COLLUS Power Corp (Member of ECMI Group) response to School Energy Coalition (SEC) questions as part of the Technical Conference process.

October 10, 2006

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

COLLUS Power Corp 2006 audited statements are attached.

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

Business plans are often strategic items and as opposed to a specific project complete disclosure to a 3rd party would be unreasonable disclosure of commercially sensitive material.

No specific response is provided.

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

Valuation of an LDC contains extremely commercially sensitive information and if provided could certainly be detrimental in any future potential merger or divestiture discussions. If this information is made available it could "impose barriers to consolidation within the electricity distribution sector."

No specific response is provided.

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

Such documents would probably contain extremely commercially sensitive information and if provided could certainly be detrimental in any future potential merger discussions. If this information is made available it could "impose barriers to consolidation within the electricity distribution sector."

No specific response is provided.

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 short term cost of money may be very dependent on the specific situation in which an LDC finds itself. The disclosure of the existence or non existence of debt covenants could jeopardise any potential future borrowings.

No specific response is provided.

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

A bond rating by a bond rating agency may or may not be valid. Further, the credit rating of a public sector shareholder where it is a municipality that operates under the Municipal Act is not relevant because the MA imposes all sorts of requirements on the Municipality. Potentially the Ontario government may provide an implicit guarantee to any borrowing by a municipal corporation. The Ontario government has demonstrated its willingness to appoint a Superintendent to administer the activities of a municipality should its debt become of concern to the Minister. The statute which created municipally owned LDCs clearly states that such LDCs are OBCA companies and therefore can go bankrupt.

No specific response is provided.

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

The LDC's Board may be in conflict with its fiduciary duties if it releases this information. If any LDC finds itself unable to raise debt in the public market, then demands on existing equity imposed by the Distribution System Code or Transmission System Code or other Codes may leave them cash poor. In any case, LDCs are constrained in attracting equity investment without potentially triggering the Transfer Tax.

No specific response is provided.

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

The LDC's Board may be in conflict with its fiduciary duties if it releases this information. If any LDC finds itself unable to raise debt in the public market, then demands on existing equity imposed by the Distribution System Code or Transmission System Code or other Codes may leave them cash poor. In any case, LDCs are constrained in attracting equity investment without potentially triggering the Transfer Tax. The LDCs rate base would have to be defined for each year as the working capital allowance is not determined for each year nor the basis for such determination established by the OEB. It is not possible to provide the rate bases as requested.

No specific response is provided.

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

The division of clusters of assets by age is not readily available and existing documents will not provide the specific information requested.

No specific response is provided.

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 Canada's.

Response

Not all long term debt is issued for a 10 year period, Negotiated terms for long term debt are often negotiated in a different period than the actual date of issue. Specific response to this question might be misleading.

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

The question posed is not sufficiently specific to permit an answer. No specific response is provided.

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

Any such alignment would have to occur over a period of time consistent with the terms of any such contract. As this information may relate to filing information specific to an individual it may well be in violation of Federal protection of privacy information.

No specific response is provided.

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

The disclosure of the existence or non existence of attempted joint borrowing debt covenants could jeopardise any potential future borrowings.

No specific response is provided.

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

The HOLDCO audited statements are not provided as Holdco is not a regulated entity.

No specific response is provided

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 2006 "Bill Impacts" pages are included (Appendix A) for the 2006 EDR Model. Time constraints with this request do not allow for comparable calculations using 2000 and 2003 approved distribution rates.

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

The applicable Tier 1 pages from the 2006 EDR are provided in Appendix B. The total revenue requirement applied for and approved in the 2006 EDR is $5,497,401.