

**Technical Conference Questions of the
School Energy Coalition**

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.

Chatham-Kent Hydro (CKH) and Middlesex Power Distribution Corporation (MPDC) have filed their 2005 audited financial statements with the Ontario Energy Board (OEB) as required in the Reporting and Record Keeping Requirements (RRR).

To assist the OEB and the participants in this proceeding we have attached them.

**Technical Conference Questions of the
School Energy Coalition**

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.

This proceeding is of a generic nature and not a detailed rate application by either CKH or MPDC, therefore the Business Plans will not be provided.

However, CKH and MPDC have provided answers to OEB Staff question #1 which provides information on the expected impacts that will occur to the LDCs caused by the change in capital structure.

CKH and MPDC have also provided some information as to significant capital programs in OEB Staff Question #9.

**Technical Conference Questions of the
School Energy Coalition**

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.

MPDC had sold their shares to Chatham-Kent Energy (CKE) in 2005, details of transaction are provided in the answer to OEB Staff question #2.

**Technical Conference Questions of the
School Energy Coalition**

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.

No document is available.

**Technical Conference Questions of the
School Energy Coalition**

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.

No such covenants are in place at this time.

However for future impacts please review answer to OEB Staff question #1.

**Technical Conference Questions of the
School Energy Coalition**

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.

CKH and MPDC do not have a credit rating.

**Technical Conference Questions of the
School Energy Coalition**

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.

No additional equity investments have been undertaken.

**Technical Conference Questions of the
School Energy Coalition**

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.

See Appendix 1.

**Technical Conference Questions of the
School Energy Coalition**

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

This proceeding is of a generic nature and not a detailed rate application by either CKH or MPDC, therefore details of the fixed assets will not be provided.

However, to assist the OEB and the participants of this proceeding, CKH and MPDC, have provided some information as to the significant capital programs in the answer to OEB Staff question #9.

**Technical Conference Questions of the
School Energy Coalition**

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.

CKH and MPDC do not have any publicly traded debt.

**Technical Conference Questions of the
School Energy Coalition**

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.

There is the Comparators and Cohorts Study that was prepared by the OEB, which can be found on their website.

**Technical Conference Questions of the
School Energy Coalition**

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.

CKH has a performance package that was filed in their 2006 rate application, EB-2005-0350, at Tab 6, Schedule 6-5.

CKH also responded to a question from VECC regarding the performance based compensation.

Schedule 6-5 and the response to VECC's questions are provided in Appendix 2.

MPDC does not have any such plans.

**Technical Conference Questions of the
School Energy Coalition**

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.

No borrowings by CKH or MPDC have been attempted or completed.

**Technical Conference Questions of the
School Energy Coalition**

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.

CKE is the holding company of CKH and MPDC, CKE has a credit rating Standard and Poor's and the rating is A-.

**Technical Conference Questions of the
School Energy Coalition**

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.

See Appendix 3.

**Technical Conference Questions of the
School Energy Coalition**

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.

The Tier 1 adjustments that were filed in the 2006 rate applications for CKH (EB-2005-035) and MPDC (EB-2005-0351).

Tier 1 Distribution Expense Adjustments

	CKH	MPDC
OEB annual fees	109,630	5,916
Pension	112,163	(578)
Insurance	5,030	2,798
Low voltage charges	562,500	48,384
Amortization of Tier 1 rate base adjustments	50,400	23,238

Tier 1 Capital Adjustment

	CKH	MPDC
Wholesale meters	510,000	77,839

Total revenue requirement

	CKH	MPDC
Total Revenue requirement	14,331,000	2,944,000