Electricity Distributors Finance Corporation

Report Date: September 9, 2005
Press Released: September 1, 2005
Previous Report: July 26, 2004

Matthew Kolodzie, CFA/Nick Dinkha, CFA
416-593-5577 x2296/x2314
mkolodzie@dbrs.com

Rating

Rating	Trend	Rating Action	Debt Rated
A (low)	Stable	Confirmed	Ownership Interests in Unsecured Debentures

(All figures in Canadian dollars, unless otherwise noted.)

Rating History

	Current	2004	2003	2002	2001	2000
Unsecured Debentures	A (low)	A (low)	A (low)	A	NR	NR

Rating Update

The rating confirmation on the certificates of the Electricity Distributors Finance Corporation ("EDFIN") is based on the credit profile of Enwin Powerlines Ltd. ("Enwin Powerlines"), which continues to trend as expected.

The certificates represent undivided co-ownership interests in unsecured debentures issued by the three participating local distribution companies ("LDC Participants"). The rating on the unsecured debentures of EDFIN is supported by the credit strength of the LDC Participants. The obligations of the individual LDC Participants is several and not joint, and each LDC Participant is liable only for its obligations and not for the obligations of any others. Hence, the rating of the Unsecured Debentures of EDFIN is based on the rating of the weakest LDC Participant. In addition, default of the obligations to EDFIN of one LDC Participant will result in a proportionate default of the Unsecured Debentures issued by EDFIN. Of the three LDC Participants, Enwin Powerlines continues to have the weakest financial profile. However, its financial profile is expected to remain sufficiently strong to support the current rating over the medium term. This is based on DBRS's expectation that Enwin Powerlines will generate in excess of $5.0 million of free cash flow annually, which will be used primarily to pay down debt. As such, cash flow-to-debt and interest coverage ratios will gradually improve to an acceptable level for the current rating.

DBRS is upgrading the rating on PowerStream Inc. ("PowerStream") to "A" from A (low). The upgrade is based on the continued strengthening of PowerStream's financial profile since it was formed by the amalgamation of three LDCs in June 2004, together with an overall improvement in the provincial government's support of electricity distributors and the electricity market as a whole. This follows the trend of upgrades on other LDCs in the past few months. DBRS expects PowerStream's financial profile to remain relatively stable, and cash flow from operations to continue to fully fund capital expenditures and dividends to its shareholders.

The rating on Barrie Hydro Distribution Inc. ("BHDI") is confirmed at "A", based on the continued strength of its financial profile. However, DBRS notes that BHDI will incur significant capital expenditures over the next few years to accommodate growth in its service area. As such, leverage is expected to increase over the medium term to finance the growth, but is not expected to exceed BHDI's deemed debt-to-capital of 55%. Hence, key financial ratios are expected to remain strong enough to support its rating.

DBRS highlights two uncertainties/risks going forward for regulated electricity distributors in Ontario. (1) The regulatory framework beyond 2006 remains uncertain. However, DBRS expects that the Ontario Energy Board ("OEB") will maintain a supportive regulatory framework for electricity distributors, which would likely include full cost-of-service recovery, a market-based rate of return, and a performance-based incentive mechanism. (2) Political intervention remains a key risk, especially in light of rising electricity commodity prices and anticipated increases in transmission and distribution rates over the medium to longer term. Should the total cost of electricity to consumers rise too quickly, the government could interfere with the OEB's rate-making process, or cap rates as has happened in the past. This risk would be highest leading up to a provincial election. However, DBRS considers this risk to be lower under the current government than the previous government, given that the current government has made a strong commitment to passing on the full cost of electricity to consumers.

Rating Considerations

Strengths:

- Regulated electricity distribution provides stability to earnings and cash flows
- Favourable franchise area and customer profiles
- Supportive municipal shareholders

Challenges:

- Political risk and regulatory uncertainty
- Low regulatory returns
- Earnings sensitive to volume of electricity sold
- Lack of access to public equity markets

Financial Information

	Funds from EDFIN ($ millions)	1999 rate base ($ millions)	Total debt-to-capital	EDFIN debt-to-capital	EBIT interest coverage (times)	Cash flow-to-debt	Cash flow-to-capex (times)
PowerStream Inc.	100	417	58.9%	23.7%	2.31	16.9%	1.49
Enwin Powerlines Ltd.	50	132	63.8%	31.3%	1.27	10.5%	1.48
Barrie Hydro Distribution Inc.	25	108	37.8%	21.0%	3.68	25.9%	0.84

The Company

Electricity Distributors Finance Corporation was incorporated to purchase debentures and other prescribed instruments issued by participating LDCs and to sell undivided co-ownership interests in the debentures. The three (formerly five) participating LDCs are PowerStream Inc. (formerly Hydro Vaughan Distribution Inc., Markham Hydro Distribution Inc., and Richmond Hill Hydro Inc.), Enwin Powerlines Ltd., and Barrie Hydro Distribution Inc. The individual LDCs, or holding companies of the LDCs, are wholly owned by the municipalities they serve.

STRUCTURE

- The EDFIN debentures are pooled debenture ownership interests representing undivided co-ownership interests in unsecured debentures issued by the LDC Participants on a several basis.
- $175 million Series 2002-1, interest at 6.45% per annum, paid semi-annually, maturing on August 15, 2012 (ten years).
- Security: None.
- Redemption: Each participating LDC has the right to redeem, in part or in whole, the debenture issued by it, at any time prior to the maturity date, at a price equal to the greater of: (1) par, and (2) the Canada Yield Price plus accrued and unpaid interest.
- Key covenants: Each LDC will: (1) ensure that its funded obligations do not exceed 75% of its consolidated net worth; (2) not take out a mortgage on its primary assets; (3) not enter into any sale and leaseback transaction exceeding 10% of its consolidated net worth; (4) not invest in energy retailing beyond 20% of its consolidated net worth (applicable only to holding company participants); (5) carry adequate insurance; (6) pay its payments in lieu of taxes; (7) maintain its distribution system in good working order; and (8) comply with OEB regulatory requirements, the *Electricity Act, 1998* (the "Electricity Act") (Ontario), and the *Ontario Energy Board Act, 1998* (Ontario).
- Ranking: All ownership interests rank equally with respect to their rights pursuant to each underlying debenture. Each underlying debenture is a direct, unsecured obligation of the LDC that issued it, ranking pari passu with all other debentures and prescribed debt instruments of such LDC. However, the unsecured debentures rank senior to all debt in the form of promissory notes held by the municipal shareholders of each LDC Participant.

RATING METHODOLOGY

The methodology for rating the Unsecured Debentures of EDFIN is as follows: The obligations of the LDC Participants are several and not joint. Thus, each LDC Participant will be liable only for its own obligations under the deposited security issued by it and not for the obligations of any other LDC Participant. Default of the obligations to EDFIN of one LDC Participant will result in a proportionate default of the unsecured debentures issued by EDFIN. Hence, the rating of the Unsecured Debentures of EDFIN is based on the rating of the weakest LDC Participant.

The ratings are assigned to the individual LDCs and not their parent holding companies ("HoldCo"), since the LDCs (and not the HoldCos) are the entities participating in the EDFIN financing.

REGULATION

Electricity distribution operations are regulated by the OEB under the Electricity Act, with the following noteworthy amendments:

- The *Electricity Pricing, Conservation and Supply Act, 2002* ("Bill 210') – December 9, 2002,
- The *Ontario Energy Board Amendment Act, 2003* ("Bill 4") – December 18, 2003, and
- The *Electricity Restructuring Act, 2004* ("Bill 100") – December 9, 2004.

Under the Electricity Act:

- LDCs were each assigned a deemed capital structure based on the size of their 1999 rate base:
  - PowerStream qualified for a capital structure of 60%/40% debt/equity,
  - Enwin Powerlines qualified for 55%/45%, and
  - BHDI also qualified for 55%/45%.
- All LDCs were allowed a return on equity (ROE) of up to 9.88%.
  - Distribution rates were to be increased incrementally over three years to achieve the allowed ROE by 2004, but were capped under Bill 210 before the final increase to reach 9.88% was implemented.
- With each increase, distribution rates were adjusted under a performance-based regulation mechanism, which included a performance improvement factor, an inflation adjustment, and an additional adjustment for the recovery of one-time costs.

Among other things, Bill 210 brought about rate caps for all Ontario LDCs, which was the primary factor leading to the downgrade of several Ontario LDCs in early 2003.

- In addition to eliminating the final increase to reach an ROE of 9.88%, the recovery of certain transitional and regulatory costs was also put on hold.

Bill 4 reversed some of the negative aspects of Bill 210:

- Effective April 1, 2004, the OEB permitted LDCs to recover regulatory assets and variance accounts over a four-year period.
- Effective March 1, 2005, all LDCs were entitled to recover the third and final phase of their rate increases to earn a 9.88% ROE.
  - However, in accordance with Bill 4, revenues earned during the first year of this rate increase must be utilized for conservation and demand management ("C&DM") programs. C&DM programs are required to be fully implemented by September 30, 2007.

Bill 100 was essentially neutral for LDCs, but provided a framework for the Ontario market that is intended to bring stability to the industry over the medium to longer term.

On May 11, 2005, the OEB released its 2006 Electricity Distribution Rate Handbook, which is designed to establish approved rates for LDCs based on updated revenue requirements, with these new distribution rates effective on May 1, 2006.

- Updated revenue requirements will be full cost-of-service, including the rebasing of the LDCs' rate base to the December 31, 2004, asset base, or the 2006 forecast.
- The OEB has set the allowable ROE for establishing 2006 rates at 9.0%.

Rating Considerations

The following is a list of strengths and challenges common to all three LDC Participants. Specific strengths and challenges for individual LDC Participants are discussed in the individual sections of this report.

Strengths: (1) All LDC Participants' revenue is generated from regulated distribution operations, which provide for reasonably stable earnings and cash flow. According to existing regulation, any higher risk, non-regulated operations, such as generation or energy retailing, must be undertaken by a separate legal entity.
(2) Each LDC Participant is the monopoly operator in its franchise area as electricity distribution is not subject to competition. The customer load profiles of the LDC Participants are reasonably well-diversified, consisting predominately of a residential and small commercial customer base, with limited exposure to larger cyclical industrial customers. This provides a relatively stable and predictable demand load year-over-year, with limited influence from economic cycles. Historical distribution load growth (over the past five years) in each LDC Participant's franchise area has exceeded 3.0% on average. While future load growth is less certain, given the current government's energy conservation efforts, each of the municipalities in which the LDC Participants serve are expected to benefit from favourable population growth over the near to medium term, which should result in overall electricity sales growth.
(3) Each municipal shareholder of the individual LDC Participants (or holding companies of the LDC Participants) is financially strong and could provide additional equity injections or limit dividend requirements, if necessary, to further support its LDC's capital structure. For example, a promissory note issued to a municipal shareholder could be converted into equity to provide support. Shareholders cannot, however, provide formal guarantees to LDC debt obligations as the Ontario municipal legislation prohibits municipalities from doing so.

Challenges: (1) Political risk and regulatory uncertainty is the most significant challenge for LDCs in Ontario. Bill 210 is a prime example of this risk as this piece of legislation brought in rate caps and undermined the OEB's independence. However, under the current provincial government's regime, much has been done to bring confidence and stability back to Ontario's electricity industry. Bill 4 eliminated the majority of the negative impacts that Bill 210 had on the cash flows of LDCs, and Bill 100 supports the long-term viability of the industry as a whole. DBRS views the OEB's rate structure, planned for implementation on May 1, 2006, as credit neutral for electricity distribution companies. However, some uncertainty exists regarding the regulatory framework beyond 2006. The most significant risk over the near term is the possibility of further political intervention should the cost of electricity to end consumers increase too quickly. Higher prices will arise from: (a) the costs associated with new generation capacity being added within the province, which is largely higher-marginal-cost gas-fired capacity, (b) higher distribution costs following re-basing in 2006, and (c) recovery of approximately $4 billion in transmission upgrades in the province over the next ten years. Should prices increase too quickly, especially around election time, there is a risk that the government would intervene in the rate-setting process. However, DBRS considers this risk to be low.
(2) The approved ROE of 9.0% for 2006 is low compared with regulated utilities in the U.S. having similar business risk profiles (typically in the 10% to 12% range). As such, cash flow and coverage ratios for LDCs will typically be lower than for similarly regulated utilities in the U.S. However, this ROE is in line with the lower rates of return typically granted to regulated utilities in Canada.
(3) Earnings and cash flow for electricity distribution companies are dependent on the volume of electricity sold. Seasonality, economic cyclicality, and year-over-year changes in weather patterns directly impact the volume of electricity sold and, hence, revenue earned from electricity sales. In addition, energy conservation efforts, encouraged by recent provincial government initiatives, may result in a marginal reduction in energy sales or at least slower sales growth over the medium term. However, the LDC Participants' well-diversified and growing customer base helps mitigate most of these risks. In addition, the provincial government has indicated that future regulation will include provisions to ensure demand side management (DSM) does not have a negative financial impact on LDCs.
(4) LDCs do not have access to the capital markets for common equity. This limits financial flexibility, especially in its ability to invest in a significant capital project. In addition, key debt ratios and balance sheet strength would come under pressure if internally generated cash flows were insufficient to fund capital expenditures or finance growth.

PowerStream Inc.

RATING

Rating	Trend	Rating Action	Debt Rated
A	Stable	Upgraded	Issuer Rating

RATING HISTORY	Current	2004	2003	2002	2001	2000
Issuer Rating	A	A (low)	NR	NR	NR	NR

RATING UPDATE

DBRS is upgrading the rating on PowerStream Inc., ("PowerStream") to "A" from A (low); the trend is Stable. The upgrade is supported by: (1) PowerStream's strong financial profile, which has shown modest improvement since the amalgamation in June 2004, and (2) an improvement in the provincial government's support of electricity distributors and the electricity market as a whole (with the passing of Bill 4 in December 2003 and Bill 100 in December 2004). On June 1, 2004, DBRS assigned a rating of A (low) to PowerStream, which was formed by the amalgamation of Hydro Vaughan Distribution Inc., Markham Hydro Distribution Inc., and Richmond Hill Hydro Inc. PowerStream is jointly owned by the City of Vaughan (59%) and the Town of Markham (41%).

The amalgamation is expected to achieve annual cost savings of approximately $5 million to $7 million, with the majority of savings related to staff reduction.

At amalgamation, total debt-to-capital was approximately 64%, and has since improved to below 60%. DBRS expects leverage to remain near the deemed 60% level going forward. Hence, cash flow-to-debt is expected to exceed 15% and EBIT interest coverage will likely be between 2.25 times to 2.50 times over the medium term. As such, PowerStream's financial profile is expected to remain adequate to support the "A" rating.

Given PowerStream's strong franchise area and relatively stable electricity sales volumes, cash flow from operations is expected to remain adequate to fund capital expenditures in the $30 million to $40 million range and expected dividends of approximately $4 million per year.

In March 2005, PowerStream announced its intention to acquire Aurora Hydro Connections Limited for $34.5 million. The acquisition, which will be funded with cash on hand, is currently awaiting OEB approval (expected during the fall of 2005). PowerStream is expected to continue seeking additional growth opportunities through mergers and/or acquisitions, and views a customer base in the 300,000 to 500,000 range to be the optimal size for a regulated distribution company. PowerStream currently has about 200,000 customers and is the third-largest LDC in Ontario in terms of annual sales.

UNIQUE RATING CONSIDERATIONS

Strengths:

- The PowerStream service territory is situated in an area of strong growth. Residential customer growth in the area has averaged approximately 5% per year over the past five years. Similar growth is expected over the medium term and should lead to favourable load growth.
- PowerStream has a high proportion of residential customers, which accounts for roughly 50% of electricity revenues and provides a stable source of demand as these customers are less affected by economical cycles than commercial/industrial.
- Efficiency improvement potential from amalgamation.

Challenges:

- Managing the amalgamation and identifying growth opportunities to achieve desired size.
- Dealing with transmission constraints to accommodate load growth in PowerStream's service area.

FINANCIAL INFORMATION

	13 months ended	Jun. 1, 2004, to	For the year ended Dec. 31	
Operating Data	June 30, 2005	Dec. 31, 2004	2003P	2002P
EBIT interest coverage (times)	2.31	2.10	3.08	2.97
Total debt-to-capital	58.9%	59.7%	51.5%	54.0%
Cash flow-to-toal debt	16.9%	n/a	21.0%	19.1%
Operating cash flow ($ millions)	42.1	24.0	50.0	45.4
Net income ($ millions)	15.0	7.7	21.2	18.3
Operating margin	39.7%	n/a	45.5%	42.2%
Return on average equity	8.8%	n/a	9.9%	18.1%
Electricity throughput (GWh)	n.a.	6,019	5,920	5,733
Customer base	199,775	197,167	190,250	181,071

P = pro forma (consolidation of Richmond Hill Hydro, Hydro Vaughan, and Markham Hydro).

n/a = not applicable. n.a. = not available.

FINANCIAL PROFILE AND OUTLOOK

Cash Flow Statements ($ millions)	13 months ended June 30, 2005	Jun. 1, 2005, to Dec. 31, 2004	For the year ended Dec. 31 2003P	2002P
Net income	15.0	7.7	21.2	18.3
Depreciation	29.8	15.8	27.7	24.6
Other non-cash items	(2.8)	0.5	1.0	2.5
Cash Flow From Operations	42.1	24.0	50.0	45.4
Common dividends	-	-	-	(0.4)
Capital expenditures	(28.3)	(14.7)	(21.6)	(22.0)
Cash Flow Before Working Capital	13.8	9.3	28.3	23.1
Changes in working capital	(0.4)	(18.7)	12.3	(16.2)
Free Cash Flow	13.4	(9.4)	40.6	6.9
Other (investments)/dispositions	3.1	0.9	(16.3)	5.8
(Increase in)/recovery of regulatory assets	7.4	7.4	8.8	(14.3)
Net change in equity	-		-	-
Net change in debt	(25.0)	(25.0)	(3.0)	(30.9)
Other financing	1.3	1.6	(0.4)	1.7
Net Change in Cash	0.2	(24.4)	29.8	(30.7)
Key Financial Ratios				
Total debt-to-capital *	58.9%	59.7%	51.5%	54.0%
Net debt-to-capital	51.7%	54.5%	40.4%	49.4%
EBITDA interest coverage	3.82	3.37	4.59	4.78
EBIT interest coverage	2.31	2.10	3.08	2.97
Cash flow-to-total debt	16.9%	9.8%	21.0%	19.1%

P = pro forma (consolidation of Richmond Hill Hydro, Hydro Vaughan, and Markham Hydro).

*Includes subordinate debt (promissory notes to shareholders).

Financial Profile:

- PowerStream has a relatively strong financial profile for a regulated distribution utility, characterized by:
  - Reasonable leverage at just below the deemed 60% debt-to-capital, and
  - Favourable cash flow-to-debt and interest coverage ratios.
- Since the June 2004 amalgamation, PowerStream has achieved material cost savings and has generated sufficient cash flow to fully fund its capital expenditures.

Outlook:

- PowerStream is situated in an area with a relatively strong population growth rate. As such, load growth is expected to be in the 3% to 4% range over the next five years.
- In addition, PowerStream expects to achieve cost savings of approximately $5 million to $7 million annually from the amalgamation, with the majority of savings related to staff reduction through eliminating duplication.
- Given PowerStream's strong franchise area with modest growth potential, cash flow from operations is expected to remain adequate to fully fund capital expenditures in the $30 million to $40 million range and expected dividends of $4 million per year.
  - PowerStream is currently developing a formal dividend policy, which is expected to be in place by the end of 2005.
- Debt-to-capital will increase to 61% by the end of 2005 as PowerStream will use its credit facilities to pay off its $25 million dividend payable to the City of Vaughan.
- DBRS expects leverage to remain near the deemed 60% level going forward. Hence, cash flow-to-debt is expected to exceed 15% and EBIT interest coverage will likely be between 2.25 times to 2.50 times.
  - As such, PowerStream's financial profile is expected to remain adequate to support the "A" rating.

Bank Lines and Long-Term Debt

Bank Lines:
PowerStream has the following credit facilities:

- A $25 million operating loan, which was fully available at June 30, 2005.
- A $100 million extendible revolving facility, which has a total of $15.7 million committed as a letter of guarantee to provide prudential support to the Independent Electricity System Operator.

Long-Term Debt:
PowerStream's long-term debt consists of the following:

- Senior unsecured debentures totalling $100 million issued to EDFIN, maturing August 15, 2012.
- Before the end of 2005, PowerStream will use its credit facilities to pay its $25 million dividend payable due to the City of Vaughan.
- Subordinate debt to shareholders (promissory notes) totalling $144.3 million.
  - $78.2 million held by the City of Vaughan; and
  - $67.9 million held by the Town of Markham.

Corporate Structure

- PowerStream is a regulated LDC that distributes electricity in the municipalities of Markham, Richmond Hill, and Vaughan.
- PowerStream has 197,167 customers (December 31, 2004) within its service area consisting of 172,636 residential, 24,500 general service, five large industrial customers, and 26 street lighting customers.
- PowerStream is 59%-owned by the City of Vaughan and 41% by the Municipality of Markham and was formed on June 1, 2004, by the amalgamation of Hydro Vaughan Distribution Inc. and Markham Hydro Distribution Inc., each of which owned 50% of Richmond Hill Hydro Inc.
- PowerStream has a 1999 rate base of $417 million.
- PowerStream's interest in non-regulated activities comprises waterheater rentals and leasing of fibre optic cable.

Income Statements ($ thousands)	13 months ended June 30, 2005	Jun. 1, 2004, to Dec. 31, 2004	For the year ended Dec. 31 2003P	2002P
Gross electricity revenues	559.6	289.6	484.8	457.8
Power purchases	459.4	235.7	377.7	377.5
Net distribution revenues	100.1	53.9	107.1	80.3
Ancillary revenues	8.9	7.0	-	-
Contribution from Richmond Hill Hydro Inc.	-	-	-	10.0
Net operating revenues	109.1	61.0	107.1	90.3
Expenses				
Operating and maintenance	13.0	6.7	12.5	10.4
General and administration	22.2	13.6	19.6	16.7
Municipal and property taxes	2.4	1.3	2.3	2.0
Depreciation & amortization	28.2	14.9	24.0	23.2
Total operating expenses	65.7	36.5	58.4	52.2
Operating income	43.3	24.5	48.7	38.1
Other (income)/expense	-	-	-	-
Earnings before interest & taxes (EBIT)	43.3	24.5	48.7	38.1
Interest expense	18.7	11.7	15.8	12.8
Non-cash financial charges	-	-	-	-
Net interest expense	18.7	11.7	15.8	12.8
Pre-tax income	24.6	12.8	32.9	25.3
Income taxes/PILS	9.6	5.1	11.7	7.0
Net income	15.0	7.7	21.2	18.3

Cash Flow Statements ($ millions)	13 months ended June 30, 2005	Jun. 1, 2005, to Dec. 31, 2004	For the year ended Dec. 31 2003P	2002P
Net income	15.0	7.7	21.2	18.3
Depreciation	29.8	15.8	27.7	24.6
Other non-cash items	(2.8)	0.5	1.0	2.5
Cash Flow From Operations	42.1	24.0	50.0	45.4
Common dividends	-	-	-	(0.4)
Capital expenditures	(28.3)	(14.7)	(21.6)	(22.0)
Cash Flow Before Working Capital	13.8	9.3	28.3	23.1
Changes in working capital	(0.4)	(18.7)	12.3	(16.2)
Free Cash Flow	13.4	(9.4)	40.6	6.9
Other (investments)/dispositions	3.1	0.9	(16.3)	5.8
(Increase in)/recovery of regulatory assets	7.4	7.4	8.8	(14.3)
Net change in equity	-		-	-
Net change in debt	(25.0)	(25.0)	(3.0)	(30.9)
Other financing	1.3	1.6	(0.4)	1.7
Net Change in Cash	0.2	(24.4)	29.8	(30.7)

Capital Structure				
Short-term debt	2.6	-	-	-
Promissory notes	146.1	146.1	-	-
Debt from EDFIN	100.0	100.0	212.9	212.9
Total Debt	248.7	246.1	212.9	212.9
Total equity	173.7	166.4	224.1	202.9
Total Captal	422.4	412.5	437.0	415.7

Key Financial Ratios				
Total debt-to-capital *	58.9%	59.7%	51.5%	54.0%
Net debt-to-capital	51.7%	54.5%	40.4%	49.4%
EBITDA interest coverage	3.82	3.37	4.59	4.78
EBIT interest coverage	2.31	2.10	3.08	2.97
Cash flow-to-total debt	16.9%	9.8%	21.0%	19.1%

P = pro forma (consolidation of Richmond Hill Hydro, Hydro Vaughan, and Markham Hydro).

*Includes subordinate debt (promissory notes to shareholders).

PowerStream Inc.

Balance Sheet

($ millions)

Assets	As at June 30, 2005	As at December 31 2004	2003P	Liabilities & Equity	As at June 30, 2005	As at December 31 2004	2003p
Cash & short-term investments	62.8	47.0	85.9	Short-term debt	2.6	-	25.0
A/R & unbilled revenue	123.8	104.3	90.7	A/P & accruals	131.0	111.8	85.7
Inventories	4.5	4.9	7.3	Other	-	5.0	3.3
Other	8.1	5.1	1.0	**Current Liabilities**	133.6	116.8	114.0
Current Assets	199.2	161.3	185.0	Customer deposits	11.5	11.5	19.6
Net fixed assets	350.7	350.6	346.9	Long-term debt	246.1	246.1	212.9
Regulatory assets	-	-	2.3	Regulatory liabilities	15.8	16.6	2.0
Other assets	16.7	16.8	8.4	Other liabilities	18.9	4.3	3.1
Goodwill & other assets	33.0	33.0	33.2	Shareholders' equity	173.7	166.4	224.1
Total	599.6	561.7	575.7	**Total**	599.6	561.7	575.7

Profitability/Operating Efficiency	13 months ended June 30, 2005	Jun. 1, 2004, to Dec. 31, 2004	For the year ended December 31 2003P	2002P	2001P	2000P
Operating margin	39.7%	40.1%	45.5%	42.2%		
Pre-tax margin	22.5%	21.0%	30.7%	28.0%		
Return on avg. common equity	8.8%	4.0%	9.9%	18.1%		
MWh sold/employee	n.a.	15,966	n.a.	n.a.		
Customers/employee	n.a.	523	n.a.	n.a.		
Oper. costs/avg. customer ($)	n.a.	26	n.a.	n.a.		
Rate base	417	417	417.0	417.0		
Number of employees	344	377	n.a.	n.a.		
Peak system demand (MW)	1,383	1,240	n.a.	n.a.		
Electricity Throughputs						
Residential	n.a.	1,744	1,723	1,700	1,556	1,424
General service	n.a.	3,837	3,774	3,583	3,466	3,439
Large users	n.a.	403	392	421	416	300
Street lighting	n.a.	35	31	29	30	28
Total – (GWh)	n.a.	6,019	5,920	5,733	5,468	5,191
Number of Customers						
Residential	174,781	172,636	166,230	157,569	148,204	138,753
General service	24,962	24,500	23,989	23,468	22,787	22,566
Large users	5	5	5	5	6	6
Street lighting	27	26	26	29	27	93
Total	199,775	197,167	190,250	181,071	171,024	161,418
Unit Revenues & Costs (cents per kWh throughputs)						
Average gross revenues		4.93	8.19	7.98		
Power costs		3.92	6.38	6.58		
Average net revenues		1.01	1.81	1.58		
Variable costs (OM&A + PILS)		0.42	0.74	0.59		
Fixed costs (deprec., int., gov't levies)		0.46	0.71	0.66		
Total costs (excl. power costs)		0.88	1.45	1.26		
Net margin		0.13	0.36	0.32		

P = pro forma (consolidation of Richmond Hill Hydro, Hydro Vaughan, and Markham Hydro).

n.a. = not available.

Enwin Powerlines Ltd.

Rating

Rating	Trend	Rating Action	Debt Rated
A (low)	Stable	Confirmed	Issuer Rating

Rating History

	Current	2004	2003	2002	2001	2000
Issuer Rating	A (low)	A (low)	A (low)	A	NR	NR

Rating Update

The rating on Enwin Powerlines Ltd. ("Enwin Powerlines") is confirmed as noted, based on the strength and stability of its regulated electricity distribution operations.

However, DBRS notes that while total debt-to-capital has decreased over the past three years to 63.8%, it remains well above the deemed level of 55% and at the high end for an A (low) rating given Enwin Powerlines' size and risk profile. Furthermore, cash flow from operations dropped by about 10% during the 12 months ended June 30, 2005, versus 2003 as a result of a 5% drop in distribution revenues and modestly higher operating costs. The drop in distribution levels was largely a result of a slowdown in manufacturing activity in the Windsor area.

Despite the drop in operating cash flow, Enwin Powerlines has generated more than sufficient cash flow to fully fund capital expenditures on an ongoing basis since 2003. With the excess cash flow used to reduce short-term debt.

The ratings confirmation is based on DBRS's expectation that cash flow from operations will improve substantially in the coming years as Enwin Powerlines, along with other LDCs in Ontario, receive the full benefit of the final instalment of rate increases to earn the market-based rate of return and a larger rate base beginning in 2006. After funding capital expenditures, Enwin Powerlines is expected to generate in the order of $5.0 million to $8.0 million of free cash flow annually, which will be mainly utilized to pay down debt. As such, cash flow-to-debt and interest coverage ratios will gradually improve to an acceptable level for the rating over the medium term, in line with the expected reduction in leverage. In addition, it is expected that Enwin Powerlines will not pay out cash dividends until it is able to reduce leverage down to the deemed amount of 55%, thus providing added financial flexibility.

Of the three LDCs that comprise EDFIN financing, Enwin Powerlines currently has the weakest financial profile.

Unique Rating Considerations

Strengths:

- State-of-the-art billing system: Enwin Powerlines installed a billing system that is capable of providing billing services to other LDCs, which increase an earnings growth opportunity for Enwin Powerlines.
- The reduction in the size of the Enwin group's non-union workforce since July 2002 will continue to contribute to a reduction in operating costs.

Challenges:

- The high proportion of industrial customer base: Roughly 37% of electricity sales are to Enwin Powerlines' ten largest industrial customers. Demand from industrial customers tends to fluctuate with economic cycles, and is less stable than residential or small commercial.
- Leverage is moderately high for an LDC the size of Enwin Powerlines but is expected to improve over the medium term.

Financial Information

	12 mos. ended	For the year ended December 31				
	June 30, 2005	2004	2003	2002	2001	2000
EBIT interest coverage (times)	1.23	1.27	1.52	1.03	(0.91)	198.38
Total debt-to-capital	63.8%	65.9%	64.5%	68.3%	59.2%	53.7%
Cash flow-to-total debt	10.5%	9.7%	10.5%	5.7%	4.1%	14.1%
Operating cash flow ($ millions)	10.66	10.77	12.10	7.49	3.61	10.51
Net income before extras. ($ millions)	0.98	1.25	2.74	(0.23)	(4.06)	2.94
Operating margin	17.5%	18.0%	23.0%	13.7%	-6.8%	12.0%
Return on average equity	1.6%	2.1%	4.4%	-0.4%	-6.5%	2.8%
Electricity throughput (GWh)		3,173	3,235	3,386	3,267	3,233
Customer base		83,816	82,161	81,318	80,006	78,718

Financial Profile and Outlook

Cash Flow Statements ($ millions)	12 mos. to June 30, 2005	For the year ended December 31 2004	2003	2002	2001	2000
Net income (before extras.)	0.98	1.25	2.74	(0.23)	(4.06)	2.94
Depreciation	9.11	8.93	8.55	7.73	7.43	7.00
Other non-cash items	0.56	0.58	0.81	(0.01)	0.24	0.58
Cash Flow From Operations	10.66	10.77	12.10	7.49	3.61	10.51
Common dividends	-	-	-	-	-	-
Capex (net of capital contrib.)	(7.18)	(8.13)	(8.65)	(17.13)	(12.06)	(19.95)
Cash Flow Before Working Capital	3.48	2.64	3.45	(9.65)	(8.45)	(9.44)
Changes in working capital	(9.15)	(1.10)	(5.32)	(9.23)	8.26	6.69
Free Cash Flow	(5.68)	1.54	(1.87)	(18.87)	(0.20)	(2.75)
Adjusted for non-recurring non-cash	-	-	-	-	1.13	-
Share capital reduction	(1.10)	(1.10)	-	-	-	-
Other (investments)/dispositions	0.48	0.40	1.33	0.89	(11.22)	7.00
Increase in regulatory assets	6.87	4.13	1.57	(16.56)	-	-
Net change in debt	(0.57)	(4.97)	(1.03)	34.54	9.51	(3.48)
Net Change in Cash	(0.00)	0.00	(0.00)	0.00	(0.77)	0.77

Key Financial Ratios	12 mos. to June 30, 2005	For the year ended December 31 2004	2003	2002	2001	2000
Debt/capital	63.8%	65.9%	64.5%	68.3%	59.2%	53.7%
Net debt/capital	63.8%	65.9%	64.5%	68.3%	59.2%	53.5%
EBITDA interest coverage	2.89	2.88	2.91	2.53	2.66	667.74
EBIT interest coverage	1.23	1.27	1.52	1.03	(0.91)	198.38
Cash flow-to-debt	10.5%	9.7%	10.5%	5.7%	4.1%	14.1%

Financial Profile:

- Cash flow from operations decreased over the past 18 months resulting from a 1.9% drop in annual electricity distribution volumes over the period.
  - Distribution volumes to large customers dropped about 4.6% in 2004 due to a slowdown in manufacturing activity in the Windsor area.
  - General service and residential volumes experienced a modest decline of roughly 0.6% combined.
- As such, interest coverage ratios deteriorated over this period.
- However, Enwin Powerlines has generated sufficient cash flow from operations to fully fund capital expenditures on an ongoing basis since 2003.
- In addition, total debt-to-capital has modestly improved as Enwin Powerlines reduced short-term debt with a combination of cash from operations and the recovery of regulatory assets.
  - Although, at 63.8% debt-to-capital remains well above the deemed level of 55%.
  - Cash flow-to-debt remained largely unchanged.
- DBRS notes that leverage at this level is at the high end for an A (low) rating, given Enwin Powerlines' size and risk profile.

Outlook:

- Earnings (before extras.) in 2005 are expected to be in line with 2004, but will increase substantially in 2006 as Enwin Powerlines (together with all LDCs) will receive the full benefit of the final instalment of rate increases to earn the market-based rate of return and a larger rate base beginning in 2006.
  - Earnings are expected to exceed $6 million in 2006 and experience modest growth thereafter in line with growth in throughput.
  - Annual customer growth is expected to be around 1.5% over the medium term, which is lower than the other two EDFIN LDC Participants.
- As such, DBRS expects Enwin Powerlines to continue to generate sufficient operating cash flow to fully fund capital expenditures and reduce leverage over the near to medium term.
  - Capital expenditures (net of contributions) are expected to be approximately $10 million annually over the next three years.
- After funding capital expenditures, Enwin Powerlines is expected to generate in the order of $5.0 million to $8.0 million of free cash flow annually, which will be used to pay down roughly $2.5 million in principal annually on the promissory note, with the remainder available to reduce bank indebtedness.
- Cash flow-to-debt and interest coverage ratios will gradually improve to an acceptable level for the rating over the medium term in line with the expected reduction in leverage.

- The official dividend policy is a 40% payout from Windsor Canada Utilities Ltd. ("WCU") to the City of Windsor.
  - However, no cash dividends have been paid to date.
  - At the shareholder request a $1.1 million reduction in share capital in 2004 has been accrued with similar amounts anticipated until 2006 or later.
  - It is expected that no cash dividends will be paid until leverage at Enwin Powerlines is reduced to 55%.

Bank Lines and Long-Term Debt

Bank Lines:

- Enwin Powerlines, along with Windsor Canada Utilities Inc. ("WCU") and Enwin Energy Ltd., has an available line of credit in the amount of $66.4 million and $10 million in available letters of credit.
  - As at June 30, 2005, total drawings on this line amounted to $24.1 million.

Long-Term Debt:

Enwin Powerlines' long-term debt consists of:

- $50 million issued to EDFIN, and
- An amortizing subordinated promissory note to the City of Windsor that bears interest at 6% per annum payable quarterly.
- An outstanding balance of $14.6 million at June 30, 2005.

Corporate Structure

- Enwin Powerlines is a regulated LDC with 83,816 customers (December 31, 2004), consisting of 75,107 residential, 8,699 general service, nine large customers, and one street lighting customer.
- Enwin Powerlines has a rate base of $161 million, based on 1999 values.
- Along with regulated electricity distribution, Enwin Powerlines also performs billing and collection services for the City of Windsor.
- Enwin Powerlines is a wholly owned subsidiary of WCU. WCU is wholly owned by the City of Windsor.
- WCU also wholly owns:
  - Enwin Utilities Ltd.: a non-regulated entity that provides administrative and customer service support to all related companies, and telecommunications.
  - Enwin Energy Ltd.: a non-regulated entity involved in water heater and sentinel lighting rentals.
- Debt issued through EDFIN is borrowed directly by Enwin Powerlines.

Enwin Powerlines Ltd.

Income Statement ($ millions)	12 mos. to June 30, 2005	For the year ended December 31 2004	2003	2002	2001	2000
Gross distribution revenues		218.77	221.28	257.15	232.80	215.21
Power purchases		182.45	183.60	222.21	207.92	192.59
Net distribution revenues	35.68	36.33	37.68	34.94	24.87	22.62
Ancillary revenues	2.92	3.08	2.71	3.99	3.08	1.96
Net operating revenues	38.60	39.41	40.39	38.93	27.96	24.58
Expenses:						
Operating and maintenance	22.73	23.38	22.55	7.14	2.32	4.28
Services provided by related parties	-	-	-	18.19	15.56	9.21
Administrative and other operating	-	-	-	0.73	4.92	1.14
Depreciation	9.11	8.93	8.55	7.73	7.43	7.00
Total operating expenses	31.84	32.31	31.10	33.79	30.22	21.62
Operating income	6.75	7.10	9.29	5.15	(2.27)	2.96
Interest income	-	-	-	0.20	0.38	-
Earnings before interest & taxes (EBIT)	6.75	7.10	9.29	5.35	(1.89)	2.96
Interest expense	5.50	5.57	6.13	5.17	2.08	0.01
Non-cash financial charges	-	-	-	-	-	-
Net financial expense	5.50	5.57	6.13	5.17	2.08	0.01
Pre-tax income	1.26	1.53	3.16	0.18	(3.97)	2.94
Income taxes	0.27	0.28	0.42	0.41	0.09	-
Income before extraordinary items	0.98	1.25	2.74	(0.23)	(4.06)	2.94
Extraordinary items	(5.95)	(6.01)	(0.23)	(0.32)	1.13	-
Net Income	(4.96)	(4.75)	2.51	(0.55)	(2.93)	2.94

Cash Flow Statements ($ millions)	12 mos. to June 30, 2005	For the year ended December 31 2004	2003	2002	2001	2000
Net income (before extras.)	0.98	1.25	2.74	(0.23)	(4.06)	2.94
Depreciation	9.11	8.93	8.55	7.73	7.43	7.00
Other non-cash items	0.56	0.58	0.81	(0.01)	0.24	0.58
Cash Flow From Operations	10.66	10.77	12.10	7.49	3.61	10.51
Common dividends	-	-	-	-	-	-
Capex (net of capital contrib.)	(7.18)	(8.13)	(8.65)	(17.13)	(12.06)	(19.95)
Cash Flow Before Working Capital	3.48	2.64	3.45	(9.65)	(8.45)	(9.44)
Changes in working capital	(9.15)	(1.10)	(5.32)	(9.23)	8.26	6.69
Free Cash Flow	(5.68)	1.54	(1.87)	(18.87)	(0.20)	(2.75)
Adjusted for non-recurring non-cash	-	-	-	-	1.13	-
Share capital reduction	(1.10)	(1.10)	-	-	-	-
Other (investments)/dispositions	0.48	0.40	1.33	0.89	(11.22)	7.00
Increase in regulatory assets	6.87	4.13	1.57	(16.56)	-	-
Net change in debt	(0.57)	(4.97)	(1.03)	34.54	9.51	(3.48)
Net Change in Cash	(0.00)	0.00	(0.00)	0.00	(0.77)	0.77

Capital Structure	June 30, 2005	2004	2003	2002	2001	2000
Bank and bankers' acceptance (s.t.)	37.39	46.31	47.73	61.36	67.16	2.72
Promissory note	14.57	14.57	17.02	19.33	21.52	71.72
Debt from EDFIN	50.00	50.00	50.00	50.00	-	-
Total Debt	101.96	110.88	114.74	130.69	88.68	74.43
Equity	57.75	57.28	63.13	60.62	61.18	64.11
Total Capital	159.71	168.16	177.88	191.31	149.86	138.54

Key Financial Ratios	12 mos. to June 30, 2005	2004	2003	2002	2001	2000
Debt/capital	63.8%	65.9%	64.5%	68.3%	59.2%	53.7%
Net debt/capital	63.8%	65.9%	64.5%	68.3%	59.2%	53.5%
EBITDA interest coverage	2.89	2.88	2.91	2.53	2.66	667.74
EBIT interest coverage	1.23	1.27	1.52	1.03	(0.91)	198.38
Cash flow-to-debt	10.5%	9.7%	10.5%	5.7%	4.1%	14.1%

Enwin Powerlines Ltd.

Balance Sheet ($ thousands)	As at	As at December 31				As at	As at December 31	
Assets	June 30, 2005	2004	2003	**Liabilities & Equity**		June 30, 2005	2004	2003
Cash & short-term investments	-	-	-	Short-term debt		40.0	48.9	50.2
A/R + unbilled revenue	39.4	33.0	28.2	A/P + accruals		27.4	24.3	20.0
Inventories	1.5	1.7	2.0	**Current Liabilities**		67.3	73.2	70.1
Regulatory assets	(2.4)	4.9	15.0	Customer deposits		0.9	1.0	1.1
Other	4.0	6.3	4.3	Long-term debt		62.0	62.0	64.6
Current Assets	42.5	45.8	49.5	Other liabilities		12.2	12.0	11.6
Net fixed assets	147.3	148.7	149.5	Shareholders' equity		57.7	57.3	63.1
Net investment in lease	8.8	9.0	9.5					
Other assets	1.6	1.9	2.0					
Total	200.1	205.4	210.6	**Total**		200.1	205.4	210.6

	12 mos. to	For the year ended December 31							
Profitability/Operating Efficiency	June 30, 2005	2004	2003	2002	2001	2000	1999	1998	1997
Operating margin	17.5%	18.0%	23.0%	13.2%	-8.1%	12.0%	24.6%	34.0%	21.5%
Pre-tax margin (bef. extras.)	3.3%	3.9%	7.8%	0.5%	-14.2%	12.0%	27.0%	37.4%	24.2%
Return on avg. common equity	1.6%	2.1%	4.4%	-0.4%	-6.5%	2.8%	4.6%	6.9%	7.9%
MWh sold/employee	-	11,840	11,233	11,139	10,711	11,757	11,816	11,571	10,701
Customers/employee	-	313	285	267	262	286	288	290	283
Oper. costs (1) /avg. customer ($)	-	283	278	326	293	190	149	141	152
Rate base –- ($ millions)	161.3	161.3	161.3	161.3	161.3	161.3	161.3	-	-
Number of employees	-	268	288	304	305	275	263	261	263
Peak system demand (MW)	-	602	609	640	624	584	582	570	531

Electricity Throughputs	% for 2004	2004	2003	2002	2001	2000	1999	1998	1997
Residential	21.3%	675.0	684.0	666.8	643.2	629.7	622.8	618.1	572.7
General service	46.2%	1,467.0	1,471.0	1,449.1	1,398.0	1,403.2	1,310.7	1,322.0	1,269.8
Large users	31.8%	1,008.0	1,057.0	1,254.3	1,210.0	1,184.2	1,158.3	1,064.3	956.5
Street lighting	0.7%	23.0	23.0	16.2	15.6	16.0	15.8	15.6	15.3
Total – (GWh)		3,173.0	3,235.0	3,386.3	3,267	3,233	3,108	3,020	2,814
Growth in electricity throughputs		-1.9%	-4.5%	3.7%	1.0%	4.0%	2.9%	7.3%	-1.1%

Number of Customers	% for 2004	2004	2003	2002	2001	2000	1999	1998	1997
Residential	89.6%	75,107	73,512	72,501	71,395	70,059	67,747	67,469	66,266
General service	10.4%	8,699	8,638	8,806	8,600	8,648	8,100	8,131	8,094
Large users	0.0%	9	10	10	10	10	10	10	8
Street lighting	0.0%	1	1	1	1	1	1	1	1
Total		83,816	82,161	81,318	80,006	78,718	75,858	75,611	74,369
Growth in customer base		2.0%	1.0%	1.6%	1.6%	3.8%	0.3%	1.7%	1.8%

Unit Revenues & Costs (cents per kWh throughputs)	2004	2003	2002	2001	2000	1999	1998	1997
Average gross revenues	6.99	6.92	7.71	7.22	6.72	6.79	6.84	6.81
Power costs	5.75	5.68	6.56	6.36	5.96	6.00	5.99	6.04
Average net revenues	1.24	1.25	1.15	0.86	0.76	0.79	0.85	0.78
Variable costs (OM&A + PILS)	0.75	0.71	0.78	0.70	0.45	0.36	0.35	0.40
Fixed costs (deprec., int., gov't levies)	0.46	0.45	0.38	0.29	0.22	0.28	0.22	0.22
Total costs (excl. power costs)	1.20	1.16	1.16	0.99	0.67	0.64	0.57	0.61
Net margin	0.04	0.08	(0.01)	(0.14)	0.09	0.15	0.28	0.16

(1) Excludes municipal and property taxes.

Barrie Hydro Distribution Inc.

RATING

Rating	Trend	Rating Action	Debt Rated
A	Stable	Confirmed	Issuer Rating

RATING HISTORY	Current	2004	2003	2002	2001	2000
Senior Unsecured Debentures	A	A	A	A	NR	NR

RATING UPDATE

The rating on Barrie Hydro Distribution, Inc. ("BHDI") is confirmed as noted, based on the strength and stability of its regulated electricity distribution operations. For a regulated electricity distribution company, BHDI has a favourable financial risk profile characterized by a strong balance sheet, with 38% debt in its capital structure and favourable interest coverage and cash flow-to-debt ratios. However, as expected by DBRS, BHDI generated a cash flow deficit (before changes in working capital) in 2004 as a result of BHDI starting to pay dividends to its shareholder, the City of Barrie, and incurring significantly higher capital expenditures to fund growth-related projects such as a new distribution sub-station and the installation of distribution lines in new developments.

Earnings are expected to grow modestly over the near to medium term as a result of strong customer growth (expected to be near 5% annually) and a growing rate base. However, despite favourable earnings and cash flow growth, DBRS expects a moderate free cash deficit to continue over the next few years largely due to: (1) higher capital expenditures to accommodate growth in BHDI's service area, and (2) the continuation of paying dividends.

While the expected free cash deficit will increase leverage, debt-to-capital is not expected to surpass the deemed level of 55% over the medium to longer term. As such, key financial ratios are expected to remain strong and continue to support BHDI's current rating. In addition, it is expected that dividend payments would be reduced or eliminated to avoid a material deterioration in BHDI's financial profile.

UNIQUE RATING CONSIDERATIONS

Strengths:

- The city of Barrie is situated in an area of strong growth. Population growth in Barrie has averaged approximately 5% per year over the past five years. Similar growth is expected over the medium term and should lead to favourable load growth.
- BHDI has a high proportion of residential customers. Residential customers account for approximately 50% of electricity revenues, providing a stable source of demand as these customers are less affected by economical cycles than commercial/industrial.

Challenges:

- To accommodate growth, capital expenditures are expected to increase significantly over the near term. This is largely due to:
  – A high growth rate in BHDI's service area, and
  – Capital contributions from developers, which will be less than forecasts at the time of the original EDFIN debt issuance.

FINANCIAL INFORMATION

	12 mos. ended	For the year ended December 31				
	June 30, 2005	2004	2003	2002	2001	2000
EBIT interest coverage (times)	3.68	3.48	3.26	2.25	0.42	(1.35)
Total debt-to-capital	37.8%	40.0%	40.4%	45.6%	29.4%	24.7%
Cash flow-to-total debt	25.9%	23.5%	27.7%	18.1%	15.7%	25.6%
Operating cash flow ($ millions)	11.6	11.3	12.9	9.5	5.1	6.7
Net income before extras. ($ millions)	4.4	4.3	6.5	3.4	(1.1)	(1.1)
Operating margin	41.9%	39.8%	39.2%	35.3%	3.8%	-5.5%
Return on average equity	6.1%	6.1%	9.9%	4.8%	-1.3%	-1.3%
Electricity throughput (GWh)	-	1,474	1,419	1,374	1,255	1,251
Customer base	-	63,973	61,597	59,220	56,554	54,117

FINANCIAL PROFILE AND OUTLOOK

	12 mos. ended	For the year ended December 31				
Cash Flow Statements ($ millions)	June 30, 2005	2004	2003	2002	2001	2000
Net income (before extras.)	4.38	4.26	6.51	3.41	(1.05)	(1.07)
Depreciation	7.15	6.91	6.35	5.99	6.15	4.96
Other non-cash items	0.11	0.11	0.08	0.06	0.05	2.79
Cash Flow From Operations	11.64	11.28	12.94	9.47	5.14	6.68
Common dividends	(1.28)	(1.10)	-	-	-	-
Capital expenditures	(13.74)	(13.40)	(9.97)	(6.62)	(4.51)	(6.74)
Cash Flow Before Working Capital	(3.37)	(3.21)	2.97	2.85	0.64	(0.06)
Changes in working capital	(0.28)	2.03	3.82	(7.17)	(4.70)	7.43
Free Cash Flow	(3.65)	(1.18)	6.79	(4.33)	(4.07)	7.37
Other (investments)/dispositions	(0.56)	(0.20)	0.05	(0.69)	0.24	(187.87)
Customer deposits	2.91	0.87	1.41	0.84	0.23	
(Increase in)/recovery of regulatory assets	3.20	1.72	(1.14)	(3.75)	-	-
Deferrred charges	(0.48)	(0.48)				
Net change in equity	-	-	-	-	-	161.49
Net change in debt	-	-	(0.15)	(5.57)	5.24	23.28
Net Change in Cash	1.42	0.74	6.96	(13.49)	1.65	4.28
Key Financial Ratios	June 30, 2005	2004	2003	2002	2001	2000
Total debt-to-capital*	37.8%	40.0%	40.4%	45.6%	29.4%	24.7%
Net debt-to-capital*	35.4%	39.4%	40.2%	45.6%	24.7%	20.9%
EBITDA interest coverage	5.78	5.59	5.13	3.98	4.59	9.56
EBIT interest coverage	3.68	3.48	3.26	2.25	0.42	(1.35)
Cash flow-to-total debt	25.9%	23.5%	27.7%	18.1%	15.7%	25.6%

* Includes promissory note to shareholder.

Financial Profile:

- BHDI has a relatively strong financial profile for a regulated distribution utility, characterized by:
  - Low leverage, 37.8% debt-to-capital is well below the deemed debt amount of 55%, and
  - Low leverage has resulted in favourable interest coverage and cash flow-to-debt ratios.
- Until 2004, BHDI had generated sufficient cash flow from operations to fund its capital expenditures.
  - However, beginning in 2004, BHDI began to declare dividends to its shareholder and incurred significantly higher capital expenditures, which led to a free cash flow deficit in 2004 and for the 12 months ended June 30, 2005.
- BHDI's new dividend policy is to pay out 30% of BHDI's net income after extraordinary items for the year.
- The significant increase in capital expenditures in 2004 was to fund growth-related projects such as a new distribution sub-station and the installation of distribution lines in new developments.

Outlook:

- Earnings are expected to continue experiencing modest growth over the near to medium term, largely due to:
  - A strong customer growth rate (expected to be near 5% annually), and
  - A growing rate base in response to the high population growth rate in Barrie and the surrounding area.
- Despite favourable customer and load growth, BHDI will be challenged to generate sufficient operating cash flows to fully fund a higher level of capital expenditures and dividend payments over the next three to four years.
  - Capital expenditures are expected to be in the $15 million to $16 million range until at least 2008, with roughly two-thirds spent on growth-related initiatives.
  - DBRS expects dividends will be managed to eventually bring BHDI's debt-to-capital to near the deemed level of 55%.
- Despite an expected increase in BHDI's debt-to-capital, interest coverage and cash flow-to-debt ratios are expected to remain strong over the medium term and within a range that continues to support the current rating.

BANK LINES AND LONG-TERM DEBT

Bank Lines:
BHDI has $15 million in bank lines, of which nil was drawn on June 30, 2005.

Long-Term Debt:
BHDI's long-term debt consists of:

- $25 million issued to EDFIN, maturing August 15, 2012; and
- A $20 million subordinated promissory note to its principal shareholder, the City of Barrie, with principal due January 1, 2006. The expiry date on the promissory note will likely be extended by the City of Barrie in 2006. However, thereafter, it is highly likely that this debt will be refinanced using bank debt.
  – Interest payments are contingent upon BHDI meeting specific banking financial criteria, which are favourable for the Company's financial profile.

CORPORATE STRUCTURE

- BHDI is a regulated LDC with 63,973 customers (December 31, 2004) within its service area consisting of 57,473 residential, 6,493 general service, and seven street lighting customers.
- BHDI has a 1999 rate base of $108 million.
- BHDI does not have interests in any non-regulated activities, nor does it intend to enter any at this time.
- BHDI is an amalgamation of five distribution utilities after it acquired LDCs in Penetanguishene, Essa, New Tecumseth, and Bradford/West Gwillimbury in 2000.
- BHDI is a wholly owned subsidiary of Barrie Hydro Holdings Inc. ("BHHI").
- BHHI also: (1) owns Barrie Hydro Energy Services Inc., a non-regulated energy services company, and (2) has a $4.5 million investment in SCBN Telecommunication Inc., a company providing fibre-optics throughout Simcoe County.
- Debt issued through EDFIN is borrowed directly by BHDI and not the holding company or any of its subsidiaries.

dbrs

Barrie Hydro Distribution Inc.

Income Statements	12 mos. ended	For the year ended December 31				
($ millions)	June 30, 2005	2004	2003	2002	2001	2000
Gross distribution revenues	123.92	123.21	104.11	102.44	103.64	71.58
Power purchases	97.78	97.78	78.62	82.09	88.51	63.17
Net distribution revenues	26.14	25.42	25.49	20.35	15.13	8.41
Ancillary revenues	3.49	3.34	2.90	1.80	1.20	2.80
Net operating revenues	29.63	28.77	28.39	22.16	16.32	11.21
Expenses						
Operating and maintenance	3.86	4.10	4.69	5.11	6.46	5.14
General and administration	6.30	6.30	6.22	3.25	3.08	1.72
Municipal and property taxes	0.00	-	-	-	-	-
Depreciation & amortization	7.06	6.91	6.35	5.99	6.16	4.96
Total operating expenses	17.22	17.32	17.25	14.35	15.71	11.82
Operating income	12.41	11.45	11.14	7.81	0.61	(0.61)
Other (income)/expense	-	-	-	-	-	-
Earnings before interest & taxes (EBIT)	12.41	11.45	11.14	7.81	0.61	(0.61)
Interest expense	3.37	3.29	3.41	3.47	1.48	0.45
Non-cash financial charges	-	-	-	-	-	-
Other financial (income)/expense	-	-	-	-	-	-
Net interest expense	3.37	3.29	3.41	3.47	1.48	0.45
Pre-tax income	9.04	8.16	7.73	4.34	(0.86)	(1.07)
Income taxes/PILS	4.66	3.90	1.21	0.93	0.19	-
Income before extraordinary items	4.38	4.26	6.51	3.41	(1.05)	(1.07)
Extraordinary items	-	-	-	-	0.35	0.10
Net Income	4.38	4.262	6.513	3.41	(0.70)	(0.97)

	12 mos. ended	For the year ended December 31				
Cash Flow Statements ($ millions)	June 30, 2005	2004	2003	2002	2001	2000
Net income (before extras.)	4.38	4.26	6.51	3.41	(1.05)	(1.07)
Depreciation	7.15	6.91	6.35	5.99	6.15	4.96
Other non-cash items	0.11	0.11	0.08	0.06	0.05	2.79
Cash Flow From Operations	11.64	11.28	12.94	9.47	5.14	6.68
Common dividends	(1.28)	(1.10)	-	-	-	-
Capital expenditures	(13.74)	(13.40)	(9.97)	(6.62)	(4.51)	(6.74)
Cash Flow Before Working Capital	(3.37)	(3.21)	2.97	2.85	0.64	(0.06)
Changes in working capital	(0.28)	2.03	3.82	(7.17)	(4.70)	7.43
Free Cash Flow	(3.65)	(1.18)	6.79	(4.33)	(4.07)	7.37
Other (investments)/dispositions	(0.56)	(0.20)	0.05	(0.69)	0.24	(187.87)
Customer deposits	2.91	0.87	1.41	0.84	0.23	
(Increase in)/recovery of regulatory assets	3.20	1.72	(1.14)	(3.75)	-	-
Deferrred charges	(0.48)	(0.48)				
Net change in equity	-	-	-	-	-	161.49
Net change in debt	-	-	(0.15)	(5.57)	5.24	23.28
Net Change in Cash	1.42	0.74	6.96	(13.49)	1.65	4.28

	12 mos. ended					
Capital Structure	June 30, 2005	2004	2003	2002	2001	2000
Short-term debt	-	3.03	1.64	7.35	32.80	26.10
Promissory notes	20.00	20.00	20.00	20.00	-	-
Debt from EDFIN	25.00	25.00	25.00	25.00	-	-
Total Debt	45.00	48.03	46.64	52.35	32.80	26.10
Total equity	73.93	72.02	68.86	62.35	78.93	79.48
Total Capital	118.9	120.1	115.5	114.7	111.7	105.6

	12 mos. ended					
Key Financial Ratios	June 30, 2005	2004	2003	2002	2001	2000
Total debt-to-capital*	37.8%	40.0%	40.4%	45.6%	29.4%	24.7%
Net debt-to-capital*	35.4%	39.4%	40.2%	45.6%	24.7%	20.9%
EBITDA interest coverage	5.78	5.59	5.13	3.98	4.59	9.56
EBIT interest coverage	3.68	3.48	3.26	2.25	0.42	(1.35)
Cash flow-to-total debt	25.9%	23.5%	27.7%	18.1%	15.7%	25.6%

* Includes promissory note to shareholder.

Barrie Hydro Distribution Inc.

Balance Sheet

($ millions)	As at	As at December 31			As at	As at December 31	
Assets	June 30, 2005	2004	2003	**Liabilities & Equity**	June 30, 2005	2004	2003
Cash & short-term. investments	4.5	1.1	0.4	Short-term debt	-	-	-
A/R & unbilled revenue	25.7	23.7	21.1	A/P + accruals	20.5	19.4	17.9
Inventories	3.5	1.1	1.2	Customer deposits	17.0	6.8	3.9
Goodwill and other assets	-	0.3	1.9	**Current Liabilities**	37.5	26.1	21.7
Current Assets	33.8	26.3	24.6	Customer deposits	0.0	2.3	3.0
Net fixed assets	117.1	107.6	101.1	Long-term debt	45.0	45.0	45.0
Regulatory assets	1.3	3.2	4.9	Other liabilities	6.4	3.3	3.4
Other assets	10.7	11.7	11.4	Shareholders' equity	73.9	72.0	68.9
Total	162.9	148.8	142.0	**Total**	162.9	148.8	142.0

	12 mos. ended	For the year ended December 31						
Profitability/Operating Efficiency	June 30, 2005	2004	2003	2002	2001	2000	1999	1998
Operating margin	41.9%	39.8%	39.2%	35.3%	3.8%	-5.5%	18.1%	7.4%
Pre-tax margin (bef. extras.)	14.8%	14.8%	22.9%	15.4%	-6.4%	-9.5%	15.0%	2.2%
Return on avg. common equity	6.0%	6.1%	9.9%	4.8%	-1.3%	-1.3%	2.1%	0.3%
MWh sold/employee	-	12,706	12,556	11,741	11,305	11,274	7,774	-
Customers/employee	-	551	545	506	509	488	323	-
Oper. costs /avg. customer ($)	-	166	180	144	172	153	156	177
Rate base – ($ millions)	-	108	108	108	108	108	108	-
Number of employees	-	116	113	117	111	111	110	-
Peak system demand (MW)	-	274.9	283.8	290.7	253.3	232.1	-	-
Electricity Throughputs								
Residential		517.3	508.9	496.8	448.1	412.1	267.8	243.7
General service		951.5	899.7	867.8	794.1	778.2	535.2	499.1
Large users		-	-	-	2.7	51.9	46.4	42.7
Street lighting		5.1	10.2	9.1	9.9	9.3	5.7	5.6
Total – (GWh)		1,473.9	1,418.8	1,373.7	1,254.9	1,251.4	855.1	791.1
Growth in electricity throughputs		3.9%	3.3%	9.5%	0.3%	46.3%	8.1%	2.4%

Note: A significant portion of the increase in throughput in 2002 was due to a change in in the method for accounting for unbilled sales.

Number of Customers	2004	2003	2002	2001	2000	1999	1998
Residential	57,473	55,195	52,941	50,436	48,205	31,451	29,505
General service	6,493	6,395	6,273	6,111	5,905	4,093	3,958
Large users	-	-	-	1	1	1	1
Street lighting	7	7	6	6	6	1	1
Total	63,973	61,597	59,220	56,554	54,117	35,546	33,465
Growth in customer base	3.9%	4.0%	4.7%	4.5%	52.2%	6.2%	5.5%
Unit Revenues & Costs (cents per kWh throughputs)							
Average gross distribution revenues	8.59	7.54	7.59	8.35	5.94	7.84	7.87
Power costs	6.63	5.54	5.98	7.05	5.05	6.51	6.58
Average net distribution revenues	1.95	2.00	1.61	1.30	0.90	1.33	1.29
Variable costs (OM&A + PILS)	0.97	0.85	0.68	0.78	0.55	0.63	0.73
Fixed costs (deprec., int., gov't levies)	0.69	0.69	0.69	0.61	0.43	0.50	0.53
Total costs (excl power costs)	1.66	1.54	1.36	1.38	0.98	1.13	1.26
Net margin	0.29	0.46	0.25	(0.08)	(0.09)	0.20	0.03