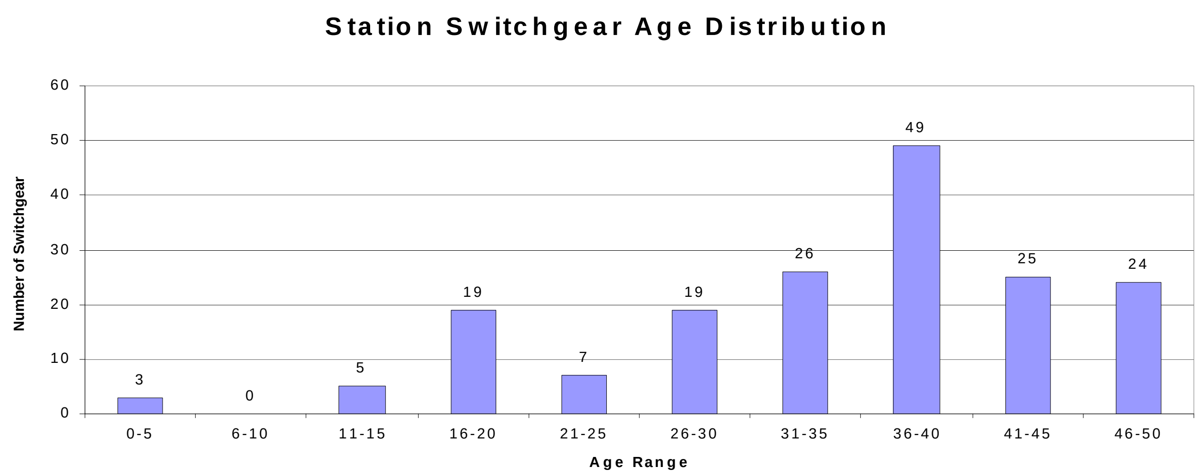
Hydro Ottawa Limited

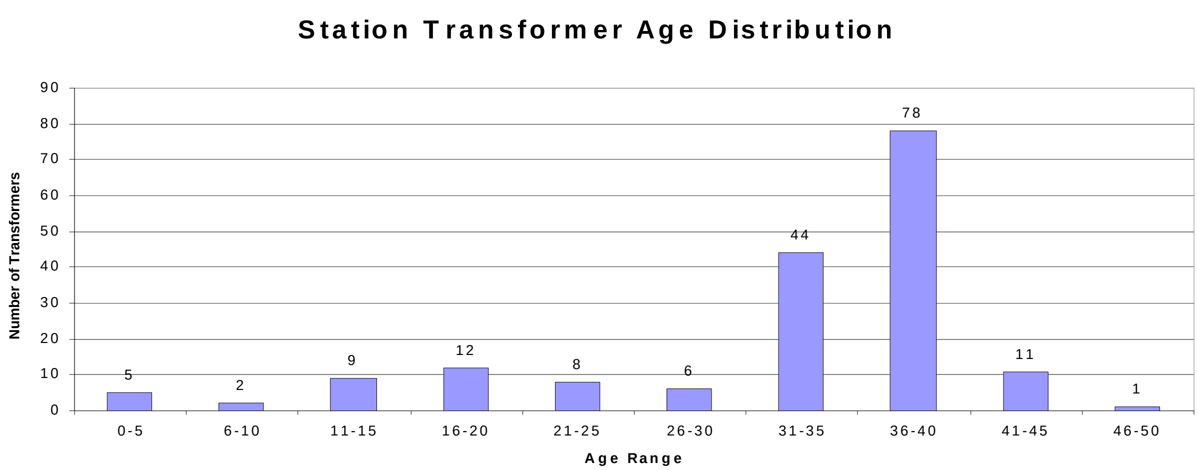
The following charts were derived from Hydro Ottawa's asset management plan, filed in its 2006 EDR application.






Distribution Transformers Age Demographics
7000
6000
5000
4000
3000
2000
1000
0
Number
Unknown age
1 - 10
11 - 20
21 - 30
31 - 40
41 - 50
51 - 60
61 - 70
71 - 80
81 - 90
Age
Overhead ? 100 kVA
> 100 kVA (Assumed as Vault)
Vault
Padmount
Submersible
Dry Core
Unknown transformer type


Station Switchgear Age Distribution
60
50
40
30
20
10
0
Number of Switchgear
3
0
5
19
7
19
26
49
25
24
0-5
6-10
11-15
16-20
21-25
26-30
31-35
36-40
41-45
46-50
Age Range


Station Transformer Age Distribution
90
80
70
60
50
40
30
20
10
0
Number of Transformers
5
2
9
12
8
6
44
78
11
1
0-5
6-10
11-15
16-20
21-25
26-30
31-35
36-40
41-45
46-50
Age Range

PowerStream Inc.

Property, Plant & Equipment as of December 31, 2005 (millions)

	Cost	Accumulated Depreciation	NBV	Age
Land & Land rights	3.5	0.1	3.4	up to 20 years
Buildings	1.9	0.4	1.5	up to 10 years
Transformer stations	82.0	21.5	60.4	up to 20 years
Transformer & meters	220.6	105.0	115.6	up to 30 years
Plant & Equipment	540.2	247.5	292.7	up to 25 years
Other	24.1	15.4	8.7	up to 3 years
Total Fixed Assets	**872.3**	**390.0**	**482.3**	

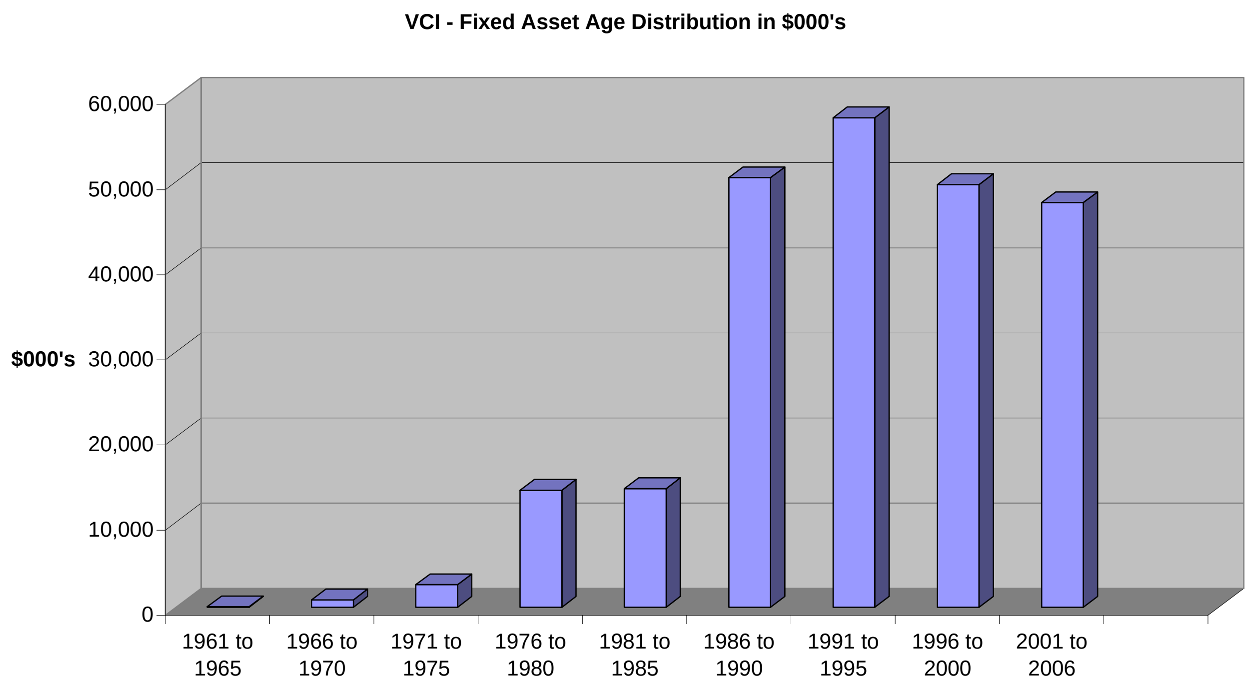
Toronto Hydro

Cost ($millions)					
CATEGORY	Greater than or Equal to 25 YRS	15 - 24 YRS	5 - 14 YRS	1-4 Years	Grand Total
Buildings	$ 19.72	$ 17.77	$ 97.83	$ 10.05	$ 145.37
Distribution Lines & Feeders - OH & UG	128.8	292.7	947.5	591.0	1,960.05
Distribution Meters	19.9	51.5	42.3	16.4	130.07
Distribution Stations	27.8	34.8	102.3	26.8	191.59
Distribution Transformers	51.6	148.7	201.0	81.6	482.99
Other capital assets	1.0	8.1	22.7	2.4	34.22
Vehicles	0.1	7.1	30.1	19.1	56.37
Grand Total	**$ 248.88**	**$ 560.66**	**$ 1,443.76**	**$ 747.37**	**$ 3,000.67**

Percent					
CATEGORY	Greater than or Equal to 25 YRS	15 - 24 YRS	5 - 14 YRS	1-4 Years	Grand Total
Buildings	13.57%	12.23%	67.30%	6.91%	100%
Distribution Lines & Feeders - OH & UG	6.57%	14.93%	48.34%	30.15%	100%
Distribution Meters	15.26%	39.57%	32.53%	12.63%	100%
Distribution Stations	14.51%	18.14%	53.39%	13.96%	100%
Distribution Transformers	10.68%	30.79%	41.62%	16.90%	100%
Other capital assets	2.94%	23.71%	66.37%	6.99%	100%
Vehicles	0.16%	12.58%	53.42%	33.84%	100%
Grand Total	**8.29%**	**18.68%**	**48.11%**	**24.91%**	**100%**

Veridian Connections Inc.

The following bar graph provides Veridian's fixed asset age distribution for the period 1961 to 2006. Pre-1961 records of Veridian predecessor utilities are not available.



SCHOOL ENERGY COALITION
TECHNICAL CONFERENCE QUESTIONS

School Energy Coalition Question 10

For each LDC that has debt traded in the public markets, either directly or indirectly, please provide a chart for the period 2003 to date showing the average yield of your debt (broken down by issue if you had more than one outstanding) each month in the market, and for the same month the average yield of 10 year Canadas.

Response

Only Toronto Hydro-Electric System Limited and Enersource Hydro Mississauga Inc. have debt traded in the public markets.

Enersource Hydro Mississauga Inc.
Enersource Hydro's debt is held by Borealis Infrastructure who does not publicly trade this debt. This debt secures the Borealis-Enersource bonds; market data on those bonds is not readily available.

Toronto Hydro-Electric System Limited
Toronto Hydro Corporation issued $225 million in long-term debentures in May 2003, maturing on May 7, 2013. The market rate at the time of issue was 6.11 percent, and was priced at 1.115% over the equivalent government of Canada bond yields at that time. Of this amount, $180 million was lent down to Toronto Hydro Electric System Limited at the same market rate plus an administrative adder of 5 basis points.

As at Oct 6/06, Bloomberg News Services quoted Toronto Hydro's debenture issue as:

Toronto Hydro 6.11 maturing May 2013 (6.6 years to maturity)

Toronto Hydro debt yield:	4.51%
Gov't. Benchmark yield:	4.00%
spread:	51 bps

SCHOOL ENERGY COALITION
TECHNICAL CONFERENCE QUESTIONS

School Energy Coalition Question 11

At pages 11 and 17 of his report, Dr. Yatchew notes that utilities already have an "informal yardstick competition" currently going on. Please file any efficiency comparisons between Ontario LDCs in the possession of your utility, including any line item or similar benchmarking, any estimates of "best practices" standards, any formal or informal studies, etc.

Response

Being informal, the "yardsticking" referred to was not captured in a report. Some measures, such as OM&A/customer and OM&A/kilowatthour, have been reviewed from time to time. The information to do these calculations is readily available on the public record. Otherwise, the CLD is not aware of any public reports, other than the OEB's Comparators and Cohorts report, that have attempted to compare achieved efficiency levels over the last several years.

SCHOOL ENERGY COALITION
TECHNICAL CONFERENCE QUESTIONS

School Energy Coalition Question 12

At page 12 of his report, Dr. Yatchew discusses the importance of aligning performance compensation plans to incentive regulation plans. Please provide the performance based compensation plan of your utility, if any, together with a list of any changes to that plan between 2000 and today.

Response

Enersource Hydro Mississauga Inc
Enersource Hydro's incentive plan is based on the following performance measures:

- reliability;
- safety;
- service quality indicators, per the OEB's PBR plan; and
- net income.

A complete description of the metrics relied on is available at RP-2005-0020/EB-2005-0360/Tab 7/p.29-30.

Horizon Utilities Corporation
Total compensation ranges are set after giving consideration to internal equity criteria (predominantly based on job evaluations using the Hay point system and methodology) and external competitiveness (based on external market studies of comparable jobs).

As part of its total compensation plan, Horizon Utilities has an incentive plan, which covers non-union employees, that motivates employees to meet performance targets. The plan is based on the organization's strategic and operational plans for each year. The metrics are set for each year and are based on the following:

- Customer Value (such as customer survey results);
- Financial (such as controllable customer costs);
- Operational Excellence (such as service quality indicators); and
- Learning & Growth (such as health and safety metrics and corporate culture surveys).

Performance against the targets is measured at the end of the year and actual results are compared to the metrics to determine annual payouts.

The metrics are approved by the Board of Directors. Payouts are approved once the annual audited financial statements have been approved by the Board of Directors.

Hydro Ottawa Limited
As provided in the 2006 EDR Application, Hydro Ottawa's 2006 Incentive Plan is designed to reward the achievement of goals related to organizational efficiency and customer service. It is comprised of two types of goals: Corporate, or company related, and Individual.

Corporate goals are divided into two categories: Financial and Customer Service.

Controllable costs	40%
General Capital	10%
Sustainment Capital	10%
Total Financial Goals	60%
OEB Performance Standards	25%
Operational Efficiency	15%
Total Customer Service Goals	40%

Individual goals will reflect individual contributions to Corporate goal achievement, and will therefore all be of benefit to the ratepayer.

Program affordability is safeguarded through the following measures:

- If Hydro Ottawa's financial performance (OM&A and Capital goals) is between threshold (0.5) and target (1.0) then all eligible employees' Individual Performance Scores are multiplied by the Hydro Ottawa's financial score.
- If Hydro Ottawa's financial performance is less than threshold (0.5) then no Incentive Plan payout is available

PowerStream Inc.
PowerStream instituted a new incentive plan beginning in 2005 and on a post merger basis. The plan is geared to maximizing employee performance and achieving ratepayer benefits. It assigns specific levels of incentive pay to each eligible employee based on corporate performance and pre-established individual performance criteria.

Toronto Hydro-Electric System Limited
All salaried non-union staff compensation is performance-based. Total pay for these employees consists of base pay and annual incentive pay. Base salary ranges are set after giving consideration to internal equity criteria (predominantly based on job evaluations using the Hay point system and methodology) and external competitiveness (based on

external market studies of comparable jobs). Annual pay increases and annual bonus awards are based on achieved performance relative to organizational, team and individual performance measures and targets set at the start of each year. Actual increases and awards vary by individual and team.

In 2005, Toronto Hydro commissioned a market assessment study for purposes of reviewing compensation competitiveness (primarily for Executive compensation) against a variety of competitive pay markets. Base salary ranges were set between the 25th percentile and the median of companies of comparable size.

Toronto Hydro has also commissioned a comprehensive compensation study with external compensation consultants, and the results of this study will be filed with the OEB in due course.

Veridian Connections Inc.
A description of Veridian's employee incentive compensation plan was provided as part of the company's 2006EDR application (RP-2005-0020/ED-2005-0422 / 0423 / 0424 / 0425).

The company's incentive compensation plan has been modified since the time that this information was disclosed. At present, all employees participate in a compensation plan under which part or all of an annual incentive bonus is based on attaining pre-established corporate performance targets that are categorized and weighted as follows:

Controllable Costs:	50%	
Safety:	26%	
Service Quality:	24%	(based on OEB service quality standards)

Unionized employees are eligible to earn a bonus of up to 1% of their base earnings, solely based on achievements related to the corporate performance targets. Incentive bonuses for non-unionized, management and executive staff take into consideration both corporate performance and personal performance, with corporate performance being measured against the same targets established for unionized employees. Non-unionized, management and executive employees are eligible to earn performance bonuses of up to 10%, 15% and 30% respectively.

SCHOOL ENERGY COALITION
TECHNICAL CONFERENCE QUESTIONS

School Energy Coalition Question 13

Please describe any attempts your utility has made in the past to borrow in the market in common or in tandem with other LDCs. If you have proceeded with or proposed any such transaction, please describe the structure, the impact on cost of capital, and the result.

Response

PowerStream has borrowed in tandem with other LDCs. PowerStream's predecessor LDCs (Markham, Richmond Hill & Vaughan) borrowed a total of $100 million in 2002. The bond issue was part of a larger offering by these three utilities, EnWin and Barrie Hydro. The Electricity Distributors Finance Corporation (EDFIN) purchased the deposited securities from all five Utilities to create the final issue of $175 million. The cost of borrowing from EDFIN is 6.45% payable semi-annually. PowerStream received $99,250,000 after underwriters fees. The bond has a 10 year term and is due February 2012.

None of the other CLD members have attempted to borrow in the market in common or in tandem with other LDCs.

SCHOOL ENERGY COALITION
TECHNICAL CONFERENCE QUESTIONS

School Energy Coalition Question 14

If your utility has a holding company of which at least 50% of its consolidated assets are assets of the LDC, please advise whether the debt rating of the holding company is different from the debt rating of the LDC, and if so advise the two ratings.

Response

No CLD member has more than one rated entity.

SCHOOL ENERGY COALITION
TECHNICAL CONFERENCE QUESTIONS

School Energy Coalition Question 15

Please provide the "Bill Impacts" pages of the 2006 EDR Model for your utility, and comparable calculations using the year 2000 and 2003 approved distribution rates.

Response

The bill impacts calculations for each CLD member are provided in Attachment 3.

Following is a general summary of the rate adjustments from 2001 to 2006:

Date	Description of Rate Adjustment
2001	unbundling of distribution and cost of power for most LDCs
	recovery of 1st tranche MARR
June 1, 2001	cost of power increase (0.7 cents/kWh)
March 1, 2002	Recovery of 2nd tranche MARR and PILs
	IPI – X adjustment of (0.5%)
May 1, 2002	cost of power unbundled for market opening
April 1, 2004	Imposition of two-tier commodity price Recovery of regulatory assets through rate riders commences
April 1, 2005	Recovery of 3rd tranche MARR, conditional on equivalent spending on CDM
	Changes to commodity prices
May 1, 2006	Distribution rates rebased
	Changes to commodity prices

It is interesting to note that no increase to distribution rates between 2000 and 2006 were related directly to LDC operating costs. In fact, the IPI - X adjustment in March 2002 resulted in a rate decrease. Until May 2006, all distribution rate increases related to recovery of return, the introduction of PILs and the recovery of regulatory assets.

Please note that bill impact calculations provided for Veridian for the period 2000 to 2006 are for the Ajax / Pickering / Clarington / Uxbridge rate zone only. The corresponding calculations for the remainder of Veridian's service territory could not be prepared in the time available.

SCHOOL ENERGY COALITION
TECHNICAL CONFERENCE QUESTIONS

School Energy Coalition Question 16

Please provide a list of the Tier 1 adjustments sought by your utility in your 2006 rate application, the dollar amount of each, and the total revenue requirement applied for.

Response

Hydro Ottawa Limited and **Toronto Hydro-Electric System Limited** filed on a forward test year basis and did not make any Tier 1 adjustments.

Enersource Hydro Mississauga Inc.
Enersource Hydro provided a list of proposed Tier 1 adjustments at RP-2005-0020/EB-2005-0360/Tab 7/p8-11. They are summarized for convenience in the following table.

Rate Base	**Amount (in millions)**	**Status**
Wholesale meters	$0.713	Approved
Regulatory Assets	($1.722)	Approved
Smart Meters	$8.484	Removed
Total	**7.475**	

Distribution Expense	**Amount (in millions)**	
OEB assessment	$0.843	Approved
Pension	$0.874	Approved
Insurance	$0.048	Approved
LV	$0.540	Approved
Amortization	$0.566	Removed
Branding, Charitable Contributions	$0.021	Approved
Smart Meters	$0.351	Removed
CDM	$1.525	Approved
Unfilled Vacancies	$1.132	Approved
Previously capitalized labour costs	$0.177	Approved
Total	**$6.077**	

Horizon Utilities Corporation

Schedule 3-1c: Tier 1 Adjustments

Horizon Utilities Corporation

1. Standard Distribution Expense Adjustments

Standard Distribution Expense Adjustments	2005 Actual (1)	2004 Actual (2)	Adjustment (3) (1) - (2)
OEB Annual Assessment	$709,386	$405,448	$303,938
Electricity Safety Authority	$84,310	$37,203	$47,107
Pensions	$3,171,049	$2,741,651	$429,398
Insurance	$712,617	$683,157	$29,459

2. Other Standard Rate Base, Distribution Expense & Revenue Adjustments

Other Standard Rate Base, Distribution Expense & Revenue Adjustments	Incremental Amount of Adjustment	Description of Adjustment	Rate Base, Distribution Expense & Revenue Adjustments
Cost Of Power Adjustment	$9,237,355	Adjustment for Normalized Cost Of Power, as calculated by Rate Model.	Rate Base
Cost Of Power Adjustment	$229,817	Additional Accounting Adjustment.	Rate Base
Wholesale Meters	$807,000	Cost to upgrade wholesale meters in 2005 to be compliant with IESO Market Rules.	Rate Base
Conservation & Demand Management	$3,939,296	Third tranche Capital Expenditures.	Rate Base
Smart Meters	$13,295,350	Post third tranche Capital Expenditures	Rate Base
Sub-Total	$27,508,818	Tier One Adjustments	Rate Base
Advertising Expenses Excluded	-$38,207	Advertising Expenses excluded from Distribution Expenses.	Distribution Expense
Charitable Donations	-$1,390	Charitable donations excluded from Distribution Expenses.	Distribution Expense
Wholesale Meter Amortization	$32,280	Amortized over 25 years no half year rule.	Distribution Expense

Conservation & Demand Management Amortization	**$104,038**	Load control capital amortized over 10 yrs, and other Utility Plant Amortized over 25 years, using half year rule.	**Distribution Expense**
Smart Meter Amortization	**$443,178**	Smart Meters amortized over 15 years using half year rule.	**Distribution Expense**
Low Voltage Adjustments	**$554,796**	Low Voltage Charges Hydro One to Commence billing in May 2006	**Distribution Expense**
Smart Meter Initiatives	**$574,819**	Incremental annual operating expenses in 2006.	**Distribution Expense**
Sub-Total	**$1,669,515**	**Tier One Adjustments**	**Distribution Expense**
Gain on Disposition of Utility & Other Property	**$351,064**	Capital gains are not a normal and recurring activity and should not become revenue offsets. 1/2 of Capital Gain on non-depreciable property of $4087.50 was left in this revenue account as this amount must accrue to the benefit of the ratepayer.	**Distribution Revenue**
Miscellaneous Non-Operating Income	**$312,214**	The amount reflects Miscellaneous Revenues which are expected to be significantly less in 2006. Mainly for Sale of scrap which has been high during a reduction of inventory program which is expected to end in 2005.	**Distribution Revenue**
Interest & Dividend Income	**$1,098,514**	Surplus cash balance were eliminated in 2005 when a recapitalization dividend was paid to the Shareholder in order to maintain debt/equity ratio for ROE. The affect of this dividend eliminates future interest income and is non-recurring.	**Distribution Revenue**
Interest & Dividend Income	**$350,895**	Reduction of interest income for the interest on consumer & retailer deposits, for interest on Capital Contribution Deposits and reductions in cash balances.	**Distribution Revenue**
Sub-Total	**-$2,112,687**	**Tier One Adjustments**	**Distribution Revenue**

PowerStream Inc.
Tier 1 adjustments were filed in schedule 3-1 of the 2006 EDR application. These figures are prior to the appeal.

Rate Base	**Amount**
Wholesale meters	$900,000
CDM	$2,874,000
COP/Working capital	$451,764
Total	**$4,225,764**

Distribution Expense	**Amount**
OEB dues	$839,919
Pension	$70,004
Insurance	($171,638)
Non routine	($2,413,543)
LV	$1,162,169
Amortization	$299,920
Total	**($213,169)**

Veridian Connections Inc.

Tier 1 Adjustments sought 2006 EDR application		Veridian Connections		Gravenhurst Hydro		Scugog Hydro
Tier 1 Rate Base Adjustments						
Wholesale Meters	$	633,812	$	26,716	$	-
CDM Capital Amount-3rd tranche	$	2,511,000	$	30,000	$	-
Smart Meters post 3rd tranche	$	4,619,350	$	299,000	$	122,600
Non-Routine/Unusual Adjustments	$	5,807,917	$	-	$	-
Total Rate Base Adjustments	$	13,572,079	$	355,716	$	122,600
Working Capital Tier 1 Adjustment	$	4,549,137	$	6,720,701	$	106,990
Tier 1 - OM&A Adjustments						
OEB Annual Dues/Regulatory Costs	$	154,145	$	13,101	$	1,588
Pensions	$	29,631	$	(1,754)	$	-
Insurance	$	(7,904)	$	2,812	$	177
Non-Routine/Unusual Adjustments	$	87,147	$	-	$	2,565
Adjust Amt Assigned to Distribution by th	$	(414,587)	$	-	$	10,480
Bad Debt Expense Non-Recoverable	$	(100,166)	$	-	$	(1,151)
Advertising Expense Non-Recoverable	$	(2,115)	$	-	$	-
Employee Dues Non-Recoverable	$	(3,373)	$	-	$	-
Charitable Contributions Non-Recoverat	$	(38,499)	$	(288)	$	-
	$	(295,721)	$	13,871	$	13,659
Tier 1 - Other						
Low Voltage/Wheeling	$	1,754,815	$	247,647	$	57,372
Incremental Smart Metering OM&A	$	228,381	$	14,783	$	6,061
	$	1,983,196	$	262,430	$	63,433
Total Revenue Requirement Applied For	$	40,311,478	$	2,959,148	$	1,017,682